

THE KING'S UNIVERSITY COLLEGE
Consolidated Financial Statements
Year Ended March 31, 2011

THE KING'S UNIVERSITY COLLEGE
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Year Ended March 31, 2011

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An independent member firm
of  DFK
INTERNATIONAL

June 10, 2011
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members of The King's University College

We have audited the accompanying consolidated financial statements of The King's University College, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The King's University College as at March 31, 2011, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.



Kingston Ross Pasnak LLP
Chartered Accountants

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Financial Position
March 31, 2011

	2011	2010
ASSETS		
CURRENT		
Cash	\$ 1,402,094	\$ 1,892,509
Accounts receivable	70,338	494,438
Endowment receivable	10,000	10,000
Bookstore inventory	136,045	170,900
Prepaid expenses and deposits	393,477	252,709
	2,011,954	2,820,556
ENDOWMENT RECEIVABLE	30,000	40,000
INVESTMENTS (Note 3)	3,024,511	2,755,292
PROPERTY AND EQUIPMENT (Note 4)	21,658,586	20,873,675
	\$ 26,725,051	\$ 26,489,523
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 5)	\$ -	\$ 208,338
Accounts payable and accrued liabilities	814,871	728,711
Deferred revenue	1,429,915	1,569,751
Deferred contributions (Note 6)	794,498	694,798
Mortgage payable (Note 7)	11,515,234	11,346,091
Debenture payable (Note 8)	1,997,500	1,997,500
Current portion of long term debt (Note 9)	1,226,400	1,025,377
	17,778,418	17,570,566
LONG TERM DEBT (Note 9)	2,094,932	2,201,115
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	4,012,412	3,189,062
	23,885,762	22,960,743
NET ASSETS		
Investment in property and equipment	1,171,313	1,483,737
Endowments (Note 11)	1,863,967	1,816,677
Internally restricted (Note 12)	282,459	208,252
Accumulated operating (deficit) surplus	(478,450)	20,114
	2,839,289	3,528,780
	\$ 26,725,051	\$ 26,489,523

ON BEHALF OF THE BOARD

Signed - "Jim Visser" Director

Signed - "Christine Ellis" Director

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2011

	Investment in Property and Equipment	Internally Restricted	Endowments	Accumulated Operating (Deficit) Surplus	2011	2010
NET ASSETS - BEGINNING OF YEAR	\$ 1,483,737	\$ 208,252	\$ 1,816,677	\$ 20,114	\$ 3,528,780	\$ 3,298,746
(Deficiency) excess of revenue over expenses	-	-	-	(736,781)	(736,781)	145,960
Endowment contributions	-	-	47,290	-	47,290	84,074
Transfer for:						
Internally restricted funds	-	74,207	-	(74,207)	-	-
Acquisition of internally funded property and equipment	1,083,959	-	-	(1,083,959)	-	-
Amortization of internally funded property and equipment	(1,119,319)	-	-	1,119,319	-	-
Net book value of property and equipment disposals	(3,081)	-	-	3,081	-	-
Change in mortgage, debenture and long term debt payable	(273,983)	-	-	273,983	-	-
NET ASSETS - END OF YEAR	\$ 1,171,313	\$ 282,459	\$ 1,863,967	\$ (478,450)	\$ 2,839,289	\$ 3,528,780

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Operations
Year Ended March 31, 2011

	Budget (Note 14)	2011	2010
REVENUE			
Tuition fees	\$ 5,349,042	\$ 5,322,932	\$ 4,988,076
Government grants	4,666,224	4,684,466	4,946,920
Residence and other sales	2,192,395	2,114,927	2,133,087
Donations	2,529,874	1,735,339	1,688,842
Research grants	174,161	289,334	274,767
Other income	98,200	107,520	83,271
Investment income (Note 13)	130,850	94,281	104,258
	15,140,746	14,348,799	14,219,221
EXPENSES			
Salaries and benefits	9,212,039	8,945,176	8,289,368
Amortization	1,459,934	1,458,450	1,321,625
Operating supplies and services	1,262,217	1,428,990	1,276,545
Cost of goods sold	835,617	833,692	883,498
Scholarships and awards	553,256	460,404	493,839
Travel, hospitality and conferences	394,537	457,814	413,219
Utilities	500,185	437,637	453,785
Maintenance and equipment rent	366,236	422,771	432,440
Interest on mortgage payable	287,000	260,582	192,834
Interest on long term debt	57,000	148,596	93,262
Insurance and taxes	117,900	108,414	99,571
Interest on debenture payable	140,000	75,289	81,802
Professional fees	41,300	44,684	36,427
Loss on disposal of property and equipment	-	3,081	5,046
	15,227,221	15,085,580	14,073,261
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	\$ (86,475)	\$ (736,781)	\$ 145,960

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Cash Flow
Year Ended March 31, 2011

	2011	2010
Cash flows from operating activities		
Cash received from students for tuition and fees	\$ 5,339,664	\$ 5,090,666
Cash received from governments	4,833,651	5,170,209
Cash received from donors	1,543,953	1,547,729
Cash received from sale of goods and services	2,147,168	2,165,620
Cash received from other sources	89,940	70,655
Cash paid to employees for salaries and benefits	(8,923,357)	(8,240,130)
Cash paid to suppliers for materials and services	(4,232,562)	(4,143,933)
Cash paid to creditors for interest	(223,884)	(166,864)
Cash flows from operating activities	574,573	1,493,952
Cash flows from investing activities		
Cash received from government restricted for equipment	953,612	203,450
Cash received from donors restricted for equipment	359,880	27,300
Cash received from income on investments (net of fees)	57,996	48,663
Cash received on disposal of property and equipment	-	3,585
Cash applied to purchase of property and equipment	(2,246,440)	(1,010,069)
Cash invested in investments	(38,378)	(219,435)
Cash flows from investing activities	(913,330)	(946,506)
Cash flows from financing activities		
Cash received from long term debt proceeds	115,402	786,909
Cash received for endowments	44,260	82,774
Cash paid for long term debt repayments	(102,000)	(1,196,500)
Cash flows from (used by) financing activities	57,662	(326,817)
(DECREASE) INCREASE IN CASH	(281,095)	220,629
CASH - BEGINNING OF YEAR	1,714,524	1,493,895
CASH - END OF YEAR	\$ 1,433,429	\$ 1,714,524
CASH CONSISTS OF:		
Cash	\$ 1,402,094	\$ 1,892,509
Cash and cash equivalents included in investments	31,335	30,353
Bank indebtedness	-	(208,338)
	\$ 1,433,429	\$ 1,714,524

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2011

1. AUTHORITY AND PURPOSE

The King's University College (the "University College") operates under the authority of The King's College Act, Statutes of Alberta 1979, as amended. The University College is a registered charity under the Income Tax Act (Canada) and is therefore exempt from the payment of income taxes. Its mission is to provide students with a university education from a Biblical perspective and strives to be an academic community which integrates the Christian faith with teaching, learning, research and college life, in an environment characterized by academic excellence and a personal approach to students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies observed in the preparation of the financial statements are summarized below. These policies are in accordance with Canadian generally accepted accounting principles.

Basis of Presentation

The consolidated financial statements include the accounts of The King's University College Foundation ("the Foundation"), which operates under the Companies Act of Alberta. The Foundation solicits and receives gifts and donations and provides grants and property to the University College to support and promote the educational and research activities of the University College. The Foundation is a registered charitable organization for purposes of the Income Tax Act (Canada) and, as such, is not liable for payment of income taxes.

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

Cash and Cash Equivalents

Cash consists of cash and cash equivalents. Cash equivalents are investments in money market funds and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Financial Instruments

Cash and investments are classified as held-for-trading and are measured at fair value. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities. Both accounts receivable and accounts payable and accrued liabilities are measured at amortized cost.

The University College has chosen to continue to apply Section 3861, Financial Instruments - Disclosure and Presentation, instead of adopting Section 3862, Financial Instruments - Disclosure and Section 3863, Financial Instruments - Presentation.

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THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2011

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

Inventory

Inventory of merchandise held for resale is recorded at the lower of purchased cost and net realizable value, with cost being determined periodically on an average cost basis.

Investments

The University College's investments are classified as held-for-trading, 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 College.

Property and Equipment

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

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

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

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.

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THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2011

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

Revenue Recognition

The University College follows the deferral method of accounting for contributions. Contributions restricted for purposes other than endowments or the acquisition of property and equipment are deferred and recognized as revenue in the year in which the related expenses are incurred. 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.

Unrestricted contributions are recognized as revenue when received or receivable. Endowment contributions are recognized as direct increases in net assets in the period in which they are received or receivable.

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

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

Tuition and residence fees are recognized as revenue when the instruction and services are delivered. Government grants are recognized as revenue in the year to which they relate. Revenue received for other services and products is recognized when the services and products are provided. Deferred revenue consists of tuition, residence fees and facility rental income received in advance.

Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases, wherein rental payments are expensed as incurred.

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THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2011

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

Employee Future Benefits

The University College participates with other employees 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 College's eligible employees based on their years of service and earnings.

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

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates pertain to the physical and economic lives of property and equipment and the recoverability of accounts receivable.

Not For Profit Financial Statement Presentation

The University College has chosen to continue to apply CICA Handbook Section 4400 "Financial Statement Presentation by Not-for-Profit Organizations" presentation of net assets invested in capital assets as a component of net assets separately from the unrestricted net assets balance.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2011

3. INVESTMENTS

	2011	2010
Common shares	\$ 1,496,059	\$ 1,245,955
Corporate notes	994,482	1,006,785
Deposit agreement	211,938	205,799
Pooled equity funds - Overseas	122,895	114,339
Pooled equity funds - U.S.	76,427	68,179
Pooled equity funds - Emerging Markets	46,322	41,970
Cash surrender value of life insurance policies	45,053	41,912
Cash and cash equivalents	31,335	30,353
	\$ 3,024,511	\$ 2,755,292

Investments include government bonds and corporate notes that mature at various dates to September 24, 2014. The remaining investments include equities publicly traded on Canadian, U.S., overseas and emerging markets, and are held by investment managers in equity fund portfolios. The University College's fixed income investments bear interest at rates of 2.7% to 4.92%. The rate of return on the remainder of the portfolio is dependent on the performance of the funds.

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Buildings and site improvements	\$ 24,972,023	\$ 8,035,934	\$ 16,936,089	\$ 16,589,832
Furniture and equipment	6,929,843	4,765,263	2,164,580	1,740,527
Land	1,852,592	-	1,852,592	1,852,592
Library materials	3,037,137	2,331,812	705,325	690,724
	\$ 36,791,595	\$ 15,133,009	\$ 21,658,586	\$ 20,873,675

5. BANK INDEBTEDNESS

The line of credit with ATB Financial bears interest at prime plus 0.50%, payable monthly, has an authorized limit of \$500,000 and is secured by the same terms as the debenture payable (Note 8).

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2011

6. 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:

	2011	2010
Beginning balance, related to operating funding	\$ 576,309	\$ 561,753
Add:		
Restricted donations	168,133	203,066
Restricted government grants	-	145,598
Research grants	106,160	2,958
	274,293	351,622
Less:		
Research grants recognized as revenue	(191,211)	(38,050)
Amounts transferred to deferred capital contributions	-	(55,001)
Government grants recognized as revenue	(1,018)	(89,040)
Donations recognized as revenue	(138,315)	(154,975)
Amounts transferred to endowments	(12,000)	-
	(342,544)	(337,066)
Ending balance, related to operating funding	\$ 508,058	\$ 576,309
Beginning balance, related to investment income	\$ 118,489	\$ (194,930)
Add:		
Dividend and interest income earned	70,465	59,623
Changes in unrealized gains	191,767	359,446
	262,232	419,069
Less:		
Amounts added directly to endowments	-	(1,392)
Amount recognized as investment income in the period	(94,281)	(104,258)
	(94,281)	(105,650)
Ending balance, related to investment income	\$ 286,440	\$ 118,489
	\$ 794,498	\$ 694,798

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2011

7. MORTGAGE PAYABLE

The mortgage payable to The King's Group Registered Retirement Savings Plan (the King's RRSP) is secured by a second mortgage against the land and buildings. The King's RRSP is trusted by Concentra Trust. Funds may be advanced to a maximum of \$15 million bearing interest at a variable rate set quarterly at least equivalent to Bank of Montreal rates for one year, non-redeemable guaranteed investment certificates under \$100,000. For the quarter ended March 31, 2011 the rate was 2.75% (2010 - 1.50%) The mortgage payable matures on the first day of April 2014. Interest is compounded quarterly and reinvested in the mortgage until the full advance has been made.

Due to the legal right of plan holders to demand repayment, the mortgage payable has been classified as a current liability. Since the King's RRSP inception in 1992, however, advances on the mortgage have exceeded repayments.

Scheduled minimum repayments related to Registered Retirement Income Fund (RRIF) plans in each of the next five years are approximately as follows:

	2011
2012	\$ 265,500
2013	281,700
2014	303,700
2015	326,100
2016	346,179
Subsequent years	9,992,055
	\$ 11,515,234

8. DEBENTURE PAYABLE

Debenture payable to ATB Financial is secured by a General Security Agreement covering all assets of the University College and a debenture from the borrower in the amount of \$10,000,000 providing a floating charge over all undertakings of the University College and a fixed charge on specified lands. Interest at prime plus 1.00% is payable monthly. Annual principal repayments of \$235,000 are required. Prepayments and payouts in full are permitted at anytime without penalty or bonus. The debenture is due on demand. During the year, no principal repayment was made due to the University College having prepaid required principal repayments during previous years.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2011

9. LONG TERM DEBT	2011	2010
Various notes payable, unsecured, carrying variable interest rates from 0% to 5.00% and repayment terms due at various dates through to February 3, 2016.	\$ 3,321,332	\$ 3,226,492
Amounts payable within one year	(1,226,400)	(1,025,377)
	\$ 2,094,932	\$ 2,201,115

Principal repayment terms are approximately:

2012	\$ 1,226,400
2013	542,176
2014	645,539
2015	543,675
2016	<u>363,542</u>
	<u>\$ 3,321,332</u>

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:

	2011	2010
Balance, beginning of period	\$ 3,189,062	\$ 3,046,760
Capital contributions from government	802,592	354,470
Capital contributions from donors	359,880	27,300
Amounts amortized to revenue	(339,122)	(239,468)
Balance, end of period	\$ 4,012,412	\$ 3,189,062

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2011

11. ENDOWMENTS

	2011	2010
Balance, beginning of period	\$ 1,816,677	\$ 1,732,603
Contributions restricted by donors	47,290	84,074
Balance, end of period	\$ 1,863,967	\$ 1,816,677

Balance consists of the following:

Designated for scholarships, bursaries or awards in:		
Arts	\$ 211,942	\$ 210,942
Christian ministry or service	192,795	191,895
Commerce	152,898	149,869
Education	199,240	176,740
Environmental Studies	100,000	92,000
Music	280,719	278,719
Natural Sciences	174,090	171,090
Political Science, History, Economics	115,380	113,880
Social Sciences	111,119	111,119
Mephibosheth Scholarship	105,445	100,500
Alumni Student Assistance Program	93,157	93,157
Micah Centre	49,561	49,560
Other	77,621	77,206
	\$ 1,863,967	\$ 1,816,677

12. 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 used for scholarships, bursaries and awards.

13. INVESTMENT INCOME (LOSS)

	2011	2010
Dividend and interest income earned in the period	\$ 70,465	\$ 59,623
Changes in unrealized gains	191,767	359,446
Amounts deferred	(167,951)	(313,419)
Amounts added directly to endowments	-	(1,392)
	\$ 94,281	\$ 104,258

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2011

14. BUDGET

The budget was approved by the Board of Governors on March 20, 2010. The budgeted amounts have been provided for information purposes only and are unaudited.

15. PENSION PLAN

The pension expense recorded in these financial statements is equivalent to the University College's annual contributions payable of \$467,497 for the year ended March 31, 2011 (2010 - \$357,674).

The calculation of the estimated present value of vested benefits under the Canadian Christian School Pension Plan and Trust Fund (the "Plan") at August 31, 2010 and 2009 was made by consulting enrolled actuaries Mercer Human Resource Consulting. The most recent actuarial valuation was done on August 31, 2007.

The actuarial valuations for the pension plan are determined using the projected unit credit method prorated on services. Assumptions used in the valuations are based on the Plan Administrator's best estimate of future events. The Plan's future experience may differ, perhaps significantly, from the assumptions.

Effective September 1, 2010 the Plan was amended. The indexing of past and future plan benefits is capped at 1% per year and contribution levels increased to 8.05% (previously at 6%). Employees are required to contribute an equal amount.

16. CAPITAL DISCLOSURES

The University College's objectives when managing capital are to protect its ability to meet its on going financial obligations. Protecting the ability to pay current and future liabilities includes maintaining a prudent base of capital, ensuring adequate liquidity and financial flexibility and satisfying internally determined capital guidelines based on risk management policies.

Capital is comprised of the University College's net assets. As at March 31, 2011, the University College's net assets were \$2,839,289.

The University College is subject to the following external capital requirements in respect to their ATB Financial facilities: debt service coverage ratio not less than 1.5 to 1.0. As at March 31, 2011, the University College was in compliance with the requirement.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2011

17. FINANCIAL INSTRUMENTS

The University College's financial instruments consist of cash, accounts receivable, endowment receivable, investments, accounts payable and accrued liabilities, mortgage payable, debenture payable and long term debt.

Fair value

The University College's cash and investments are carried at fair value. The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the immediate or short term maturity of these instruments.

Financial instruments also include endowment receivable, mortgage payable, debenture payable, and long term debt. Management considers that no events have occurred subsequent to the arrangement of these loans that would indicate that fair value differs substantially from carrying value.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The University College is exposed to credit risk from customers. In order to reduce its credit risk, the University College conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The University College has a significant number of customers which minimizes concentration of credit risk.

Currency risk

Currency risk is the risk to the University College's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The University College is exposed to foreign currency exchange risk on cash, investments and accounts payable held in U.S. dollars. The University College does not use derivative instruments to reduce its exposure to foreign currency risk.

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 College manages exposure through its normal operating and financing activities. The University College is exposed to interest rate risk primarily through its floating interest rate credit facilities.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2011

18. FUTURE ACCOUNTING STANDARDS

The Canadian Institute of Chartered Accountants (CICA) has issued new accounting standards which will affect the University College's financial statements in subsequent fiscal years.

Developments in Not-for-Profit Accounting Standards

In December 2010, the Accounting Standards Board (AcSB) issued Part III of the CICA Handbook entitled "Accounting Standards for Not-for-Profit Organizations." These new accounting standards are available for early adoption and carry forward the Section 4400 series and relevant material relating specifically to not-for-profit organizations in other sections of the current Handbook, including Sections 1000, 1100, 1400 and 3031, largely without change. For years beginning on or after January 1, 2012, not-for-profit enterprises must choose to adopt either the Accounting Standards for Not-for-Profit Organizations or International Financial Reporting Standards. Management has not yet determined which set of standards the University College will adopt.

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Operations by Function
Year Ended March 31, 2011

	Budget (Note 14)	2011	2010
REVENUE			
Tuition fees	\$ 5,349,042	\$ 5,322,932	\$ 4,988,076
Government grants	4,666,224	4,684,466	4,946,920
Residence and other sales	2,192,395	2,114,927	2,133,087
Donations	2,529,874	1,735,460	1,688,842
Research grants	174,161	289,213	274,767
Other income	98,200	107,520	83,271
Investment income (Note 13)	130,850	94,281	104,258
	15,140,746	14,348,799	14,219,221
EXPENSES			
Instruction	5,502,103	5,189,702	4,882,717
Student services	2,325,508	2,248,258	2,166,730
Ancillary services	1,950,194	1,903,912	1,900,966
Institutional support	1,421,619	1,582,835	1,441,420
Physical plant	1,381,114	1,357,424	1,340,822
Academic support and library	908,197	934,341	834,553
Interest on long term and other liabilities	484,000	484,466	367,767
Computing services	660,503	633,936	522,162
Research	282,854	315,793	305,414
Fundraising	311,129	434,913	310,710
	15,227,221	15,085,580	14,073,261
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	\$ (86,475)	\$ (736,781)	\$ 145,960