

THE KING'S UNIVERSITY COLLEGE
Consolidated Financial Statements
Nine Months Ended March 31, 2009

THE KING'S UNIVERSITY COLLEGE
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Nine Months Ended March 31, 2009

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2900 Bell Tower
10104-103 Avenue
Edmonton, Alberta
T5J 0H8
Tel: 780.424.3000
Fax: 780.429.4817
www.krpgroup.com



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AUDITORS' REPORT

May 28, 2009
Edmonton, Alberta

To the Members of The King's University College

We have audited the consolidated statement of financial position of The King's University College as at March 31, 2009 and the consolidated statements of operations, changes in net assets and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the University College's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University College as at March 31, 2009 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

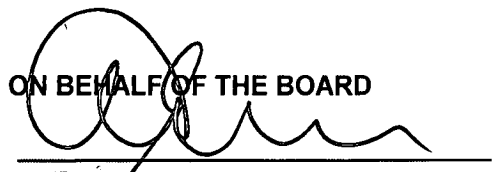



Kingston Ross Pasnak LLP
Chartered Accountants

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Financial Position
March 31, 2009

	<i>March 31</i> 2009	<i>June 30</i> 2008
ASSETS		
CURRENT		
Cash	\$ 1,627,001	\$ 5,260
Accounts receivable	68,675	71,246
Endowment receivable	10,000	10,000
Bookstore inventory	138,675	135,417
Prepaid expenses and deposits	248,384	292,205
	2,092,735	514,128
ENDOWMENT RECEIVABLE	50,000	50,000
INVESTMENTS (Note 3)	2,274,476	2,593,805
PROPERTY AND EQUIPMENT (Note 4)	21,193,862	21,475,509
	\$ 25,611,073	\$ 24,633,442
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 5)	\$ 343,395	\$ 269,661
Accounts payable and accrued liabilities	708,316	420,400
Deferred revenue	1,050,193	421,124
Deferred contributions (Note 6)	366,823	549,489
Mortgage payable (Note 7)	10,998,257	10,401,128
Debenture payable (Note 8)	3,172,500	3,877,500
Current portion of long term debt (Note 9)	536,618	1,155,712
	17,176,102	17,095,014
LONG TERM DEBT (Note 9)	2,089,465	1,343,687
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	3,046,760	3,057,572
	22,312,327	21,496,273
NET ASSETS		
Investment in property and equipment	1,346,224	1,247,058
Endowments (Note 11)	1,732,603	1,675,867
Internally restricted (Note 12)	206,902	204,202
Accumulated operating surplus	13,017	10,042
	3,298,746	3,137,169
	\$ 25,611,073	\$ 24,633,442

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Changes in Net Assets
Nine Months Ended March 31, 2009

	Investment in Property and Equipment	Internally Restricted	Endowments	Accumulated Operating Surplus	March 31 2009	June 30 2008
NET ASSETS - BEGINNING OF PERIOD	\$ 1,247,058	\$ 204,202	\$ 1,675,867	\$ 10,042	\$ 3,137,169	\$ 2,888,969
Excess of revenue over expenses	-	-	-	104,841	104,841	(14,592)
Endowment contributions	-	-	56,736	-	56,736	262,792
Transfer for:						
Internally restricted funds	-	2,700	-	(2,700)	-	-
Acquisition of internally funded property and equipment	510,387	-	-	(510,387)	-	-
Amortization of internally funded property and equipment	(775,982)	-	-	775,982	-	-
Net book value of property and equipment disposals	(5,239)	-	-	5,239	-	-
Increase in mortgage, debenture and long-term debt payable	(18,812)	-	-	18,812	-	-
Decrease in capital line of credit	388,812	-	-	(388,812)	-	-
NET ASSETS - END OF PERIOD	\$ 1,346,224	\$ 206,902	\$ 1,732,603	\$ 13,017	\$ 3,298,746	\$ 3,137,169

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Operations
Nine Months Ended March 31, 2009

	Budget (Note 14)	2009 (9 months)	2008 (12 months)
REVENUE			
Tuition fees	\$ 3,703,370	\$ 3,868,723	\$ 3,948,216
Government grants	2,953,952	3,079,183	3,807,479
Residence and other sales	1,377,848	1,704,248	1,878,185
Donations	1,628,131	1,351,020	2,092,908
Research grants	138,874	222,247	381,882
Other income	15,256	45,003	66,127
Investment (loss) income (Note 13)	127,187	(69,536)	78,294
	9,944,618	10,200,888	12,253,091
EXPENSES			
Salaries and benefits	5,684,573	5,788,165	6,778,333
Amortization	974,702	928,947	1,223,878
Operating supplies and services	860,504	853,553	1,120,366
Cost of goods sold	548,293	738,525	769,764
Utilities	326,532	356,146	449,001
Scholarships and awards	317,350	303,704	246,836
Maintenance and equipment rent	202,182	289,596	353,215
Travel, hospitality and conferences	259,508	268,937	386,717
Interest on mortgage payable	318,750	249,129	399,340
Interest on debenture payable	214,500	130,594	277,508
Interest on long term debt	83,250	75,803	109,164
Insurance and taxes	83,882	69,147	106,226
Professional fees	34,647	38,562	38,526
Loss on disposal of property and equipment	-	5,239	8,180
Interest on other liabilities	10,500	-	629
	9,919,173	10,096,047	12,267,683
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 25,445	\$ 104,841	\$ (14,592)

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Cash Flows
Nine Months Ended March 31, 2009

	2009 (9 months)	2008 (12 months)
Cash flows from operating activities		
Cash received from students for tuition and fees	\$ 4,153,093	\$ 3,983,384
Cash received from governments	3,469,379	3,983,678
Cash received from donors	1,325,956	1,934,196
Cash received from sale of goods and services	1,876,685	1,832,435
Cash received from other sources	34,379	58,464
Cash paid to employees for salaries and benefits	(5,584,851)	(6,789,458)
Cash paid to suppliers for materials and services	(2,831,207)	(3,470,383)
Cash paid to creditors for interest	(206,395)	(387,302)
Cash flow from cash flows from operating activities	2,237,039	1,145,014
Cash flows from financing activities		
Cash received from long-term debt proceeds	764,373	286,039
Cash received for endowments	54,449	262,792
Cash paid for long-term debt repayments	(994,689)	(1,038,862)
Cash flow used by cash flows from financing activities	(175,867)	(490,031)
Cash flows from investing activities		
Cash received from government restricted for equipment	75,000	90,101
Cash received from donors restricted for equipment	67,154	7,578
Cash received from income on investments (net of fees)	33,496	82,039
Cash received on disposal of property and equipment	-	1,755
Cash applied to purchase of property and equipment	(652,541)	(451,821)
Cash invested in investments	(231,374)	(386,575)
Cash flow used by cash flows from investing activities	(708,265)	(656,923)
NET INCREASE (DECREASE) IN CASH	1,352,907	(1,940)
CASH - BEGINNING OF PERIOD	140,988	142,928
CASH - END OF PERIOD	\$ 1,493,895	\$ 140,988
CASH CONSISTS OF:		
Cash	\$ 1,627,001	\$ 5,260
Cash and cash equivalents included in investments	210,289	405,389
Bank indebtedness	(343,395)	(269,661)
	\$ 1,493,895	\$ 140,988

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Nine Months Ended March 31, 2009

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
Nine Months Ended March 31, 2009

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

Inventory

Effective July 1, 2008, the University College adopted Handbook Section 3031, Inventories, which replaced Handbook Section 3030, Inventories. This Section establishes standards for the measurement and disclosure of inventories. It requires that inventories be carried at the lower of cost and net realizable value and provides guidance on the determination of cost, including allocation of overhead, narrows the permitted cost formulas and requires impairment testing. The adoption of this standard has had no material impact on the financial statements.

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 and which has as its main objective 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
Nine Months Ended March 31, 2009

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 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
Nine Months Ended March 31, 2009

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.

Capital Disclosures

Effective July 1, 2008, the University College adopted the recommendations of CICA Handbook Section 1535, Capital Disclosures. This Section establishes standards for disclosing information about an entity's objectives, policies and processes for managing capital. The necessary disclosure has been included in Note 17 to the financial statements.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Nine Months Ended March 31, 2009

3. INVESTMENTS

	<i>March 31</i> 2009	<i>June 30</i> 2008
Corporate notes	\$ 955,459	\$ 971,290
Common shares	683,515	668,817
Cash and cash equivalents	210,289	405,389
Deposit agreement	196,023	192,752
Pooled equity funds - Overseas	92,188	139,238
Pooled equity funds - U.S.	55,577	72,589
Pooled equity funds - Emerging Markets	42,608	70,337
Cash surrender value of life insurance policies	38,817	35,783
Government bonds	-	37,610
	\$ 2,274,476	\$ 2,593,805

Investments include government bonds and corporate notes that mature at various dates to December 5, 2013. 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 have an effective interest rate of 4.50%. The rate of return on the remainder of the portfolio is dependent on the performance of the funds.

4. PROPERTY AND EQUIPMENT

	<i>March 31</i> 2009	<i>June 30</i> 2008		
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,852,592	\$ -	\$ 1,852,592	\$ 1,852,592
Buildings and site improvements	23,557,535	6,520,330	17,037,205	17,387,478
Furniture and equipment	5,418,303	3,791,093	1,627,210	1,563,323
Library materials	2,746,220	2,069,365	676,855	672,116
	\$ 33,574,650	\$ 12,380,788	\$ 21,193,862	\$ 21,475,509

5. BANK INDEBTEDNESS

	<i>March 31</i> 2009	<i>June 30</i> 2008
Cash	\$ 20,644	\$ 483,191
Capital line of credit	(364,039)	(752,852)
	\$ (343,395)	\$ (269,661)

The ATB Financial line of credit bears interest at prime plus 0.50%, payable monthly, and is secured by a General Security Agreement covering all assets of the University College.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Nine Months Ended March 31, 2009

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:

	<i>March 31</i> 2009	<i>June 30</i> 2008
Beginning balance, related to operating funding	\$ 434,757	\$ 484,631
Add:		
Restricted donations	252,887	157,102
Restricted government grants	75,703	3,000
Research grants	48,320	157,874
	376,910	317,976
Less:		
Amounts transferred to internally restricted net assets	-	(6,200)
Research grants recognized as revenue	(12,253)	(245,984)
Amounts transferred to deferred capital contributions	(23,578)	(9,479)
Government grants recognized as revenue	(79,389)	-
Donations recognized as revenue	(134,694)	(106,187)
	(249,914)	(367,850)
Ending balance, related to operating funding	\$ 561,753	\$ 434,757
Beginning balance, related to investment income	\$ 114,732	\$ 247,779
Add:		
Amount recognized as investment loss in the period	69,536	-
Dividend and interest income earned	41,239	114,391
Changes in unrealized gains (losses)	(420,437)	(150,406)
	(309,662)	(36,015)
Less:		
Amount included directly in the Statement of Changes in Net Assets	-	(18,738)
Amount recognized as investment income in the period	-	(78,294)
	-	(97,032)
Ending balance, related to investment income	\$ (194,930)	\$ 114,732
	\$ 366,823	\$ 549,489

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Nine Months Ended March 31, 2009

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 trusteeed 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 ending March 31, 2009 the rate was 2.75%. 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:

	<i>March 31</i> 2009
2010	\$ 203,500
2011	228,200
2012	271,100
2013	292,700
2014	315,500
Subsequent years	9,687,257
	\$ 10,998,257

8. DEBENTURE PAYABLE

Debenture payable to ATB Financial is secured by a first fixed charge against the land and buildings, and a General Security Agreement covering all assets. 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.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Nine Months Ended March 31, 2009

9. LONG TERM DEBT

	<i>March 31</i> 2009	<i>June 30</i> 2008
Various notes payable, unsecured, carrying variable interest rates from 0% to 5.00% and repayment terms due at various dates through to May 31, 2014.	\$ 2,626,083	\$ 2,499,399
Amounts payable within one year	(536,618)	(1,155,712)
	\$ 2,089,465	\$ 1,343,687

Principal repayment terms are approximately:

2010	\$ 536,618
2011	620,780
2012	720,367
2013	118,509
2014	619,809
Thereafter	10,000
	<u>\$ 2,626,083</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:

	<i>March 31</i> 2009	<i>June 30</i> 2008
Balance, beginning of period	\$ 3,057,572	\$ 3,160,086
Capital contributions from government	75,000	90,101
Capital contributions from donors	67,154	7,578
Amounts amortized to revenue	(152,966)	(200,193)
Balance, end of period	\$ 3,046,760	\$ 3,057,572

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Nine Months Ended March 31, 2009

11. ENDOWMENTS

	<i>March 31</i> 2009	<i>June 30</i> 2008
Balance, beginning of period	\$ 1,675,867	\$ 1,413,075
Contributions restricted by donors	56,736	262,792
Balance, end of period	\$ 1,732,603	\$ 1,675,867

Balance consists of the following:

Designated for scholarships, bursaries or awards in:		
Music	\$ 278,719	\$ 277,519
Arts	210,942	210,942
Christian ministry or service	191,895	189,895
Education	176,740	170,740
Natural Sciences	157,690	136,590
Commerce	144,875	141,301
Political Science, History, Economics	112,380	104,380
Social Sciences	111,119	111,119
Environmental Studies	82,000	72,000
Mephibosheth Scholarship	100,500	100,500
Alumni Student Assistance Program	93,157	93,157
Other	72,586	67,724
	\$ 1,732,603	\$ 1,675,867

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 (LOSS) INCOME

	2009 <i>(9 months)</i>	2008 <i>(12 months)</i>
Dividend and interest income earned in the period	\$ 41,239	\$ 114,391
Changes in unrealized losses	(420,437)	(150,406)
Amounts deferred	309,662	133,048
Amounts included directly in statement of changes in net assets	-	(18,739)
	\$ (69,536)	\$ 78,294

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Nine Months Ended March 31, 2009

14. BUDGET

The budget was approved by the Board of Governors on April 18, 2008. The amended budget for the nine months ending March 31, 2009 was approved on September 19, 2008. 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 \$253,887 for the period ended March 31, 2009 (2008 - \$290,519).

An actuarial valuation of the Canadian Christian School Pension Plan and Trust Fund (the Plan) is prepared on a tri-annual basis. The most recent valuation was done on August 31, 2007. The Plan reported a shortfall of approximately \$10 million in a fund with assets of approximately \$173 million. The Plan's trustees have decided to adopt a consent amendment to the Plan that reduces early retirement subsidies in the event that the Plan is wound up and there are insufficient assets to pay accrued benefits at that time. Actual benefits paid to participants will not be affected. The trustees have also decided to slow down the phasing in of indexing improvements until a clearer picture of the Plan's financial health is gained.

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.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Nine Months Ended March 31, 2009

16. FINANCIAL INSTRUMENTS

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

Fair value

The University College's cash, investments and bank indebtedness are carried at fair value. The carrying value of accounts receivable, accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments.

Financial instruments also include endowment receivable, debenture payable, long-term debt and mortgage payable. 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 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 bank indebtedness and credit facilities.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Nine Months Ended March 31, 2009

17. 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, 2009, the University College's net assets was \$3,298,746.

The University College is not subject to any external capital requirements.

18. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current period's presentation.

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Operations by Function
Nine Months Ended March 31, 2009

	Budget (Note 14)	2009 (9 months)	2008 (12 months)
REVENUE			
Tuition fees	\$ 3,703,370	\$ 3,868,723	\$ 3,948,216
Government grants	2,953,952	3,079,183	3,807,479
Residence and other sales	1,377,847	1,704,248	1,878,178
Donations	1,628,131	1,351,020	2,092,908
Research grants	138,874	222,247	381,882
Other income	15,257	45,003	66,135
Investment income (Note 13)	127,187	(69,536)	78,294
	9,944,618	10,200,888	12,253,092
EXPENSES			
Instruction	3,212,570	3,293,403	3,800,387
Student services	1,467,932	1,476,484	1,575,586
Ancillary Services	1,254,494	1,475,197	1,784,672
Institutional support	964,062	1,045,421	1,226,329
Physical plant	919,093	953,180	1,193,496
Academic support and library	611,134	623,940	792,934
Interest on long-term and other liabilities	627,000	455,524	786,642
Computing services	395,350	342,133	425,068
Research	246,173	246,941	445,957
Fund raising	221,365	183,823	236,613
	9,919,173	10,096,046	12,267,684
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 25,445	\$ 104,842	\$ (14,592)