

THE KING'S UNIVERSITY COLLEGE
Consolidated Financial Statements
Year Ended March 31, 2010

THE KING'S UNIVERSITY COLLEGE
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Year Ended March 31, 2010

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AUDITORS' REPORT

May 24, 2010
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, 2010 and the consolidated statements of operations, changes in net assets and cash flows for the year 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, 2010 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, 2010

	2010	2009
ASSETS		
CURRENT		
Cash	\$ 1,892,509	\$ 1,627,001
Accounts receivable	494,438	68,675
Endowment receivable	10,000	10,000
Bookstore inventory	170,900	138,675
Prepaid expenses and deposits	252,709	248,384
	2,820,556	2,092,735
ENDOWMENT RECEIVABLE	40,000	50,000
INVESTMENTS (Note 3)	2,755,292	2,274,476
PROPERTY AND EQUIPMENT (Note 4)	20,873,675	21,193,862
	\$ 26,489,523	\$ 25,611,073
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 5)	\$ 208,338	\$ 343,395
Accounts payable and accrued liabilities	728,711	708,316
Deferred revenue	1,569,751	1,050,193
Deferred contributions (Note 6)	694,798	366,823
Mortgage payable (Note 7)	11,346,091	10,998,257
Debenture payable (Note 8)	1,997,500	3,172,500
Current portion of long term debt (Note 9)	1,025,377	536,618
	17,570,566	17,176,102
LONG TERM DEBT (Note 9)	2,201,115	2,089,465
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	3,189,062	3,046,760
	22,960,743	22,312,327
NET ASSETS		
Investment in property and equipment	1,483,737	1,346,224
Endowments (Note 11)	1,816,677	1,732,603
Internally restricted (Note 12)	208,252	206,902
Accumulated operating surplus	20,114	13,017
	3,528,780	3,298,746
	\$ 26,489,523	\$ 25,611,073

ON BEHALF OF THE BOARD

Signed - "James Joosse" Director

Signed - "Bruce Adema" Director

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2010

	Investment in Property and Equipment	Internally Restricted	Endowments	Accumulated Operating Surplus	2010	2009
NET ASSETS - BEGINNING OF YEAR	\$ 1,346,224	\$ 206,902	\$ 1,732,603	\$ 13,017	\$ 3,298,746	\$ 3,137,169
Excess of revenue over expenses	-	-	-	145,960	145,960	104,841
Endowment contributions	-	-	84,074	-	84,074	56,736
Transfer for:						
Internally restricted funds	-	1,350	-	(1,350)	-	-
Acquisition of internally funded property and equipment	628,309	-	-	(628,309)	-	-
Amortization of internally funded property and equipment	(1,082,165)	-	-	1,082,165	-	-
Net book value of property and equipment disposals	(8,631)	-	-	8,631	-	-
Change in mortgage, debenture and long-term debt payable	216,757	-	-	(216,757)	-	-
Change in capital line of credit	383,243	-	-	(383,243)	-	-
NET ASSETS - END OF YEAR	\$ 1,483,737	\$ 208,252	\$ 1,816,677	\$ 20,114	\$ 3,528,780	\$ 3,298,746

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Operations
Year Ended March 31, 2010

	Budget (Note 14)	2010 (12 months)	2009 (9 months)
REVENUE			
Tuition fees	\$ 4,803,571	\$ 4,988,076	\$ 3,868,723
Government grants	4,323,880	4,946,920	3,079,183
Residence and other sales	2,065,995	2,133,087	1,704,248
Donations	2,276,533	1,688,842	1,371,627
Research grants	156,208	274,767	201,639
Investment income (loss) (Note 13)	121,350	104,258	(69,536)
Other income	101,300	83,271	45,003
	13,848,837	14,219,221	10,200,887
EXPENSES			
Salaries and benefits	8,650,755	8,289,368	5,788,165
Amortization	1,273,253	1,321,625	928,947
Operating supplies and services	1,238,514	1,276,545	853,553
Cost of goods sold	800,560	883,498	738,525
Scholarships and awards	327,505	493,839	303,704
Utilities	492,835	453,785	356,146
Maintenance and equipment rent	357,642	432,440	289,596
Travel, hospitality and conferences	383,728	413,219	268,937
Interest on mortgage payable	330,000	192,834	249,129
Insurance and taxes	120,375	99,571	69,147
Interest on long term debt	64,000	93,262	75,802
Interest on debenture payable	202,000	81,802	130,594
Professional fees	38,000	36,427	38,562
Loss on disposal of property and equipment	-	5,046	5,239
	14,279,167	14,073,261	10,096,046
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (430,330)	\$ 145,960	\$ 104,841

THE KING'S UNIVERSITY COLLEGE
Consolidated Statement of Cash Flows
Year Ended March 31, 2010

	2010 (12 months)	2009 (9 months)
Cash flows from operating activities		
Cash received from students for tuition and fees	\$ 5,090,666	\$ 4,153,093
Cash received from governments	5,170,209	3,469,379
Cash received from donors	1,547,729	1,325,956
Cash received from sale of goods and services	2,165,620	1,876,685
Cash received from other sources	70,655	34,379
Cash paid to employees for salaries and benefits	(8,240,130)	(5,584,851)
Cash paid to suppliers for materials and services	(4,143,933)	(2,831,207)
Cash paid to creditors for interest	(166,864)	(206,395)
Cash flow from cash flows from operating activities	1,493,952	2,237,039
Cash flows from financing activities		
Cash received from long-term debt proceeds	786,909	764,373
Cash received for endowments	82,774	54,449
Cash paid for long-term debt repayments	(1,196,500)	(994,689)
Cash flow used by cash flows from financing activities	(326,817)	(175,867)
Cash flows from investing activities		
Cash received from government restricted for equipment	203,450	75,000
Cash received from donors restricted for equipment	27,300	67,154
Cash received from income on investments (net of fees)	48,663	33,496
Cash received on disposal of property and equipment	3,585	-
Cash applied to purchase of property and equipment	(1,010,069)	(652,541)
Cash invested in investments	(219,435)	(231,374)
Cash flow used by cash flows from investing activities	(946,506)	(708,265)
INCREASE IN CASH	220,629	1,352,907
CASH - BEGINNING OF PERIOD	1,493,895	140,988
CASH - END OF YEAR	\$ 1,714,524	\$ 1,493,895
CASH CONSISTS OF:		
Cash	\$ 1,892,509	\$ 1,627,001
Cash and cash equivalents included in investments	30,353	210,289
Bank indebtedness	(208,338)	(343,395)
	\$ 1,714,524	\$ 1,493,895

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2010

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, 2010

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.

(*continues*)

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2010

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.

(*continues*)

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2010

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.

3. INVESTMENTS

	2010	2009
Common shares	\$ 1,245,955	\$ 683,515
Corporate notes	1,006,785	955,459
Deposit agreement	205,799	196,023
Pooled equity funds - Overseas	114,339	92,188
Pooled equity funds - U.S.	68,179	55,577
Pooled equity funds - Emerging Markets	41,970	42,608
Cash surrender value of life insurance policies	41,912	38,817
Cash and cash equivalents	30,353	210,289
	\$ 2,755,292	\$ 2,274,476

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.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2010

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Buildings and site improvements	\$ 23,843,718	\$ 7,253,886	\$ 16,589,832	\$ 17,037,205
Furniture and equipment	5,972,154	4,231,627	1,740,527	1,627,210
Library materials	2,886,156	2,195,432	690,724	676,855
Land	1,852,592	-	1,852,592	1,852,592
	\$ 34,554,620	\$ 13,680,945	\$ 20,873,675	\$ 21,193,862

5. BANK INDEBTEDNESS

	2010	2009
Cash	\$ 208,338	\$ (20,644)
Capital line of credit	-	364,039
	\$ 208,338	\$ 343,395

The ATB Financial line of credit bears interest at prime plus 0.50%, payable monthly, 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, 2010

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:

	2010	2009
Beginning balance, related to operating funding	\$ 561,753	\$ 434,757
Add:		
Restricted donations	203,066	252,887
Restricted government grants	145,598	75,703
Research grants	2,958	48,320
	351,622	376,910
Less:		
Research grants recognized as revenue	(38,050)	(12,253)
Amounts transferred to deferred capital contributions	(55,001)	(23,578)
Government grants recognized as revenue	(89,040)	(79,389)
Donations recognized as revenue	(154,975)	(134,694)
	(337,066)	(249,914)
Ending balance, related to operating funding	\$ 576,309	\$ 561,753
Beginning balance, related to investment income	\$ (194,930)	\$ 114,732
Add:		
Amount recognized as investment loss in the period	-	69,536
Dividend and interest income earned	59,623	41,239
Changes in unrealized gains (losses)	359,446	(420,437)
	419,069	(309,662)
Less:		
Amounts added directly to Endowments	(1,392)	-
Amount recognized as investment income in the period	(104,258)	-
	(105,650)	-
Ending balance, related to investment income	\$ 118,489	\$ (194,930)
	\$ 694,798	\$ 366,823

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2010

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 ending March 31, 2010 the rate was 1.50% (2009 - 3.25%) 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:

	2010
2011	\$ 221,000
2012	256,600
2013	277,900
2014	300,200
2015	311,800
Subsequent years	9,978,591
	\$ 11,346,091

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.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2010

9. LONG TERM DEBT

	2010	2009
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.	\$ 3,226,492	\$ 2,626,083
Amounts payable within one year	(1,025,377)	(536,618)
	\$ 2,201,115	\$ 2,089,465

Principal repayment terms are approximately:

2011	\$ 1,025,377
2012	844,982
2013	162,413
2014	658,720
2015	<u>535,000</u>
	<u>\$ 3,226,492</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:

	2010	2009
Balance, beginning of period	\$ 3,046,760	\$ 3,057,572
Capital contributions from government	354,470	75,000
Capital contributions from donors	27,300	67,154
Amounts amortized to revenue	(239,468)	(152,966)
Balance, end of period	\$ 3,189,062	\$ 3,046,760

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2010

11. ENDOWMENTS

	2010	2009
Balance, beginning of period	\$ 1,732,603	\$ 1,675,867
Contributions restricted by donors	84,074	56,736
Balance, end of period	\$ 1,816,677	\$ 1,732,603

Balance consists of the following:

Designated for scholarships, bursaries or awards in:		
Music	\$ 278,719	\$ 278,719
Arts	210,942	210,942
Christian ministry or service	191,895	191,895
Education	176,740	176,740
Natural Sciences	171,090	157,690
Commerce	149,869	144,875
Political Science, History, Economics	113,880	112,380
Social Sciences	111,119	111,119
Environmental Studies	92,000	82,000
Mephibosheth Scholarship	100,500	100,500
Alumni Student Assistance Program	93,157	93,157
Other	77,206	72,586
Micah Centre	49,560	-
	\$ 1,816,677	\$ 1,732,603

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)

	2010 (12 months)	2009 (9 months)
Dividend and interest income earned in the period	\$ 59,623	\$ 41,239
Changes in unrealized gains (losses)	359,446	(420,437)
Amounts deferred	(313,419)	309,662
Amounts added directly to Endowments	(1,392)	-
	\$ 104,258	\$ (69,536)

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2010

14. BUDGET

The budget was approved by the Board of Governors on April 17, 2009. 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 \$357,674 for the period ended March 31, 2010 (2009 - \$253,887).

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

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.

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, 2010, the University College's net assets was \$3,528,780.

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, 2010, the University College was in compliance with the requirement.

THE KING'S UNIVERSITY COLLEGE
Notes to Consolidated Financial Statements
Year Ended March 31, 2010

17. 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 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 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
Consolidated Statement of Operations by Function
Year Ended March 31, 2010

	Budget (Note 14)	2010 (12 months)	2009 (9 months)
REVENUE			
Tuition fees	\$ 4,803,571	\$ 4,988,076	\$ 3,868,723
Government grants	4,323,879	4,946,920	3,079,183
Residence and other sales	2,065,995	2,133,087	1,704,248
Donations	2,276,533	1,688,842	1,371,627
Research grants	156,209	274,767	201,639
Investment income (loss) (Note 13)	121,350	104,258	(69,536)
Other income	101,300	83,271	45,003
	13,848,837	14,219,221	10,200,887
EXPENSES			
Instruction	5,129,911	4,882,717	3,293,403
Student services	2,039,939	2,166,730	1,476,484
Ancillary Services	1,899,516	1,900,966	1,475,197
Institutional support	1,392,040	1,441,420	1,045,421
Physical plant	1,306,685	1,340,822	953,180
Academic support and library	877,503	834,553	623,940
Interest on long-term and other liabilities	596,000	367,767	455,524
Computing services	533,263	522,162	342,133
Research	208,501	305,414	246,941
Fund raising	295,809	310,710	183,823
	14,279,167	14,073,261	10,096,046
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (430,330)	\$ 145,960	\$ 104,841