

Financial Statements of

**KING'S UNIVERSITY COLLEGE
FOUNDATION AT THE UNIVERSITY
OF WESTERN ONTARIO**

Year ended April 30, 2015



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

We have audited the accompanying financial statements of King's University College Foundation at The University of Western Ontario, which comprise the statement of financial position as at April 30, 2015, the statements of operations and changes in fund balances and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of King's University College Foundation at The University of Western Ontario as at April 30, 2015 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

September 16, 2015

London, Canada

KING'S UNIVERSITY COLLEGE FOUNDATION AT THE UNIVERSITY OF WESTERN ONTARIO

Statement of Financial Position

April 30, 2015, with comparative information for 2014

	Operating Fund	Restricted Fund	Endowment Fund	2015 Total	2014 Total
Assets					
Current assets:					
Cash	\$ 100	\$ -	\$ -	\$ 100	\$ 100
Investments (note 2)	-	2,434,953	6,891,272	9,326,225	9,519,869
Prepaid expenses	3,281	-	-	3,281	-
	<u>\$ 3,381</u>	<u>\$ 2,434,953</u>	<u>\$ 6,891,272</u>	<u>\$ 9,329,606</u>	<u>\$ 9,519,969</u>

Liabilities and Fund Balances

Current liabilities:					
Accrued liability	\$ 8,000	\$ -	\$ -	\$ 8,000	\$ 8,356
Interfund balances (note 4)	(542,345)	542,345	-	-	-
	<u>(534,345)</u>	<u>542,345</u>	<u>-</u>	<u>8,000</u>	<u>8,356</u>
Due to King's University College (note 3)	400,183	-	-	400,183	1,208,537
Fund balances	137,543	1,892,608	6,891,272	8,921,423	8,303,076
	<u>\$ 3,381</u>	<u>\$ 2,434,953</u>	<u>\$ 6,891,272</u>	<u>\$ 9,329,606</u>	<u>\$ 9,519,969</u>

See accompanying notes to financial statements.

On behalf of the Board of Directors:

_____ Director _____ Director

KING'S UNIVERSITY COLLEGE FOUNDATION AT THE UNIVERSITY OF WESTERN ONTARIO

Statement of Operations and Changes in Fund Balances

Year ended April 30, 2015, with comparative information for 2014

	Operating Fund	Restricted Fund	Endowment Fund	2015 Total	2014 Total
Revenue:					
Donation revenue	\$ 262,991	\$ 1,009,698	\$ 61,910	\$ 1,334,599	\$ 1,563,642
Investment income (note 2)	199,931	706,445	-	906,376	1,292,561
Subsidy (note 3)	120,000	-	-	120,000	120,000
Special events revenue	60,285	-	-	60,285	67,030
	643,207	1,716,143	61,910	2,421,260	3,043,233
Expenditures:					
Salaries and benefits	165,350	-	-	165,350	179,335
Investment counsel fees	52,559	-	-	52,559	48,695
Administrative expenses	43,789	-	-	43,789	76,852
Gifts to King's University College	275,172	973,873	-	1,249,045	2,337,925
Awards	-	259,937	900	260,837	288,219
Special events	22,824	-	-	22,824	24,313
Annual campaign (note 7)	8,509	-	-	8,509	9,596
	568,203	1,233,810	900	1,802,913	2,964,935
Excess of revenue over expenditures	75,004	482,333	61,010	618,347	78,298
Fund balances, beginning of year	100,000	1,373,695	6,829,381	8,303,076	8,224,778
Interfund transfers	(37,461)	36,580	881	-	-
Fund balances, end of year	\$ 137,543	\$ 1,892,608	\$ 6,891,272	\$ 8,921,423	\$ 8,303,076

See accompanying notes to financial statements.

KING'S UNIVERSITY COLLEGE FOUNDATION AT THE UNIVERSITY OF WESTERN ONTARIO

Statement of Cash Flows

Year ended April 30, 2015, with comparative information for 2014

	Operating Fund	Restricted Fund	Endowment Fund	2015 Total	2014 Total
Cash provided by (used in):					
Operating activities:					
Excess of revenue over expenditures	\$ 75,004	\$ 482,333	\$ 61,010	\$ 618,347	\$ 78,298
Interfund transfers	(37,461)	36,580	881	-	-
Changes in non-cash operating working capital:					
Prepaid expenses	(3,281)	-	-	(3,281)	3,382
Interfund balances	774,448	(774,448)	-	-	-
Due to King's University College	(808,354)	-	-	(808,354)	(2,784,663)
Accrued liability	(356)	-	-	(356)	(991)
	-	(255,535)	61,891	(193,644)	(2,703,974)
Investing activities:					
Net decrease (increase) in investments	-	255,535	(61,891)	193,644	2,703,974
Cash, beginning of year	100	-	-	100	100
Cash, end of year	\$ 100	\$ -	\$ -	\$ 100	\$ 100

See accompanying notes to financial statements.

KING'S UNIVERSITY COLLEGE FOUNDATION AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements

Year ended April 30, 2015

King's University College Foundation at The University of Western Ontario (the "Foundation") is an incorporated entity which was founded to raise and manage funds for King's University College at The University of Western Ontario ("King's University College").

The Foundation is a registered charity and is classified as a public foundation under Section 149.1(1) of the Income Tax Act (Canada), (the "Act"). As such, it is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The financial statements of the Foundation are maintained in accordance with the restricted fund method of accounting. Accordingly, all financial transactions have been recorded in three funds: Operating Fund, Restricted Fund and Endowment Fund.

The Operating Fund accounts for revenue and expenditures involved in the administration of the Foundation. The Operating Fund reports unrestricted resources available for immediate purposes.

The Restricted Fund accounts for the receipt and expenditure of donations for specified purposes.

The Endowment Fund accounts for amounts that are to be maintained in perpetuity. Income from the Endowment Fund is allocated to the Restricted Fund.

(b) Revenue recognition:

All donations and bequests are recorded as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Gifts in kind are recorded at their estimated fair market value on the date of their donation.

Pledges are not recorded as revenue until received due to the uncertainty of collection. Accordingly, pledges outstanding and not received at the year end are not recorded as an asset in the financial statements.

Investment income is recognized as revenue when earned.

KING'S UNIVERSITY COLLEGE FOUNDATION AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2015

1. Significant accounting policies (continued):

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

(d) Investments:

Funds available for investment from the Restricted Fund and Endowment Fund are invested in pooled funds which are managed by an external fund manager. The Foundation records its investments in pooled funds at fair value using unit values supplied by the fund administrator, which represents the Foundation's proportionate share of the underlying net assets at fair values determined using closing market prices. Pooled fund distributions, and realized and unrealized gains or losses on investments are recorded as investment income when earned.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

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

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

The Foundation does not enter into any derivative financial instrument arrangements for hedging or speculative purposes.

KING'S UNIVERSITY COLLEGE FOUNDATION AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2015

2. Investments:

(a) The fair values of investments in pooled funds are as follows:

	2015	2014
Russell Canadian Equity Fund	\$ 2,879,001	\$ 2,862,010
Russell Global Equity Fund	2,814,432	3,325,754
Russell Canadian Fixed Income Fund	3,175,415	2,857,467
Russell Money Market Pooled Fund	457,377	474,638
	\$ 9,326,225	\$ 9,519,869

For the year ended April 30, 2015, investments were managed by Russell Investments Canada Limited.

(b) Investment income consists of:

2015	Operating Fund	Restricted Fund	Total
Distributions	\$ 55,734	\$ 196,936	\$ 252,670
Realized gains	101,848	359,872	461,720
Change in unrealized gains	42,349	149,637	191,986
	\$ 199,931	\$ 706,445	\$ 906,376

2014	Operating Fund	Restricted Fund	Total
Distributions	\$ 48,560	\$ 226,390	\$ 274,950
Change in unrealized gains	153,762	863,849	1,017,611
	\$ 202,322	\$ 1,090,239	\$ 1,292,561

KING'S UNIVERSITY COLLEGE FOUNDATION AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2015

2. Investments (continued):

(b) Investment income consists of (continued):

Total investment income earned in the year is allocated to each fund, calculated based on the average Endowed and Restricted Fund balances outstanding for the year as follows:

- (i) 4% is directed towards student awards and bursaries within the Restricted Fund;
- (ii) 3% is allocated to the Income Stabilization Fund within the Restricted Fund; and
- (iii) 2% is allocated to the Operating Fund.

To the extent that any unallocated investment income remains, amounts are allocated to the Endowed Fund or King's University College priority projects as recommended annually by the Foundation Board. During the current year, \$32,000 of investment income was allocated to the Student Life Centre within the Restricted Fund at the direction of the Foundation Board. No amounts were allocated to the Endowed Fund in 2015.

3. Related party transactions:

Revenues of the Foundation are received by, and expenditures are paid by, King's University College on behalf of the Foundation, giving rise to an ongoing amount receivable from or payable to King's University College.

King's University College provides a maximum subsidy of \$120,000 (2014 - \$120,000) to assist in the operation of the Foundation.

The Foundation holds funds of \$8,921,423 (2014 - \$8,303,076), the benefit of which is to be used for King's University College.

4. Interfund balances:

Due to the nature of the Foundation's budgeting and banking systems, all cash transactions are recorded in the Operating Fund. Any transactions pertaining to other funds are then balanced through the interfund balance accounts.

KING'S UNIVERSITY COLLEGE FOUNDATION AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2015

5. Pledges:

(a) Pledges receivable:

The estimated value of donations which have been pledged but not received as at April 30, 2015 was \$6,553,107 (2014 - \$2,147,292). These amounts are not reflected in the financial statements of the Foundation.

2016	\$	819,828
2017		503,062
2018		428,199
2019		273,410
2020		4,528,608
	\$	6,553,107

(b) Pledge commitments:

The Foundation has committed to provide \$9,000,000 to King's University College to assist in the construction of the Darryl J. King Student Life Centre, of which \$7,396,384 has been transferred at April 30, 2015. Management expects that the remaining commitment will be transferred to King's University College as funds are received in accordance with donor agreements.

6. Financial instruments:

(a) Fair values:

The carrying values of cash and accrued liability approximated their fair value due to their short-term maturity. The fair value of investments is disclosed in note 2.

(b) Financial risks:

(i) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. In addition, the Foundation has access to the College's unused credit facilities to meet fluctuations in working capital requirements.

KING'S UNIVERSITY COLLEGE FOUNDATION AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2015

6. Financial instruments (continued):

(b) Financial risks (continued):

(ii) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation is exposed to credit risk with respect to investments. Investments are invested in accordance with the Foundation's investment policy.

(iii) Market price risk:

Market price risk is the risk that value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all other factors affecting all instruments traded in the market. All of the Foundation's investments are carried at fair value with fair value changes recognized in the statement of operations and changes in fund balances. Market price risk is managed by the investment managers through construction of a diversified portfolio of instruments traded on various markets and across various industries.

(iv) Foreign currency risk:

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Foundation invests in financial instruments and enters into transactions denominated in non-Canadian dollars. Consequently, the Foundation is exposed to risks that the exchange rate of the foreign currency may change in a manner that has an adverse affect on the value of the portion of the Foundation's assets or liabilities denominated in currencies other than Canadian dollars. The Foundation's overall currency positions and exposures are monitored on a regular basis.

(v) Interest rate risk:

A portion of the Foundation's financial assets and liabilities are interest bearing and as a result, the Foundation is subject to interest rate risk. In general, bond returns are sensitive to changes in the level of interest rates, with longer bond prices being more sensitive to interest rate changes than shorter term bonds.

Fixed rate instruments subject the Foundation to a fair value risk while the floating rate instruments subject the Foundation to a cash flow risk.

KING'S UNIVERSITY COLLEGE FOUNDATION AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2015

7. Campaign expenses:

Campaign expenses will be recouped by the Operating Fund through specified donations and interest earned on donations throughout the campaign.



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AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors

We have audited and reported separately wherein on the financial statements of King's University College Foundation at The University of Western Ontario as at and for the year ended April 30, 2015, in accordance with Canadian accounting standards for not-for-profit organizations

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole in accordance with Canadian generally accepted accounting principles. The current year's supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Chartered Professional Accountants, Licensed Public Accountants

September 16, 2015

London, Canada

KING'S UNIVERSITY COLLEGE FOUNDATION AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule 1 - Restricted Fund

Year ended April 30, 2015

	Balance, beginning of year	Gifts and other revenues	Investment income	Awards	Annual campaign lvey	Transfers	Gifts to King's University College	Balance end of year
Restricted Fund:								
Building Faith, Building Futures:								
Undesignated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Academic Centre	-	-	-	-	-	-	-	-
Library	455	-	19	-	-	-	-	474
Awards	89,729	7,198	3,553	(9,000)	-	-	-	91,480
Scholarships	136	-	6	-	-	-	-	142
Library	32,778	2,100	1,352	-	-	-	-	36,230
Library acquisitions	3,419	-	137	-	-	-	-	3,556
International travel	1,375	-	55	-	-	-	-	1,430
Accessibility	1,561	-	62	-	-	-	-	1,623
General restricted donations	19,235	-	769	-	-	-	-	20,004
Jewish Catholic Lecture Series	138	-	6	-	-	-	-	144
Campus Ministry	40,146	99,554	2,094	-	-	-	(75,188)	66,606
Debating and public speaking	6,953	-	258	(1,000)	-	-	-	6,211
Student life campaign:								
Unrestricted	-	307	32,000	-	-	37,461	(306)	69,462
Student Centre	-	898,379	-	-	-	-	(898,379)	-
Board donations	-	2,000	-	-	-	-	-	2,000
Income from Endowed Fund:								
Building Faith, Building Futures:								
Scholarships and bursaries	17,105	-	8,530	(7,351)	-	-	-	18,284
Accessibility	17,710	-	2,061	-	-	-	-	19,771
Pastoral leadership	17,837	-	2,562	-	-	-	-	20,399
Awards	15,883	-	11,851	(9,974)	-	2,303	-	20,063
Faculty Student Aid Fund	2,563	-	1,296	-	-	-	-	3,859
Havelka Katz	772	-	328	(350)	-	-	-	750
Noel Fund	2,489	-	504	-	-	-	-	2,993
Wemple Fund	4,645	-	1,840	-	-	-	-	6,485
Chair for Catholic Jewish Centre	4,323	-	716	-	-	-	-	5,039
Ontario Student Opportunity Trust Fund (Schedule 3)	95,080	-	72,568	(71,973)	-	-	-	95,675
Ontario Trust for Student Support (Schedule 4)	206,926	-	169,577	(155,661)	-	42	-	220,884
Sisters of St. Joseph	25,842	-	11,540	-	-	-	-	37,382
Research	102	-	5	-	-	-	-	107
Hayhoe	1,686	-	2,282	(1,886)	-	200	-	2,282
McMahon	874	160	344	(875)	-	-	-	503
Centre for Catholic-Jewish Learning	9,675	-	387	-	-	-	-	10,062
Income Stabilization Fund	754,258	-	379,743	(1,867)	-	(3,426)	-	1,128,708
	\$ 1,373,695	\$ 1,009,698	\$ 706,445	\$ (259,937)	\$ -	\$ 36,580	\$(973,873)	\$1,892,608

KING'S UNIVERSITY COLLEGE FOUNDATION AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule 2 - Endowed Fund

Year ended April 30, 2015

	Balance, beginning of year	Gifts and other revenues	Expenditures	Transfers	Balance, end of year
Endowed Fund:					
Building Faith, Building Futures:					
Scholarships and bursaries	\$ 198,203	\$ 3,250	\$ -	\$ -	\$ 201,453
Accessibility	33,825	20	-	-	33,845
Pastoral leadership	46,228	-	-	-	46,228
Ontario Student Opportunity Trust Fund (Schedule 3)	1,755,039	100	-	-	1,755,139
Ontario Trust for Student Support (Schedule 4)	4,096,033	28,508	-	-	4,124,541
Sisters of St. Joseph	262,667	-	-	-	262,667
Endowed Chair - Catholic Jewish Centre	13,575	-	-	-	13,575
Wemple Fund	41,369	-	-	-	41,369
Faculty Student Aid Fund	29,780	120	-	-	29,900
Havelka Katz	7,615	-	-	-	7,615
Hayhoe	50,067	12,500	-	-	62,567
Noel Fund	10,105	-	-	-	10,105
McMahon	5,250	5,000	-	-	10,250
Awards	279,625	12,412	(900)	881	292,018
	\$ 6,829,381	\$ 61,910	\$ (900)	\$ 881	\$ 6,891,272

KING'S UNIVERSITY COLLEGE FOUNDATION AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule 3 - Ontario Student Opportunity Trust Fund (OSOTF)

Year ended April 30, 2015

	OSOTF I	OSOTF II	Total
Changes in Endowment Fund balance:			
Fund balance, beginning of year	\$ 1,011,746	\$ 743,293	\$ 1,755,039
Donations received	100	-	100
Fund balance, end of year	\$ 1,011,846	\$ 743,293	\$ 1,755,139
Changes in expendable funds available for awards:			
Balance, beginning of year	\$ 54,621	\$ 40,459	\$ 95,080
Investment income net of direct investment-related expenses and preservation of capital contributions	41,688	30,880	72,568
Bursaries awarded - 42 and 25 (2014 - 41 and 22)	(41,347)	(30,626)	(71,973)
Balance, end of year	\$ 54,962	\$ 40,713	\$ 95,675

KING'S UNIVERSITY COLLEGE FOUNDATION AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule 4- Ontario Trust for Student Support (OTSS)

Year ended April 30, 2015, with comparative information for 2014

	2015	2014
Changes in Endowment Fund balance:		
Fund balance, beginning of year	\$ 4,096,033	\$ 4,049,555
Cash donations received	28,508	46,478
Fund balance, end of year	\$ 4,124,541	\$ 4,096,033
Changes in Expendable Funds available for awards:		
Funds available for awards:		
Balance, beginning of year	\$ 206,926	\$ 193,988
Investment income, net of direct investment - related expenses and preservation of capital contributions	169,577	167,579
Bursaries awarded - 125 (2014 - 139)	(155,661)	(154,666)
Transfers	42	25
Balance, end of year	\$ 220,884	\$ 206,926