

Financial Statements of

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

Year ended April 30, 2016



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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, 2016, 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, 2016 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 21, 2016
London, Canada

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

Statement of Financial Position

April 30, 2016, with comparative information for 2015

	Operating Fund	Restricted Fund	Endowment Fund	2016 Total	2015 Total
Assets					
Current assets:					
Cash	\$ 100	\$ -	\$ -	\$ 100	\$ 100
Investments (note 2)	-	2,217,207	7,129,766	9,346,973	9,326,225
Prepaid expenses	21,000	-	-	21,000	3,282
	\$ 21,100	\$ 2,217,207	\$ 7,129,766	\$ 9,368,073	\$ 9,329,607

Liabilities and Fund Balances

Current liabilities:					
Accrued liability	\$ 8,500	\$ -	\$ -	\$ 8,500	\$ 8,001
Due to King's University College (note 3)	507,922	-	-	507,922	400,183
Interfund balances (note 4)	(562,831)	562,831	-	-	-
	(46,409)	562,831	-	516,422	408,184
Fund balances	67,509	1,654,376	7,129,766	8,851,651	8,921,423
	\$ 21,100	\$ 2,217,207	\$ 7,129,766	\$ 9,368,073	\$ 9,329,607

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, 2016, with comparative information for 2015

	Operating Fund	Restricted Fund	Endowment Fund	2016 Total	2015 Total
Revenue:					
Donations	\$ 373,745	\$ 980,465	\$ 148,399	\$ 1,502,609	\$ 1,334,599
Investment income (loss) (note 2)	51,181	(30,435)	-	20,746	906,376
Subsidy (note 3)	120,000	-	-	120,000	120,000
Special events	52,330	-	-	52,330	60,285
	597,256	950,030	148,399	1,695,685	2,421,260
Expenditures:					
Salaries and benefits	189,360	-	-	189,360	165,350
Investment counsel fees	51,181	-	-	51,181	52,559
Administrative	43,067	-	-	43,067	43,789
Gifts to King's University					
College	351,622	697,728	-	1,049,350	1,249,045
Awards	-	400,439	-	400,439	260,837
Special events	21,465	-	-	21,465	22,824
Annual campaign (note 7)	10,595	-	-	10,595	8,509
	667,290	1,098,167	-	1,765,457	1,802,913
(Deficiency) excess of revenue over expenditures	(70,034)	(148,137)	148,399	(69,772)	618,347
Fund balances, beginning of year	137,543	1,892,608	6,891,272	8,921,423	8,303,076
Interfund transfers	-	(90,095)	90,095	-	-
Fund balances, end of year	\$ 67,509	\$ 1,654,376	\$ 7,129,766	\$ 8,851,651	\$ 8,921,423

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, 2016, with comparative information for 2015

	Operating Fund	Restricted Fund	Endowment Fund	2016 Total	2015 Total
Cash provided by (used in):					
Operating activities:					
(Deficiency) excess of revenue over expenditures	\$ (70,034)	\$ (148,137)	\$ 148,399	\$ (69,772)	\$ 618,347
Interfund transfers	-	(90,095)	90,095	-	-
Changes in non-cash working capital:					
Prepaid expenses	(17,718)	-	-	(17,718)	(3,281)
Interfund balances	(20,486)	20,486	-	-	-
Due to King's University College	107,739	-	-	107,739	(808,354)
Accrued liability	499	-	-	499	(356)
	-	(217,746)	238,494	20,748	(193,644)
Investing activities:					
Net decrease (increase) in investments	-	217,746	(238,494)	(20,748)	193,644
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, 2016

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 (loss) is recognized as revenue when earned. Special events revenue is recorded when the event has occurred.

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

Notes to Financial Statements (continued)

Year ended April 30, 2016

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, realized gains or losses and the change in unrealized gains or losses on investments are recorded as investment income (loss) in the statement of operations.

(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, 2016

2. Investments:

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

	2016	2015
Russell Canadian Equity Fund	\$ 2,920,380	\$ 2,879,001
Russell Global Equity Fund	2,607,238	2,814,432
Russell Canadian Fixed Income Fund	3,346,619	3,175,415
Russell Money Market Pooled Fund	472,736	457,377
	\$ 9,346,973	\$ 9,326,225

For the year ended April 30, 2016, investments were managed by Russell Investments Canada Limited.

(b) Investment income consists of:

2016	Operating Fund	Restricted Fund	Total
Distributions	\$ 51,181	\$ 608,962	\$ 660,143
Realized gains	-	105,077	105,077
Change in unrealized gains	-	(744,474)	(744,474)
	\$ 51,181	\$ (30,435)	\$ 20,746

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

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

Notes to Financial Statements (continued)

Year ended April 30, 2016

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.

Each year, irrespective of investment income earned, a minimum amount is allocated to the Operating Fund to offset investment counsel fees incurred for the year.

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.

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. The amount due to King's University College at April 30, 2016 is \$507,922 (2015 - \$400,183) and is unsecured, non-interest bearing and has no specific repayment terms.

King's University College provides a maximum annual subsidy of \$120,000 (2015 - \$120,000) to assist in the operation of the Foundation.

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, 2016

5. Pledges:

(a) Pledges receivable:

The estimated value of donations which have been pledged but not received as at April 30, 2016 was \$5,819,661 (2015 - \$6,553,107). These amounts are not reflected in the financial statements of the Foundation. The collection of pledges is expected to occur as follows:

2017	\$	599,192
2018		430,700
2019		274,775
2020		257,594
2021		255,120
Subsequent years		4,002,280
	\$	5,819,661

(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 \$8,094,112 has been transferred at April 30, 2016. 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 value of cash, accrued liability and the amount due to King's University College approximates their fair value due to their short-term maturity. The fair value of investments is disclosed in note 2.

(b) Financial risks:

The Foundation has financial risks, which have not changed from the prior year, as follows:

(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, 2016

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. 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) 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.

7. Campaign expenses:

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

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

Schedule 1 - Restricted Fund (Unaudited)

Year ended April 30, 2016

	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:								
Library	\$ 474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 474
Awards	91,480	6,400	-	(6,650)	-	(37,695)	-	53,535
Scholarships	142	-	-	-	-	(142)	-	-
Library	36,230	1,970	-	-	-	-	-	38,200
Library acquisitions	3,556	-	-	-	-	-	-	3,556
International travel	1,430	-	-	-	-	(1,430)	-	-
Accessibility	1,623	-	-	-	-	(1,623)	-	-
General restricted donations	20,004	27,857	-	(1,644)	-	(2,622)	-	43,595
Jewish Catholic Lecture Series	144	-	-	-	-	(144)	-	-
Campus Ministry	66,606	314,988	-	(135,471)	-	-	-	246,123
Debating and public speaking	6,211	3,090	-	-	-	310	-	9,611
Student life campaign:								
Unrestricted	69,462	97	-	-	-	-	(69,559)	-
Student Centre	-	626,063	-	-	-	106	(626,169)	-
Board donations	2,000	-	-	-	-	-	(2,000)	-
Income from Endowed Fund:								
Building Faith, Building Futures:								
Scholarships and bursaries	18,284	-	-	(6,468)	-	5,885	-	17,701
Accessibility	19,771	-	-	-	-	(9,771)	-	10,000
Pastoral leadership	20,399	-	-	(6,672)	-	-	-	13,727
Awards	20,063	-	-	(11,013)	-	12,261	-	21,311
Faculty Student Aid Fund	3,859	-	-	-	-	-	-	3,859
Havelka Katz	750	-	-	(400)	-	327	-	677
Noel Fund	2,993	-	-	-	-	-	-	2,993
St. Peter's Bursary	-	-	-	(500)	-	2,430	-	1,930
Goutor	-	-	-	(993)	-	1,514	-	521
Hugh Mellon	-	-	-	(1,000)	-	3,055	-	2,055
Wemple Fund	6,485	-	-	-	-	-	-	6,485
Chair for Catholic Jewish Centre	5,039	-	-	-	-	-	-	5,039
Ontario Student Opportunity Trust Fund (Schedule 3)	95,675	-	-	(70,877)	-	7,608	-	32,406
Ontario Trust for Student Support (Schedule 4)	220,884	-	-	(152,869)	-	98,497	-	166,512
Sisters of St. Joseph Research	37,382	-	-	-	-	-	-	37,382
Hayhoe	107	-	-	-	-	(107)	-	-
McMahon	2,282	-	-	(2,250)	-	2,549	-	2,581
Centre for Catholic-Jewish Learning	503	-	-	(753)	-	765	-	515
Income Stabilization Fund	10,062	-	-	-	-	-	-	10,062
	1,128,708	-	(30,435)	(2,879)	-	(171,868)	-	923,526
	\$ 1,892,608	\$ 980,465	\$ (30,435)	\$ (400,439)	\$ -	\$ (90,095)	\$ (697,728)	\$1,654,376

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

Schedule 2 - Endowed Fund
(Unaudited)

Year ended April 30, 2016

	Balance, beginning of year	Gifts and other revenues	Expenditures	Transfers	Balance, end of year
Endowed Fund:					
Building Faith, Building Futures:					
Scholarships and bursaries	\$ 201,453	\$ 150	\$ -	\$ 40,144	\$ 241,747
Accessibility	33,845	386	-	11,394	45,625
Pastoral leadership	46,228	-	-	-	46,228
Ontario Student Opportunity Trust Fund (Schedule 3)	1,755,139	-	-	17,519	1,772,658
Ontario Trust for Student Support (Schedule 4)	4,124,541	115,918	-	25,053	4,265,512
Sisters of St. Joseph	262,667	-	-	(40,000)	222,667
Endowed Chair - Catholic Jewish Centre	13,575	-	-	-	13,575
Wemple Fund	41,369	-	-	-	41,369
Faculty Student Aid Fund	29,900	120	-	-	30,020
St. Peter's Bursary	-	-	-	10,106	10,106
Goutor	-	1,100	-	24,942	26,042
Havelka Katz	7,615	-	-	15	7,630
Hayhoe	62,567	-	-	-	62,567
Hugh Mellon	-	20,000	-	-	20,000
Noel Fund	10,105	-	-	-	10,105
McMahon	10,250	5,000	-	(250)	15,000
Awards	292,018	5,725	-	1,172	298,915
	\$ 6,891,272	\$ 148,399	\$ -	\$ 90,095	\$ 7,129,766

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

Schedule 3 - Ontario Student Opportunity Trust Fund (OSOTF)
(Unaudited)

Year ended April 30, 2016

	OSOTF I	OSOTF II	Total
Changes in Endowment Fund balance:			
Fund balance, beginning of year	\$ 1,011,846	\$ 743,293	\$ 1,755,139
Donations received	10,100	7,419	17,519
Fund balance, end of year	\$ 1,021,946	\$ 750,712	\$ 1,772,658
Changes in expendable funds available for awards:			
Balance, beginning of year	\$ 54,962	\$ 40,713	\$ 95,675
Investment income net of direct investment-related expenses and preservation of capital contributions	4,371	3,237	7,608
Bursaries awarded - 42 and 23 (2015 - 42 and 25)	(40,716)	(30,161)	(70,877)
Balance, end of year	\$ 18,617	\$ 13,789	\$ 32,406

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

Schedule 4- Ontario Trust for Student Support (OTSS)
(Unaudited)

Year ended April 30, 2016, with comparative information for 2015

	2016	2015
Changes in Endowment Fund balance:		
Fund balance, beginning of year	\$ 4,124,541	\$ 4,096,033
Cash donations received	115,918	28,508
Transfers	25,053	-
Fund balance, end of year	\$ 4,265,512	\$ 4,124,541
Changes in Expendable Funds available for awards:		
Funds available for awards:		
Balance, beginning of year	\$ 220,884	\$ 206,926
Investment income, net of direct investment - related expenses and preservation of capital contributions	-	169,577
Bursaries awarded - 125 (2015 - 125)	(152,869)	(155,661)
Transfers	98,497	42
Balance, end of year	\$ 166,512	\$ 220,884