

Financial Statements of

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

Year ended April 30, 2017



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

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, 2017, 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, 2017 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

September 20, 2017

London, Canada

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

Statement of Financial Position

April 30, 2017, with comparative information for 2016

	Operating Fund	Restricted Fund	Endowment Fund	2017 Total	2016 Total
Assets					
Current assets:					
Cash	\$ 100	\$ -	\$ -	\$ 100	\$ 100
Investments (note 2)	-	2,888,108	7,167,278	10,055,386	9,346,973
Prepaid expenses	-	-	-	-	21,000
	<u>\$ 100</u>	<u>\$ 2,888,108</u>	<u>\$ 7,167,278</u>	<u>\$10,055,486</u>	<u>\$ 9,368,073</u>

Liabilities and Fund Balances

Current liabilities:					
Accrued liability	\$ 8,500	\$ -	\$ -	\$ 8,500	\$ 8,500
Due to King's University College (note 3)	358,834	-	-	358,834	507,922
Interfund balances (note 4)	(425,709)	425,709	-	-	-
	(58,375)	425,709	-	367,334	516,422
Fund balances	58,475	2,462,399	7,167,278	9,688,152	8,851,651
	<u>\$ 100</u>	<u>\$ 2,888,108</u>	<u>\$ 7,167,278</u>	<u>\$10,055,486</u>	<u>\$ 9,368,073</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, 2017, with comparative information for 2016

	Operating Fund	Restricted Fund	Endowment Fund	2017 Total	2016 Total
Revenue:					
Donations	\$ 190,687	\$ 711,435	\$ 36,612	\$ 938,734	\$ 1,502,609
Investment income (note 2)	207,310	1,001,102	-	1,208,412	20,746
Subsidy (note 3)	120,000	-	-	120,000	120,000
Special events	53,870	-	-	53,870	52,330
	<u>571,867</u>	<u>1,712,537</u>	<u>36,612</u>	<u>2,321,016</u>	<u>1,695,685</u>
Expenditures:					
Salaries and benefits	200,879	-	-	200,879	189,360
Investment counsel fees	52,355	-	-	52,355	51,181
Administrative	86,072	-	-	86,072	43,067
Gifts to King's University					
College	174,212	745,524	-	919,736	1,049,350
Awards	-	192,101	-	192,101	400,439
Special events	20,859	-	-	20,859	21,465
Annual campaign (note 7)	12,513	-	-	12,513	10,595
	<u>546,890</u>	<u>937,625</u>	<u>-</u>	<u>1,484,515</u>	<u>1,765,457</u>
(Deficiency) excess of revenue over expenditures	24,977	774,912	36,612	836,501	(69,772)
Fund balances, beginning of year	67,509	1,654,376	7,129,766	8,851,651	8,921,423
Interfund transfers	(34,011)	33,111	900	-	-
Fund balances, end of year	\$ 58,475	\$ 2,462,399	\$ 7,167,278	\$ 9,688,152	\$ 8,851,651

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, 2017, with comparative information for 2016

	Operating Fund	Restricted Fund	Endowment Fund	2017 Total	2016 Total
Cash provided by (used in):					
Operating activities:					
(Deficiency) excess of revenue					
over expenditures	\$ 24,977	\$ 774,912	\$ 36,612	\$ 836,501	\$ (69,772)
Interfund transfers	(34,011)	33,111	900	-	-
Changes in non-cash working capital:					
Prepaid expenses	21,000	-	-	21,000	(17,718)
Interfund balances	137,122	(137,122)	-	-	-
Due to King's University College	(149,088)	-	-	(149,088)	107,739
Accrued liability	-	-	-	-	499
	-	670,901	37,512	708,413	20,748
Investing activities:					
Net increase in investments	-	(670,901)	(37,512)	(708,413)	(20,748)
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, 2017

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 in Part III of the CPA Canada Handbook - Accounting. 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. 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, 2017

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, 2017

2. Investments:

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

	2017	2016
Russell Canadian Equity Fund	\$ 2,992,389	\$ 2,920,380
Russell Global Equity Fund	3,197,212	2,607,238
Russell Canadian Fixed Income Fund	3,390,725	3,346,619
Russell Money Market Pooled Fund	475,060	472,736
	\$ 10,055,386	\$ 9,346,973

For the year ended April 30, 2017, investments were managed by Russell Investments Canada Limited.

(b) Investment income consists of:

2017	Operating Fund	Restricted Fund	Total
Distributions	\$ 207,310	\$ 378,857	\$ 586,167
Realized gains	-	67,684	67,684
Change in unrealized gains	-	554,561	554,561
	\$ 207,310	\$ 1,001,102	\$ 1,208,412

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

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

Notes to Financial Statements (continued)

Year ended April 30, 2017

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) 1.5% is allocated to the Income Stabilization Fund within the Restricted Fund;
- (iii) 2% is allocated to the Operating Fund; and
- (iv) 1.5% is allocated to the Income Stabilization Fund within the Restricted 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, 2017 is \$358,834 (2016 - \$507,922) and is unsecured, non-interest bearing and has no specific repayment terms.

King's University College provides a maximum annual subsidy of \$120,000 (2016 - \$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, 2017

5. Pledges:

(a) Pledges receivable:

The estimated value of donations which have been pledged but not received as at April 30, 2017 was \$5,406,010 (2016 - \$5,819,661). These amounts are not reflected in the financial statements of the Foundation. The collection of pledges is expected to occur as follows:

2018	\$ 520,449
2019	283,378
2020	265,883
2021	263,120
2022	256,120
Subsequent years	3,817,060
	<hr/>
	\$ 5,406,010

(b) Pledge commitments:

The Foundation has committed to provide approximately \$9,000,000 to King's University College to assist in the construction of the Darryl J. King Student Life Centre, of which \$8,597,812 has been transferred at April 30, 2017. 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, 2017

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, 2017

	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	\$ -	\$ 18	\$ -	\$ -	\$ -	\$ -	\$ 492
Awards	53,535	11,100	2,181	(9,129)	-	-	-	57,687
Scholarships	-	-	-	-	-	-	-	-
Library	38,200	2,290	809	-	-	-	(38,200)	3,099
Library acquisitions	3,556	-	142	-	-	-	-	3,698
International travel	-	-	-	-	-	-	-	-
Accessibility	-	-	-	-	-	-	-	-
General restricted donations	43,595	13,741	1,904	(2,750)	-	-	(3,000)	53,490
St. Peters Sem. Project	-	40,302	458,758	-	-	34,011	-	533,071
Campus Ministry	246,123	140,302	9,236	-	-	-	(170,731)	224,930
Debating and public speaking	9,611	-	385	-	-	-	-	9,996
Student life campaign:								
Unrestricted	-	-	-	-	-	-	-	-
Student Centre	-	503,700	-	-	-	-	(503,700)	-
Board donations	-	-	-	-	-	-	-	-
Income from Endowed Fund:								
Building Faith, Building Futures:								
Scholarships and bursaries	17,701	-	10,183	(7,085)	-	-	(3,000)	17,799
Accessibility	10,000	-	2,226	-	-	-	(631)	11,595
Pastoral leadership	13,727	-	2,358	-	-	-	(2,000)	14,085
Awards	21,311	-	12,761	(10,161)	-	(900)	-	23,011
Faculty Student Aid Fund	3,859	-	1,357	-	-	-	-	5,216
Havelka Katz	677	-	324	(400)	-	-	-	601
Noel Fund	2,993	-	524	-	-	-	-	3,517
St. Peter's Bursary	1,930	-	472	(500)	-	-	-	1,902
Goutor	521	-	1,052	(521)	-	-	-	1,052
Hugh Mellon	2,055	-	880	(1,000)	-	-	-	1,935
Wemple Fund	6,485	-	1,784	-	-	-	(6,485)	1,784
Chair for Catholic Jewish Centre	5,039	-	745	-	-	-	-	5,784
Ontario Student Opportunity Trust Fund (Schedule 3)	32,406	-	71,701	(25,358)	-	-	-	78,749
Ontario Trust for Student Support (Schedule 4)	166,512	-	175,153	(127,953)	-	-	-	213,712
Sisters of St. Joseph	37,382	-	10,066	-	-	-	(16,777)	30,671
Research	-	-	-	-	-	-	-	-
Hayhoe	2,581	-	2,556	(2,500)	-	-	-	2,637
McMahon	515	-	710	(515)	-	-	-	710
Centre for Catholic-Jewish Learning	10,062	-	383	-	-	-	(1,000)	9,445
Income Stabilization Fund	923,526	-	232,434	(4,229)	-	-	-	1,151,731
	\$ 1,654,376	\$ 711,435	\$ 1,001,102	\$ (192,101)	\$ -	\$ 33,111	\$(745,524)	\$2,462,399

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

Schedule 2 - Endowed Fund
(Unaudited)

Year ended April 30, 2017

	Balance, beginning of year	Gifts and other revenues	Expenditures	Transfers	Balance, end of year
Endowed Fund:					
Building Faith, Building Futures:					
Scholarships and bursaries	\$ 241,747	\$ 350	\$ -	\$ -	\$ 242,097
Accessibility	45,625	700	-	-	46,325
Pastoral leadership	46,228	-	-	-	46,228
Ontario Student Opportunity Trust Fund (Schedule 3)	1,772,658	275	-	-	1,772,933
Ontario Trust for Student Support (Schedule 4)	4,265,512	21,519	-	-	4,287,031
Sisters of St. Joseph	222,667	-	-	-	222,667
Endowed Chair - Catholic Jewish Centre	13,575	-	-	-	13,575
Wemple Fund	41,369	-	-	-	41,369
Faculty Student Aid Fund	30,020	120	-	-	30,140
St. Peter's Bursary	10,106	-	-	-	10,106
Goutor	26,042	-	-	-	26,042
Havelka Katz	7,630	-	-	-	7,630
Hayhoe	62,567	-	-	-	62,567
Hugh Mellon	20,000	-	-	900	20,900
Noel Fund	10,105	-	-	-	10,105
McMahon	15,000	5,000	-	-	20,000
Awards	298,915	8,648	-	-	307,563
	\$ 7,129,766	\$ 36,612	\$ -	\$ 900	\$ 7,167,278

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

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

Year ended April 30, 2017

	OSOTF I	OSOTF II	Total
Changes in Endowment Fund balance:			
Fund balance, beginning of year	\$ 1,021,946	\$ 750,712	\$ 1,772,658
Donations received	275	-	275
Fund balance, end of year	\$ 1,022,221	\$ 750,712	\$ 1,772,933
Changes in expendable funds available for awards:			
Balance, beginning of year	\$ 18,617	\$ 13,789	\$ 32,406
Investment income net of direct investment-related expenses and preservation of capital contributions	41,189	30,512	71,701
Bursaries awarded - 13 and 12 (2016 - 42 and 23)	(14,567)	(10,791)	(25,358)
Balance, end of year	\$ 45,239	\$ 33,510	\$ 78,749

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

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

Year ended April 30, 2017, with comparative information for 2016

	2017	2016
Changes in Endowment Fund balance:		
Fund balance, beginning of year	\$ 4,265,512	\$ 4,124,541
Cash donations received	21,519	115,918
Transfers	-	25,053
Fund balance, end of year	\$ 4,287,031	\$ 4,265,512
Changes in Expendable Funds available for awards:		
Funds available for awards:		
Balance, beginning of year	\$ 166,512	\$ 220,884
Investment income, net of direct investment - related expenses and preservation of capital contributions	175,153	-
Bursaries awarded - 82 (2016 - 125)	(127,953)	(152,869)
Transfers	-	98,497
Balance, end of year	\$ 213,712	\$ 166,512