

Financial Statements of

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

Year ended April 30, 2011



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

We have audited the accompanying financial statements of King's University College at The University of Western Ontario, which comprise the statement of financial position as at April 30, 2011, the statements of operations, 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 generally accepted accounting principles, 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 at The University of Western Ontario as at April 30, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

September 28, 2011

London, Canada

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

## Statement of Financial Position

April 30, 2011, with comparative figures for 2010

	Operating Fund	Restricted Fund Capital	Other	2011 Total	2010 Total
<b>Assets</b>					
Current assets:					
Cash	\$ 3,011,906	\$ -	\$ -	\$ 3,011,906	\$ 2,470,470
Accounts receivable (note 3)	983,725	-	-	983,725	257,223
Investments (note 4)	14,904,924	3,335,257	-	18,240,181	16,366,892
Prepaid expenses	177,523	-	-	177,523	244,726
Interfund balances (note 5)	738,035	(946,367)	208,332	-	-
	19,816,113	2,388,890	208,332	22,413,335	19,339,311
Capital assets (note 6)	-	28,913,607	-	28,913,607	28,735,553
Accrued pension asset (note 7)	-	-	6,201,500	6,201,500	5,378,500
	\$ 19,816,113	\$ 31,302,497	\$ 6,409,832	\$ 57,528,442	\$ 53,453,364

## Liabilities and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities	\$ 2,554,169	\$ -	\$ -	\$ 2,554,169	\$ 1,615,022
Due to King's University College Foundation (note 8)	249,723	(169,027)	-	80,696	685,337
Deferred revenue	442,833	90,000	-	532,833	376,397
	3,246,725	(79,027)	-	3,167,698	2,676,756
Long-term debt (note 9)	-	3,500,000	-	3,500,000	3,500,000
Post-employment benefit liability (note 7)	8,499,000	-	-	8,499,000	7,444,000
Fund balances:					
Unrestricted	6,070,388	-	-	6,070,388	6,688,990
Investment in capital assets	-	25,413,607	-	25,413,607	25,235,554
Externally restricted	-	(330,941)	6,409,832	6,078,891	5,195,452
Internally restricted	2,000,000	2,798,858	-	4,798,858	2,712,612
	8,070,388	27,881,524	6,409,832	42,361,744	39,832,608
Commitments (notes 11 and 12)					
	\$ 19,816,113	\$ 31,302,497	\$ 6,409,832	\$ 57,528,442	\$ 53,453,364

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

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

## Statement of Operations

Year ended April 30, 2011, with comparative figures for 2010

	Operating Fund	Restricted Fund Capital	Other	2011 Total	2010 Total
<b>Revenue:</b>					
Government grants	\$ 15,211,411	\$ 100,532	\$ 167,975	\$ 15,479,918	\$ 15,231,527
Tuition	22,875,407	-	-	22,875,407	21,193,614
Investment income	184,031	76,241	-	260,272	223,444
Donations	-	10,000	-	10,000	10,000
Gifts from King's University College Foundation	330,378	54,783	-	385,161	279,168
Sundry	468,623	-	73,734	542,357	452,427
Ancillary operations	3,225,254	-	-	3,225,254	3,163,124
	42,295,104	241,556	241,709	42,778,369	40,553,304
<b>Expenses:</b>					
Instructional	18,207,932	-	-	18,207,932	16,892,471
General and administrative	5,302,867	-	-	5,302,867	4,971,888
Service fee to UWO	2,757,728	-	-	2,757,728	2,653,523
Operation and maintenance of properties	2,593,125	-	-	2,593,125	2,456,004
Employee benefits	6,146,176	-	-	6,146,176	5,095,616
Amortization of capital assets	-	1,822,188	-	1,822,188	1,882,045
Mortgage and loan interest	-	320,950	-	320,950	320,950
Awards and research grants	-	-	236,053	236,053	205,245
Ancillary operations (note 13)	2,862,214	-	-	2,862,214	2,748,365
	37,870,042	2,143,138	236,053	40,249,233	37,226,107
<b>Excess (deficiency) of revenue over expenses</b>					
	\$ 4,425,062	\$ (1,901,582)	\$ 5,656	\$ 2,529,136	\$ 3,327,197

See accompanying notes to financial statements.

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

## Statement of Changes in Fund Balances

Year ended April 30, 2011, with comparative figures for 2010

	Operating Fund	Restricted Fund Capital	Other	2011 Total	2010 Total
Fund balances, beginning of year	\$ 6,688,990	\$ 27,562,442	\$ 5,581,176	\$ 39,832,608	\$ 36,505,411
Excess (deficiency) of revenue over expenses	4,425,062	(1,901,582)	5,656	2,529,136	3,327,197
Interfund transfers (note 5)	(3,043,664)	2,220,664	823,000	-	-
Fund balances, end of year	\$ 8,070,388	\$ 27,881,524	\$ 6,409,832	\$ 42,361,744	\$ 39,832,608

See accompanying notes to financial statements.

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

## Statement of Cash Flows

Year ended April 30, 2011, with comparative figures for 2010

	Operating Fund	Restricted Fund Capital	Other	2011 Total	2010 Total
Cash provided by (used in):					
Operating activities:					
Excess (deficiency) of revenue over expenses	\$ 4,425,062	\$ (1,901,582)	\$ 5,656	\$ 2,529,136	\$ 3,327,197
Adjustments for:					
Transfers among funds	(3,043,664)	2,220,664	823,000	-	-
Amortization of capital assets	-	1,822,188	-	1,822,188	1,882,045
Decrease in non-cash working capital (note 14)	957,090	(64,791)	(828,656)	63,643	(765,407)
	2,338,488	2,076,479	-	4,414,967	4,443,835
Investing activities:					
Net change in investments	(1,797,052)	(76,237)	-	(1,873,289)	(1,498,777)
Purchase of capital assets	-	(2,000,242)	-	(2,000,242)	(1,453,871)
	(1,797,052)	(2,076,479)	-	(3,873,531)	(2,952,648)
Increase in cash	541,436	-	-	541,436	1,491,187
Cash, beginning of year	2,470,470	-	-	2,470,470	979,283
Cash, end of year	\$ 3,011,906	\$ -	\$ -	\$ 3,011,906	\$ 2,470,470

See accompanying notes to financial statements.

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

Notes to Financial Statements

Year ended April 30, 2011

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King's University College at The University of Western Ontario ("King's" or "the College") is a Liberal Arts college providing post-secondary education programs in Arts, Social Sciences, and Social Work for over 3,000 students. King's is an unincorporated entity within The Roman Catholic Episcopal Corporation of the Diocese of London in Ontario.

## 1. Significant accounting policies:

### (a) Fund accounting:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The financial statements of King's are maintained in accordance with the fund method of accounting. Accordingly, all financial transactions have been recorded in two funds: Operating Fund and Restricted Funds.

The Operating Fund accounts for instructional, administrative and other operational costs financed by tuition, grants and investment income. This fund also accounts for revenue and expenditures related to ancillary operations of residence, food services, conferences and parking.

The Restricted Capital Fund accounts for the acquisition, amortization and disposal of capital assets. The Restricted Other Fund accounts for the receipt and expenditures of research funds and special purpose funds.

### (b) Revenue recognition:

King's follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred, and when expended, are amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

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

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

Notes to Financial Statements (continued)

Year ended April 30, 2011

## 1. Significant accounting policies (continued):

### (c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful life of buildings and on a declining balance basis for all other capital assets. Amortization rates are as follows:

Asset	Basis	Rate
Buildings	Straight-line	40 years
Parking lots	Declining balance	10%
Equipment and furnishings	Declining balance	20%
Computer equipment	Declining balance	30%
Library books	Declining balance	100%
Works of art		%

### (d) Employee future benefits:

The King's pension plan, covering full-time faculty, certain part-time faculty and certain non-teaching employees, is a defined benefit pension plan. The cost of pension benefits earned by employees is determined using the projected benefit method prorated on service and is expensed through the Operating Fund as services are rendered. This cost reflects management's best estimates of the pension plan's expected yields, salary escalations, mortality of members, termination and the ages at which members will retire. Differences arising from plan amendments, changes in assumptions and actuarial gains and losses are recognized in income over the expected average remaining service life of employees. The pension plan agreement requires that King's use surpluses to improve benefits.

Other employees participate in a group registered retirement savings plan.

The non-pension post retirement benefit plan includes medical and dental benefits provided to retirees and their eligible dependents. The post employment benefit plan includes the continuation of medical and dental benefits for employees on long-term disability and their eligible dependents. The non-pension post retirement and post employment benefit plans are defined benefit plans funded on a cash basis by contributions from King's.

King's accrues its obligations under employee defined benefit plans and other retirement benefits as the employees render the services necessary to earn them.



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

Notes to Financial Statements (continued)

Year ended April 30, 2011

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## 1. Significant accounting policies (continued):

### (e) Cash:

Cash includes deposits with financial institutions that can be withdrawn without prior notice or penalties.

### (f) Investments and investment income:

Investments consist of readily marketable securities which are recorded at fair market value. Strip bonds are recorded at cost plus accrued interest in their effective yield.

Investments classified or designated as held-for-trading are recorded at fair market value. Unrealized gains and losses are recognized in net revenues (expenses) as changes in the market values occur in the corresponding fund in the statement of operations.

Investments classified as available-for-sale are recorded at market, unless they are non-quoted equity securities, which are carried at cost. Unrealized gains and losses are recorded as direct increases or decreases to fund balances and disclosed in the statement of changes in fund balances.

Investments classified as held-to-maturity are carried at amortized cost using the effective interest rate method. Gains or losses on disposal are recorded in the year of disposal.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income consists of interest, dividends, realized gains (losses) on sales of investments and the net change in unrealized gains (losses). Realized and unrealized gains (losses) earned on funds held with external restrictions are recorded in the Restricted Capital Fund or Restricted Other Fund. The balance of investment income is recorded in the Operating Fund.

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

Notes to Financial Statements (continued)

Year ended April 30, 2011

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## 1. Significant accounting policies (continued):

### (g) Financial instruments:

Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value recorded in the statement of operations. Financial assets classified as held-to-maturity or loans and receivables and financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method. Available-for-sale financial assets that have a quoted price in an active market are measured at fair value with changes as direct increases or decreases to fund balances and disclosed in the statement of changes in fund balances. King's has classified its financial instruments as follows:

- (i) Cash and short-term investments or bank indebtedness are classified as held-for trading;
- (ii) Accounts receivable are classified as loans and receivables;
- (iii) Investments – Capital Fund are classified as available-for-sale;
- (iv) Investments – Operating Fund are classified as held-for-trading; and
- (v) Accounts payable and accrued liabilities and long-term debt are classified as other liabilities.

King's has elected to expense transaction costs related to financial instruments classified as other than held-for-trading and to use trade date accounting for regular-way purchases and sales of financial assets.

King's has elected to continue to disclose and present financial instruments under Handbook section 3861, *Financial Instruments - Disclosures and Presentation* as the Canadian Institute of Chartered Accountants ("CICA") has permitted not-for-profit entities to defer the adoption of 3862, *Financial Instruments - Disclosures*, and 3863, *Financial Instruments – Presentation*.

King's adopted the amendments to section 3855, *Financial Instruments - Recognition and Measurement*, permitted for not-for-profit entities and therefore does apply Handbook section 3855 to derivatives embedded in leases, derivatives embedded in insurance contracts, contracts to buy or sell a non-financial item including derivatives embedded therein, or derivatives embedded in contracts to buy or sell a non-financial item in accordance with the College's expected purchase, sale or usage requirements.

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

Notes to Financial Statements (continued)

Year ended April 30, 2011

## 1. Significant accounting policies (continued):

### (h) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of employee future benefits (accrued pension asset and post-employment benefit liability) and amortization of capital assets. Actual results could differ from those estimates.

## 2. Future new accounting pronouncement:

In November 2010, the Accounting Standards Board of the CICA issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012.

The College is currently in the process of determining the impact of these changes, which will be implemented for the fiscal 2013 year end.

## 3. Accounts receivable:

	Operating Fund	Restricted Fund	2011 Total	2010 Total
Students	\$ -	\$ -	\$ -	16,293
Other	1,000,227	-	1,000,227	261,927
	1,000,227	-	1,000,227	278,220
Allowance for doubtful accounts	16,502	-	16,502	20,997
	\$ 983,725	\$ -	\$ 983,725	\$ 257,223

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

Notes to Financial Statements (continued)

Year ended April 30, 2011

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#### 4. Investments:

	2011	2010
Short-term investments	\$ 14,904,924	\$ 13,107,872
Guaranteed investment certificates	3,335,257	2,202,170
Government strip bonds	-	1,056,850
	<hr/>	<hr/>
	\$ 18,240,181	\$ 16,366,892

Short-term investments and the guaranteed investment certificates are measured and recorded at fair value and long-term investments are measured at the amortized cost using the effective interest method.

King's has provided for the repayment of the majority of the principal of the 9.17% mortgage with the purchase of guaranteed investment certificates.

#### 5. Interfund balances and transfers:

Due to the nature of Kings' 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. Capital expenditures during the year are transferred to the Capital Fund at year end to properly record the equity in the Capital Fund.

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

Notes to Financial Statements (continued)

Year ended April 30, 2011

## 6. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 705,713	\$ -	\$ 705,713	\$ 705,713
Buildings	37,976,527	11,398,452	26,578,075	26,320,962
Parking lots	971,331	543,257	428,074	475,638
Equipment and furnishings	4,831,218	4,281,454	549,764	574,946
Computer equipment	3,393,889	2,800,806	593,083	599,396
Library books	6,945,168	6,945,168	-	-
Works of art	58,898	-	58,898	58,898
	<b>\$ 54,882,744</b>	<b>\$ 25,969,137</b>	<b>\$ 28,913,607</b>	<b>\$ 28,735,553</b>

## 7. Employee future benefits:

The interval between actuarial valuations for the defined benefit pension plan does not exceed three years with the most recent valuation prepared as at December 31, 2009. In the years between valuations, an extrapolation of the actuarial valuation is used to determine the market related value of the plan assets and the projected benefit obligations.

Information about King's accrued pension asset and post-employment benefit liability as at April 30, 2011 is as follows:

	Pension Benefit Plans		Post-employment Plans	
	2011	2010	2011	2010
Accrued benefit obligation	\$ 33,785,900	\$ 30,823,800	\$ 9,262,000	\$ 8,362,000
Fair value of plan assets	33,484,100	30,108,700	-	-
Funded status, plan deficit	(301,800)	(715,100)	(9,262,000)	(8,362,000)
Unamortized past service cost	62,300	212,000	570,000	737,000
Unamortized net actuarial loss	6,441,000	5,881,600	193,000	181,000
Accrued benefit asset (liability)	<b>\$ 6,201,500</b>	<b>\$ 5,378,500</b>	<b>\$ (8,499,000)</b>	<b>\$ (7,444,000)</b>

Accrued benefit obligation and fair value of plan assets includes \$457,000 (2010 - \$457,600) in optional flexible contributions made by members of the Plan.

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

Notes to Financial Statements (continued)

Year ended April 30, 2011

## 7. Employee future benefits (continued):

	Pension Benefit Plans		Post-employment Plans	
	2011	2010	2011	2010
Employer contributions	\$ 2,425,600	\$ 2,314,000	\$ 170,000	\$ 137,000
Benefits paid	2,061,100	1,844,300	170,000	137,000

The net expense for King's benefit plans, which is included in employee benefits on the Statement of Operations, is as follows:

	Pension Benefit Plans		Post-employment Plans	
	2011	2010	2011	2010
Current service costs	\$ 1,304,800	\$ 767,800	\$ 515,000	\$ 270,000
Interest costs	1,808,300	2,080,400	519,000	432,000
Return on plan assets	(2,497,300)	(3,701,000)	-	-
Actuarial loss	1,493,200	4,028,000	36,000	2,670,000
Plan amendments	(96,700)	-	-	-
<b>Net benefit plan expense</b>	<b>\$ 2,012,300</b>	<b>\$ 3,175,200</b>	<b>\$ 1,070,000</b>	<b>\$ 3,372,000</b>

The significant actuarial assumptions adopted in measuring King's accrued benefit obligation expenses are as follows:

	Pension Benefit Plans		Post-employment Plans	
	2011	2010	2011	2010
Weighted-average assumptions for expense:				
Discount rate:				
Post-employment benefits	6.00 %	8.50 %	4.75 %	8.50 %
Non-pension	-	-	6.00 %	8.50 %
Expected long-term rate				
of return of plan assets	6.00 %	6.33 %	-	-
Rate of compensation increase	4.50 %	3.75 %	-	-
Weighted average assumptions for accrued benefit obligation:				
Discount rate:				
Post-employment benefits	5.70 %	5.70 %	4.40 %	4.75 %
Non-pension	-	-	5.70 %	6.00 %
Rate of compensation increase	4.75 %	4.50 %	-	-

The assumed health care cost trend rate at May 1, 2011 was 4.5% per annum.

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

Notes to Financial Statements (continued)

Year ended April 30, 2011

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## 8. Related party transactions:

Revenues of King's University College Foundation at The University of Western Ontario (the "Foundation") are received by and expenditures are paid by King's on behalf of the Foundation, giving rise to an on-going amount receivable from or payable to the Foundation.

King's provides a maximum subsidy of \$120,000 (2010 - \$120,000) annually to assist in the operation of the Foundation.

The Foundation holds funds of \$9,716,901 (2010 - \$7,997,226), the benefit of which is to be used for King's.

## 9. Long-term debt:

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	2011	2010
9.17% mortgage, interest only of \$160,475 payable semi-annually, maturing July 1, 2012	\$ 3,500,000	\$ 3,500,000

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## 10. Financial instruments:

### (a) Fair values:

The carrying value of Kings' short-term financial instruments, comprised of cash, accounts receivable, accounts payable and accrued liabilities, deferred revenue, and due to King's University College Foundation, which, due to their short-term nature, approximate their fair value. The fair value of the long-term debt amount has not been disclosed as the information is not readily available. Management believes that the fair values of these amounts are not significantly different than their carrying values.

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

Notes to Financial Statements (continued)

Year ended April 30, 2011

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## 10. Financial instruments (continued):

### (b) Risk management:

King's is exposed to interest rate risk with respect to its cash and investments. Changes in variable interest rates could cause unanticipated fluctuations in Kings' operating results.

King's is subject to foreign exchange risk and interest rate risk with respect to its investment portfolio. Changes to interest rates could cause unanticipated fluctuations in operating results. The investments are currently in Canadian investments and are not subject to risk with respect to fluctuations in foreign exchange rates between Canadian dollars and other foreign currencies.

### (c) Liquidity risk:

Liquidity risk is the risk that King's will not be able to meet its obligations as they fall due. King's requires working capital to meet day-to-day operating activities. Management expects that Kings' cash flows from operating activities will be sufficient to meet these requirements. King's also has available unused credit facilities at April 30, 2011 to meet fluctuations in working capital requirements.

### (d) Credit risk:

Credit risk is the risk that a party owing money to King's will fail to discharge that responsibility. King's is exposed to credit risk from the potential non-payment of accounts receivable. The actual credit risk from receivables from students and employees is minimal as King's has various methods of recourse for collection such as withholding transcripts, certificates or degrees and payroll deduction. The actual credit risk from grant receivables from the provincial and federal governments is minimal. As long as employees carry out the required reporting, King's continues to receive the grants as awarded by the provincial and federal governments.



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

Notes to Financial Statements (continued)

Year ended April 30, 2011

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## 11. Commitments under operating leases:

At April 30, 2011, King's has lease commitments for photocopiers and automobiles. Minimum annual lease payments, not including operating expenses, due over the next five years are expected to be as follows:

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2012	\$	102,228
2013		84,734
2014		75,936
2015		59,480
2016		50,198

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## 12. Commitments:

On June 15, 2005, King's signed a ten-year agreement with Aramark Canada Ltd. whereby, in conjunction with their food service operations, Aramark shall invest a maximum of \$800,000 for the purchase and installation of equipment and facility improvements. At the end of the agreement, the purchased equipment shall be transferred to King's. In the event King's terminates the agreement during its term, King's has agreed to purchase the equipment from Aramark at a price equal to the undepreciated book value at the termination date.

## 13. Allocated expenses:

In an effort to ensure that core grants are not used to offset costs within the ancillary functions, King's allocates the cost of administrative duties which are not directly charged to ancillary programs based on an estimate of the time required to facilitate ancillary processes. General and administrative expenses of \$191,661 (2010 - \$191,661) and employee benefits of \$44,892 (2010 - \$44,892) were allocated to ancillary operations during the year.

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

Notes to Financial Statements (continued)

Year ended April 30, 2011

## 14. Changes in non-cash working capital:

	Operating Fund	Restricted Fund Capital	Other	2011 Total
Changes in non-cash working capital:				
Accounts receivable	\$ (726,502)	\$ -	\$ -	\$ (726,502)
Prepaid expenses	67,203	-	-	67,203
Interfund balances	5,665	(9)	(5,656)	-
Accrued pension asset	-	-	(823,000)	(823,000)
Accounts payable and accrued liabilities	939,147	-	-	939,147
Due to King's University College Foundation	(549,859)	(54,782)	-	(604,641)
Deferred revenue	166,436	(10,000)	-	156,436
Post-employment benefit liability	1,055,000	-	-	1,055,000
	\$ 957,090	\$ (64,791)	\$ (828,656)	\$ 63,643

## 15. Capital disclosure:

Kings' objective in managing capital is to ensure sufficient liquidity to meet its monthly operating requirements and undertake program initiatives for the benefit of its students, while at the same time taking a conservative approach towards management of financial risk. Kings' capital is comprised of its fund balances. External restrictions exist on the restricted fund balances. Kings' primary use of capital is to finance capital expenditures, future projects and ongoing operations. King's currently funds these requirements out of its internally-generated cash flows. King's is not subject to any externally imposed capital requirements other than on the restricted portion of its fund balances.



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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 at The University of Western Ontario as at and for the year ended April 30, 2011 in accordance with Canadian generally accepted auditing standards.

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.

*KPMG LLP*

Chartered Accountants, Licensed Public Accountants

September 28, 2011

London, Canada

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

## Schedule - Operating Fund

Year ended April 30, 2011, with comparative figures for 2010

	Operations	Ancillary	2011 Total	2010 Total
Revenue	\$ 39,069,849	\$ 3,225,255	\$ 42,295,104	\$ 39,932,561
Expenditures	34,988,156	2,862,215	37,850,371	34,817,867
Increase in fund balances before transfers	4,081,693	363,040	4,444,733	5,114,694
Transfers:				
From Restricted Other Fund	(823,000)	-	(823,000)	(854,300)
To Restricted Capital fund for acquisitions	(1,899,714)	-	(1,899,714)	(1,312,019)
To Restricted Capital Fund for long- term debt repayments	-	(320,950)	(320,950)	(320,950)
Net increase	1,358,979	42,090	1,401,069	2,627,425
Fund balances, beginning of year	10,557,137	(3,868,147)	6,688,990	4,061,565
Fund balances, end of year	\$ 11,916,116	\$ (3,826,057)	\$ 8,090,059	\$ 6,688,990

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

## Schedule - Operating Fund Expenditures

Year ended April 30, 2011, with comparative figures for 2010

	2011	2010
<b>Instructional:</b>		
Salaries	\$ 14,605,097	\$ 13,517,159
Scholarships and bursaries	1,997,390	1,975,535
Research grants, learned society and guest lectures	287,024	283,727
Transportation and travel	431,098	373,075
Marking	171,533	160,940
Teaching program assistance	200,214	158,895
Office expenses	98,068	113,865
Telephone	21,937	21,573
Teaching aids	73,578	59,638
Small furnishings, equipment rentals and maintenance	5,635	12,538
Library supplies and binding	5,354	3,430
Memberships and dues	9,985	8,840
Interview and moving expenses	40,845	44,564
Sundry	260,174	158,692
	<b>\$ 18,207,932</b>	<b>\$ 16,892,471</b>
<b>General and administrative:</b>		
Office salaries	\$ 3,953,666	\$ 3,769,238
Telephone	46,454	67,520
Office supplies	133,021	110,659
Promotional material	143,731	105,598
Student counselling	14,600	16,450
Special events	42,782	44,349
Small furnishings, equipment rental and maintenance	134,379	91,957
Liaison	149,480	137,650
Travel	63,768	50,988
Postage	78,128	76,719
Audit	53,756	49,580
Centre for social concern, net	4,730	7,260
Chapel	70,248	81,930
Chapel social action fund	23,483	13,024
Membership fees	40,227	37,748
Legal fees	42,046	46,897
Bad debts	9,888	16,303
Sundry	370,142	319,680
King's University College Foundation subsidy	120,000	120,000
Less internal cost recovery, ancillary operations	(191,662)	(191,662)
	<b>\$ 5,302,867</b>	<b>\$ 4,971,888</b>
<b>Operating and maintenance for property:</b>		
Wages	\$ 1,486,262	\$ 1,353,394
Property taxes	239,772	235,350
Utilities	379,639	409,041
Repairs and maintenance	260,551	228,786
Insurance	78,036	101,780
Supplies	68,936	68,402
Small furnishings, equipment rentals and maintenance	40,587	32,416
Sundry	39,342	26,835
Less internal cost recovery, ancillary operations	-	-
	<b>\$ 2,593,125</b>	<b>\$ 2,456,004</b>

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

## Schedule - Revenue and Expenditures of Ancillary Operations

Year ended April 30, 2011, with comparative figures for 2010

	Residence and dining hall	Other	2011 Total	2010 Total
<b>Revenue:</b>				
Residence and cafeteria fees	\$ 2,802,046	\$ -	\$ 2,802,046	\$ 2,749,893
Licensed operations	-	11,644	11,644	17,327
Parking	-	230,808	230,808	213,395
Conferences	-	78,600	78,600	83,603
Sundry	6,593	95,563	102,156	98,906
	2,808,639	416,615	3,225,254	3,163,124
<b>Expenditures:</b>				
Food services	1,132,161	51,638	1,183,799	1,128,300
Salaries and wages	989,355	67,239	1,056,594	949,950
Utilities	165,656	9,856	175,512	188,441
Repairs and maintenance	59,240	27,069	86,309	86,035
Liquor, beer, wine and supplies	-	4,775	4,775	5,814
Laundry	-	1,559	1,559	1,410
Cleaning supplies	20,325	-	20,325	46,275
Small furnishings and supplies	2,939	-	2,939	19,433
Sundry	87,352	6,497	93,849	86,154
Internal cost allocation:				
General and administrative	181,191	10,470	191,661	191,661
Employee benefits	44,892	-	44,892	44,892
	2,683,111	179,103	2,862,214	2,748,365
<b>Excess of revenue over expenditures</b>	<b>\$ 125,528</b>	<b>\$ 237,512</b>	<b>\$ 363,040</b>	<b>\$ 414,759</b>

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

## Schedule - Investment in Capital Assets

Year ended April 30, 2011, with comparative figures for 2010

	2011	2010
Balance, beginning of year	\$ 25,235,554	\$ 25,663,729
Capital funds expended on buildings and installed equipment	100,531	119,802
Operating funds expended on furniture, equipment and library books	1,889,294	1,311,864
Gifts in kind from King's University College Foundation	10,416	22,204
	27,235,795	27,117,599
Amortization of capital assets	(1,822,188)	(1,882,045)
	\$ 25,413,607	\$ 25,235,554

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

Schedule - Restricted Capital Fund

Year ended April 30, 2011

	Balance, beginning of year	Grants and other expenditures	Expenditures	Balance, end of year
Externally restricted:				
Academic Centre	\$ (385,724)	\$ 54,783	\$ -	\$ (330,941)
Internally restricted:				
General	(545,805)	10,000	-	(535,805)
Residence	3,258,417	76,246	-	3,334,663
	2,712,612	86,246	-	2,798,858
	\$ 2,326,888	\$ 141,029	\$ -	\$ 2,467,917



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

Schedule - Restricted Other Fund

Year ended April 30, 2011

	Balance, beginning of year	Grants and other expenditures	Expenditures	Transfers	Balance, end of year
Externally restricted:					
Research	\$ 202,676	\$ 167,975	\$ 236,053	\$ 73,734	\$ 208,332
Pension	5,378,500	-	-	823,000	6,201,500
	\$ 5,581,176	\$ 167,975	\$ 236,053	\$ 896,734	\$ 6,409,832