

Financial Statements of

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

Year ended April 30, 2012



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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, 2012, 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, 2012, 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 26, 2012

London, Canada

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Statement of Financial Position

April 30, 2012, with comparative figures for 2011

	Operating Fund	Restricted Fund Capital	Other	2012 Total	2011 Total
Assets					
Current assets:					
Cash	\$ 4,656,006	\$ -	\$ -	\$ 4,656,006	\$ 3,011,906
Accounts receivable (note 3)	290,669	-	-	290,669	983,725
Investments (note 4)	16,475,097	3,412,186	-	19,887,283	18,240,181
Prepaid expenses	233,171	-	-	233,171	177,523
Interfund balances (note 5)	914,034	(1,122,265)	208,231	-	-
	22,568,977	2,289,921	208,231	25,067,129	22,413,335
Capital assets (note 6)	-	30,034,504	-	30,034,504	28,913,607
Accrued pension asset (note 7)	-	-	6,387,800	6,387,800	6,201,500
	\$ 22,568,977	\$ 32,324,425	\$ 6,596,031	\$ 61,489,433	\$ 57,528,442

Liabilities and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities	\$ 3,322,698	\$ -	\$ -	\$ 3,322,698	\$ 2,554,169
Due to King's University College Foundation (note 8)	528,887	(32,431)	-	496,456	80,696
Deferred revenue	502,919	80,000	-	582,919	532,833
Current portion of long-term debt (note 9)	-	3,500,000	-	3,500,000	-
	4,354,504	3,547,569	-	7,902,073	3,167,698
Long-term debt (note 9)	-	-	-	-	3,500,000
Post-employment benefit liability (note 7)	9,569,000	-	-	9,569,000	8,499,000
Fund balances:					
Unrestricted	7,845,473	-	-	7,845,473	6,070,388
Investment in capital assets	-	26,534,502	-	26,534,502	25,413,607
Externally restricted	-	(298,510)	208,231	(90,279)	6,078,891
Internally restricted	800,000	2,540,864	6,387,800	9,728,664	4,798,858
	8,645,473	28,776,856	6,596,031	44,018,360	42,361,744
Commitments (notes 11 and 12)					
	\$ 22,568,977	\$ 32,324,425	\$ 6,596,031	\$ 61,489,433	\$ 57,528,442

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, 2012, with comparative figures for 2011

	Operating Fund	Restricted Fund Capital	Other	2012 Total	2011 Total
Revenue:					
Government grants	\$ 15,701,134	\$ 106,141	\$ 240,373	\$ 16,047,648	\$ 15,479,918
Tuition	24,185,268	-	-	24,185,268	22,875,407
Investment income	313,815	76,986	-	390,801	260,272
Donations	-	10,000	-	10,000	10,000
Gifts from King's University College Foundation	367,871	32,431	-	400,302	385,161
Sundry	521,523	-	35,000	556,523	542,357
Ancillary operations	3,237,158	-	-	3,237,158	3,225,254
	<u>44,326,769</u>	<u>225,558</u>	<u>275,373</u>	<u>44,827,700</u>	<u>42,778,369</u>
Expenses:					
Instructional	19,291,543	-	-	19,291,543	18,207,932
General and administrative	5,406,875	-	-	5,406,875	5,302,867
Service fee to UWO	2,936,263	-	-	2,936,263	2,757,728
Operation and maintenance of properties	2,765,970	-	-	2,765,970	2,593,125
Employee benefits	7,420,814	-	-	7,420,814	6,146,176
Amortization of capital assets	-	1,876,390	-	1,876,390	1,822,188
Mortgage and loan interest	-	320,950	-	320,950	320,950
Awards and research grants	-	-	275,474	275,474	236,053
Ancillary operations (note 13)	2,876,805	-	-	2,876,805	2,862,214
	<u>40,698,270</u>	<u>2,197,340</u>	<u>275,474</u>	<u>43,171,084</u>	<u>40,249,233</u>
Excess (deficiency) of revenue over expenses	\$ 3,628,499	\$ (1,971,782)	\$ (101)	\$ 1,656,616	\$ 2,529,136

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, 2012, with comparative figures for 2011

	Operating Fund	Restricted Fund Capital	Other	2012 Total	2011 Total
Fund balances, beginning of year	\$ 8,070,388	\$ 27,881,524	\$ 6,409,832	\$ 42,361,744	\$ 39,832,608
Excess (deficiency) of revenue over expenses	3,628,499	(1,971,782)	(101)	1,656,616	2,529,136
Interfund transfers (note 5)	(3,053,414)	2,867,114	186,300	-	-
Fund balances, end of year	\$ 8,645,473	\$ 28,776,856	\$ 6,596,031	\$ 44,018,360	\$ 42,361,744

See accompanying notes to financial statements.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Statement of Cash Flows

Year ended April 30, 2012, with comparative figures for 2011

	Operating Fund	Restricted Fund Capital	Other	2012 Total	2011 Total
Cash provided by (used in):					
Operating activities:					
Excess (deficiency) of revenue over expenses	\$ 3,628,499	\$ (1,971,782)	\$ (101)	\$ 1,656,616	\$ 2,529,136
Adjustments for:					
Transfers among funds	(3,053,414)	2,867,114	186,300	-	-
Amortization of capital assets	-	1,876,390	-	1,876,390	1,822,188
Decrease in non-cash working capital (note 14)	2,639,188	302,494	(186,199)	2,755,483	63,643
	3,214,273	3,074,216	-	6,288,489	4,414,967
Investing activities:					
Net change in investments	(1,570,173)	(76,929)	-	(1,647,102)	(1,873,289)
Purchase of capital assets	-	(2,997,287)	-	(2,997,287)	(2,000,242)
	(1,570,173)	(3,074,216)	-	(4,644,389)	(3,873,531)
Increase in cash	1,644,100	-	-	1,644,100	541,436
Cash, beginning of year	3,011,906	-	-	3,011,906	2,470,470
Cash, end of year	\$ 4,656,006	\$ -	\$ -	\$ 4,656,006	\$ 3,011,906

See accompanying notes to financial statements.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements

Year ended April 30, 2012

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, 2012

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		0%

(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, 2012

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, 2012

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, 2012

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 December 2010, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("AcSB") and the Public Sector Accounting Board ("PSAB") released the accounting standards impacting not-for-profit organizations. These standards are effective for fiscal years beginning on or after January 1, 2012.

Under the new accounting standards issued by the AcSB, the College is classified as an other not-for-profit organization and will apply the Accounting Standards for Not-for-Profit Organizations contained in Part III of the CICA Handbook - Accounting.

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	2012 Total	2011 Total
Students	\$ 55,215	\$ -	\$ 55,215	\$ -
Other	288,285	-	288,285	1,000,227
	343,500	-	343,500	1,000,227
Allowance for doubtful accounts	52,831	-	52,831	16,502
	\$ 290,669	\$ -	\$ 290,669	\$ 983,725

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2012

4. Investments:

	Operating Fund	Capital Fund	2012 Total	2011 Total
Guaranteed Investment Certificates	\$ 16,475,097	\$ 3,412,186	\$ 19,887,283	\$ 15,332,629
Short-term investments	-	-	-	2,907,552
	\$ 16,475,097	\$ 3,412,186	\$ 19,887,283	\$ 18,240,181

Guaranteed Investment Certificates and short-term investments are measured and recorded at fair value.

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. These investments are held within the Capital Fund.

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, 2012

6. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 705,713	\$ -	\$ 705,713	\$ 705,713
Buildings	39,928,105	12,322,098	27,606,007	26,578,075
Parking lots	976,497	586,581	389,916	428,074
Equipment and furnishings	5,084,979	4,442,159	642,820	549,764
Computer equipment	3,619,877	2,988,727	631,150	593,083
Library books	7,400,456	7,400,456	-	-
Works of art	58,898	-	58,898	58,898
	\$ 57,774,525	\$ 27,740,021	\$ 30,034,504	\$ 28,913,607

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, 2010. 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, 2012 is as follows:

	Pension Benefit Plans		Post-employment Plans	
	2012	2011	2012	2011
Accrued benefit obligation	\$ 37,435,900	\$ 33,785,900	\$ 11,419,000	\$ 9,262,000
Fair value of plan assets	33,440,000	33,484,100	-	-
Funded status, plan deficit	(3,995,900)	(301,800)	(11,419,000)	(9,262,000)
Unamortized past service cost	41,500	62,300	403,000	570,000
Unamortized net actuarial loss	10,342,200	6,441,000	1,447,000	193,000
Accrued benefit asset (liability)	\$ 6,387,800	\$ 6,201,500	\$ (9,569,000)	\$ (8,499,000)

Accrued benefit obligation and fair value of plan assets includes \$423,600 (2011 - \$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, 2012

7. Employee future benefits (continued):

	Pension Benefit Plans		Post-employment Plans	
	2012	2011	2012	2011
Employer contributions	\$ 2,636,800	\$ 2,425,600	\$ 202,000	\$ 170,000
Benefits paid	41,000	2,061,100	202,000	170,000

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	
	2012	2011	2012	2011
Net benefit plan expense	\$ 2,450,500	\$ 1,602,600	\$ 1,273,000	\$ 1,225,000

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

	Pension Benefit Plans		Post-employment Plans	
	2012	2011	2012	2011
Weighted-average assumptions for expense:				
Discount rate:				
Post-employment benefits	5.70 %	6.00 %	4.40 %	4.75 %
Non-pension	-	-	5.70 %	6.00 %
Expected long-term rate of return of plan assets				
	4.75 %	6.00 %	-	-
Rate of compensation increase				
	5.81 %	4.50 %	-	-
Weighted average assumptions for accrued benefit obligation:				
Discount rate:				
Post-employment benefits	5.00 %	5.70 %	4.00 %	4.40 %
Non-pension	-	-	5.00 %	5.70 %
Rate of compensation increase				
	4.00 %	4.75 %	-	-

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, 2012

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 (2011 - \$120,000) annually to assist in the operation of the Foundation.

The Foundation holds funds of \$11,002,367 (2011 - \$9,716,901), the benefit of which is to be used for King's.

9. Long-term debt:

	2012	2011
9.17% mortgage, interest only of \$160,475 payable semi-annually, maturing July 1, 2012	\$ 3,500,000	\$ 3,500,000
Less current portion	3,500,000	-
Long-term debt	\$ -	\$ 3,500,000

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, 2012

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, 2012 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, 2012

11. Commitments under operating leases:

At April 30, 2012, 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:

2013	\$	101,598
2014		89,039
2015		69,716
2016		30,133
2017		1,621

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 (2011 - \$191,661) and employee benefits of \$44,892 (2011 - \$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, 2012

14. Changes in non-cash working capital:

	Operating Fund	Restricted Fund Capital	Other	2012 Total
Changes in non-cash working capital:				
Accounts receivable	\$ 693,056	\$ -	\$ -	\$ 693,056
Prepaid expenses	(55,648)	-	-	(55,648)
Interfund balances	(175,999)	175,898	101	-
Accrued pension asset	-	-	(186,300)	(186,300)
Accounts payable and accrued liabilities	768,529	-	-	768,529
Due to King's University College Foundation	279,164	136,596	-	415,760
Deferred revenue	60,086	(10,000)	-	50,086
Post-employment benefit liability	1,070,000	-	-	1,070,000
	\$ 2,639,188	\$ 302,494	\$ (186,199)	\$ 2,755,483

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, 2012 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.

Chartered Accountants, Licensed Public Accountants

September 26, 2012

London, Canada

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Operating Fund

Year ended April 30, 2012, with comparative figures for 2011

	Operations	Ancillary	2012 Total	2011 Total
Revenue	\$ 41,089,611	\$ 3,237,158	\$ 44,326,769	\$ 42,295,104
Expenditures	37,821,465	2,876,805	40,698,270	37,870,042
Increase in fund balances before transfers	3,268,146	360,353	3,628,499	4,425,062
Transfers:				
From Restricted Other Fund	(186,300)	-	(186,300)	(823,000)
To Restricted Capital fund for acquisitions	(2,546,164)	-	(2,546,164)	(1,899,714)
To Restricted Capital Fund for long- term debt repayments	-	(320,950)	(320,950)	(320,950)
Net increase	535,682	39,403	575,085	1,381,398
Fund balances, beginning of year	11,896,445	(3,826,057)	8,070,388	6,688,990
Fund balances, end of year	\$ 12,432,127	\$ (3,786,654)	\$ 8,645,473	\$ 8,070,388

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Operating Fund Expenditures

Year ended April 30, 2012, with comparative figures for 2011

	2012	2011
Instructional:		
Salaries	\$ 15,647,092	\$ 14,605,097
Scholarships and bursaries	2,023,184	1,997,390
Research grants, learned society and guest lectures	341,129	287,024
Transportation and travel	368,727	431,098
Marking	82,284	171,533
Teaching program assistance	297,858	200,214
Office expenses	88,671	98,068
Telephone	21,759	21,937
Teaching aids	77,405	73,578
Small furnishings, equipment rentals and maintenance	5,851	5,635
Library supplies and binding	4,720	5,354
Memberships and dues	9,154	9,985
Interview and moving expenses	50,212	40,845
Sundry	273,497	260,174
	\$ 19,291,543	\$ 18,207,932
General and administrative:		
Office salaries	\$ 3,981,770	\$ 3,953,666
Telephone	45,470	46,454
Office supplies	127,042	133,021
Promotional material	141,817	143,731
Student counselling	13,450	14,600
Special events	64,694	42,782
Small furnishings, equipment rental and maintenance	118,626	134,379
Liaison	202,864	149,480
Travel	71,162	63,768
Postage	86,203	78,128
Audit	85,272	53,756
Centre for social concern, net	3,137	4,730
Chapel	115,395	70,248
Chapel social action fund	19,231	23,483
Membership fees	42,961	40,227
Legal fees	99,738	42,046
Bad debts	42,565	9,888
Sundry	217,140	370,142
King's University College Foundation subsidy	120,000	120,000
Less internal cost recovery, ancillary operations	(191,662)	(191,662)
	\$ 5,406,875	\$ 5,302,867
Operating and maintenance for property:		
Wages	\$ 1,569,609	\$ 1,486,262
Property taxes	251,507	239,772
Utilities	397,937	379,639
Repairs and maintenance	308,187	260,551
Insurance	94,179	78,036
Supplies	73,604	68,936
Small furnishings, equipment rentals and maintenance	16,584	40,587
Sundry	54,363	39,342
	\$ 2,765,970	\$ 2,593,125

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Revenue and Expenditures of Ancillary Operations

Year ended April 30, 2012, with comparative figures for 2011

	Residence and dining hall	Other	2012 Total	2011 Total
Revenue:				
Residence and cafeteria fees	\$ 2,827,157	\$ -	\$ 2,827,157	\$ 2,802,046
Licensed operations	-	14,273	14,273	11,644
Parking	-	219,685	219,685	230,808
Conferences	-	67,736	67,736	78,600
Sundry	7,466	100,841	108,307	102,156
	2,834,623	402,535	3,237,158	3,225,254
Expenditures:				
Food services	1,148,025	43,515	1,191,540	1,183,799
Salaries and wages	989,767	62,459	1,052,226	1,056,594
Utilities	168,529	9,663	178,192	185,512
Repairs and maintenance	86,122	16,521	102,643	86,309
Liquor, beer, wine and supplies	-	4,638	4,638	4,755
Laundry	112	2,579	2,691	1,559
Cleaning supplies	20,107	-	20,107	20,325
Small furnishings and supplies	11,948	-	11,948	2,939
Sundry	67,101	9,166	76,267	93,849
Internal cost allocation:				
General and administrative	181,191	10,470	191,661	191,661
Employee benefits	44,892	-	44,892	44,892
	2,717,794	159,011	2,876,805	2,872,194
Excess of revenue over expenditures	\$ 116,829	\$ 243,524	\$ 360,353	\$ 353,060

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Investment in Capital Assets

Year ended April 30, 2012, with comparative figures for 2011

	2012	2011
Balance, beginning of year	\$ 25,413,607	\$ 25,235,554
Capital funds expended on buildings and installed equipment	451,121	100,531
Operating funds expended on furniture, equipment and library books	2,538,187	1,889,294
Gifts in kind from King's University College Foundation	7,977	10,416
	28,410,892	27,235,795
Amortization of capital assets	(1,876,390)	(1,822,188)
	\$ 26,534,502	\$ 25,413,607

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Restricted Capital Fund

Year ended April 30, 2012

	Balance, beginning of year	Grants and other expenditures	Expenditures	Balance, end of year
Externally restricted:				
Academic Centre	\$ (330,941)	\$ 32,431	\$ -	\$ (298,510)
Internally restricted:				
General	(535,805)	10,000	(344,980)	(870,785)
Residence	3,334,663	-	76,986	3,411,649
	2,798,858	10,000	(267,994)	2,540,864
	\$ 2,467,917	\$ 42,431	\$ (267,994)	\$ 2,242,354

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Restricted Other Fund

Year ended April 30, 2012

	Balance, beginning of year	Grants and other expenditures	Expenditures	Transfers	Balance, end of year
Research	\$ 208,332	\$ 275,373	\$ 275,474	\$ -	\$ 208,231
Pension	6,201,500	-	-	186,300	6,387,800
	\$ 6,409,832	\$ 275,373	\$ 275,474	\$ 186,300	\$ 6,596,031