

Financial Statements of

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

Year ended April 30, 2015



**KPMG LLP**  
140 Fullarton Street Suite 1400  
London ON N6A 5P2  
Canada

Telephone (519) 672-4880  
Fax (519) 672-5684  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## 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 statements of financial position as at April 30, 2015, and the statements of operations, changes in net assets, 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 at The University of Western Ontario as at April 30, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

September 24, 2015

London, Canada

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

## Statement of Financial Position

April 30, 2015, with comparative information for 2014

	2015	2014
		(restated (notes 2 and 3))
<b>Assets</b>		
Current assets:		
Cash	\$ 3,550,414	\$ 1,763,026
Accounts receivable (note 4)	197,698	1,143,576
Investments (note 5)	10,100,316	7,094,711
Prepaid expenses	253,574	277,226
Due from King's University College Foundation (note 9)	400,183	1,208,537
	<u>14,502,185</u>	<u>11,487,076</u>
Capital assets (note 6)	45,025,004	45,715,172
Accrued pension asset (note 8)	29,400	-
	<u>\$ 59,556,589</u>	<u>\$ 57,202,248</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 2,122,633	\$ 2,569,106
Deferred revenue	1,537,857	262,738
Research funds held in trust	332,640	78,029
	<u>3,993,130</u>	<u>2,909,873</u>
Accrued pension liability (note 8)	-	2,268,300
Post-employment benefit liability (note 8)	16,062,000	15,062,000
Deferred capital contributions (note 10)	10,590,582	10,019,951
	<u>30,645,712</u>	<u>30,260,124</u>
Net assets (note 11)	28,910,877	26,942,124
Commitments (note 12)		
	<u>\$ 59,556,589</u>	<u>\$ 57,202,248</u>

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, 2015, with comparative information for 2014

	2015	2014
		(restated (notes 2 and 3))
Revenue:		
Tuition	\$ 27,461,453	\$ 26,028,020
Government grants	15,357,580	15,440,067
Ancillary operations (note 15)	3,771,099	3,634,040
Sundry	352,366	657,180
Gifts from King's University College Foundation	461,059	499,915
Amortization of deferred capital contributions (note 10)	328,054	305,011
Investment returns	147,121	232,761
	<u>47,878,732</u>	<u>46,796,994</u>
Expenses:		
Instructional	21,552,410	21,507,120
Employee benefits	7,050,051	7,393,505
Shared services	6,621,569	6,199,038
Service fee to UWO	4,273,806	3,873,849
Ancillary operations (note 15)	3,366,340	3,309,660
Operation and maintenance of properties	3,145,433	3,199,139
Amortization of capital assets	2,140,170	2,189,948
	<u>48,149,779</u>	<u>47,672,259</u>
Deficiency of revenue over expenses	<u>\$ (271,047)</u>	<u>\$ (875,265)</u>

See accompanying notes to financial statements.

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

## Statement of Changes in Net Assets

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

	2015	2014 (restated (notes 2 and 3))
Net assets, beginning of year	\$ 26,942,124	\$ 26,651,689
Deficiency of revenue over expenses	(271,047)	(875,265)
Post-employment benefit remeasurements (note 8)	233,000	(666,000)
Accrued pension remeasurements (note 8)	2,006,800	1,831,700
<b>Net assets, end of year</b>	<b>\$ 28,910,877</b>	<b>26,942,124</b>

See accompanying notes to financial statements.

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

## Statement of Cash Flows

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

	2015	2014
		(restated (notes 2 and 3))
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (271,047)	\$ (875,265)
Adjustments for:		
Amortization of capital assets	2,140,170	2,189,948
Amortization of deferred capital contributions	(328,054)	(305,011)
Changes in post-employment benefit liability and accrued pension liability	942,100	483,900
Changes in non-cash working capital (note 14)	2,861,141	2,239,533
	<u>5,344,310</u>	<u>3,733,105</u>
Investing activities:		
Net change in investments	(3,005,605)	4,001,969
Purchase of capital assets	(1,450,002)	(11,522,349)
	<u>(4,455,607)</u>	<u>(7,520,380)</u>
Financing activities:		
Contributions received for capital purposes	898,685	2,132,930
	<u>1,787,388</u>	<u>(1,654,345)</u>
Increase (decrease) in cash	1,787,388	(1,654,345)
Cash, beginning of year	1,763,026	3,417,371
	<u>\$ 3,550,414</u>	<u>\$ 1,763,026</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

Year ended April 30, 2015

---

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.

## 1. Significant accounting policies:

### (a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting.

### (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 of capital assets are recorded at their fair market value on the date of receipt and related contributions are amortized into revenue at a rate corresponding with the amortization rate of the related capital assets.

Student fees are recognized as revenue when courses and seminars are held. Activity fees are included in student fees. Sales and services revenue is recognized at point of sale or when the service has been provided. Funds received for courses, seminars and other sales and services not yet held or provided are recorded as deferred revenue.

Investment income is recognized on an accrual basis and consists of interest, dividends, realized gains (losses) on sales of investments and the net change in unrealized gains (losses).

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

Notes to Financial Statements (continued)

Year ended April 30, 2015

## 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	Straight-line	100%

Works of art are recorded at cost and are not amortized.

### (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 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. Remeasurement differences arising from plan amendments, changes in assumptions and actuarial gains and losses are recognized in net assets. 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 UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2015

---

## 1. Significant accounting policies (continued):

### (d) Employee future benefits (continued):

King's accrues its obligations under employee defined benefit plans and other retirement benefits as the employees render the services necessary to earn them based on the latest valuation for accounting purposes. The actuarial valuation is performed at least every three years. In the years between valuations, plan results are prepared based on extrapolations of the latest available valuation results.

### (e) Cash:

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

### (f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market 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. Investments are carried 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 Fund 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 College 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.

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

Notes to Financial Statements (continued)

Year ended April 30, 2015

---

## 1. Significant accounting policies (continued):

### (g) Use of estimates:

The preparation of financial statements in accordance with Canadian accountings standards for not-for-profit organizations 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 liability and post-employment benefit liability) and amortization of capital assets. Actual results could differ from those estimates.

### (h) Contributed services:

King's benefits from services provided by volunteers in assisting the College in carrying out its activities. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

## 2. Change in accounting policy:

Effective May 1, 2014, the College adopted new CPA Canada Handbook - Accounting Part III Section 3463, Reporting Employee Future Benefits by Not-for-Profit Organizations which incorporates Section 3462, Employee Future Benefits, issued. This change in accounting policy is made in accordance with its transitional provisions and requires retrospective application. The standard requires the use of the immediate recognition method to account for employee future benefits while providing the choice of using either a valuation prepared for accounting purposes or a funding valuation. The standard also allows for unfunded plans to be measured using the same valuation method as funded plans, provided there is a funded plan. Remeasurements and other items are recognized as a direct charge to net assets.

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

Notes to Financial Statements (continued)

Year ended April 30, 2015

---

### 3. Impact of change in accounting policy:

The College has elected to account for all of its employee future benefit plan obligations using funding assumptions rather than using accounting assumptions. Other benefit plans, which are unfunded plans, are now measured using the same valuation method as the funded pension plan. Previously, other benefit plans were measured using accounting assumptions. Remeasurements and other items are now recognized as a direct charge to net assets while previously these were charged to deficiency of revenue over expenses.

The following table summarizes the impact of the adoption of Section 3463 – Reporting Employee Future Benefits on the College's statement of net assets:

---

#### Net assets:

As previously reported at May 1, 2013	\$ 34,630,889
Change in accounting policy related to accrued pension liability	(6,051,200)
Change in accounting policy related to post-employment benefit liability	(1,928,000)
<b>Restated, May 1, 2013</b>	<b>\$ 26,651,689</b>

---

As a result of the above noted elections and the retrospective application of the new standard, the College recorded the following adjustments to deficiency of revenue over expenses for the comparative year ended April 30, 2014:

---

#### Deficiency of revenue over expenses:

As previously reported for the year ended April 30, 2014	\$ (1,324,865)
Employee future benefits and accrued pension remeasurements and other items direct to net assets	449,600
<b>Restated, for the year ended April 30, 2014</b>	<b>\$ (875,265)</b>

---

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

Notes to Financial Statements (continued)

Year ended April 30, 2015

## 4. Accounts receivable:

	2015	2014
Students	\$ 42,152	\$ 68,021
Other	231,034	1,126,969
	273,186	1,194,990
Allowance for doubtful accounts	75,488	51,414
	\$ 197,698	\$ 1,143,576

## 5. Investments:

All of the invested funds are held in a high-interest savings account (2014 - guaranteed investment certificates) and have an effective interest rate of 1.00 % (2014 - 1.64 %).

## 6. Capital assets:

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 4,779,843	\$ -	\$ 4,779,843	\$ 4,779,843
Buildings	53,624,737	15,420,247	38,204,490	38,599,124
Parking lots	976,497	692,248	284,249	315,832
Equipment and furnishings	5,949,074	5,029,103	919,971	1,094,770
Computer equipment	4,491,982	3,752,822	739,160	828,312
Library books	8,626,153	8,626,153	-	-
Works of art	97,291	-	97,291	97,291
	\$ 78,545,577	\$ 33,520,573	\$ 45,025,004	\$ 45,715,172

## 7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$34,046 (2014 - \$640,262), which includes amount payable for HST and payroll related taxes.

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

Notes to Financial Statements (continued)

Year ended April 30, 2015

## 8. Employee future benefits:

The College has a defined benefit pension plan that provides a minimum level of pension benefits to its employees. The assets of the pension plan are managed by an external investment manager and are held by an independent custodian, separate and apart from the assets of the College. The College measures its accrued pension benefit obligation and fair value of pension plan assets at April 30 each year. The most recent actuarial valuation for going-concern funding purposes of the pension benefit plans was performed as of December 31, 2013 and results have been extrapolated to April 30, 2015.

The College also provides other post-employment benefits, such as medical and dental, to its employees. The College measures its accrued benefit obligation for post-employment benefits at April 30 each year. The most recent actuarial valuation was performed as of April 30, 2014 and the results have been extrapolated to April 30, 2015.

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

2015	Pension Benefit Plan	Post-employment Plan
Accrued benefit obligation	\$ (47,391,500)	\$ (16,062,000)
Fair value of plan assets	47,420,900	-
<b>Asset (liability)</b>	<b>\$ 29,400</b>	<b>\$ (16,062,000)</b>

2014	Pension Benefit Plan (restated (notes 2 and 3))	Post-employment Plan (restated (notes 2 and 3))
Accrued benefit obligation	\$ (45,523,000)	\$ (15,062,000)
Fair value of plan assets	43,254,700	-
<b>Asset (liability)</b>	<b>\$ (2,268,300)</b>	<b>\$ (15,062,000)</b>

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

Notes to Financial Statements (continued)

Year ended April 30, 2015

## 8. Employee future benefits (continued):

Accrued benefit obligation and fair value of plan assets includes \$343,400 (2014 - \$308,400) in optional flexible contributions made by members of the Plan.

2015	Pension Benefit Plan	Post-employment Plan
Employee contributions	\$ 969,900	\$ -
Employer contributions	2,243,200	325,000
Benefits paid	3,083,600	325,000

2014	Pension Benefit Plan	Post-employment Plan
Employee contributions	\$ 724,400	\$ -
Employer contributions	2,679,800	309,000
Benefits paid	3,140,100	309,000

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

2015	Pension Benefit Plan	Post-employment Plan
Current service cost	\$ 1,840,000	\$ 812,000
Net finance cost	112,300	746,000
<b>Benefit plan expense</b>	<b>\$ 1,952,300</b>	<b>\$ 1,558,000</b>

2014	Pension Benefit Plan	Post-employment Plan
Current service cost	\$ 1,682,200	\$ 956,000
Net finance cost	225,500	609,000
<b>Benefit plan expense</b>	<b>\$ 1,907,700</b>	<b>\$ 1,565,000</b>

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

Notes to Financial Statements (continued)

Year ended April 30, 2015

## 8. Employee future benefits (continued):

The remeasurements for King's benefit plans, which are included on the statement of changes in net assets, are as follows:

2015	Pension Benefit Plan	Post-employment Plan
Investment gains	\$ 1,895,600	\$ -
Actuarial gain (loss)	111,200	233,000
<b>Remeasurements</b>	<b>\$ 2,006,800</b>	<b>\$ 233,000</b>

2014	Pension Benefit Plan	Post-employment Plan
Investment gains	\$ 2,936,500	\$ -
Actuarial gain (loss)	(1,104,800)	(666,000)
<b>Remeasurements</b>	<b>\$ 1,831,700</b>	<b>\$ (666,000)</b>

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

Notes to Financial Statements (continued)

Year ended April 30, 2015

---

## 9. 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 (2014 - \$120,000) annually to assist in the operation of the Foundation.

The Foundation holds funds of \$8,921,424 (2014 - \$8,303,076), the benefit of which is to be used for King's.

## 10. Deferred capital contributions:

Deferred capital contributions represent both the unamortized amounts of grants already spent on the purchase of capital assets.

The change in deferred capital contributions consist of the following:

	2015	2014
Balance, beginning of year	\$ 10,019,951	\$ 8,192,032
Receipt of deferred capital contributions	898,685	2,132,930
Amortization of deferred capital contributions	(328,054)	(305,011)
Balance, end of year	\$ 10,590,582	\$ 10,019,951

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



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

Notes to Financial Statements (continued)

Year ended April 30, 2015

## 11. Net assets:

The components of net assets as reflected in the Statement of Financial Position are as follows:

	2015	2014
Invested in capital assets	\$ 34,434,422	\$ 35,695,221
Unrestricted deficit	(5,523,545)	(8,753,097)
	<u>\$ 28,910,877</u>	<u>\$ 26,942,124</u>

## 12. Commitments:

### (a) Operating leases:

At April 30, 2015, 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:

2016	\$	74,629
2017		67,476
2018		52,873
2019		33,214
2020		13,415

### (b) Legal matters:

King's is involved from time to time in litigation that arises in the normal course of operations. In respect to these claims, King's believes it has valid defences, funded provision and/or appropriate insurance coverage in place. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable. It is possible the final resolution of some of these matters may require King's to make expenditures in excess of estimated reserves, over an extended period of time and in a range that cannot be reasonably estimated at this time. King's policy is to recognize the losses on litigation when the outcome becomes reasonably determinable. In management's judgment, no material exposure exists on the eventual settlement of litigation.

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

Notes to Financial Statements (continued)

Year ended April 30, 2015

---

## 13. Financial instruments:

### (a) Fair values:

Fair value estimates are made at a specific point in time, using available information about the financial instrument.

The carrying value of cash, accounts receivable, investments and accounts payable and accrued liabilities approximates their fair values based on the short-term maturity of those instruments.

### (b) Risk management:

The College, through its financial assets and liabilities is exposed to various risks. The following analysis will provide a measurement of risks at the statement of financial position date, April 30, 2015. There is no change to King's risk exposures from the prior year.

#### (i) Liquidity risk:

Liquidity risk is the risk that the College will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The College manages its liquidity risk by monitoring its operating requirements. The College prepares budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. The College also has available unused credit facilities at April 30, 2015 to meet fluctuations in working capital requirements.

#### (ii) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The College is exposed to credit risk with respect to accounts receivable and investments. The College assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The actual credit risk from receivables from students and employees is minimal as the College has various methods or recourse for collection such as withholding transcripts, certificates or degrees and payroll deduction. The actual credit risk from grants receivables, from provincial and federal governments, included in accounts receivable is minimal. Provided employees carry out the required reporting, the College continues to receive grants as awarded the provincial and federal governments. Investments are invested in accordance with the College investment policy.

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

Notes to Financial Statements (continued)

Year ended April 30, 2015

---

## 13. Financial instruments (continued):

### (b) Risk management (continued):

#### (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 issue or all other factors affecting all instruments traded in the market. As all of the College's financial instruments are carried at fair value with fair value changes recognized in the statement of operations and changes in fund balances. Market price risk is managed by the investment managers through construction of a diversified portfolio of instruments traded on various markets and across various industries.

#### (iv) Foreign currency risk:

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

#### (v) Interest rate risk:

A portion of the College's financial assets and liabilities are interest bearing and as a result, the College is subject to certain level of 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 College to a fair value risk while the floating rate instruments subject the College to a cash flow risk.

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

Notes to Financial Statements (continued)

Year ended April 30, 2015

---

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

	2015	2014
Changes in non-cash working capital:		
Accounts receivable	\$ 945,878	\$ 457,623
Prepaid expenses	23,652	53,404
Accounts payable and accrued liabilities	(446,473)	(292,263)
Due to/from King's College Foundation	808,354	2,784,662
Deferred revenue	1,275,119	(701,994)
Research funds held in trust	254,611	(61,899)
	<hr/> \$ 2,861,141	<hr/> \$ 2,239,533

## 15. 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. Shared services expenses of \$227,056 (2014 - \$227,056) and employee benefits of \$47,787 (2014 - \$47,787) were allocated to ancillary operations during the year.



**KPMG LLP**  
140 Fullarton Street Suite 1400  
London ON N6A 5P2  
Canada

Telephone (519) 672-4880  
Fax (519) 672-5684  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## 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, 2015 in accordance with Canadian standards for not-for-profit organizations.

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

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

Chartered Professional Accountants, Licensed Public Accountants

September 24, 2015

London, Canada

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

## Schedule - Operating Fund Expenditures

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

	2015	2014
<b>Instructional:</b>		
Salaries	\$ 17,762,468	\$ 17,477,959
Scholarships and bursaries	2,034,006	2,317,201
Research grants, learned society and guest lectures	395,239	350,576
Transportation and travel	568,222	558,807
Marking	1,054	9,028
Teaching program assistance	365,024	349,073
Office expenses	92,597	90,366
Telephone	11,237	10,869
Teaching aids	80,411	85,071
Small furnishings, equipment rentals and maintenance	13,239	6,437
Library supplies and binding	4,331	4,263
Memberships and dues	12,221	16,708
Interview and moving expenses	37,033	44,809
Sundry	175,328	185,953
	<b>\$ 21,552,410</b>	<b>\$ 21,507,120</b>
<b>Shared services:</b>		
Office salaries	\$ 4,937,645	\$ 4,578,227
Telephone	40,111	34,039
Office supplies	195,310	203,152
Promotional material	166,211	128,372
Student counselling	1,900	21,900
Special events	59,918	70,524
Small furnishings, equipment rental and maintenance	157,244	152,072
Liaison	265,826	302,550
Travel	77,347	107,134
Postage	74,031	58,521
Audit	81,023	75,798
Centre for social concern, net	2,509	3,022
Chapel	137,260	139,829
Chapel social action fund	9,845	10,585
Membership fees	31,049	71,956
Legal fees	57,908	112,624
Bad debts	75,857	41,959
Sundry	357,631	193,830
King's University College Foundation subsidy	120,000	120,000
Less internal cost recovery, ancillary operations	(227,056)	(227,056)
	<b>\$ 6,621,569</b>	<b>\$ 6,199,038</b>
<b>Operating and maintenance for property:</b>		
Wages	\$ 1,614,270	\$ 1,613,208
Property taxes	252,527	255,867
Utilities	535,905	476,231
Repairs and maintenance	442,523	421,530
Insurance	77,435	106,723
Supplies	109,449	97,255
Small furnishings, equipment rentals and maintenance	37,662	40,098
Sundry	75,662	188,227
	<b>\$ 3,145,433</b>	<b>\$ 3,199,139</b>

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

## Schedule - Revenue and Expenditures of Ancillary Operations

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

	Residence and dining hall	Other	2015 Total	2014 Total
<b>Revenue:</b>				
Residence and cafeteria fees	\$ 3,264,397	\$ -	\$ 3,264,397	\$ 3,224,106
Licensed operations	-	9,782	9,782	6,828
Parking	-	228,094	228,094	228,711
Conferences	-	142,690	142,690	59,109
Sundry	22,841	103,295	126,136	115,286
	<u>3,287,238</u>	<u>483,861</u>	<u>3,771,099</u>	<u>3,634,040</u>
<b>Expenditures:</b>				
Food services	1,250,929	57,126	1,308,055	1,331,476
Salaries and wages	1,154,486	80,828	1,235,314	1,223,250
Utilities	214,860	11,735	226,595	206,933
Repairs and maintenance	161,267	34,280	195,547	167,051
Liquor, beer, wine and supplies	-	3,840	3,840	2,204
Laundry	-	1,925	1,925	1,282
Cleaning supplies	47,627	-	47,627	22,351
Small furnishings and supplies	16,814	-	16,814	14,242
Sundry	54,701	1,079	55,780	66,028
Internal cost allocation:				
Shared services	212,188	14,868	227,056	227,056
Employee benefits	47,787	-	47,787	47,787
	<u>3,160,659</u>	<u>205,681</u>	<u>3,366,340</u>	<u>3,309,660</u>
<b>Excess of revenue over expenditures</b>	<b>\$ 126,579</b>	<b>\$ 278,180</b>	<b>\$ 404,759</b>	<b>\$ 324,380</b>