

Financial Statements of

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

And Independent Auditor's Report thereon

Year ended April 30, 2025

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of King's University College at The University of Western Ontario

Opinion

We have audited the financial statements of King's University College at The University of Western Ontario (the Entity), which comprise:

- the statement of financial position as at April 30, 2025
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at April 30, 2025 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Statement of Financial Position

April 30, 2025, with comparative information for 2024

	2025	2024
Assets		
Current assets:		
Cash	\$ 17,016,777	\$ 15,349,286
Accounts receivable (note 2)	309,573	581,108
Investments (note 3)	7,241,226	12,797,166
Prepaid expenses	463,678	459,467
Due from King's College Foundation (note 11)	879,752	769,770
	<u>25,911,006</u>	<u>29,956,797</u>
Capital assets (note 4)	61,065,245	61,407,433
	<u>\$ 86,976,251</u>	<u>\$ 91,364,230</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 5,968,572	\$ 4,057,090
Deferred revenue	1,885,112	2,513,072
Research funds held in trust	904,860	1,025,936
	<u>8,758,544</u>	<u>7,596,098</u>
Employee future benefits liability (note 7)	811,200	18,025,000
Deferred capital contributions (note 6)	8,462,150	8,819,565
Long-term salary obligations (note 8)	1,607,908	-
	<u>19,639,802</u>	<u>34,440,663</u>
Net assets (note 13)	67,336,449	56,923,567
Commitments and contingencies (note 14)		
	<u>\$ 86,976,251</u>	<u>\$ 91,364,230</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, 2025, with comparative information for 2024

	2025	2024
Revenue:		
Tuition	\$ 46,695,921	\$ 47,924,412
Government grants	15,480,106	14,932,742
Ancillary operations (schedule 2)	5,114,386	5,606,215
Investment income	1,107,009	1,582,849
Sundry	740,358	673,969
Gifts from King's University College Foundation	556,641	545,785
Amortization of deferred capital contributions (note 6)	357,415	357,415
	70,051,836	71,623,387
Expenses:		
Instructional (schedule 1)	33,765,898	31,299,362
Shared services (schedule 1)	15,097,885	12,725,707
Employee benefits	12,142,471	11,292,778
Service fee to UWO (note 12)	7,115,863	7,346,776
Operation and maintenance of properties (schedule 1)	5,353,574	5,449,985
Ancillary operations (note 16) (schedule 2)	4,229,910	4,209,959
Amortization of capital assets	2,637,253	2,724,857
	80,342,854	75,049,424
Excess of expenses over revenue	\$ (10,291,018)	\$ (3,426,037)

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, 2025, with comparative information for 2024

	2025	2024
Net assets, beginning of year	\$ 56,923,567	\$ 58,537,204
Excess of expenses over revenue	(10,291,018)	(3,426,037)
Employee future benefits remeasurements (note 7)	20,703,900	1,812,400
Net assets, end of year	\$ 67,336,449	\$ 56,923,567

See accompanying notes to financial statements.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Statement of Cash Flows

Year ended April 30, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Excess of expenses over revenue	\$ (10,291,018)	\$ (3,426,037)
Items not involving cash:		
Amortization of capital assets	2,637,253	2,724,857
Amortization of deferred capital contributions	(357,415)	(357,415)
Change in employee future benefits liability	3,490,100	1,076,100
Changes in non-cash operating working capital (note 10)	2,927,696	715,942
	(1,593,384)	733,447
Investing activities:		
Net change in investments	5,555,940	3,730,271
Purchase of capital assets	(2,295,065)	(2,924,154)
Increase in cash	1,667,491	1,539,564
Cash, beginning of year	15,349,286	13,809,722
Cash, end of year	\$ 17,016,777	\$ 15,349,286

See accompanying notes to financial statements.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements

Year ended April 30, 2025

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:

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.

(a) 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 tuition revenue when courses and seminars are delivered to students.

Activity fees are included in student fees. Sales of product and services included in ancillary operations and sundry revenues are 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, 2025

1. Significant accounting policies (continued):

(b) 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 library books, and on a declining balance basis for all other capital assets. Amortization rates are as follows:

Asset	Method	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	1 year

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

(c) Employee future benefits:

The King's pension plan, covering full-time faculty, eligible part-time faculty and grandfathered 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, 2025

1. Significant accounting policies (continued):

(c) Employee future benefits (continued):

King's accrues its obligations for funded employee future benefit plans as the employees render the services necessary to earn them, based on the latest valuation for going-concern funding 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. King's accrues its obligations for unfunded plans using an actuarial valuation for accounting purposes. Assets of the employee future benefit plans are valued using fair values at the date of the statement of financial position.

(d) 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 College 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, 2025

1. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of financial statements in accordance with Canadian accounting 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 valuation of pension and other employee future benefits, carrying value of capital assets and valuation of accounts receivable. Actual results could differ from those estimates.

(f) Contributed services:

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

(g) Accounting policy adoption - cloud computing arrangements:

On May 1, 2024, the College adopted AcG-20, Customer's accounting for cloud computing arrangements ("AcG-20"). In accordance with AcG-20, the College has elected to apply the simplification approach in accounting for its expenditures in a cloud computer arrangement.

The College recognized the expenditures in the cloud computing arrangements as a supply of services. As such, the College recognizes the costs related to the elements in the arrangement as an expense as incurred.

2. Accounts receivable:

	2025		2024	
Students	\$	364,298	\$	430,604
Other		176,421		381,650
		540,719		812,254
Allowance for doubtful accounts		(231,146)		(231,146)
	\$	309,573	\$	581,108

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2025

3. Investments:

The invested funds are comprised of a high-interest savings account of \$nil (2024 - \$249,981) and guaranteed investment certificates (GIC's) of \$7,241,226 (2024 - \$12,547,185). The GIC's have an average effective yield of 11.19% (2024 - 10.99%) and maturity dates between September 2025 and November 2025.

4. Capital assets:

			2025	2024
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 17,342,050	\$ -	\$ 17,342,050	\$ 17,342,050
Buildings	68,274,066	27,930,062	40,344,004	40,505,030
Parking lots	2,794,224	1,634,679	1,159,545	1,288,384
Equipment and furnishings	8,321,220	7,281,912	1,039,308	1,115,488
Computer equipment	7,360,815	6,329,368	1,031,447	1,007,590
Library books	13,239,527	13,239,527	-	-
Works of art	148,891	-	148,891	148,891
	\$ 117,480,793	\$ 56,415,548	\$ 61,065,245	\$ 61,407,433

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$52,706 (2024 - \$61,480), 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, 2025

6. Deferred capital contributions:

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

The change in deferred capital contributions consist of the following:

	2025	2024
Balance, beginning of year	\$ 8,819,565	\$ 9,176,980
Amortization of deferred capital contributions	(357,415)	(357,415)
Balance, end of year	\$ 8,462,150	\$ 8,819,565

King's University College Foundation has committed to provide approximately \$9,000,000 to King's to assist with construction costs related to the Darryl J. King Student Life Centre, of which \$8,862,622 (2024 - \$8,862,622) has been received as of April 30, 2025 and reflected above. Management expects that the remaining commitment will be transferred to King's 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, 2025

7. Employee future benefits liability:

The College has a defined benefit pension plan that provides a minimum level of pension benefits to eligible 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 plan was performed as of December 31, 2023 and results have been projected to April 30, 2025.

The College also provides other post-retirement and post-employment benefits, such as medical and dental, to eligible employees. Post-employment benefits are benefits provided to disabled employees. The College measures its accrued benefit obligation for other post-retirement and post-employment benefits at April 30 each year. For the other post-retirement and post-employment benefit plans, the most recent actuarial valuation was performed as of April 30, 2024 and results have been extrapolated to April 30, 2025.

Information about King's benefit plans as at April 30 is as follows:

2025	Pension benefit plan	Other benefit plans	Total
Accrued benefit obligation	\$ (80,190,400)	\$ (18,074,000)	\$ (98,264,400)
Fair value of plan assets	97,453,200	-	97,453,200
Liability	\$ 17,262,800	\$ (18,074,000)	\$ (811,200)
2024	Pension benefit plan	Other benefit plans	Total
Accrued benefit obligation	\$ (88,178,200)	\$ (16,785,000)	\$ (104,963,200)
Fair value of plan assets	86,938,200	-	86,938,200
Liability	\$ (1,240,000)	\$ (16,785,000)	\$ (18,025,000)

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2025

7. Employee future benefits liability (continued):

Accrued benefit obligation and fair value of plan assets includes \$109,300 (2024 - \$97,100) in optional flexible contributions made by members of the Plan. Information on the contributions and benefits paid for each plan are as follows:

2025	Pension benefit plan	Other benefit plans	Total
Employee contributions	\$ 1,729,100	\$ -	\$ 1,729,100
Employer contributions	1,077,100	-	1,077,100
Benefits paid	2,886,900	537,000	3,423,900

2024	Pension benefit plan	Other benefit plans	Total
Employee contributions	\$ 1,678,200	\$ -	\$ 1,678,200
Employer contributions	3,264,100	-	3,264,100
Benefits paid	2,561,300	508,000	3,069,300

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

2025	Pension benefit plan	Other benefit plans	Total
Current service cost	\$ 3,232,000	\$ 948,000	\$ 4,180,000
Net finance cost	58,200	867,000	925,200
Benefit plan expense	\$ 3,290,200	\$ 1,815,000	\$ 5,105,200

2024	Pension benefit plan	Other benefit plans	Total
Current service cost	\$ 3,037,800	\$ 902,000	\$ 3,939,800
Net finance cost	104,400	804,000	908,400
Benefit plan expense	\$ 3,142,200	\$ 1,706,000	\$ 4,848,200

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2025

7. Employee future benefits liability (continued):

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

2025	Pension benefit plan	Other benefit plans	Total
Investment gain	\$ 6,517,500	\$ -	\$ 6,517,500
Actuarial gain (loss)	14,198,400	(12,000)	14,186,400
Remeasurements	\$ 20,715,900	\$ (12,000)	\$ 20,703,900

2024	Pension benefit plan	Other benefit plans	Total
Investment gain	\$ 679,400	\$ -	\$ 679,400
Actuarial gain	184,000	949,000	1,133,000
Remeasurements	\$ 863,400	\$ 949,000	\$ 1,812,400

The discount rate used in the actuarial measurement of the employee future benefits obligation was 5.03% for the non-pension plan (2024 - 5.17%) and 5.35% for the pension plan (2024 - 4.69%).

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2025

8. Salary obligations:

The College has a liability for salary obligations, including early retirement, severance pay and other benefits, that arose from contractual agreements established in the current year. The obligation will be drawn down over the term of each agreement as amounts are paid out.

Total salary obligations	\$ 3,629,534
Less current portion	(2,021,626)

Long-term salary obligations	\$ 1,607,908
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Salary obligations will be paid out as seen below, with the current portion included in accounts payable and accrued liabilities.

2026	\$ 2,021,626
2027	391,658
2028	265,904
2029	245,613
2030	214,110
Thereafter	490,623
	\$ 3,629,534

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2025

9. Credit facilities:

A \$15,000,000 overdraft facility is available of which \$nil (2024 - \$nil) has been drawn at year end. Amounts drawn on this facility are due on demand and bear interest at bank prime rate less 0.50% or banker's acceptance plus 0.45%.

10. Changes in non-cash operating working capital:

	2025	2024
Accounts receivable	\$ 271,535	\$ (11,068)
Prepaid expenses	(4,211)	(54,530)
Accounts payable and accrued liabilities	1,911,482	268,258
Research funds held in trust	(121,076)	41,644
Deferred revenue	(627,960)	354,241
Due from King's College Foundation	(109,982)	117,397
Salary obligations	1,607,908	-
	<u>\$ 2,927,696</u>	<u>\$ 715,942</u>

11. 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 the College on behalf of the Foundation, giving rise to an on-going amount receivable from or payable to the Foundation. The amount due from the Foundation at April 30, 2025 is \$879,752 (2024 - \$769,770) and is unsecured, non-interest bearing and has no specific repayment terms.

The College provides a subsidy of \$124,848 (2024 - \$124,848) annually to assist in the operation of the Foundation, which is included as part of shared services in the statement of operations.

The Foundation holds funds of \$14,430,834 (2024 - \$12,974,376), the benefit of which is to be used for the College.

12. Service fee to UWO:

In accordance with the Affiliation Agreement with The University of Western Ontario ("UWO"), the College pays fees on an annual basis for administrative, technology and policing services provided to the College by UWO.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2025

13. Net assets:

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

	2025	2024
Invested in capital assets	\$ 52,603,095	\$ 52,587,868
Unrestricted	14,628,354	3,455,699
Internally restricted	105,000	880,000
	<u>\$ 67,336,449</u>	<u>\$ 56,923,567</u>

14. Commitments and contingencies:

(a) Operating leases:

At April 30, 2025, King's has lease commitments for buildings and photocopiers. Minimum annual lease payments, not including operating expenses, due over the next five years are expected to be as follows:

2026	\$ 839,592
2027	879,476
2028	793,946
2029	849,494
2030	908,875
Thereafter	76,210
	<u>\$ 4,347,593</u>

(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, 2025

14. Commitments and contingencies (continued):

15. 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, due to/from King's University College Foundation, research funds held in trust, 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, which have not changed from the prior year. The following analysis will provide a summary of risks at April 30, 2025.

(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 facility (note 9) at April 30, 2025 to meet fluctuations in working capital requirements.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2025

15. Financial instruments (continued):

(ii) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The College is exposed to credit risk with respect to cash, 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 by the provincial and federal governments. Cash and investments are held with major financial institutions and investments are invested in accordance with the College investment policy.

(iii) Market price risk:

Market price risk is the risk that the 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. The College's financial instruments are carried at fair value with fair value changes recognized in the statement of operations. Market price risk is managed by the investment managers.

(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.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2025

15. Financial instruments (continued):

(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.

(vi) Other risk:

On January 22, 2024, the Government of Canada (the "Government") announced an intake cap on international student permit applications for a period of two years, resulting in a 35% reduction of approved study permits from 2023.

On September 18, 2024, the Government announced a further reduction to the intake cap on international student study permits for 2025 of 10% from the approved 2024 target. The 2025 cap will be maintained at the same level for 2026. Also included in this announcement was a change to Post-Graduation Work Permits ("PGWPs"), aligning work permit eligibility to labour market needs. Further details on the implementation of this change were released throughout the fall of 2024, resulting in a significant reduction of the programs eligible for PGWPs. As a result of these policy changes, students at the College will no longer be eligible for post-graduate work permits.

A significant portion of the College's tuition revenues is derived from international students and the College has assessed the impact of this announcement on its ability to earn revenue from international students and its approved capital and operating budget for the year ending April 30, 2026.

16. 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 \$450,768 (2024 - \$428,551) and employee benefits of \$104,532 (2024 - \$98,950) were allocated to ancillary operations during the year.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule 1 - Operating Fund Expenditures

Year ended April 30, 2025, with comparative information for 2024

	2025	2024
Instructional:		
Salaries	\$ 26,544,337	\$ 24,518,101
Outside services	190,321	-
Scholarships and bursaries	3,964,954	3,497,800
Teaching program assistance	555,785	556,567
Sundry	1,027,707	999,598
Research grants, learned society and guest lectures	572,684	657,990
Transportation and travel	519,409	543,503
Teaching aids	213,016	286,136
Telephone	34,694	36,611
Interview and moving expenses	14,263	30,563
Memberships and dues	26,468	28,941
Office expenses	56,223	65,286
Small furnishings, equipment rentals and maintenance	6,361	7,020
Library supplies and binding	1,739	3,938
Course Support	37,937	67,308
	\$ 33,765,898	\$ 31,299,362
Shared services:		
Office salaries	\$ 10,702,819	\$ 8,513,323
Liaison	1,436,656	1,537,799
Sundry	546,589	468,855
Office supplies	398,656	545,502
Outside services	448,828	-
Small furnishings, equipment rental and maintenance	197,183	200,198
King's University College Foundation subsidy	124,848	124,848
Promotional material	577,095	570,510
Chapel	136,773	156,778
International ESL Program	165,200	-
Legal fees	80,306	71,951
Membership fees	85,308	94,153
Audit	125,149	114,180
Bad debts	209,093	235,568
Telephone	43,309	43,799
Postage	28,539	39,335
Chapel social action fund	8,801	23,300
Special events	106,165	232,890
Travel	61,961	93,298
Pine channel and refugee sponsorship	-	20,173
Student counselling	1,475	7,076
Less internal cost recovery, ancillary operations	(386,868)	(367,829)
	\$ 15,097,885	\$ 12,725,707
Operation and maintenance of properties:		
Wages	\$ 2,976,893	\$ 3,296,433
Utilities	790,908	877,373
Repairs and maintenance	600,347	774,060
Outside services	509,542	-
Property taxes	224,713	244,613
Insurance	162,400	147,344
Sundry	36,773	35,398
Supplies	102,622	119,055
Small furnishings, equipment rentals and maintenance	13,276	16,426
Less internal cost recovery, ancillary operations	(63,900)	(60,717)
	\$ 5,353,574	\$ 5,449,985

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule 2 - Revenue and Expenses of Ancillary Operations

Year ended April 30, 2025, with comparative information for 2024

	Residence and dining hall	Other	2025 Total	2024 Total
Revenue:				
Residence and cafeteria fees	\$ 4,274,399	\$ -	\$ 4,274,399	\$ 4,797,744
Sundry	19,629	272,286	291,915	295,479
Parking	-	348,440	348,440	388,823
Conferences	-	197,267	197,267	121,641
Licensed operations	-	2,365	2,365	2,528
	4,294,028	820,358	5,114,386	5,606,215
Expenses:				
Salaries and wages	1,299,149	72,807	1,371,956	1,567,793
Food services	1,218,332	91,210	1,309,542	1,493,297
Shared Services	400,776	49,992	450,768	428,551
Utilities	213,035	10,859	223,894	268,110
Outside services	371,072	38,638	409,710	-
Repairs and maintenance	170,418	26,537	196,955	189,325
Sundry	104,162	180	104,342	101,122
Employee benefits	104,532	-	104,532	98,950
Cleaning supplies	47,552	-	47,552	49,219
Small furnishings and supplies	3,275	1,946	5,221	6,626
Laundry	-	3,066	3,066	6,392
Liquor, beer, wine and supplies	-	2,372	2,372	574
	3,932,303	297,607	4,229,910	4,209,959
Excess of revenue over expenses	\$ 361,725	\$ 522,751	\$ 884,476	\$ 1,396,256