Financial Statements of

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Years ended April 30, 2013 and 2012

KPMG

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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 statements of financial position as at April 30, 2013, April 30, 2012 and May 1, 2011 and the statements of operations, changes in net assets, and cash flows for the years ended April 30, 2013 and April 30, 2012, 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 audits. We conducted our audits 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, 2013, April 30, 2012 and May 1, 2011 and its results of operations and its cash flows for the years ended April 30, 2013 and April 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

September 25, 2013

London, Canada

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Statements of Financial Position

April 30, 2013, April 30, 2012 and May 1, 2011

	April 30, 2013	April 30, 2012	May 1, 2011
Assets			
Current assets:			
Cash	$ 3,417,371	$ 4,656,006	$ 3,011,906
Accounts receivable (note 4)	1,601,199	290,669	983,725
Investments (note 5)	11,096,680	19,887,283	18,240,181
Prepaid expenses	330,630	233,171	177,523
Due from (to) King's University College Foundation (note 9)	3,993,199	(496,456)	(80,696)
	20,439,079	24,570,673	22,332,639
Capital assets (note 7)	36,382,771	30,034,504	28,913,607
Accrued pension asset (liability) (note 8)	1,179,100	831,100	(301,800)
	$ 58,000,950	$ 55,436,277	$ 50,944,446
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities (note 6)	$ 2,861,369	$ 3,322,698	$ 2,554,169
Deferred revenue	964,732	502,919	442,833
Research funds held in trust	139,928	208,231	208,332
Current portion of long-term debt (note 10)	-	3,500,000	-
	3,966,029	7,533,848	3,205,334
Long-term debt (note 10)	-	-	3,500,000
Post-employment benefit liability (note 8)	11,212,000	10,166,000	9,263,000
Deferred capital contributions (note 11)	8,192,032	3,969,831	4,112,399
	19,404,032	14,135,831	16,875,399
Net assets:			
Unrestricted (note 12)	3,272,061	6,159,176	4,529,642
Investment in capital assets (note 13)	28,190,739	22,564,673	21,301,208
Internally restricted (note 14)	3,168,089	5,042,749	5,032,863
	34,630,889	33,766,598	30,863,713
Commitments (notes 16 and 17)			
	$ 58,000,950	$ 55,436,277	$ 50,944,446

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director ____________________ Director

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Statements of Operations

Years ended April 30, 2013 and 2012

	2013	2012
Revenue:		
Government grants	$ 15,267,512	$ 15,807,275
Tuition	24,803,508	24,185,268
Investment returns	296,682	390,801
Amortization of deferred capital contributions	142,568	142,568
Gifts from King's University College Foundation	363,517	400,302
Sundry	608,600	521,523
Ancillary operations (note 19)	3,539,817	3,237,158
	45,022,204	44,684,895
Expenses:		
Instructional	20,278,209	19,291,543
Shared services	6,071,010	5,406,875
Service fee to UWO	3,083,026	2,936,263
Operation and maintenance of properties	2,884,018	2,765,970
Employee benefits	6,735,323	6,307,214
Amortization of capital assets	1,889,611	1,876,390
Mortgage and loan interest	54,957	320,950
Ancillary operations (note 19)	3,161,759	2,876,805
	44,157,913	41,782,010
Excess of revenue over expenses	$ 864,291	$ 2,902,885

See accompanying notes to financial statements.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Statements of Changes in Net Assets

Years ended April 30, 2013 and 2012

April 30, 2013	Unrestricted	Investment in capital assets	Internally restricted	Total
	(note 12)	(note 13)	(note 14)	
Net assets, beginning of year	$ 6,159,176	$ 22,564,673	$ 5,042,749	$ 33,766,598
Excess of revenue over expenses	864,291	-	-	864,291
Change in investment in capital assets	(5,626,066)	5,626,066	-	-
Interfund transfers	1,874,660	-	(1,874,660)	-
Net assets, end of year	$ 3,272,061	$ 28,190,739	$ 3,168,089	$ 34,630,889

April 30, 2012	Unrestricted	Investment in capital assets	Internally restricted	Total
	(note 12)	(note 13)	(note 14)	
Net assets, beginning of year	$ 4,529,642	$ 21,301,208	$ 5,032,863	$ 30,863,713
Excess of revenue over expenses	2,902,885	-	-	2,902,885
Change in investment in capital assets	(1,263,465)	1,263,465	-	-
Interfund transfers	(9,886)	-	9,886	-
Net assets, end of year	$ 6,159,176	$ 22,564,673	$ 5,042,749	33,766,598

See accompanying notes to financial statements.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Statements of Cash Flows

Years ended April 30, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 864,291	$ 2,902,885
Adjustments for:		
Amortization of capital assets	1,889,611	1,876,390
Amortization of deferred capital contributions	(142,568)	(142,568)
Increase (decrease) in non-cash working capital (note 3)	(5,965,463)	1,881,682
Accrued pension asset/liability	(348,000)	(1,132,900)
Post-employment benefit liability	1,046,000	903,000
	(2,656,129)	6,288,489
Investing activities:		
Net change in investments	8,790,603	(1,647,102)
Purchase of capital assets	(8,237,878)	(2,997,287)
	552,725	(4,644,389)
Financing activities:		
Repayment of long-term debt	(3,500,000)	-
Receipt of deferred capital contributions (note 11)	4,364,769	-
	864,769	-
Increase (decrease) in cash	(1,238,635)	1,644,100
Cash, beginning of year	4,656,006	3,011,906
Cash, end of year	$ 3,417,371	$ 4,656,006

See accompanying notes to financial statements.

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 ("Diocese").

On May 1, 2011, the College adopted Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CICA Handbook ("ASNPO"). These are the first financial statements prepared in accordance with ASNPO.

In accordance with the transitional provisions in ASNPO, the College has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is May 1, 2011 and all comparative information provided has been presented by applying ASNPO.

A summary of transitional adjustments recorded to fund balances and the excess of revenues over expenses is provided in note 3.

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 CICA Handbook.

(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.

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

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).

(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. 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.

1. Significant accounting policies (continued):

(d) Employee future benefits (continued):

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.

(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.

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 asset 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:

During the year, management changed their accounting policy with respect to revenue recognition from the fund accounting method to the deferral method of accounting for contributions. Prior to 2013, contributions were recognized following the restricted fund method of accounting. Management has determined that following the deferral method of accounting for contributions provides reliable and more relevant financial information to the users of the College's financial statements. As a result of the change in accounting policy, management has retroactively restated the comparative amounts and eliminated the historical fund accounting methodology.

The net impact of the statement of financial position opening balances as at May 1, 2011 was the combination of the operating and restricted funds, as well as a decrease in the investment in capital assets fund balance of $4,112,399, an increase in deferred capital contributions of $4,112,399, an increase in the unrestricted fund balance of $90,000 and a decrease in deferred revenue of $90,000. Components of the restricted fund balances were also reclassified, resulting in an increase in restricted fund balances of $658,414, a decrease in the unrestricted fund balance of $866,746 and an increase in research funds held in trust of $208,332.

The net impact on the statement of operations for the year ended April 30, 2012 was an increase in amortization of deferred capital contributions of $142,568, a decrease in donations revenue of $10,000, a decrease in government grants revenue of $240,373, a decrease in sundry revenue of $35,000, and a decrease in awards and research grants expenses of $275,474.

2. Change in accounting policy (continued):

The net impact on the statement of financial position as at April 30, 2012 was a decrease in the investment in capital assets fund balance of $3,969,831, an increase in deferred capital contributions of $3,969,831, an increase in the unrestricted fund balance of $80,000 and a decrease in deferred revenue of $80,000. Components of the restricted fund balances were also reclassified, resulting in an increase in restricted fund balances of $961,064, a decrease in the unrestricted fund balance of $1,169,295 and an increase in research funds held in trust of $208,231. The additional impact relating to the transition to ASNPO on May 1, 2011 and April 30, 2012 previously reported results is discussed in note 3.

3. Transitional adjustments:

(a) Fund balances at May 1, 2011:

The following table summarizes the impact of the transition to Accounting Standards for Not-for-Profit Organizations ("ASNPO") and the change in accounting policy discussed in note 2 on King's fund balances as at May 1, 2011:

Unrestricted fund balance:	
As previously reported under Canadian generally accepted accounting principles, April 30, 2011	$ 6,070,388
Transition election to recognize all cumulative actuarial gain and losses and prior service costs relating to post-employment benefits	(764,000)
Impact of change in accounting policy (note 2)	90,000
Reclassification of fund balance components to/from unrestricted fund balance (note 2)	(866,746)
Restated, May 1, 2011	$ 4,529,642
Restricted fund balances:	
As previously reported under Canadian generally accepted accounting principles, April 30, 2011	$ 10,877,749
Transition election to recognize all cumulative actuarial gain and losses and prior service costs relating to pension benefits	(6,503,300)
Reclassification of fund balance components to/from unrestricted fund balance and research funds held in trust (note 2)	658,414
Restated, May 1, 2011	$ 5,032,863

3. Transitional adjustments (continued):

(a) Fund balances at May 1, 2011 (continued):

King's, in accordance with the transitional provisions of Section 1501, First-time Adoption by Not-for-Profit Organizations, has elected to use the following transitional exemptions:

(i) Employee future benefits:

King's has elected to recognize all cumulative actuarial gains and losses and past service costs in opening fund balances relating to King's pension and post-employment benefits.

(ii) Fair value:

King's has elected to measure all investments at fair value at May 1, 2011.

(iii) Financial instruments other than investments:

King's has elected to measure all other financial instruments at cost or amortized cost at May 1, 2011.

(b) Statement of operations for the year ended April 30, 2012:

As a result of the above noted election and the retrospective application of ASNPO and the change in accounting policy discussed in note 2, King's recorded the following adjustments to excess of revenue over expenses for the year ended April 30, 2012:

Excess of revenue over expenses:	
As previously reported under Canadian generally accepted accounting principles for the year ended April 30, 2012	$ 1,656,616
Impact of transition election to recognize all cumulative actuarial gain and losses and prior service costs relating to post-employment benefits	167,000
Impact of transition election to recognize all cumulative actuarial gain and losses and prior service costs relating to pension benefits	946,600
Impact of change in accounting policy (note 2)	132,669
Restated for the year ended April 30, 2012	$ 2,902,885

3. Transitional adjustments (continued):

(c) Fund balances at April 30, 2012:

The combined impact on the statement of financial position at April 30, 2012 of the ASNPO transitional adjustments and the change in accounting policy was an increase in deferred capital contributions of $3,969,831, a decrease in deferred revenue of $80,000, a decrease in the accrued pension asset of $5,556,700, an increase in the post-employment benefit liability of $597,000, a decrease in the investment in capital asset fund balance of $3,969,831, a decrease in the unrestricted fund balance of $1,686,295 an increase in the restricted fund balances of $4,595,636 and an increase in research funds held in trust of $208,231.

4. Accounts receivable:

	April 30, 2013	April 30, 2012	May 1, 2011
Students	$ 17,375	$ 55,215	$ -
Other	1,607,313	288,285	1,000,227
	1,624,688	343,500	1,000,227
Allowance for doubtful accounts	23,489	52,831	16,502
	$ 1,601,199	$ 290,669	$ 983,725

5. Investments:

	April 30, 2013	April 30, 2012	May 1, 2011
Guaranteed Investment Certificates	$ 11,096,680	$ 19,887,283	$15,332,629
Short-term investments	-	-	$ 2,907,552
	$ 11,096,680	$ 19,887,283	$18,240,181

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

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $671,564 (April 30, 2012 - $641,976; May 1, 2011 - $751,194), which includes amount payable for HST and payroll related taxes.

7. Capital assets:

April 30, 2013	Cost	Accumulated amortization	Net book value
Land	$ 805,713	$ -	$ 805,713
Buildings	47,126,442	13,252,398	33,874,044
Parking lots	976,497	625,572	350,925
Equipment and furnishings	5,266,925	4,598,450	668,475
Computer equipment	3,818,036	3,193,320	624,716
Library books	7,866,929	7,866,929	-
Works of art	58,898	-	58,898
	$ 65,919,440	$ 29,536,669	$ 36,382,771

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

7. Capital assets (continued):

May 1, 2011	Cost	Accumulated amortization	Net book value
Land	$ 705,713	$ -	$ 705,713
Buildings	37,976,527	11,398,452	26,578,075
Parking lots	971,331	543,257	428,074
Equipment and furnishings	4,831,218	4,281,454	549,764
Computer equipment	3,393,889	2,800,806	593,083
Library books	6,945,168	6,945,168	-
Works of art	58,898	-	58,898
	$ 54,882,744	$ 25,969,137	$ 28,913,607

8. 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, 2011. 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 is as follows:

April 30, 2013	Pension Benefit Plans	Post-employment Plans
Accrued benefit obligation	$ 47,310,600	$ 14,334,000
Fair value of plan assets	38,143,700	-
Funded status, plan deficit	(9,166,900)	(14,334,000)
Unamortized past service cost	-	-
Unamortized net actuarial loss	10,346,000	3,122,000
Accrued benefit asset (liability)	$ 1,179,100	$ (11,212,000)

8. Employee future benefits (continued):

April 30, 2012	Pension Benefit Plans	Post-employment Plans
Accrued benefit obligation	$ 37,012,300	$ 11,419,000
Fair value of plan assets	33,016,400	-
Funded status, plan deficit	(3,995,900)	(11,419,000)
Unamortized past service cost	-	-
Unamortized net actuarial loss	4,827,000	1,253,000
Accrued benefit asset (liability)	$ 831,100	$ (10,166,000)

May 1, 2011	Pension Benefit Plans	Post-employment Plans
Accrued benefit obligation	$ 33,785,900	$ 9,263,000
Fair value of plan assets	33,484,100	-
Funded status, plan deficit	(301,800)	(9,263,000)
Unamortized past service cost	-	-
Unamortized net actuarial loss	-	-
Accrued benefit asset (liability)	$ (301,800)	$ (9,263,000)

Accrued benefit obligation and fair value of plan assets includes $498,100 (April 30, 2012 - $423,600, May 1, 2011 - $457,600) in optional flexible contributions made by members of the Plan.

Year ended April 30, 2013	Pension Benefit Plans	Post-employment Plans
Employer contributions	$ 2,721,000	$ 250,000
Benefits paid	1,205,100	586,000

Year ended April 30, 2012	Pension Benefit Plans	Post-employment Plans
Employer contributions	$ 2,636,800	202,000
Benefits paid	41,000	542,000

8. Employee future benefits (continued):

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

Year ended April 30, 2013	Pension Benefit Plans	Post-employment Plans
Net benefit plan expense	$ 2,373,000	$ 1,296,000

Year ended April 30, 2012	Pension Benefit Plans	Post-employment Plans
Net benefit plan expense	$ 1,503,900	$ 1,106,000

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

April 30, 2013	Pension Benefit Plans	Post-employment Plans
Weighted-average assumptions for expense:		
Discount rate:		
Post-employment benefits	5.00 %	4.00 %
Non-pension	- %	5.00 %
Expected long-term rate of return of plan assets	5.45 %	- %
Rate of compensation increase	4.00 %	- %
Weighted average assumptions for accrued benefit obligation:		
Discount rate:		
Post-employment benefits	4.00 %	3.70 %
Non-pension	- %	4.20 %
Rate of compensation increase	4.00 %	- %

8. Employee future benefits (continued):

April 30, 2012	Pension Benefit Plans	Post-employment Plans
Weighted-average assumptions for expense:		
Discount rate:		
Post-employment benefits	5.70 %	4.40 %
Non-pension	- %	5.70 %
Expected long-term rate of return of plan assets	4.75 %	- %
Rate of compensation increase	5.81 %	- %
Weighted average assumptions for accrued benefit obligation:		
Discount rate:		
Post-employment benefits	5.00 %	4.00 %
Non-pension	- %	5.00 %
Rate of compensation increase	4.00 %	- %

May 1, 2011	Pension Benefit Plans	Post-employment Plans
Weighted-average assumptions for expense:		
Discount rate:		
Post-employment benefits	6.00 %	4.75 %
Non-pension	- %	6.00 %
Expected long-term rate of return of plan assets	6.00 %	- %
Rate of compensation increase	4.50 %	- %
Weighted average assumptions for accrued benefit obligation:		
Discount rate:		
Post-employment benefits	5.70 %	4.40 %
Non-pension	- %	5.70 %
Rate of compensation increase	4.75 %	- %

The assumed weighted average health care cost trend rate at April 30, 2013 was 6.16% for non-pension post retirement benefits and 6.46% for post employment benefits, both reducing to an ultimate rate of 4.50% by 2028.

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 (2012 - $120,000) annually to assist in the operation of the Foundation.

The Foundation holds funds of $8,224,778 (April 30, 2012 - $11,002,367, May 1, 2011 - $9,716,901), the benefit of which is to be used for King's.

10. Long-term debt:

	April 30, 2013	April 30, 2012	May 1, 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

On July 1, 2012, the mortgage was repaid in full.

11. 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:

	2013	2012
Balance, beginning of year	$ 3,969,831	$ 4,112,399
Receipt of deferred capital contributions	4,364,769	-
Amortization of deferred capital contributions	(142,568)	(142,568)
Balance, end of year	$ 8,192,032	$ 3,969,831

12. Unrestricted fund balance:

The unrestricted fund balance consists of the following:

	April 30, 2013	April 30, 2012	May 1, 2011
Unrestricted funds	$ 3,272,061	$ 6,159,176	$ 4,529,642

13. Investment in capital assets:

Investment in capital assets consists of the following:

	April 30, 2013	April 30, 2012	May 1, 2011
Capital assets	$ 36,382,771	$ 30,034,504	$ 28,913,607
Less amounts financed by:			
Long-term debt	-	(3,500,000)	(3,500,000)
Deferred capital contributions	(8,192,032)	(3,969,831)	(4,112,399)
	$ 28,190,739	$ 22,564,673	$ 21,301,208

The change in investment in capital assets is calculated as follows:

	2013	2012
Amortization of deferred capital contributions	$ 142,568	$ 142,568
Amortization of capital assets	(1,889,611)	(1,876,390)
Purchase of capital assets	8,237,878	2,997,287
Repayment of long-term debt	3,500,000	-
Capital assets funded by deferred capital contributions	(4,364,769)	-
	$ 5,626,066	$ 1,263,465

14. Internally restricted fund balance:

The internally restricted fund balance consists of the following:

	April 30, 2013	April 30, 2012	May 1, 2011
Accrued pension asset	$ 1,179,100	$ 831,100	$ (301,800)
Student Life Centre	1,988,989	800,000	2,000,000
Residence	-	3,411,649	3,334,663
	$ 3,168,089	$ 5,042,749	$ 5,032,863

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, and accounts payable and accrued liabilities approximates their fair values based on the short-term maturity of those instruments. The fair value of investments is disclosed in note 5.

(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, 2013. There is no change to King's risk exposure 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, 2013 to meet fluctuations in working capital requirements. There have been no changes to the risk exposures from 2012.

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 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.

(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.

15. Financial instruments (continued):

(b) Risk management (continued):

(v) Interest rate risk:

A portion of the College's assets 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.

16. Commitments under operating leases:

At April 30, 2013, 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:

2014	$ 92,395
2015	74,989
2016	27,272
2017	12,966
2018	2,161

17. Commitments:

(a) 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.

17. Commitments (continued):

(b) Capital 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.

King's is also committed to additional capital expenditures under the construction of the Darryl J. King Student Life Centre totaling $6,408,677 at April 30, 2013.

(c) Incorporation:

King's and the Diocese have entered into an agreement to incorporate the College into a separate legal entity, conditional on the approval of land severance by the City of London. The costs under this agreement are expected to total approximately $4,000,000.

18. Changes in non-cash working capital:

	2013	2012
Changes in non-cash working capital:		
Accounts receivable	$ (1,310,530)	$ 693,056
Prepaid expenses	(97,459)	(55,648)
Accounts payable and accrued liabilities	(461,329)	768,529
Due to/from King's College Foundation	(4,489,655)	415,760
Deferred revenue	461,813	60,086
Research funds held in trust	(68,303)	(101)
	$ (5,965,463)	$ 1,881,682

19. 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 (2012 - $191,661) and employee benefits of $47,787 (2012 - $44,892) were allocated to ancillary operations during the year.

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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 years ended April 30, 2013 and April 30, 2012 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.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

September 25, 2013

London, Canada

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Unrestricted Operating Funds

Years ended April 30, 2013 and 2012

	Operations	Ancillary	2013 Total	2012 Total
Revenue	$ 41,211,049	$ 3,539,815	$ 44,750,864	$ 44,326,769
Expenditures	39,051,586	3,161,759	42,213,345	40,698,270
Increase in fund balances before transfers	2,159,463	378,056	2,537,519	3,628,499
Transfers:				
From restricted funds	451,481	3,411,649	3,863,130	(337,564)
To restricted funds	(5,832,347)	-	(5,832,347)	(76,986)
To restricted funds for unrecovered capital amounts	(2,242,353)	-	(2,242,353)	-
To investment in capital assets	(1,158,107)	-	(1,158,107)	(1,263,465)
To investment in capital assets for long-term debt repayments	-	(54,957)	(54,957)	(320,950)
Net increase	(6,621,863)	3,734,748	(2,887,115)	1,629,534
Fund balances, beginning of year	9,945,832	(3,786,656)	6,159,176	4,529,642
Fund balances, end of year	$ 3,323,969	$ (51,908)	$ 3,272,061	$ 6,159,176

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Internally Restricted Fund (Transition Details)

Year ended April 30, 2013

	C-GAAP Balance, beginning of year	Grants and other revenues	Expenditures	Transfers/ Loan Proceeds	Unrestricted fund transfers	ASNPO Balance, end of year
Internally restricted:						
Pension	$ 831,100	$ -	$ -	$ 348,000	$ -	$ 1,179,100
Student Life Centre	800,000	4,364,769	(6,875,780)	-	3,700,000	1,988,989
General	(870,785)	10,000	(100,000)	-	960,785	-
Academic Centre	(298,510)	-	-	-	298,510	-
Residence	3,411,650	15,298	-	(3,500,000)	73,052	-
	$ 3,873,455	$ 4,390,067	$(6,975,780)	$(3,152,000)	$ 5,032,347	$ 3,168,089

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Operating Fund Expenditures

Years ended April 30, 2013 and 2012

	2013	2012
Instructional:		
Salaries	$ 16,456,018	$ 15,647,092
Scholarships and bursaries	2,234,833	2,023,184
Research grants, learned society and guest lectures	333,637	341,129
Transportation and travel	388,533	368,727
Marking	179,957	82,284
Teaching program assistance	247,372	297,858
Office expenses	104,620	88,671
Telephone	25,642	21,759
Teaching aids	85,726	77,405
Small furnishings, equipment rentals and maintenance	5,136	5,851
Library supplies and binding	3,954	4,720
Memberships and dues	10,583	9,154
Interview and moving expenses	28,484	50,212
Sundry	173,714	273,497
	$ 20,278,209	$ 19,291,543
Shared services:		
Office salaries	$ 4,351,094	$ 3,981,770
Telephone	44,825	45,470
Office supplies	312,073	127,042
Promotional material	158,118	141,817
Student counselling	12,900	13,450
Special events	59,170	64,694
Small furnishings, equipment rental and maintenance	153,340	118,626
Liaison	311,232	202,864
Travel	46,153	71,162
Postage	66,652	86,203
Audit	55,225	85,272
Centre for social concern, net	2,658	3,137
Chapel	130,643	115,395
Chapel social action fund	8,268	19,231
Membership fees	43,645	42,961
Legal fees	167,217	99,738
Bad debts	2,033	42,565
Sundry	252,820	217,140
King's University College Foundation subsidy	120,000	120,000
Less internal cost recovery, ancillary operations	(227,056)	(191,662)
	$ 6,071,010	$ 5,406,875
Operating and maintenance for property:		
Wages	$ 1,564,808	$ 1,569,609
Property taxes	258,848	251,507
Utilities	391,232	397,937
Repairs and maintenance	404,280	308,187
Insurance	105,505	94,179
Supplies	83,454	73,604
Small furnishings, equipment rentals and maintenance	25,626	16,584
Sundry	50,265	54,363
	$ 2,884,018	$ 2,765,970

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Revenue and Expenditures of Ancillary Operations

Years ended April 30, 2013 and 2012

	Residence and dining hall	Other	2013 Total	2012 Total
Revenue:				
Residence and cafeteria fees	$ 3,090,176	$ -	$ 3,090,176	$ 2,827,157
Licensed operations	-	6,148	6,148	14,273
Parking	-	233,072	233,072	219,685
Conferences	-	110,690	110,690	67,736
Sundry	13,702	86,029	99,731	108,307
	3,103,878	435,939	3,539,817	3,237,158
Expenditures:				
Food services	1,235,889	48,703	1,284,592	1,191,540
Salaries and wages	1,065,980	71,179	1,137,159	1,052,226
Utilities	186,261	10,905	197,166	178,192
Repairs and maintenance	115,741	43,641	159,382	102,643
Liquor, beer, wine and supplies	-	3,081	3,081	4,638
Laundry	-	1,805	1,805	2,691
Cleaning supplies	913	-	913	20,107
Small furnishings and supplies	18,266	-	18,266	11,948
Sundry	72,691	11,861	84,552	76,267
Internal cost allocation:				
Shared services	212,188	14,868	227,056	191,661
Employee benefits	47,787	-	47,787	44,892
	2,955,716	206,043	3,161,759	2,876,805
Excess of revenue over expenditures	$ 148,162	$ 229,896	$ 378,058	$ 360,353