

Financial Statements of

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

Year ended April 30, 2014



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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, 2014, 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, 2014, 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, 2014

London, Canada

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KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Statement of Financial Position

April 30, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash	\$ 1,763,026	\$ 3,417,371
Accounts receivable (note 2)	1,143,576	1,601,199
Investments (note 3)	7,094,711	11,096,680
Prepaid expenses	277,226	330,630
Due from (to) King's University College Foundation (note 7)	1,208,537	3,993,199
	<u>11,487,076</u>	<u>20,439,079</u>
Capital assets (note 4)	45,715,172	36,382,771
Accrued pension asset (note 6)	1,444,600	1,179,100
	<u>\$ 58,646,848</u>	<u>\$ 58,000,950</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 2,569,106	\$ 2,861,369
Deferred revenue	262,738	964,732
Research funds held in trust	78,029	139,928
	<u>2,909,873</u>	<u>3,966,029</u>
Post-employment benefit liability (note 6)	12,411,000	11,212,000
Deferred capital contributions (note 8)	10,019,951	8,192,032
	<u>25,340,824</u>	<u>23,370,061</u>
Net assets (note 9):		
Unrestricted	31,861,424	31,462,800
Internally restricted	1,444,600	3,168,089
	<u>33,306,024</u>	<u>34,630,889</u>
Commitments (note 10)		
	<u>\$ 58,646,848</u>	<u>\$ 58,000,950</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, 2014, with comparative information for 2013

	2014	2013
Revenue:		
Tuition	\$ 26,028,020	\$ 24,803,508
Government grants	15,440,067	15,267,512
Ancillary operations (note 13)	3,634,040	3,539,817
Sundry	657,180	608,600
Gifts from King's University College Foundation	499,915	363,517
Amortization of deferred capital contributions	305,011	142,568
Investment returns	232,761	296,682
	<u>46,796,994</u>	<u>45,022,204</u>
Expenses:		
Instructional	21,507,120	20,278,209
Employee benefits	7,843,105	6,735,323
Shared services	6,199,038	6,071,010
Service fee to UWO	3,873,849	3,083,026
Ancillary operations (note 13)	3,309,660	3,161,759
Operation and maintenance of properties	3,199,139	2,884,018
Amortization of capital assets	2,189,948	1,889,611
Mortgage and loan interest	-	54,957
	<u>48,121,859</u>	<u>44,157,913</u>
Excess (deficiency) of revenue over expenses	<u>\$ (1,324,865)</u>	<u>\$ 864,291</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, 2014, with comparative information for 2013

	Unrestricted (note 9)	Internally restricted (note 9)	2014 Total	2013 Total
Net assets, beginning of year	\$ 31,462,800	\$ 3,168,089	\$ 34,630,889	\$ 33,766,598
Excess (deficiency) of revenue over expenses	(1,324,865)	-	(1,324,865)	864,291
Interfund transfers	1,723,489	(1,723,489)	-	-
Net assets, end of year	\$ 31,861,424	\$ 1,444,600	\$ 33,306,024	34,630,889

See accompanying notes to financial statements.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Statement of Cash Flows

Year ended April 30, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (1,324,865)	\$ 864,291
Adjustments for:		
Amortization of capital assets	2,189,948	1,889,611
Amortization of deferred capital contributions (note 8)	(305,011)	(142,568)
Changes in non-cash working capital (note 12)	2,239,533	(5,965,463)
Accrued pension asset/liability	(265,500)	(348,000)
Post-employment benefit liability	1,199,000	1,046,000
	<u>3,733,105</u>	<u>(2,656,129)</u>
Investing activities:		
Net change in investments	4,001,969	8,790,603
Purchase of capital assets	(11,522,349)	(8,237,878)
	<u>(7,520,380)</u>	<u>552,725</u>
Financing activities:		
Repayment of long-term debt	-	(3,500,000)
Receipt of deferred capital contributions (note 8)	2,132,930	4,364,769
	<u>2,132,930</u>	<u>864,769</u>
Decrease in cash	(1,654,345)	(1,238,635)
Cash, beginning of year	3,417,371	4,656,006
Cash, end of year	<u>\$ 1,763,026</u>	<u>\$ 3,417,371</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, 2014

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.

Effective December 31, 2013, all assets, liabilities and operations, including all employees, were transferred to the incorporated entity of King's University College at the University of Western Ontario, which was incorporated on March 20, 2009. Prior to December 31, 2013, the College operated as an unincorporated entity within The Roman Catholic Episcopal Corporation of the Diocese of London in Ontario. The College paid approximately \$4.1 million to the Diocese which was recorded as land within capital assets.

The transfer has been accounted for on a continuity of interest basis, whereby the 2013 comparative year statement of financial position and statement of operations and the 2014 operating activities prior to the transfer are presented as part of the financial statements of the incorporated entity of King's University College at the University of Western Ontario.

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.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2014

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.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2014

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.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2014

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.

(i) Future accounting policies:

Effective May 1, 2014, the College will adopt Section 3463 - Reporting Employee Future Benefits by Not-for-Profit Organizations, of the CPA Canada Handbook - Accounting, on a retrospective basis. Section 3463.01 provides that a not-for-profit organization applies Section 3462 except as otherwise provided for in Section 3463.

In accordance with Section 3463, remeasurements and other items are recognized directly in net assets in the statement of financial position, rather than in the statement of operations, and presented as a separately identified item in the statement of changes in net assets. In adopting Section 3463, the College will determine its obligations for its employee future benefits other than pensions using funding assumptions rather than accounting assumptions.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2014

1. Significant accounting policies (continued):

(i) Future accounting policies (continued):

Management has estimated that the adoption of Section 3463 will result in the following:

Net assets at May 1, 2013	
As previously reported	\$ 34,630,889
Estimated adjustment to recognize all cumulative actuarial gains and losses directly in net assets, pension	(10,346,000)
Estimated adjustment to recognize all cumulative actuarial gains and losses directly in net assets, post-employment	(3,122,000)
<hr/>	
Estimated net assets at May 1, 2013, restated	<hr/> \$ 21,162,889 <hr/>
Net assets at April 30, 2014	
As reported	\$ 33,306,024
Estimated adjustment from May 1, 2013 balances to recognize all cumulative actuarial gains and losses directly in net assets, pension	(10,346,000)
Estimated adjustment from May 1, 2013 balances to recognize all cumulative actuarial gains and losses directly in net assets, post-employment	(3,122,000)
Estimated actuarial gains recognized directly in net assets for the year ended April 30, 2014, pension	3,352,400
Estimated actuarial losses recognized directly in net assets for the year ended April 30, 2014, post-employment	(487,000)
<hr/>	
Estimated net assets April 30, 2014, restated	<hr/> \$ 22,703,424 <hr/>

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2014

2. Accounts receivable:

	2014	2013
Students	\$ 68,021	\$ 17,375
Other	1,126,969	1,607,313
	1,194,990	1,624,688
Allowance for doubtful accounts	51,414	23,489
	\$ 1,143,576	\$ 1,601,199

3. Investments:

	2014	2013
Guaranteed Investment Certificates	\$ 7,094,711	\$ 11,096,680

Guaranteed Investment Certificates are measured and recorded at fair value.

4. Capital assets:

	2014		2013	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 4,779,843	\$ -	\$ 4,779,843	\$ 805,713
Buildings	52,926,832	14,327,708	38,599,124	33,874,044
Parking lots	976,497	660,665	315,832	350,925
Equipment and furnishings	5,894,634	4,799,864	1,094,770	668,475
Computer equipment	4,317,765	3,489,453	828,312	624,716
Library books	8,200,109	8,200,109	-	-
Works of art	97,291	-	97,291	58,898
	\$ 77,192,971	\$ 31,477,799	\$ 45,715,172	\$ 36,382,771

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$640,262 (2013 - \$671,564), 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, 2014

6. 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, 2013. 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:

2014	Pension Benefit Plans	Post-employment Plans
Accrued benefit obligation	\$ 48,808,300	\$ 16,020,000
Fair value of plan assets	43,254,700	-
Funded status, plan deficit	(5,553,600)	(16,020,000)
Unamortized past service cost	-	-
Unamortized net actuarial loss	6,998,200	3,609,000
Accrued benefit asset (liability)	\$ 1,444,600	\$ (12,411,000)

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)

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2014

6. Employee future benefits (continued):

Accrued benefit obligation and fair value of plan assets includes \$308,400 (2013 - \$498,100) in optional flexible contributions made by members of the Plan.

2014	Pension Benefit Plans	Post-employment Plans
Employer contributions to the plans	\$ 2,679,800	\$ 309,000
Benefits paid by the plans	3,140,100	619,000

2013	Pension Benefit Plans	Post-employment Plans
Employer contributions to the plans	\$ 2,721,000	250,000
Benefits paid by the plans	1,205,100	586,000

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

2014	Pension Benefit Plans	Post-employment Plans
Net benefit plan expense	\$ 2,414,300	\$ 1,508,000

2013	Pension Benefit Plans	Post-employment Plans
Net benefit plan expense	\$ 2,373,000	\$ 1,296,000

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2014

6. Employee future benefits (continued):

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

2014	Pension Benefit Plans	Post-employment Plans
Expected long-term rate of return of plan assets	5.00 %	- %
Weighted average assumptions for accrued benefit obligation:		
Discount rate:		
Post-employment benefits	4.50 %	3.50 %
Non-pension	- %	4.60 %
Rate of compensation increase	4.00 %	- %

2013	Pension Benefit Plans	Post-employment Plans
Expected long-term rate of return of plan assets	5.45 %	- %
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 %	- %

The assumed weighted average health care cost trend rate at April 30, 2014 was 5.58% for non-pension post retirement benefits and 6.27% for post employment benefits, both reducing to an ultimate rate of 4.50% by 2028.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2014

7. 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 (2013 - \$120,000) annually to assist in the operation of the Foundation.

The Foundation holds funds of \$8,303,076 (2013 - \$8,224,778), the benefit of which is to be used for King's.

8. 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:

	2014	2013
Balance, beginning of year	\$ 8,192,032	\$ 3,969,831
Receipt of deferred capital contributions	2,132,930	4,364,769
Amortization of deferred capital contributions	(305,011)	(142,568)
Balance, end of year	\$ 10,019,951	\$ 8,192,032

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 \$6,497,699 has been received as of April 30, 2014 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, 2014

9. Net assets:

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

	2014	2013
Invested in capital assets	\$ 35,695,221	\$ 28,190,739
Unrestricted net assets (deficit)	(3,833,797)	3,272,061
	31,861,424	31,462,800
Internally restricted net assets:		
Accrued pension assets	1,444,600	1,179,100
Student Life Centre	-	1,988,989
	1,444,600	3,168,089
	\$ 33,306,024	\$ 34,630,889

10. Commitments:

(a) Operating leases:

At April 30, 2014, 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:

2015	\$ 115,628
2016	64,042
2017	54,061
2018	39,458
2019	19,800

(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, 2014

11. 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 3.

(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, 2014. 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, 2014 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, 2014

11. 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, 2014

12. Changes in non-cash working capital:

	2014	2013
Changes in non-cash working capital:		
Accounts receivable	\$ 457,623	\$ (1,310,530)
Prepaid expenses	53,404	(97,459)
Accounts payable and accrued liabilities	(292,263)	(461,329)
Due to/from King's College Foundation	2,784,662	(4,489,655)
Deferred revenue	(701,994)	461,813
Research funds held in trust	(61,899)	(68,303)
	<hr/> \$ 2,239,533	<hr/> \$ (5,965,463)

13. Allocated expenses:

In an effort to ensure that core grants are not used to offset costs within the ancillary functions, King's allocates the cost of administrative duties which are not directly charged to ancillary programs based on an estimate of the time required to facilitate ancillary processes. Shared services expenses of \$227,056 (2013 - \$227,056) and employee benefits of \$47,787 (2013 - \$47,787) 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 year ended April 30, 2014 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.

Chartered Professional Accountants, Licensed Public Accountants

September 24, 2014

London, Canada

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KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Unrestricted Operating Funds

Year ended April 30, 2014, with comparative information for 2013

	Operations	Ancillary	2014 Total	2013 Total
Revenue	\$ 42,663,771	\$ 3,634,040	\$ 46,297,811	\$ 44,750,864
Expenditures	42,622,251	3,309,660	45,931,911	42,213,345
Increase in fund balances before transfers	41,520	324,380	365,900	2,537,519
Transfers:				
From restricted funds	2,068,989	-	2,068,989	3,863,130
Contributions	2,247,103	-	2,247,103	(5,832,347)
To restricted funds for unrecovered capital amounts	-	-	-	(2,242,353)
To investment in capital assets	(11,522,350)	-	(11,522,350)	(1,158,107)
To investment in capital assets for long-term debt repayments	-	-	-	(54,957)
Net increase (decrease)	(7,164,738)	324,380	(6,840,358)	(2,887,115)
Fund balances, beginning of year	3,323,969	(51,908)	3,272,061	6,159,176
Fund balances, end of year	\$ (3,840,769)	\$ 272,472	\$ (3,568,297)	\$ 3,272,061

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Operating Fund Expenditures

Year ended April 30, 2014, with comparative information for 2013

	2014	2013
Instructional:		
Salaries	\$ 17,477,959	\$ 16,456,018
Scholarships and bursaries	2,317,201	2,234,833
Research grants, learned society and guest lectures	350,576	333,637
Transportation and travel	558,807	388,533
Marking	9,028	179,957
Teaching program assistance	349,073	247,372
Office expenses	90,366	104,620
Telephone	10,869	25,642
Teaching aids	85,071	85,726
Small furnishings, equipment rentals and maintenance	6,437	5,136
Library supplies and binding	4,263	3,954
Memberships and dues	16,708	10,583
Interview and moving expenses	44,809	28,484
Sundry	185,953	173,714
	\$ 21,507,120	\$ 20,278,209
Shared services:		
Office salaries	\$ 4,578,227	\$ 4,351,094
Telephone	34,039	44,825
Office supplies	203,152	312,073
Promotional material	128,372	158,118
Student counselling	21,900	12,900
Special events	70,524	59,170
Small furnishings, equipment rental and maintenance	152,072	153,340
Liaison	302,550	311,232
Travel	107,134	46,153
Postage	58,521	66,652
Audit	75,798	55,225
Centre for social concern, net	3,022	2,658
Chapel	139,829	130,643
Chapel social action fund	10,585	8,268
Membership fees	71,956	43,645
Legal fees	112,624	167,217
Bad debts	41,959	2,033
Sundry	193,830	252,820
King's University College Foundation subsidy	120,000	120,000
Less internal cost recovery, ancillary operations	(227,056)	(227,056)
	\$ 6,199,038	\$ 6,071,010
Operating and maintenance for property:		
Wages	\$ 1,613,208	\$ 1,564,808
Property taxes	255,867	258,848
Utilities	476,231	391,232
Repairs and maintenance	421,530	404,280
Insurance	106,723	105,505
Supplies	97,255	83,454
Small furnishings, equipment rentals and maintenance	40,098	25,626
Sundry	188,227	50,265
	\$ 3,199,139	\$ 2,884,018

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Revenue and Expenditures of Ancillary Operations

Year ended April 30, 2014, with comparative information for 2013

	Residence and dining hall		2014 Other Total	2013 Total
Revenue:				
Residence and cafeteria fees	\$ 3,224,106	\$ -	\$ 3,224,106	\$ 3,090,176
Licensed operations	-	6,828	6,828	6,148
Parking	-	228,711	228,711	233,072
Conferences	-	59,109	59,109	110,690
Sundry	23,323	91,963	115,286	99,731
	3,247,429	386,611	3,634,040	3,539,817
Expenditures:				
Food services	1,283,408	48,068	1,331,476	1,284,592
Salaries and wages	1,139,555	83,695	1,223,250	1,137,159
Utilities	195,669	11,264	206,933	197,166
Repairs and maintenance	160,808	6,243	167,051	159,382
Liquor, beer, wine and supplies	-	2,204	2,204	3,081
Laundry	-	1,282	1,282	1,805
Cleaning supplies	22,351	-	22,351	913
Small furnishings and supplies	13,786	456	14,242	18,266
Sundry	63,024	3,004	66,028	84,552
Internal cost allocation:				
Shared services	212,188	14,868	227,056	227,056
Employee benefits	47,787	-	47,787	47,787
	3,138,576	171,084	3,309,660	3,161,759
Excess of revenue over expenditures	\$ 108,853	\$ 215,527	\$ 324,380	\$ 378,058