

Financial Statements of

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

Year ended April 30, 2010



KPMG LLP
Chartered Accountants
140 Fullarton Street Suite 1400
PO Box 2305
London ON N6A 5P2
Canada

Telephone (519) 672-4880
Fax (519) 672-5684
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Directors

We have audited the financial position of King's University College at the University of Western Ontario as at April 30, 2010 and the statements of operations, changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of King's University College's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of King's University College as at April 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that extends to the right.

Chartered Accountants, Licensed Public Accountants

London, Canada

July 16, 2010

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Statement of Financial Position

April 30, 2010, with comparative figures for 2009

	Operating Fund	Restricted Capital	Other	2010 Total	2009 Total
Assets					
Current assets:					
Cash	\$ 2,470,470	\$ -	\$ -	\$ 2,470,470	\$ 979,283
Accounts receivable (note 3)	257,223	-	-	257,223	157,451
Investments (note 4)	13,107,872	3,259,020	-	16,366,892	14,868,114
Prepaid expenses	244,726	-	-	244,726	237,760
Interfund balances (note 5)	743,700	(946,376)	202,676	-	-
	16,823,991	2,312,644	202,676	19,339,311	16,242,608
Capital assets (note 6)	-	28,735,553	-	28,735,553	29,163,728
Accrued pension asset (note 7)	-	-	5,378,500	5,378,500	4,524,200
	\$ 16,823,991	\$ 31,048,197	\$ 5,581,176	\$ 53,453,364	\$ 49,930,536

Liabilities and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,615,022	\$ -	\$ -	\$ 1,615,022	\$ 1,782,424
Due to King's College Foundation (note 8)	799,582	(114,245)	-	685,337	434,125
Deferred revenue	276,397	100,000	-	376,397	756,576
	2,691,001	(14,245)	-	2,676,756	2,973,125
Long-term debt (note 9)	-	3,500,000	-	3,500,000	3,500,000
Post-employment benefit liability (note 7)	7,444,000	-	-	7,444,000	6,952,000
Fund balances:					
Unrestricted	6,688,990	-	-	6,688,990	4,061,565
Investment in capital assets	-	25,235,554	-	25,235,554	25,663,729
Externally restricted	-	(385,724)	5,581,176	5,195,452	4,159,373
Internally restricted	-	2,712,612	-	2,712,612	2,620,744
	6,688,990	27,562,442	5,581,176	39,832,608	36,505,411
Commitments (notes 11 and 12)					
	\$ 16,823,991	\$ 31,048,197	\$ 5,581,176	\$ 53,453,364	\$ 49,930,536

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, 2010, with comparative figures for 2009

	Operating Fund	Restricted Capital	Other	2010 Total	2009 Total
Revenue:					
Government grants	\$ 14,807,132	\$ 119,802	\$ 304,593	\$ 15,231,527	\$ 14,771,124
Tuition	21,193,614	-	-	21,193,614	20,117,165
Investment income	141,574	81,870	-	223,444	863,701
Donations	-	10,000	-	10,000	12,239
Gifts from King's College Foundation	202,245	76,923	-	279,168	355,260
Sundry	424,872	-	27,555	452,427	432,292
Ancillary operations	3,163,124	-	-	3,163,124	2,982,516
	<u>39,932,561</u>	<u>288,595</u>	<u>332,148</u>	<u>40,553,304</u>	<u>39,534,297</u>
Expenses:					
Instructional	16,892,471	-	-	16,892,471	16,198,381
General and administrative	4,971,888	-	-	4,971,888	4,641,704
Service fee to UWO	2,653,523	-	-	2,653,523	2,551,793
Operation and maintenance of properties	2,456,004	-	-	2,456,004	2,372,435
Employee benefits	5,095,616	-	-	5,095,616	4,858,140
Amortization of capital assets	-	1,882,045	-	1,882,045	1,715,333
Mortgage and loan interest	-	320,950	-	320,950	320,950
Awards and research grants	-	-	205,245	205,245	91,595
Ancillary operations (note 13)	2,748,365	-	-	2,748,365	2,487,081
	<u>34,817,867</u>	<u>2,202,995</u>	<u>205,245</u>	<u>37,226,107</u>	<u>35,237,412</u>
Excess (deficiency) of revenue over expenses	\$ 5,114,694	\$ (1,914,400)	\$ 126,903	\$ 3,327,197	\$ 4,296,885

See accompanying notes to financial statements.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Statement of Changes in Fund Balances

Year ended April 30, 2010, with comparative figures for 2009

	Operating Fund	Restricted Capital	Other	2010 Total	2009 Total
Fund balances, beginning of year	\$ 4,061,565	\$ 27,843,873	\$ 4,599,973	\$ 36,505,411	\$ 32,208,526
Excess (deficiency) of revenue over expenses	5,114,694	(1,914,400)	126,903	3,327,197	4,296,885
Interfund transfers (note 5)	(2,487,269)	1,632,969	854,300	-	-
Fund balances, end of year	\$ 6,688,990	\$ 27,562,442	\$ 5,581,176	\$ 39,832,608	\$ 36,505,411

See accompanying notes to financial statements.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Statement of Cash Flows

Year ended April 30, 2010, with comparative figures for 2009

	Operating Fund	Restricted Capital	Other	2010 Total	2009 Total
Cash provided by (used in):					
Operating activities:					
Excess (deficiency) of revenue over expenses	\$ 5,114,694	\$ (1,914,400)	\$ 126,903	\$ 3,327,197	\$ 4,296,885
Adjustments for:					
Transfers among funds	(2,487,269)	1,632,969	854,300	-	-
Amortization of capital assets	-	1,882,045	-	1,882,045	1,715,333
Increase (decrease) in non- cash working capital (note 14)	280,668	(64,872)	(981,203)	(765,407)	745,252
	2,908,093	1,535,742	-	4,443,835	6,757,470
Investing activities:					
Net change in investments	(1,416,906)	(81,871)	-	(1,498,777)	(2,413,157)
Purchase of capital assets	-	(1,453,871)	-	(1,453,871)	(4,931,687)
Write-off of capitalized items	-	-	-	-	20,000
	(1,416,906)	(1,535,742)	-	(2,952,648)	(7,324,844)
Increase (decrease) in cash	1,491,187	-	-	1,491,187	(567,374)
Cash, beginning of year	979,283	-	-	979,283	1,546,657
Cash, end of year	\$ 2,470,470	\$ -	\$ -	\$ 2,470,470	\$ 979,283

See accompanying notes to financial statements.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements

Year ended April 30, 2010

King's University College at the University of Western Ontario ("King's") is a Liberal Arts college providing post-secondary education programs in Arts, Social Sciences, and Social Work for over 3,000 students. King's is an unincorporated entity within The Roman Catholic Episcopal Corporation of the Diocese of London in Ontario.

1. Significant accounting policies:

(a) Fund accounting:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The financial statements of King's are maintained in accordance with the fund method of accounting. Accordingly, all financial transactions have been recorded in two funds: Operating Fund and Restricted Funds.

The Operating Fund accounts for instructional, administrative and other operational costs financed by tuition, grants and investment income. This fund also accounts for revenue and expenditures related to ancillary operations of residence, food services, conferences and parking.

The Restricted Capital Fund accounts for the acquisition, amortization and disposal of capital assets. The Restricted Other Fund accounts for the receipt and expenditures of research funds and special purpose funds.

(b) Revenue recognition:

King's follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred, and when expended, are amortized into revenue, at a rate corresponding and the amortization rate for the related capital assets.

Gifts in kind are recorded at their fair market value on the date of their donation.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2010

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful life of buildings and on a declining balance basis for all other capital assets. Amortization rates are as follows:

Asset	Basis	Rate
Buildings	Straight-line	40 years
Parking lots	Declining balance	10%
Computer equipment	Declining balance	30%
Equipment and furnishings	Declining balance	20%
Library books	Declining balance	100%
Works of art		0%

(d) Employee future benefits:

The King's pension plan, covering full-time faculty, certain part-time faculty and certain non-teaching employees, is a defined benefit pension plan. The cost of pension benefits earned by employees is determined using the projected benefit method prorated on service and is expensed through the Operating Fund as services are rendered. This cost reflects management's best estimates of the pension plan's expected yields, salary escalations, mortality of members, termination and the ages at which members will retire. Differences arising from plan amendments, changes in assumptions and actuarial gains and losses are recognized in income over the expected average remaining service life of employees.

The pension plan requires that King's use surpluses to improve benefits.

Other employees participate in a group registered retirement savings plan.

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.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2010

1. Significant accounting policies (continued):

(f) Investments and investment income:

Investments consist of readily marketable securities which are recorded at fair market value. Strip bonds are recorded at cost plus accrued interest in their effective yield.

Investments classified or designated as held-for-trading are recorded at fair market value. Unrealized gains and losses are recognized in net revenues (expenses) as changes in the market values occur in the corresponding fund in the statement of operations.

Investments classified as available-for-sale are recorded at market, unless they are non-quoted equity securities, which are carried at cost. Unrealized gains and losses are recorded as direct increases or decreases to fund balance and disclosed in the statement of changes in fund balances.

Investments classified as held-to-maturity are carried at amortized cost using the effective interest rate method. Gains or losses on disposal are recorded in the year of disposal.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income consists of interest, dividends, realized gains (losses) on sale of investments and the net change in unrealised gains (losses). Realized and unrealized gains (losses) earned on funds held with external restrictions are recorded in the Restricted Capital or Restricted Other Funds. The balance of investment income is recorded in the Operating Fund.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2010

1. Significant accounting policies (continued):

(g) Financial Instruments:

Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value recorded in the statement of operations. Financial assets classified as held-to-maturity or loans and receivables and financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method. Available-for-sale financial assets that have a quoted price in active market are measured at fair value with changes as direct increases or decreases to fund balances and disclosed in the statement of changes in fund balances. King's has classified its financial instruments as follows:

- (i) Cash and short-term investments or bank-indebtedness are classified as held-for trading.
- (ii) Accounts receivable are classified as loans and receivables.
- (iii) Investments – Capital Fund are classified as available-for-sale.
- (iv) Investments – Operating Fund are classified as held-for-trading.
- (v) Accounts payable, and accrued liabilities, and current and long-term debt are classified as other liabilities.

King's has elected to expense transaction costs related to financial instruments classified as other than held-for-trading and to use trade date accounting for regular-way purchases and sales of financial assets.

King's has elected to continue to disclose and present financial instruments under handbook section 3861, "*Financial Instruments - Disclosures and Presentation*" as the Canadian Institute of Chartered Accountants has permitted not-for-profit entities to defer the adoption of 3862, "*Financial Instruments - Disclosures*", and 3863, "*Financial Instruments – Presentation*."

King's adopted the amendments, to section 3855 "*Financial Instruments - Recognition and Measurement*", permitted for not-for-profit entities and therefore does apply handbook section 3855 to derivatives embedded in leases, derivatives embedded in insurance contracts, contracts to buy or sell a non-financial item including derivatives embedded therein, or derivatives embedded in contracts to buy or sell a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2010

1. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements, in accordance with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Changes in accounting policies:

(a) Current year:

On May 1, 2009, King's adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

- (i) Section 4400, "*Financial Statement Presentation by Not-for-Profit Organizations*", has been amended with respect to the presentation and disclosure of the statement of cash flows. The statement of cash flows should be prepared in accordance with Section 1540, "*Cash Flow Statements*". Section 1540 has been amended to include not-for-profit organizations within its scope. This section establishes a criterion for disclosure requirements of the statement of cash flows. The requirements for not-for-profit organizations have been expanded to include disclosure of the extent to which cash distributions are non-discretionary. The requirements apply to all cash distributions on financial instruments classified as equity that are determined in accordance with a contractual agreement or relevant contesting document. These changes in accounting policy did not have an impact on the current year's financial statements or on the prior period presented.

Section 4400 has also been amended to eliminate the requirement to treat net assets invested in property and equipment as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so. Section 4400 has also been amended to clarify that revenues and expenditures must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions. These changes in accounting policy did not have an impact on the current year's financial statements or on the prior period presented.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2010

2. Changes in accounting policies (continued):

(a) Current year (continued):

- (ii) Section 4430, "*Capital Assets Held by Not-for-Profit Organizations*", establishes disclosure requirements for property and equipment for which financial information is not reasonably determinable. This change in accounting policy did not have an impact on the current year's financial statements or on the prior period presented.
- (iii) Section 4460, "*Disclosure of Related Party Transactions by Not-for-Profit Organizations*", establishes disclosure requirements for related party transactions. This change in accounting policy did not have an impact on the current year's financial statements or on the prior period presented.
- (iv) Section 4470, "*Disclosure of Allocated Expenses by Not-for-Profit Organizations*", establishes disclosure requirements of allocated expenses. This section will require not-for-profit organizations to disclose the allocation of general support expenses between different functions; this section will enhance a reader's ability to understand the effect of allocations. Please see additional disclosures in Note 13.

(b) Future years:

The CICA has issued the following accounting standards that will become effective for King's in future years:

- (i) The CICA will be issuing a new accounting framework applicable to not-for-profit organizations. Effective for the fiscal years beginning on or after January 1, 2011, not-for-profit organizations will have to choose between International Financial Reporting Standards (IFRSs) and accounting standards for not-for-profit organizations. The Foundation currently plans to adopt the new accounting standards for not-for-profit organizations for its fiscal year beginning May 1, 2011, however the date of transition to the new standards and the impact of this transition has not yet been determined.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2010

3. Accounts receivable:

	Operating Fund	Restricted Fund	2010 Total	2009 Total
Students	\$ 16,293	\$ -	\$ 16,293	\$ 15,471
Other	261,927	-	261,927	150,483
	278,220	-	278,220	165,954
Allowance for doubtful accounts	20,997	-	20,997	8,503
	\$ 257,223	\$ -	\$ 257,223	\$ 157,451

4. Investments:

	2010	2009
Short-term investments	\$ 13,107,872	\$ 11,690,966
Guaranteed investment certificates	2,202,170	2,266,838
Government strip bonds	1,056,850	910,310
	\$ 16,366,892	\$ 14,868,114

Short-term investments and the guaranteed investment certificates are measured and recorded at fair value and long-term investments are measured at the amortized cost using the effective interest method.

King's has provided for the repayment of the majority of the principal of the 9.17% mortgage with the purchase of guaranteed investment certificates and government strip bonds.

5. Interfund balances and transfers:

Due to the nature of King's budgeting and banking systems, all cash transactions are recorded in the Operating Fund. Any transactions pertaining to other funds are then balanced through the interfund balance accounts. Capital expenditures during the year are transferred to the Capital Fund at year end to properly record the equity in the Capital Fund.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2010

6. Capital assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 705,713	\$ -	\$ 705,713	\$ 705,713
Buildings	36,814,330	10,493,368	26,320,962	26,645,765
Parking lots	971,331	495,693	475,638	528,487
Equipment and furnishings	4,718,958	4,144,012	574,946	618,500
Computer equipment	3,180,309	2,580,913	599,396	628,415
Library books	6,610,630	6,610,630	-	-
Works of art	58,898	-	58,898	36,848
	\$ 53,060,169	\$ 24,324,616	\$ 28,735,553	\$ 29,163,728

7. Employee future benefits:

The interval between actuarial valuations for the defined benefit pension plan does not exceed three years with the most recent valuation prepared as at December 31, 2006. 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 benefit liabilities as at April 30, 2010 is as follows:

	Pension Benefit Plans		Post-employment Plans	
	2010	2009	2010	2009
Accrued benefit obligation	\$ 30,823,800	\$ 25,248,300	\$ 8,362,000	\$ 5,127,000
Fair value of plan assets	30,108,700	25,395,000	-	-
Funded status, plan surplus (deficit)	(715,100)	146,700	(8,362,000)	(5,127,000)
Unamortized past service cost	212,000	265,000	737,000	904,000
Unamortized net actuarial loss (gain)	5,881,600	4,112,500	181,000	(2,729,000)
Accrued benefit asset (liability)	\$ 5,378,500	\$ 4,524,200	\$ (7,444,000)	\$ (6,952,000)

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2010

7. Employee future benefits (continued):

Accrued benefit obligation and fair value of plan assets includes \$457,600 (2009 - \$415,600) in optional flexible contributions made by members of the Plan.

	Pension Benefit Plans		Post-employment Plans	
	2010	2009	2010	2009
Expense	\$ 1,459,700	\$ 950,700	\$ 628,000	\$ 1,144,000
Benefits paid	1,844,300	1,714,700	137,000	107,000

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

	Pension Benefit Plans		Post-employment Plans	
	2010	2009	2010	2009
Current service costs	\$ 767,800	\$ 1,021,700	\$ 270,000	\$ 488,000
Interest costs	2,080,400	1,625,800	432,000	459,000
Return on plan assets	(3,701,000)	3,900,800	-	-
Actuarial gain	4,028,000	(2,316,800)	2,670,000	(2,842,000)
Net benefit plan expense (gain)	\$ 3,175,200	\$ 4,231,500	\$ 3,372,000	\$ (1,895,000)

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

	Pension Benefit Plans		Post-employment Plans	
	2010	2009	2010	2009
Weighted-average assumptions for expense:				
Discount rate	8.50 %	6.25 %	8.50 %	6.25 %
Expected long-term rate of return of plan assets	6.33 %	6.25 %	-	-
Rate of compensation increase	3.75 %	4.25 %	-	-
Weighted average assumptions for accrued benefit obligation:				
Discount rate	6.00 %	8.50 %	6.00 %	8.50 %
Rate of compensation increase	4.50 %	3.75 %	-	-

The assumed health care cost trend was initially set at 9.5% per annum, grading to 4.5% per annum in 2028.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2010

8. Related party transactions:

Revenues of King's College Foundation (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 (2009 - \$120,000) annually to assist in the operation of the Foundation.

The Foundation holds funds of \$7,997,226 (2009 - \$5,667,111), the benefit of which is to be used for King's.

9. Long-term debt:

	2010	2009
9.17% mortgage, interest only of \$160,475 payable semi-annually, maturing July 1, 2012	\$ 3,500,000	\$ 3,500,000
Current portion of long-term debt	-	-
	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>

10. Financial instruments:

(a) Fair values:

The carrying value of King's short-term financial instruments, comprised of cash, accounts receivable, accounts payable and accrued liabilities, deferred revenue, and due to King's College Foundation, which, due to their short-term nature, approximate their fair value. The fair value of the long-term debt amounts has not been disclosed as the information is not readily available. Management believes that the fair values of these amounts are not significantly different than their carrying values.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2010

10. Financial instruments (continued):

(b) Risk management:

King's is exposed to interest rate risk with respect to its cash and investments. Changes in variable interest rates could cause unanticipated fluctuations in King's operating results.

King's is subject to foreign exchange risk and interest rate risk with respect to its investment portfolio. Changes to interest rates could cause unanticipated fluctuations in operating results. The investments are currently in Canadian investments and are not subject to risk with respect to fluctuations in foreign exchange rates between Canadian dollars and other foreign currencies.

(c) Liquidity risk:

Liquidity risk is the risk that King's will not be able to meet its obligations as they fall due. King's requires working capital to meet day-to-day operating activities. Management expects that King's cash flows from operating activities will be sufficient to meet these requirements. King's also has available unused credit facilities at April 30, 2009 to meet fluctuations in working capital requirements.

(d) Credit risk:

Credit risk is the risk that a party owing money to King's will fail to discharge that responsibility. King's is exposed to credit risk from the potential non-payment of accounts receivable. The actual credit risk from receivables from students and employees is minimal as King's has various methods of recourse for collection such as withholding transcripts, certificates or degrees and payroll deduction. The actual credit risk from grant receivables from the provincial and federal governments is minimal. As long as employees carry out the required reporting, King's continues to receive the grants as awarded by the provincial and federal governments.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2010

11. Commitments under operating leases:

At April 30, 2010, King's has lease commitments for photocopiers and cars. Minimum annual lease payments not including operating expenses, due over the next five years are expected to be as follows:

2011	\$	86,880
2012		74,513
2013		58,460
2014		32,966
2015		15,856

12. Commitments:

On June 15, 2005, King's signed a ten year agreement with Aramark Canada Ltd. whereby, in conjunction with their food service operations, Aramark shall invest a maximum of \$800,000 for the purchase and installation of equipment and facility improvements. At the end of the agreement, the purchased equipment shall be transferred to King's. In the event King's terminates the agreement during its term, King's has agreed to purchase the equipment from Aramark at a price equal to the undepreciated book value at the termination date.

13. Allocated Expenses:

In an effort to ensure that core grants are not used to offset costs within the Ancillary functions, King's allocates the cost of administrative duties which are not directly charged to ancillary programs based on an estimate of the time required to facilitate ancillary processes. General and administrative expenses of \$191,661 (2009 - \$107,400), plant expenses of nil (2009 - \$22,841), and employee benefits of \$44,892 (2009 - \$36,690) were allocated to ancillary operations during the year.

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Notes to Financial Statements (continued)

Year ended April 30, 2010

14. Changes in non-cash working capital:

	Operating Fund	Capital	Restricted Other	2010 Total
Changes in non-cash working capital:				
Accounts receivable	\$ (99,772)	\$ -	\$ -	\$ (99,772)
Prepaid expenses	(6,966)	-	-	(6,966)
Interfund balances	126,903	1	(126,904)	-
Accrued pension asset	-	-	(854,300)	(854,300)
Accounts payable	(167,403)	-	-	(167,403)
Due to King's College Foundation	306,085	(54,873)	-	251,212
Deferred revenue	(370,179)	(10,000)	-	(380,179)
Post-employment benefit liability	492,000	-	-	492,000
	\$ 280,668	\$ (64,872)	\$ (981,204)	\$ (765,408)

15. Capital disclosure:

King's objective in managing capital is to ensure sufficient liquidity to meet its monthly operating requirements and undertake program initiatives for the benefit of its students, while at the same time taking a conservative approach towards management of financial risk. King's capital is comprised of its fund balances. External restrictions exist on the restricted fund balances. King's primary use of capital is to finance capital expenditures, future projects and ongoing operations. King's currently funds these requirements out of its internally generated cash flows. King's is not subject to any externally imposed capital requirements other than on the restricted portion of its fund balances.



KPMG LLP
Chartered Accountants
140 Fullarton Street Suite 1400
PO Box 2305
London ON N6A 5P2
Canada

Telephone (519) 672-4880
Fax (519) 672-5684
Internet www.kpmg.ca

AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors

We have audited and reported separately wherein on the financial statements of King's University College at the University of Western Ontario as at and for the year ended April 30, 2010 in accordance with Canadian generally accepted auditing standards.

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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that tapers at both ends, serving as a decorative underline.

Chartered Accountants, Licensed Public Accountants

London, Canada

July 16, 2010

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Operating Fund

Year ended April 30, 2010, with comparative figures for 2009

	Operations	Ancillary	2010 Total	2009 Total
Revenue	\$ 36,769,437	\$ 3,163,124	\$ 39,932,561	\$ 38,054,035
Expenditures	32,069,502	2,748,365	34,817,867	33,109,534
Increase in fund balances before transfers	4,699,935	414,759	5,114,694	4,944,501
Transfers:				
From Restricted Other Fund	(854,300)	-	(854,300)	(1,271,500)
To Restricted Capital fund for acquisitions	(1,312,019)	-	(1,312,019)	(4,169,066)
To Restricted Capital Fund for long-term debt repayments	-	(320,950)	(320,950)	(320,950)
Net increase (decrease)	2,533,616	93,809	2,627,425	(817,015)
Fund balances, beginning of year	8,023,521	(3,961,956)	4,061,565	4,878,580
Fund balances, end of year	\$ 10,557,137	\$ (3,868,147)	\$ 6,688,990	\$ 4,061,565

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Operating Fund Expenditures

Year ended April 30, 2010, with comparative figures for 2009

	2010	2009
Instructional:		
Salaries	\$ 13,517,159	\$ 12,662,988
Scholarships and bursaries	1,975,535	2,145,315
Research grants, learned society and guest lectures	283,727	250,514
Transportation and travel	373,075	368,450
Marking	160,940	152,215
Teaching program assistance	158,895	134,579
Office expenses	113,865	119,622
Telephone	21,573	27,529
Teaching aids	59,638	52,677
Small furnishings, equipment rentals and maintenance	12,538	5,886
Library supplies and binding	3,430	6,262
Memberships and dues	8,840	9,172
Interview and moving expenses	44,564	55,178
Sundry	158,692	207,994
	\$ 16,892,471	\$ 16,198,381
General and administrative:		
Office salaries	\$ 3,769,238	\$ 3,307,128
Telephone	67,520	75,184
Office supplies	110,659	90,223
Promotional material	105,598	126,572
Student counselling	16,450	16,950
Special events	44,349	43,694
Small furnishings, equipment rental and maintenance	91,957	107,594
Liaison	137,650	135,178
Travel	50,988	54,501
Postage	76,719	93,411
Audit	49,580	57,956
College calendar	-	-
Centre for social concern, net	7,260	6,179
Chapel	81,930	63,711
Chapel social action fund	13,024	8,638
Membership fees	37,748	37,055
Legal fees	46,897	122,872
Bad debts	16,303	2,153
Sundry	319,680	280,105
King's College Foundation subsidy	120,000	120,000
Less internal cost recovery, ancillary operations	(191,662)	(107,400)
	\$ 4,971,888	\$ 4,641,704
Operating and maintenance for property:		
Wages	\$ 1,353,394	\$ 1,301,856
Property taxes	235,350	232,425
Utilities	409,041	417,389
Repairs and maintenance	228,786	229,538
Insurance	101,780	88,369
Supplies	68,402	52,959
Small furnishings, equipment rentals and maintenance	32,416	32,367
Sundry	26,835	40,373
Less internal cost recovery, ancillary operations	-	(22,841)
	\$ 2,456,004	\$ 2,372,435

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Revenue and Expenditures of Ancillary Operations

Year ended April 30, 2010, with comparative figures for 2009

	Residence and dining hall	Other	2010 Total	2009 Total
Revenue:				
Residence and cafeteria fees	\$ 2,749,893	\$ -	\$ 2,749,893	\$ 2,615,708
Licensed operations	-	17,327	17,327	18,064
Parking	-	213,395	213,395	182,855
Conferences	-	83,603	83,603	53,280
Sundry	9,214	89,692	98,906	112,609
	2,759,107	404,017	3,163,124	2,982,516
Expenditures:				
Food services	1,080,315	47,985	1,128,300	1,060,957
Salaries and wages	877,084	72,866	949,950	834,990
Utilities	175,327	13,114	188,441	206,488
Repairs and maintenance	69,382	16,653	86,035	88,294
Liquor, beer, wine and supplies	-	5,814	5,814	8,252
Laundry	-	1,410	1,410	5,804
Cleaning supplies	46,275	-	46,275	34,163
Small furnishings and supplies	19,433	-	19,433	14,942
Sundry	67,606	18,548	86,154	66,260
Internal cost allocation:				
General and administrative	181,191	10,470	191,661	107,400
Plant	-	-	-	22,841
Employee benefits	44,892	-	44,892	36,690
	2,561,505	186,860	2,748,365	2,487,081
Excess of revenue over expenditures	\$ 197,602	\$ 217,157	\$ 414,759	\$ 495,435

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Investment in Capital Assets

Year ended April 30, 2010, with comparative figures for 2009

	2010	2009
Balance, beginning of year	\$ 25,663,729	\$ 22,467,374
Capital funds expended on buildings and installed equipment	119,802	762,622
Operating funds expended on furniture, equipment and library books	1,311,864	4,157,066
Gifts in kind from King's College Foundation	22,204	12,000
Less write-offs	-	(20,000)
	27,117,599	27,379,062
Amortization of capital assets	(1,882,045)	(1,715,333)
	\$ 25,235,554	\$ 25,663,729

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Restricted Capital Fund

Year ended April 30, 2010

	Balance, beginning of year	Grants and other expenditures	Expenditures	Balance, end of year
Externally restricted:				
Academic Centre	\$ (440,600)	\$ 54,876	\$ -	\$ (385,724)
Internally restricted:				
General	(555,805)	10,000	-	(545,805)
Residence	3,176,549	81,868	-	3,258,417
	2,620,744	91,868	-	2,712,612
	\$ 2,180,144	\$ 146,744	\$ -	\$ 2,326,888

KING'S UNIVERSITY COLLEGE AT THE UNIVERSITY OF WESTERN ONTARIO

Schedule - Restricted Other Fund

Year ended April 30, 2010

	Balance, beginning of year	Grants and other expenditures	Expenditures	Transfers	Balance, end of year
Externally restricted:					
Research	\$ 75,773	\$ 302,730	\$ 205,245	\$ 29,418	\$ 202,676
Pension	4,524,200	-	-	854,300	5,378,500
	\$ 4,599,973	\$ 302,730	\$ 205,245	\$ 883,718	\$ 5,581,176