

Financial Statements of

**LEADING EDGE ENDOWMENT FUND**

Year ended March 31, 2009



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## AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have audited the statement of financial position of Leading Edge Endowment Fund (the "Fund") as at March 31, 2009 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Fund'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 the Fund as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*KPMG LLP*

Chartered Accountants

Burnaby, Canada

April 23, 2009

# LEADING EDGE ENDOWMENT FUND

## Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	2009	2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 4)	\$ 4,866,266	\$ 11,524,701
Short-term investments (note 4)	23,292,957	25,482,112
GST receivable	2,295	2,552
	<u>\$ 28,161,518</u>	<u>\$ 37,009,365</u>

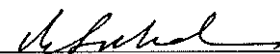
## Liabilities, Deferred Contributions and Net Assets

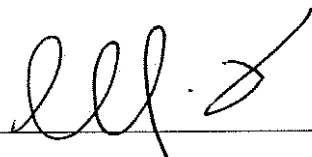
Current liabilities:		
Accounts payable and accrued liabilities	\$ 42,476	\$ 73,731
Deferred contributions (note 5)	20,750,000	30,000,000
Net assets:		
Unrestricted	7,369,042	6,935,634
	<u>\$ 28,161,518</u>	<u>\$ 37,009,365</u>

Commitments (note 7)

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

# LEADING EDGE ENDOWMENT FUND

## Statement of Operations and Changes in Net Assets

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Grant income	\$ 9,250,000	\$11,500,000
Donations	65,000	35,000
Interest revenue	680,878	1,624,158
	9,995,878	13,159,158
Program expenses:		
B.C. Leadership Chairs	6,750,000	9,000,000
B.C. Regional Innovation Chairs	2,500,000	2,500,000
Rix Student Awards	65,000	35,000
	9,315,000	11,535,000
Operation expenses:		
Board	939	-
Committee and review	3,025	3,095
Communications	10,090	6,213
Office	30,586	25,078
Professional and bank fees	42,350	57,906
Staffing	160,480	149,475
	247,470	241,767
	9,562,470	11,776,767
Excess of revenue over expenses	433,408	1,382,391
Net assets, beginning of year	6,935,634	5,553,243
Net assets, end of year	\$ 7,369,042	\$ 6,935,634

See accompanying notes to financial statements.

# LEADING EDGE ENDOWMENT FUND

## Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 433,408	\$ 1,382,391
Net increase in non-cash operating working capital	(30,998)	36,985
	402,410	1,419,376
Investments:		
Decrease in short-term investments	2,189,155	11,657,094
Financing:		
Decrease in deferred contributions	(9,250,000)	(11,500,000)
Increase (decrease) in cash and cash equivalents	(6,658,435)	1,576,470
Cash and cash equivalents, beginning of year	11,524,701	9,948,231
Cash and cash equivalents, end of year	\$ 4,866,266	\$ 11,524,701

See accompanying notes to financial statements.

# LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements

Year ended March 31, 2009

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## 1. Operations:

The Leading Edge Endowment Fund (the "Fund") was incorporated under the Society Act of British Columbia on March 20, 2002 and commenced operations on March 28, 2002. The Fund is incorporated to establish a leading edge endowment fund, operating on a matching funds basis, to establish nineteen permanent British Columbia leadership chairs ("Sponsored Chairs") at post-secondary institutions across the province in fields of research, including but not limited to, medical, social, environmental and technological research. The Fund is also incorporated to establish a regional innovation fund, operated on a matching funds basis, to establish nine permanent British Columbia regional innovation chairs ("Regional Innovation Chairs") at eligible regional institutions across the province.

The Fund is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

## 2. Significant accounting policies:

### (a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for not-for-profit organizations.

### (b) Cash and cash equivalents:

Cash and cash equivalents are defined as investments with original maturities of less than 90 days when purchased and have been classified as held for trading and are recorded at fair value.

### (c) Short-term investments:

Short-term investments, which consist of Government of Canada treasury bills, are recorded at the lower of cost and net realizable value, are defined as investments with original maturities of greater than 90 days and less than one year when purchased and have been classified as held-to-maturity and have been recorded at amortized cost.

### (d) Financial instruments:

The GST receivable has been classified as loans and receivables and is measured at amortized cost. Accounts payable and accrued liabilities have been classified as other financial liabilities and are measured at amortized cost.

### (e) Revenue recognition:

The Fund follows the deferral method of accounting for government grants. Grants are deferred and recognized as revenue in the period in which they are used to fund an approved Sponsored Chair or Regional Innovation Chair. Grants approved by the Fund and for which all funding requirements have been met by the related post-secondary or regional institution, but are not paid at the end of an accounting period are accrued.

# LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements (continued)

Year ended March 31, 2009

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## 2. Significant accounting policies (continued):

### (e) Revenue recognition (continued):

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

### (f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to accounts payable and accrued liabilities. Actual results could differ from those estimates.

### (g) Future changes in accounting standards:

- (i) The Fund has chosen to continue to apply the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3861, "*Financial Instruments – Disclosures and Presentation*", rather than adopting CICA Handbook Section 3862, "*Financial Instruments – Disclosures*", and CICA Handbook Section 3863, "*Financial Instruments – Presentation*", as permitted in these sections for not-for-profit organizations.
- (ii) In September 2008, the CICA issued amendments to Handbook Sections 4400, *Financial Statement Presentation by Not-for-Profit Organizations*, and 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. The amendments are effective for the Fund's fiscal year commencing April 1, 2009 and remove the requirement to disclose net assets invested in capital assets, clarify capital asset recognition criteria and amortization, expand interim financial statement requirements to not-for-profit organizations that prepare interim financial statements, require disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and include the requirement to follow Handbook Section 1540, *Cash Flow Statements*. The Fund does not believe it will have a material impact on its financial statements.
- (iii) The CICA has decided to transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS) effective January 1, 2011. The Fund is currently classified as a not-for-profit organization. The Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) have jointly issued an Invitation to Comment to invite feedback on the future of financial reporting by not-for-profit organizations. In addition, PSAB has issued an Invitation to comment on the future financial reporting of government organizations. The Fund is in the process of reviewing the impact of these documents on its reporting framework and financial statements.

# LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements (continued)

Year ended March 31, 2009

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### 3. Changes in accounting policies:

- (a) Effective April 1, 2008, the Fund adopted the CICA Handbook Section 1535, "*Capital Disclosures*". Under this new standard, the Fund is required to disclose both qualitative and quantitative information that enables users of the financial statements to evaluate the Fund's objectives, policies, and processes for managing capital. It also includes disclosure regarding what the Fund regards as capital, whether the Fund has complied with any external requirements and in the event of non-compliance, the consequences of not complying with these capital requirements. These discussions have been addressed in note 6.
- (b) Effective April 1, 2008, the Fund adopted CICA Handbook Section 1400, "*General Standards of Financial Statement Presentation*". This section changes the guidance related to management's responsibility to assess the ability of the Fund to continue as a going concern. Management is required to make an assessment of the Fund's ability to continue as a going concern and should take into account all available information about the future, which is at least, but not limited to 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events that may cast significant doubt upon the Fund's ability to continue as a going concern.

### 4. Restricted cash and investments:

\$20,750,000 (2008 - \$30,000,000) of cash and cash equivalents and short-term investments is restricted in its use for the seven (2008 - ten) Sponsored Chairs and four (2008 - six) Regional Innovation Chairs (note 5).

### 5. Deferred contributions:

Deferred contributions represent unspent externally restricted grants relating to expenses of future periods:

	2009	2008
Sponsored Chairs	\$ 15,750,000	\$ 22,500,000
Regional Innovation Chairs	5,000,000	7,500,000
	<u>\$ 20,750,000</u>	<u>\$ 30,000,000</u>



# LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements (continued)

Year ended March 31, 2009

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## 6. Capital management:

The Fund's principal source of capital funds was received from the Province of British Columbia. The Fund defines capital to be net assets and deferred contributions.

The Fund's objective when managing capital is to fund its operations, Sponsored Chairs and Regional Innovation Chairs (the "Chairs"). The Fund manages the capital structure making adjustments based on economic conditions. Currently, the Fund's strategy is to monitor operating expenditures to preserve capital for the purpose of distributing the capital as Chairs. Beyond the grant monies received which are restricted for purposes of funding the Chairs, there are no external requirements on the capital of the Fund. Were the Fund not to be in compliance with any external requirements on capital, the consequence would be a violation of the Fund's charter.

## 7. Commitments:

The Fund is committed to granting \$2,250,000 for each of the seven (2008 - ten) Sponsored Chairs and \$1,250,000 for each of the four (2008 - six) Regional Innovation Chairs by 2010.

As specified in the bylaws of the Fund, the Fund shall be wound up or dissolved no later than April 1, 2010. Upon winding up or dissolution, the remaining assets of the Fund, net of the Funds liabilities, shall be distributed amongst the post-secondary institutions on a pro-rata basis.

## 8. Financial instruments:

The Fund's financial instruments include cash and cash equivalents, short-term investments, GST receivable and accounts payable and accrued liabilities. Cash and cash equivalents are recorded at market value. The market value of the GST receivable and the accounts payable and accrued liabilities approximates their carrying values due to their short-term to maturity. The market value of short-term investments is \$23,293,287 (2008 - \$25,454,838).