

Financial Statements of

LEADING EDGE ENDOWMENT FUND

Year ended March 31, 2007



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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, 2007 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, 2007 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.

Chartered Accountants

Burnaby, Canada
April 25, 2007

LEADING EDGE ENDOWMENT FUND

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 16,174	\$ 49,266
Short-term investments (note 3)	46,760,266	45,332,744
GST receivable	8,198	14,463
Interest receivable	310,997	724,570
	<u>47,095,635</u>	<u>46,121,043</u>
Long-term investments (note 3)	-	3,008,752
	<u>\$ 47,095,635</u>	<u>\$ 49,129,795</u>

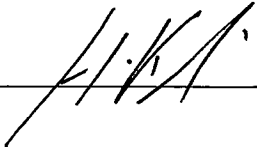
Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 42,392	\$ 47,046
Deferred contributions (note 4)	41,500,000	45,000,000
Net assets:		
Unrestricted	5,553,243	4,082,749
	<u>\$ 47,095,635</u>	<u>\$ 49,129,795</u>

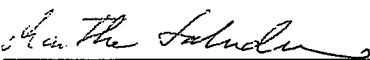
Commitments (note 5)

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, 2007, with comparative figures for 2006

	2007	2006
Grant income	\$ 3,500,000	\$ 9,000,000
Interest revenue	1,756,165	1,466,686
	<u>5,256,165</u>	<u>10,466,686</u>
Program expenses:		
B.C. Leadership Chairs	3,500,000	9,000,000
Operation expenses:		
Board	-	1,092
Committee and review	4,060	8,350
Communications	16,119	117,522
Office	26,721	24,541
Professional fees	73,106	86,003
Staffing	165,665	182,340
	<u>285,671</u>	<u>419,848</u>
	<u>3,785,671</u>	<u>9,419,848</u>
Excess of revenue over expenses	1,470,494	1,046,838
Net assets, beginning of year	4,082,749	3,035,911
Net assets, end of year	\$ 5,553,243	\$ 4,082,749

See accompanying notes to financial statements.

LEADING EDGE ENDOWMENT FUND

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 1,470,494	\$ 1,046,838
Net increase in non-cash operating working capital	415,184	54,443
	<u>1,885,678</u>	<u>1,101,281</u>
Investments:		
Decrease in long-term investments	3,008,752	22,116,905
Increase in short-term investments	(1,427,522)	(14,183,873)
	<u>1,581,230</u>	<u>7,933,032</u>
Financing:		
Decrease in deferred contributions	(3,500,000)	(9,000,000)
	<u>(33,092)</u>	<u>34,313</u>
Increase (decrease) in cash and cash equivalents		
	(33,092)	34,313
Cash and cash equivalents, beginning of year	49,266	14,953
Cash and cash equivalents, end of year	<u>\$ 16,174</u>	<u>\$ 49,266</u>

See accompanying notes to financial statements.

LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements

Year ended March 31, 2007

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.

As specified in the bylaws of the Fund, in the event the Fund ceases to operate, its assets would be distributed amongst the post-secondary institutions on a pro-rata basis. 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 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.

(c) Short-term investments:

Short-term investments are recorded at the lower of cost and net realizable value and are defined as investments with original maturities of greater than 90 days and less than one year when purchased.

(d) Long-term investments:

Long-term investments are recorded at the lower of cost and net realizable value and are defined as investments with original maturities of greater than one year from purchase.

LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements

Year ended March 31, 2007

2. Significant accounting policies (continued):

(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 but not received at the end of an accounting period are accrued.

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 the determination of net recoverable value of assets. Actual results could differ from those estimates.

3. Restricted cash and investments:

\$41,500,000 (2006 - \$45,000,000) of cash and cash equivalents and short-term investments is restricted in its use for the fourteen (2006 - fifteen) Sponsored Chairs and eight (2006 - nine) Regional Innovation Chairs (note 5).

4. Deferred contributions:

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

	2007	2006
Sponsored Chairs	\$ 31,500,000	\$ 33,750,000
Regional Innovation Chairs	10,000,000	11,250,000
	<u>\$ 41,500,000</u>	<u>\$ 45,000,000</u>

LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements

Year ended March 31, 2007

5. Commitments:

The Fund is committed to granting \$2,250,000 for each of the fourteen (2006 - fifteen) Sponsored Chairs and \$1,250,000 for each of the eight (2006 - nine) Regional Innovation Chairs by 2008.

6. Financial instruments:

Fair value:

The fair value of the Fund's cash and cash equivalents, GST receivable, interest receivable and accounts payable and accrued liabilities approximates their carrying values due to their short-term to maturity.

The fair value of short-term investments is \$47,053,243 (2006 - \$45,867,285).

The fair value of long-term investments is nil (2006 - \$3,036,868).