

Financial Statements of

LEADING EDGE ENDOWMENT FUND

Years ended March 31, 2012 and 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Leading Edge Endowment Fund, and
To the Minister of Jobs, Tourism and Innovation of British Columbia

We have audited the accompanying financial statements of Leading Edge Endowment Fund, which comprise the statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, the statements of operations and changes in net financial assets and cash flows for the years ended March 31, 2012 and March 31, 2011, 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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 Leading Edge Endowment Fund as at March 31, 2012, March 31, 2011 and April 1, 2010 and its results of operations and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 in the financial statements which describes that the going concern basis of preparing the financial statements has not been used because of the dissolution as set out in the bylaws of Leading Edge Endowment Fund.

KPMG LLP

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, slightly curved line that underlines the text.

Chartered Accountants

July 17, 2012

Burnaby, Canada

LEADING EDGE ENDOWMENT FUND

Statements of Financial Position

March 31, 2012, March 31, 2011 and April 1, 2010

	March 31, 2012	March 31, 2011	April 1, 2010
Financial Assets			
Cash and cash equivalents (note 5)	\$ 155,308	\$ 321,698	\$ 456,737
Investments (notes 5 and 6)	15,123,318	16,216,668	22,836,798
Other receivables	3,634	4,190	1,796
	15,282,260	16,542,556	23,295,331
Financial Liabilities			
Accounts payable and accrued liabilities (note 8)	63,650	43,211	30,462
Deferred contributions (note 4)	8,000,000	9,250,000	16,000,000
	8,063,650	9,293,211	16,030,462
Net Financial Assets	7,218,610	7,249,345	7,264,869
Accumulated surplus	\$ 7,218,610	\$ 7,249,345	\$ 7,264,869

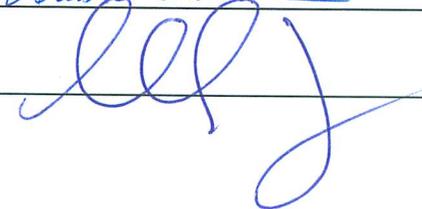
Going concern (note 2)
Commitments (note 7)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

LEADING EDGE ENDOWMENT FUND

Statements of Operations and Changes in Net Financial Assets

Years ended March 31, 2012 and 2011

	Budget 2012	March 31 2012	March 31, 2011
	(unaudited - note 10)		
Revenue:			
Grant revenue	\$ -	\$ 1,250,000	\$ 6,750,000
Donations	-	30,000	35,000
Interest revenue	150,000	209,250	213,458
	150,000	1,489,250	6,998,458
Program expenses:			
B.C. Leadership Chairs	-	-	6,750,000
B.C. Regional Innovation Chairs	-	1,250,000	-
Rix Student Awards	-	30,000	35,000
	-	1,280,000	6,785,000
General administration (note 11)	246,600	239,985	228,982
	246,600	1,519,985	7,013,982
Annual deficit	(96,600)	(30,735)	(15,524)
Accumulated surplus and net financial assets, beginning of year	7,249,345	7,249,345	7,264,869
Accumulated surplus and net financial assets, end of year	\$7,152,745	\$ 7,218,610	\$ 7,249,345

See accompanying notes to financial statements.

LEADING EDGE ENDOWMENT FUND

Statements of Cash Flows

Years ended March 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Annual deficit	\$ (30,735)	\$ (15,524)
Decrease in deferred contributions	(1,250,000)	(6,750,000)
Net decrease in non-cash operating working capital:		
Decrease (increase) in other receivables	556	(2,394)
Increase in accounts payable and accrued liabilities	20,439	12,749
	<u>(1,259,740)</u>	<u>(6,755,169)</u>
Investing:		
Decrease in investments	<u>1,093,350</u>	<u>6,620,130</u>
Decrease in cash and cash equivalents	(166,390)	(135,039)
Cash and cash equivalents, beginning of year	321,698	456,737
Cash and cash equivalents, end of year	<u>\$ 155,308</u>	<u>\$ 321,698</u>

See accompanying notes to financial statements.

LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements

Years ended March 31, 2012 and 2011

1. Operations:

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 was 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.

On April 1, 2011, the Fund adopted Canadian public sector accounting standards ("PSAB"). These are the first financial statements prepared in accordance with PSAB.

In accordance with the transitional provisions in PSAB, the Fund has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2010 and all comparative information provided has been presented by applying PSAB.

There was no impact of the transition to PSAB on the Fund's accumulated surplus as of April 1, 2010 or on the Fund's annual surplus for the year ended March 31, 2011. There were no changes to cash flows from operations, financing, or investing for the year ended March 31, 2011.

2. Basis of presentation:

The by-laws of the Fund stipulate a dissolution date for the Fund of April 1, 2012.

Subject to pending approval by the Minister of Jobs, Tourism and Innovation (the "Minister"), the Board of Directors approved resolutions to extend operations to September 30, 2012 with an option for further extension to December 31, 2012, if required. Prior to dissolution, the remaining assets of the Fund, net of the Fund's liabilities, will be transferred to another entity in consultation with the Minister and in accordance with the requirements of the Income Tax Act.

Accordingly, these financial statements have not been prepared on a going concern basis. Due to the pending dissolution of the Fund, the financial statements have been prepared on a liquidation basis of accounting in accordance with Public Sector Accounting Standards as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

3. Significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents are defined as investments with original terms to maturity of 90 days or less. Cash and cash equivalents are recorded at fair value.

(b) Investments:

Investments, which include guaranteed investment certificates with original terms to maturity of greater than 90 days, are recorded at cost plus accrued interest, which approximates market value. Interest income is recognized in the period earned.

(c) Revenue recognition:

The Fund follows the accrual method of accounting for contributions. Unrestricted contributions and government grants are recorded as revenue when received or receivable, if the amounts can be estimated and collection is reasonably assured. Other restricted revenue, are reported as revenue at the time the services are provided or the goods delivered.

Investment income on unrestricted assets is recognized as revenue when it is earned.

Endowment contributions are recognized as revenue when received.

Contributions externally restricted for non-capital specific purposes are recorded as deferred revenue and recognized as revenue in the year in which the related expense is incurred.

Investment income that is subject to external restrictions is deferred and recognized as revenue in the year in which the related expense is incurred.

(d) Employee future benefits:

The Fund accrues employee post employment benefits and compensated absences.

(e) 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 assets 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.

LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

4. Deferred contributions:

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

	March 31, 2012	March 31, 2011	April 1, 2010
Sponsored Chairs	\$ 6,750,000	\$ 6,750,000	\$ 13,500,000
Regional Innovation Chairs	1,250,000	2,500,000	2,500,000
	<u>\$ 8,000,000</u>	<u>\$ 9,250,000</u>	<u>\$ 16,000,000</u>

5. Restricted cash and cash equivalents and investments:

\$8,000,000 (2011 - \$9,250,000) of investments is restricted in its use for three (2011 - three) Sponsored Chairs and one (2011 - two) Regional Innovation Chair (note 4).

6. Investments:

Investments consist of guaranteed investment certificates with a maturity date of October 2012 and bearing interest at a rate of 1.25%.

7. Commitments:

As at March 31, 2012, the Fund was committed to granting \$2,250,000 for each of the three (2011 – three) Sponsored Chairs and \$1,250,000 for the one (2011 – two) Regional Innovation Chair by April 1, 2012. Subsequent to year end, the Fund withdrew its commitment for granting \$2,250,000 for one Sponsored Chair. There are no further obligations relating to the withdrawn Sponsored Chair.

8. Employee future benefits:

The Fund has accrued a pre-retirement allowance and parental leave supplement allowance for its employees. The accrual amount as at March 31, 2012 is \$29,294 (2011 – nil), which is included in accounts payable and accrued liabilities.

LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

9. Related parties:

The Fund is related through common ownership to all post-secondary institutions included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. Budget data:

The unaudited budget data presented in these financial statements is based on the 2012 operating budget approved by the Board of Directors on July 15, 2011.

11. Expenses by object:

The following is a summary of expenses by object:

	2012	2011
Salaries and benefits (note 8)	\$ 180,338	\$ 163,343
Office expenses	33,813	32,222
Professional and bank fees	23,688	21,938
Other expenses	2,146	11,479
Total expenses	\$ 239,985	\$ 228,982