

Financial Statements of

LEADING EDGE ENDOWMENT FUND

Year ended March 31, 2005



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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, 2005 and the statements of operations, 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

New Westminster, Canada
April 29, 2005

LEADING EDGE ENDOWMENT FUND

Statement of Financial Position

March 31, 2005 and 2004

	2005	2004
Assets		
Current asset:		
Cash and cash equivalents (note 3)	\$ 14,953	\$ 16,522,669
Short-term investments (note 3)	31,148,871	28,934,934
GST receivable	12,785	5,967
Interest receivable	773,128	182,020
	<u>31,949,737</u>	<u>45,645,590</u>
Long-term investments (note 3)	25,125,657	6,460,220
	<u>\$ 57,075,394</u>	<u>\$ 52,105,810</u>

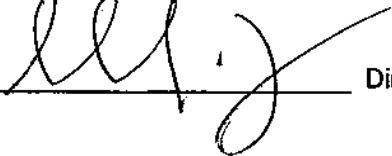
Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 39,483	\$ 39,772
Deferred contributions (note 4)	54,000,000	50,250,000
Net assets:		
Unrestricted	3,035,911	1,816,038
	<u>\$ 57,075,394</u>	<u>\$ 52,105,810</u>

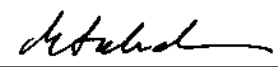
Commitments (note 5)

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

Years ended March 31, 2005 and 2004

	2005	2004
Interest revenue	\$ 1,619,217	\$ 1,523,841
Expenses:		
Board	693	11
Committee and review	78,640	85,901
Communications	68,053	21,122
Office	26,193	22,203
Professional fees	69,946	80,293
Staffing	155,819	77,462
	<u>399,344</u>	<u>286,992</u>
Excess of revenue over expenses	1,219,873	1,236,849
Net assets, beginning of year	1,816,038	579,189
Net assets, end of year	<u>\$ 3,035,911</u>	<u>\$ 1,816,038</u>

See accompanying notes to financial statements.

LEADING EDGE ENDOWMENT FUND

Statement of Cash Flows

Years ended March 31, 2005 and 2004

	2005	2004
Cash flows provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 1,219,873	\$ 1,236,849
Net increase in non-cash operating working capital	(598,215)	(86,472)
	621,658	1,150,377
Investments:		
Increase in long-term investments	(18,665,437)	-
Increase in short-term investments	(2,213,937)	(9,472,241)
	(20,879,374)	(9,472,241)
Financing:		
Increase in deferred contributions	3,750,000	-
Decrease in cash	(16,507,716)	(8,321,864)
Cash and cash equivalents, beginning of year	16,522,669	24,844,533
Cash and cash equivalents, end of year	\$ 14,953	\$ 16,522,669

See accompanying notes to financial statements.

LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements

Years ended March 31, 2005 and 2004

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 was 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.

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 by management 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

Years ended March 31, 2005 and 2004

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 revenues and expenditures 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:

\$54,000,000 (2004 - \$50,250,000) of cash and cash equivalents, short-term investments and long-term investments is restricted in its use for the nineteen Sponsored Chairs and nine Regional Innovation Chairs (note 5).

4. Deferred contributions:

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

	2005	2004
Sponsored Chairs	\$ 42,750,000	\$ 42,750,000
Regional Innovation Chairs	11,250,000	7,500,000
	<u>\$ 54,000,000</u>	<u>\$ 50,250,000</u>

LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements

Years ended March 31, 2005 and 2004

5. Commitments:

The Fund is committed to granting \$2,250,000 for each of the nineteen Sponsored Chairs and \$1,250,000 for each of the nine Regional Innovation Chairs by 2006.

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 \$31,395,888.

The fair value of long-term investments is \$25,381,233.

7. Subsequent event:

On April 5, 2005, the Board of Directors approved the appointment of four sponsored chairs.