

Financial Statements of

LEADING EDGE ENDOWMENT FUND

Year ended March 31, 2006



KPMG LLP
Chartered Accountants
Metrotower II
Suite 2400 - 4720 Kingsway
Burnaby BC V5H 4N2
Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca

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, 2006 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, 2006 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
May 1, 2006

LEADING EDGE ENDOWMENT FUND

Statement of Financial Position

March 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 49,266	\$ 14,953
Short-term investments (note 3)	45,332,744	31,148,871
GST receivable	14,463	12,785
Interest receivable	724,570	773,128
	<u>46,121,043</u>	<u>31,949,737</u>
Long-term investments (note 3)	3,008,752	25,125,657
	<u>\$ 49,129,795</u>	<u>\$ 57,075,394</u>

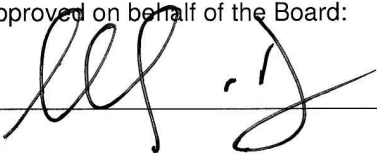
Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 47,046	\$ 39,483
Deferred contributions (note 4)	45,000,000	54,000,000
Net assets:		
Unrestricted	4,082,749	3,035,911
	<u>\$ 49,129,795</u>	<u>\$ 57,075,394</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, 2006, with comparative figures for 2005

	2006	2005
Grant income	\$ 9,000,000	\$ -
Interest revenue	1,466,686	1,619,217
	10,466,686	1,619,217
Program expenses:		
B.C. Leadership Chairs	9,000,000	-
Operation expenses:		
Board	1,092	693
Committee and review	8,350	78,640
Communications	117,522	68,053
Office	24,541	26,193
Professional fees	86,003	69,946
Staffing	182,340	155,819
	419,848	399,344
	9,419,848	399,344
Excess of revenue over expenses	1,046,838	1,219,873
Net assets, beginning of year	3,035,911	1,816,038
Net assets, end of year	\$ 4,082,749	\$ 3,035,911

See accompanying notes to financial statements.

LEADING EDGE ENDOWMENT FUND

Statement of Cash Flows

Year ended March 31, 2006, with comparative figures for 2005

	2006	2005
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 1,046,838	\$ 1,219,873
Net increase (decrease) in non-cash operating working capital	54,443	(598,215)
	<u>1,101,281</u>	<u>621,658</u>
Investments:		
Decrease (increase) in long-term investments	22,116,905	(18,665,437)
Increase in short-term investments	(14,183,873)	(2,213,937)
	<u>7,933,032</u>	<u>(20,879,374)</u>
Financing:		
Increase (decrease) in deferred contributions	(9,000,000)	3,750,000
	<u>34,313</u>	<u>(16,507,716)</u>
Increase (decrease) in cash and cash equivalents		
Cash and cash equivalents, beginning of year	14,953	16,522,669
Cash and cash equivalents, end of year	<u>\$ 49,266</u>	<u>\$ 14,953</u>

See accompanying notes to financial statements.

LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements

Year ended March 31, 2006

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 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, 2006

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:

\$45,000,000 (2005 - \$54,000,000) of cash and cash equivalents, short-term investments and long-term investments is restricted in its use for the fifteen (2005 - nineteen) Sponsored Chairs and nine Regional Innovation Chairs (note 5).

4. Deferred contributions:

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

	2006	2005
Sponsored Chairs	\$ 33,750,000	\$ 42,750,000
Regional Innovation Chairs	11,250,000	11,250,000
	<u>\$ 45,000,000</u>	<u>\$ 54,000,000</u>

LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements

Year ended March 31, 2006

5. Commitments:

The Fund is committed to granting \$2,250,000 for each of the fifteen (2005 - 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 \$45,867,285 (2005 - \$31,395,888).

The fair value of long-term investments is \$3,036,868 (2005 - \$25,381,233).