

Financial Statements of

**LEADING EDGE ENDOWMENT FUND**

Year ended March 31, 2008



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

Telephone 604-527-3600  
Fax 604-527-3636  
Internet [www.kpmg.ca](http://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, 2008 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, 2008 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, except for the change in method of accounting for financial instruments as explained in note 2 to the financial statements, these principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants

Burnaby, Canada

April 23, 2008

# LEADING EDGE ENDOWMENT FUND

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 4)	\$ 11,524,701	\$ 9,948,231
Short-term investments (note 4)	25,482,112	37,139,206
GST receivable	2,552	8,198
	<u>\$ 37,009,365</u>	<u>\$ 47,095,635</u>

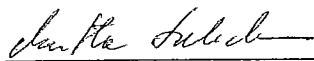
## Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 73,731	\$ 42,392
Deferred contributions (note 5)	30,000,000	41,500,000
Net assets:		
Unrestricted	6,935,634	5,553,243
	<u>\$ 37,009,365</u>	<u>\$ 47,095,635</u>

Commitments (note 6)

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, 2008, with comparative figures for 2007

	2008	2007
Grant income	\$ 11,500,000	\$ 3,500,000
Donations	35,000	-
Interest revenue	1,624,158	1,756,165
	<u>13,159,158</u>	<u>5,256,165</u>
Program expenses:		
B.C. Leadership Chairs	9,000,000	2,250,000
B.C. Regional Innovation Chairs	2,500,000	1,250,000
Rix Student Awards	35,000	-
	<u>11,535,000</u>	<u>3,500,000</u>
Operation expenses:		
Committee and review	3,095	4,060
Communications	6,213	16,119
Office	25,078	26,721
Professional fees	57,906	73,106
Staffing	149,475	165,665
	<u>241,767</u>	<u>285,671</u>
	<u>11,776,767</u>	<u>3,785,671</u>
Excess of revenue over expenses	1,382,391	1,470,494
Net assets, beginning of year	5,553,243	4,082,749
Net assets, end of year	<u>\$ 6,935,634</u>	<u>\$ 5,553,243</u>

See accompanying notes to financial statements.

# LEADING EDGE ENDOWMENT FUND

## Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 1,382,391	\$ 1,470,494
Net increase in non-cash operating working capital	36,985	726,181
	1,419,376	2,196,675
Investments:		
Decrease in long-term investments	-	3,008,752
Decrease in short-term investments	11,657,094	6,532,313
	11,657,094	9,541,065
Financing:		
Decrease in deferred contributions	(11,500,000)	(3,500,000)
Increase in cash and cash equivalents	1,576,470	8,237,740
Cash and cash equivalents, beginning of year	9,948,231	1,710,491
Cash and cash equivalents, end of year	\$ 11,524,701	\$ 9,948,231

See accompanying notes to financial statements.

# LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements

Year ended March 31, 2008

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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.

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. Change in accounting policy:

Effective April 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, CICA Handbook Section 3861, *Financial Instruments – Disclosure and Presentation* and CICA Handbook Section 3865, *Hedges*. These new Handbook sections provide comprehensive requirements for the recognition and measurement of financial instruments and related disclosures.

Under these new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are initially measured at fair market value. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held for trading financial investments are measured at fair value and all gains and losses are included in the statement of operations in the period they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in the net asset balance until the asset is removed from the balance sheet. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost.

# LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements (continued)

Year ended March 31, 2008

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## 2. Change in accounting policy (continued):

The standards require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized as earnings unless specific hedge criteria are met, which require that the Fund must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

As a result of the adoption of these standards, the Fund has classified cash and cash equivalents as held for trading and short term investments as held-to-maturity. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities. The Fund has not identified any derivatives or embedded derivatives that are not closely related to the host contract.

As permitted, these standards have been applied prospectively.

There was no impact of adopting these standards at April 1, 2007.

## 3. 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 and have been classified as held for trading and are recorded at fair value.

### (c) Short-term investments:

Short-term investments 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.

# LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements (continued)

Year ended March 31, 2008

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### 3. Significant accounting policies (continued):

(d) 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.

(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 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.

### 4. Restricted cash and investments:

\$30,000,000 (2007 - \$41,500,000) of cash and cash equivalents and short-term investments is restricted in its use for the ten (2007 - fourteen) Sponsored Chairs and six (2007 - eight) Regional Innovation Chairs (note 5).

### 5. Deferred contributions:

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

	2008	2007
Sponsored Chairs	\$ 22,500,000	\$ 31,500,000
Regional Innovation Chairs	7,500,000	10,000,000
	<u>\$ 30,000,000</u>	<u>\$ 41,500,000</u>



# LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements (continued)

Year ended March 31, 2008

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## **6. Commitments:**

The Fund is committed to granting \$2,250,000 for each of the ten (2007 - fourteen) Sponsored Chairs and \$1,250,000 for each of the six (2007 - eight) Regional Innovation Chairs by 2010.

## **7. Financial instruments:**

Fair value:

Cash and cash equivalents are recorded at fair value.

The fair value of the Fund's GST 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 \$25,454,838 (2007 - \$37,138,707).

## **8. Comparative figures:**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.