

Financial Statements of

LEADING EDGE ENDOWMENT FUND

Period from April 1, 2012 to December 10, 2012



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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 Skills Training of British Columbia

We have audited the accompanying financial statements of Leading Edge Endowment Fund, which comprise the statement of financial position as at December 10, 2012, the statements of operations and changes in net financial assets and cash flows for the period from April 1, 2012 to December 10, 2012, 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 audit. We conducted our audit 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 December 10, 2012 and its results of operations and its cash flows for the period from April 1, 2012 to December 10, 2012 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.

Report on Other Legal and Regulatory Requirements

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 period.

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 long, horizontal, slightly curved line that underlines the text.

Chartered Accountants

December 21, 2012

Burnaby, Canada

LEADING EDGE ENDOWMENT FUND

Statement of Financial Position

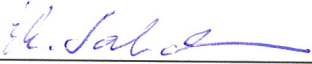
December 10, 2012, with comparative figures for March 31, 2012

	December 10, 2012	March 31, 2012
Financial Assets		
Cash and cash equivalents	\$ -	\$ 155,308
Investments	-	15,123,318
Other receivables	-	3,634
	-	15,282,260
Financial Liabilities		
Accounts payable and accrued liabilities (note 7)	-	63,650
Deferred grant contributions (note 4)	-	8,000,000
	-	8,063,650
Net Financial Assets	-	7,218,610
Accumulated surplus	\$ -	\$ 7,218,610

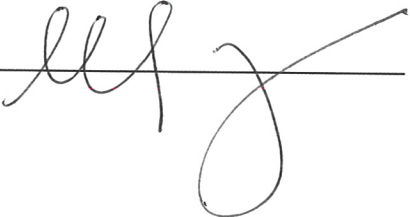
Going concern (note 2)
Commitments (note 6)

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 Financial Assets

Period from April 1, 2012 to December 10, 2012, with comparative figures for March 31, 2012

	Budget Period from April 1, 2012 to December 31, 2012	Period from April 1, 2012 to December 10, 2012	Year ended March 31, 2012
	(unaudited - note 9)		
Revenue:			
Grant revenue (note 4)	\$ -	\$ 4,500,000	\$ 1,250,000
Donations	-	45,000	30,000
Interest revenue	40,000	121,424	209,250
	40,000	4,666,424	1,489,250
Program expenses:			
B.C. Leadership Chairs	-	4,500,000	-
B.C. Regional Innovation Chairs	-	-	1,250,000
Gift (note 5)	-	7,000,000	-
Rix Student Awards	-	45,000	30,000
	-	11,545,000	1,280,000
General administration (note 10)	233,590	232,702	239,985
	233,590	11,777,702	1,519,985
Annual deficit	(193,590)	(7,111,278)	(30,735)
Accumulated surplus and net financial assets, beginning of period	7,218,610	7,218,610	7,249,345
Succession transfer (note 5)	-	(107,332)	-
Accumulated surplus and net financial assets, end of period	\$ 7,025,020	\$ -	\$ 7,218,610

See accompanying notes to financial statements.

LEADING EDGE ENDOWMENT FUND

Statement of Cash Flows

Period from April 1, 2012 to December 10, 2012, with comparative figures for March 31, 2012

	Period from April 1, 2012 to December 10, 2012	Year ended March 31, 2012
Cash provided by (used in):		
Operations:		
Annual deficit	\$ (7,111,278)	\$ (30,735)
Decrease in deferred contributions	(6,750,000)	(1,250,000)
Net decrease in non-cash operating working capital:		
Decrease (increase) in other receivables	(2,750)	556
Increase in accounts payable and accrued liabilities	57,238	20,439
	(13,806,790)	(1,259,740)
Investing:		
Purchase of investments	(15,212,665)	(15,029,775)
Disposal of investments	30,335,983	16,123,125
	15,123,318	1,093,350
Succession transfer (note 5)	(1,471,836)	-
Decrease in cash and cash equivalents	(155,308)	(166,390)
Cash and cash equivalents, beginning of period	155,308	321,698
Cash and cash equivalents, end of period	\$ -	\$ 155,308

See accompanying notes to financial statements.

LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements

Period from April 1, 2012 to December 10, 2012

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 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.

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.

Operations of the Fund ceased on December 10, 2012. The windup of the Fund will be completed effective December 31, 2012.

2. Basis of presentation:

The original bylaws of the Fund stipulated a windup date for the Fund of April 1, 2012.

As approved by the Minister of Jobs, Tourism and Skills Training (the "Minister"), the Board of Directors approved resolution to extend operations to September 30, 2012 with an option for further extension to December 31, 2012, if required. Prior to the windup, the Fund's residual assets were transferred to and residual liabilities were assumed by another entity in consultation with the Minister and in accordance with the requirements of the Income Tax Act (refer to note 5).

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 Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements (continued)

Period from April 1, 2012 to December 10, 2012

3. Significant accounting policies:

These financial statements are prepared in accordance with Canadian public sector accounting standards. The Fund's significant accounting policies are as follows:

(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:

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 are delivered.

Investment income on unrestricted assets is recognized as revenue when it is earned. Investment income that is subject to external restrictions is deferred and recognized as revenue in the year in which the related expense is incurred.

Endowment contributions are recognized as revenue when received.

(d) Employee future benefits:

The Fund accrues employee post employment benefits and compensated absences during the period an employee renders services.

(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)

Period from April 1, 2012 to December 10, 2012

4. Deferred grant contributions:

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

	March 31, 2012	Recognized as revenue	Transferred to Council	December 10, 2012
Sponsored Chairs	\$ 6,750,000	\$ (4,500,000)	\$ (2,250,000) ^(a)	\$ -
Regional Innovation Chairs	1,250,000	-	(1,250,000) ^(b)	-
	\$ 8,000,000	\$ (4,500,000)	\$ (3,500,000)	\$ -

(a) During the year, the Fund was directed to transfer the remaining funds to the British Columbia Innovation Council (the "Council"), a related entity through common ownership of the Province of British Columbia (note 6).

(b) Due to the succession transfer agreement, the remaining funds and commitments were transferred to the Council (note 5).

5. Succession transfer:

The revised by-laws of the Fund stipulate a windup date of December 31, 2012. The Fund ceased operations on December 10, 2012. No transactions or significant events are expected to occur between December 10, 2012 and December 31, 2012. As required by the succession transfer agreement, the Fund transferred the residual assets to the Council and the Council assumed the residual liabilities of the Fund. The remaining balances prior to the transfer, as well as after, are summarized as follows:

	Prior to transfer	Transfer	After transfer
Cash and cash equivalents	\$ 1,471,836	\$ (1,471,836)	\$ -
Investments	-	-	-
Other receivables	6,384	(6,384)	-
Accounts payable and accrued liabilities	(120,888)	120,888	-
Deferred grant contributions (note 4 (b))	(1,250,000)	1,250,000	-
Net financial assets	\$ 107,332	\$ (107,332)	\$ -

In addition to the succession transfer, during the year, the Fund transferred \$9,250,000 to the Council through two deeds of gift in the amount of \$2,250,000 (notes 4 and 6) and \$7,000,000.

LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements (continued)

Period from April 1, 2012 to December 10, 2012

6. Commitments:

The Fund withdrew its prior commitment for granting \$2,250,000 for one Sponsored Chair and instead transferred the related funding and commitment of \$2,250,000 to the Council for establishing a research chair at a post secondary institution in British Columbia. The Council also assumed the remaining one Regional Innovation Chair commitment in the succession agreement.

7. Employee future benefits:

The Fund had accrued a post employment benefit allowance and parental leave supplement allowance for its employees. The accrual amount as at December 10, 2012 of \$28,800 (March 31, 2012 – \$29,294) was included in accounts payable and accrued liabilities. The present and future liabilities were assumed by the Council.

8. Related parties:

The Fund is related through common ownership to all Province of British Columbia ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are 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.

During the period from April 1, 2012 to December 10, 2012, the Fund incurred \$27,836 (year ended March 31, 2012 - \$31,117) of expenses relating to accounting, administration, and rent from the Council. These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties

9. Budget data:

The unaudited budget data presented in these financial statements is based on the 2013 operating budget approved by the Board of Directors on July 17, 2012.

LEADING EDGE ENDOWMENT FUND

Notes to Financial Statements (continued)

Period from April 1, 2012 to December 10, 2012

10. Expenses by object:

The following is a summary of expenses by object:

	Period from April 1, 2012 to December 10, 2012	For the year ended March 31, 2012
Salaries and benefits	\$ 123,916	\$ 180,338
Office expenses	28,995	33,813
Professional and bank fees	71,855	23,688
Other expenses	7,936	2,146
Total expenses	\$ 232,702	\$ 239,985