

SUBJECT	2017-2018 FIRST QUARTER FINANCIAL REPORT
MEETING DATE	SEPTEMBER 21, 2017

Forwarded to the Board of Governors on the Recommendation of the President

**APPROVED FOR
SUBMISSION**



Santa J. Ono, President and Vice-Chancellor

	For Information
Report Date	August 25, 2017
Presented By	Andrew Simpson, Vice-President Finance & Operations Ian Burgess, Comptroller Stuart Mackenzie, Director, Financial Reporting & Budgeting

EXECUTIVE SUMMARY

The 2017-2018 First Quarter Financial Report for The University of British Columbia is presented for information to the Board of Governors.

The Q1 consolidated results reflect a year-to-date deficit of \$68m. This is in line with last year and is normal at this point in the year, as revenues are higher for the period from September to March (when the majority of tuition revenue is recognized), while operating costs of the University are more evenly spread throughout the year.

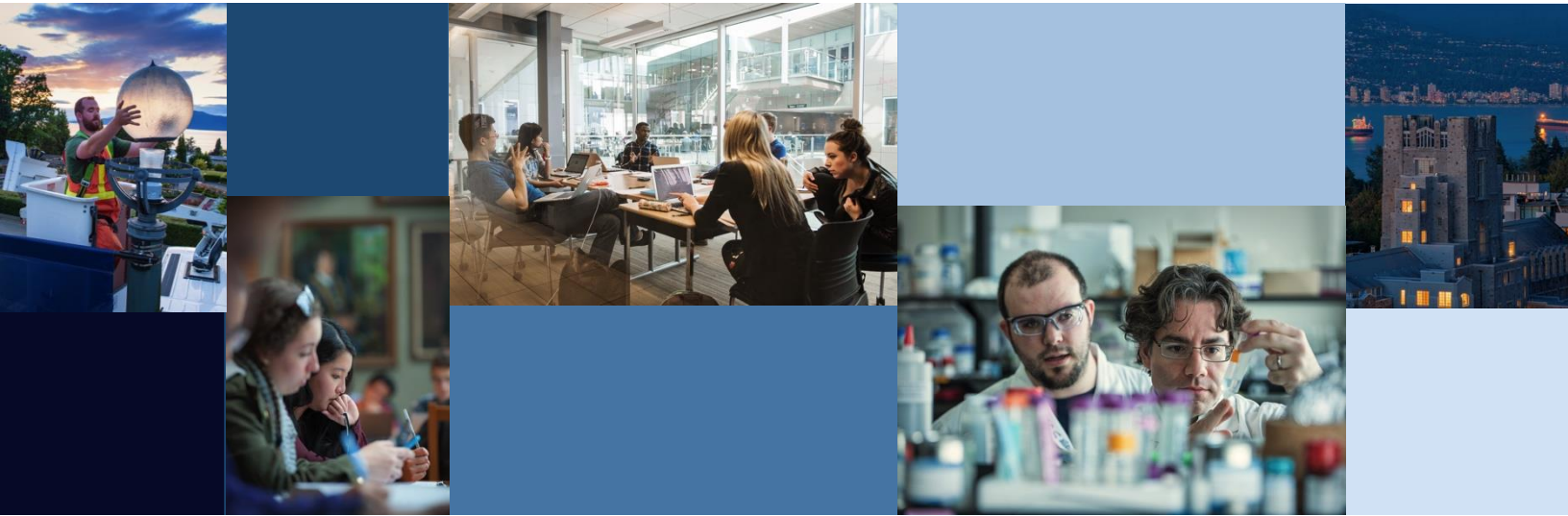
The consolidated forecast for the year is a surplus of \$49m, compared to a budget of \$33m. This is in line with UBC’s fiscal strategy, which calls for a consolidated surplus in the range of 1-3% of total revenues, or between \$24m and \$72m.

This forecast includes drawdowns of operating reserves totaling \$26m across the University, which includes one-time period-specific expenditures relating to the development of campus-wide information technology (“IT”) infrastructure. The improvement in the full-year forecast (surplus compared to budget) is the result of stronger-than-expected international tuition revenue (estimated 14% FTE growth compared to 9% budgeted growth) and revenue generated from conference accommodation.

INSTITUTIONAL STRATEGIC PRIORITIES SUPPORTED

- Learning
 Research
 Innovation
 Engagement
 International
 (Internal / External)

or Operational



2017-2018 First Quarter Financial Report

Financial Reporting and Budgeting
September, 2017



THE UNIVERSITY OF BRITISH COLUMBIA

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1. Executive Summary

Overview

The 2017-2018 First Quarter Financial Report for The University of British Columbia is presented for information to the Board of Governors.

The Q1 consolidated results reflect a year to date deficit of \$68m. This is in line with last year and is normal at this point in the year as revenues are higher for the period from September to March, when the majority of tuition revenue is recognized, while operating costs of the University are more evenly spread throughout the year.

The consolidated forecast for the year is a surplus of \$49m, compared to a budget of \$33m. This is in line with our fiscal strategy, which calls for a consolidated surplus in the range of 1-3% of total revenues, or between \$24m and \$72m.

This forecast includes drawdowns of operating reserves totaling \$26m across the university, which includes one-time period specific expenditures relating to the development of campus-wide information technology (“IT”) infrastructure. The improvement in the full year forecast surplus compared to budget is the result of stronger than expected international tuition revenue (estimated 14% FTE growth compared to 9% budgeted growth) and revenue generated from conference accommodation.

The forecast surplus also includes:

- Expected income from endowments which is being recapitalized to ensure the principal maintains its purchasing power over time;
- Income recognized from long-term lease revenues which have been endowed; and
- Amounts invested to maintain our investments in capital assets.

The UBC Excellence fund, derived from recent international tuition increases, is forecasted at \$23m in 2017-2018. This will be used to support recruiting and retaining faculty, students and staff, supporting research, and improving the student experience.

During Q1 the University also reached an agreement with the Faculty Association on general wage increases (“GWI”) for the three years ending June 30, 2017-2019. The agreement provides for annual GWI increases of 2% and has been ratified by faculty members. It is in line with amounts provided for in the University’s 2017-2018 budget.

The forecast reflects estimates made by faculties and operating units, which by nature tend to be conservative. Over the past several years, the final year-end drawdowns have proven to be less than estimated at Q1. While it is difficult to predict the actual result, we would expect an improvement over these estimates.

2. Consolidated Forecast

Consolidated Statement of Operations

(in \$millions)	Q1 Year to date			Full Year			2016/17
	Actual	Budget	Variance	Forecast	Budget	Variance	Actual
Revenues							
Government grants and contracts							
Government of Canada	60	68	(8)	271	274	(3)	254
Province of British Columbia	196	198	(2)	799	792	7	781
Other governments	7	5	2	16	18	(2)	23
Other contributions	35	44	(9)	167	176	(9)	169
Student fees	77	69	8	702	681	21	630
Investment income	14	18	(4)	83	82	1	70
Income from Gov't Business Enterprises	-	1	(1)	8	2	6	11
Sales and services	69	62	7	379	367	12	373
Amortization of deferred capital contributions	20	21	(1)	77	85	(8)	77
	<u>478</u>	<u>486</u>	<u>(8)</u>	<u>2,502</u>	<u>2,477</u>	<u>25</u>	<u>2,388</u>
Expenses							
Salaries & benefits	354	359	5	1,446	1,452	6	1,391
Operating costs - other	81	113	32	478	452	(26)	420
Capital asset amortization	48	51	3	197	202	5	185
Cost of goods sold	6	9	3	42	41	(1)	38
Scholarships, fellowships and bursaries	22	24	2	130	133	3	116
Grants to third parties	30	36	6	140	144	4	126
Debt service costs	5	2	(3)	20	20	0	21
	<u>546</u>	<u>594</u>	<u>48</u>	<u>2,453</u>	<u>2,444</u>	<u>(9)</u>	<u>2,297</u>
Surplus/(Deficit) from operations	(68)	(108)	40	49	33	16	91

The full year consolidated surplus forecast is \$49m, a \$16m increase from a budgeted surplus of \$33m. The increase is attributed to higher than expected international tuition revenue and increased revenue generated from conference accommodation.

The year to date deficit of \$68m is normal at this point in the year, because revenues are higher for the period from September to March, when the majority of tuition revenue is recognized.

Consolidated Revenue

- **Government of Canada** – This revenue is mainly attributed to research activities. A portion of the federal funds received go towards indirect costs of research, but most revenue pertains to Tri-council grants, recognized to the extent expenses are incurred in associated research projects. Further details on accounting treatment are included in “5. Research”. Year to date and full year forecast would deviate from budget as research project plans change. In most cases, such activity has no impact on the bottom line.
- **Province of British Columbia** – This revenue is mainly operating grants. Full year forecast includes additional funding for salary increases within the provincial mandate.
- **Other contributions** – This revenue is generated from research grants and donations received by associations, businesses and industry, and individuals, mainly for restricted purposes. Thus, revenue is recognized to the extent that expenses have been incurred. Year to date and full year forecast would deviate from budget as research project plans change. In most cases, any such charge would have no impact on the bottom line.
- **Student fees** – This category includes tuition and mandatory fees for undergraduate and graduate students, international and domestic. Year to date and full year forecasts are favourable due to higher growth in international students and higher demand for professional programs.

- **Investment income** – Current accounting standards require recognition of all realized gains and losses on the Statement of Operations. The budget assumes a total long-term annual rate of return for endowment investments of 6.65%, which is set by IMANT.
- **Sales and services** – This category includes ancillary operating revenue in housing and conferences, food services, bookstore, parking and fee for service activities across campus. Full year and year to date favourable variances are largely due to better than expected growth in housing and conference operations, food services, and parking services revenues.

Expenses

- **Salaries and benefits** – Year to date expenses are lower than budget as the budget generally assumes even recognition of salaries throughout the year, whereas there are some salaries (such as sessional lecturers, teaching assistants, temporary staff, research assistants, etc.) which are typically incurred during the academic year. Full year expenses are lower than budget due to an expectation of delayed hiring in faculties and administrative units.
- **Operating Costs** – Year to date budgeted expenditures assume even recognition of expenses. Full year forecast includes one-time period specific expenditures relating to information technology projects, which were considered capital in nature during the budget process.

Income Statement Analysis

(in \$millions)	Full Year			2016/17
	Forecast	Budget	Variance	Actual
UBC Vancouver faculties	19	4	15	23
UBC Vancouver administrative units	(41)	(12)	(29)	(22)
UBC Okanagan	(4)	(1)	(3)	7
Sub-total Operating Units	(26)	(9)	(17)	8
Deferred land sales	8	7	1	7
Endowment surplus	10	8	2	13
Research and other funds	5	-	5	9
Related organizations	-	-	-	6
Net investment in capital	52	27	25	49
Surplus	49	33	16	92

- The net result from Operating Units includes an increase in reserves by Faculties which are forecasting a favorable variance to budget as a result of better than expected growth in international tuition revenues. Offsetting this are largely period-specific expenditures towards campus-wide information technology infrastructure that was originally assumed as capital, as well as an increase in drawdowns by Administrative Units towards various strategic projects and staffing investments.
- Endowment surplus of \$10m: This represents net income that is being added to the endowment principal to ensure that the spending allocation increases in future years to keep up with inflation.
- Deferred land lease income of \$8m: Proceeds from leasing land for development is allocated to the endowment as it is received, and the revenue is recognized in the Statement of Operations over the period of the lease, 99 years.
- Surplus from net investment in capital: This represents the operating funds spent on capital assets during the year from current revenues or accumulated surpluses held by faculties or other operating units. Refer to “4. Capital” for further details.

Consolidated Statement of Financial Position (unaudited)

Presented in classified format:

(in \$ millions)	Jun 30, 2017	2018 As at March 31		2017 As at March 31
	Actual	Forecast	Budget	Actual
ASSETS				
Current Assets				
Cash and cash equivalents	49	100	101	87
Accounts receivable	270	210	180	224
Operating investments	509	459	397	512
Investments in government business enterprises	46	48	17	46
Other current assets	10	14	18	14
	<u>884</u>	<u>831</u>	<u>713</u>	<u>883</u>
Non- Current Assets				
Endowment investments	1,577	1,696	1,533	1,538
Capital assets	3,219	3,454	3,483	3,249
	<u>4,796</u>	<u>5,150</u>	<u>5,016</u>	<u>4,787</u>
TOTAL ASSETS	<u>5,680</u>	<u>5,981</u>	<u>5,729</u>	<u>5,670</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities	342	297	291	291
Current portion of debt	6	6	8	6
	<u>348</u>	<u>303</u>	<u>299</u>	<u>297</u>
Non-Current Liabilities				
Employee future benefits	12	12	12	12
Deferred other restricted contributions	350	271	320	344
Non-current portion of debt	350	351	347	355
	<u>712</u>	<u>634</u>	<u>679</u>	<u>711</u>
Total Liabilities	1,060	937	978	1,008
Net Assets				
Accumulated surplus	1,831	1,962	1,915	1,885
Deferred capital contributions	1,448	1,523	1,515	1,464
Deferred land lease revenues	689	803	714	690
Deferred endowment contributions	652	756	607	623
	<u>4,620</u>	<u>5,044</u>	<u>4,751</u>	<u>4,663</u>
TOTAL LIABILITIES AND NET ASSETS	<u>5,680</u>	<u>5,981</u>	<u>5,729</u>	<u>5,670</u>

The University's Statement of Financial Position remains strong, with healthy working capital and funding to support ongoing investment in key strategic projects, which includes capital projects outlined in "4. Capital."

- The university cash position is defined as cash and cash equivalents and operating investments. Refer to "3. Liquidity" for further details.
- Government business enterprises are accounted for such that the business entity's changes in equity are recorded as an investment to the extent it is not declared as a distribution. UBC Properties Investment Ltd.

(UBCPIL) and Great Northern Way Campus Trust (GNW) are recorded in this manner. Land proceeds relating to UBCPIL are distributed to UBC, which are then invested into the endowment.

- Endowment investments consist of donations held in perpetuity and land lease revenues received by the University to benefit current and future generations. This balance includes non-financial assets, which represents the original donation and financial assets, recorded at fair value.
- Changes in capital expenditures are presented in “4. Capital”
- Contributions received for research, trust, endowment and capital and not yet spent are recorded as deferred contributions.
- Contributions expended on capital are referred to as deferred capital contributions.

3. Liquidity

The University requires approval from the Ministry of Advanced Education and of Finance to borrow. UBC has been unable to borrow since 2007 because any additional borrowing by UBC would impact the provincial Debt to GDP ratio and provincial borrowing costs. In 2007, UBC Treasury contracted a US investment bank to provide an assessment of UBC's capacity to invest working capital in longer-term capital projects. The recommendation was to establish an "internal bank" and to lend excess working capital to help finance capital priorities.

All funds are invested in liquid instruments. The short-term investments are banker's acceptances and government money market paper and the core working capital invested by IMANT is in government backed bonds and money market paper. In addition, the University has a line of credit of \$40m from September to June and \$60m from July and August when balances are at their low point. Past Board policy defines minimum liquidity as \$100m in liquid investments and \$25m excess line of credit in July and August. Throughout the rest of the year, liquidity is much higher.

Projected Liquidity

UBC Treasury regularly provides a liquidity update to the Board of Governors. The presentation historically included a projection of liquidity to the August low point, which is lower than the March 31 projection. Going forward liquidity will be included under the fiscal strategy metrics as at March 31 with a five-year projection.

Forecasted liquidity at March 31, 2018 is \$559m, which is \$61m higher than budget. One of the main reasons for this favourable variance is the budget had assumed a lower beginning cash balance than the final ending cash position at March 31, 2017, a positive difference of \$76m (\$523m forecasted versus \$599m actual). This difference was primarily driven by higher surpluses and lower capital spending than anticipated at the time the budget was prepared. This favourable change is in part offset by higher expected capital expenditures this fiscal year. Based on historical spending patterns and the University's current cash balances, there is potential that the liquidity will be higher than currently forecasted. Overall, there is sufficient liquidity to meet future spending requirements.

Sources of Financing

There are four sources of internal financing currently available to the University: working capital, the Student Housing Financing Endowment (SHFE), the Faculty Housing Financing Endowment (FHAFE) and investment from the endowment.

- Working capital is composed of Faculty, department and central reserves, and research monies and funds on hand that result from a delay from receipt to disbursement.
- In 2011, the Board of Governors established an endowment called the Student Housing Financing Endowment (SHFE) to deposit net land proceeds generated by the University through UBC Properties Trust (UBCPT). SHFE is currently financing the expansion of the University's student housing.
- In December 2016 the Board of Governors additionally established the Faculty Housing Financing Endowment (FHAFE), to finance UBC's housing assistance program to facilitate recruitment and retention of outstanding faculty members.
- In May 2014, the UBC Board of Governors approved a \$100m investment from the endowment into the Orchard Commons student housing project. The funds were transferred in August 2016.
- UBC has provided UBC Properties Trust with a revolving loan of \$20m to enable efficient cash management in the Trust. This is expected to continue for at least the next several years.

Foreign Currency Exchange

The University primarily operates in Canadian funds but also has US dollar, Euro and Rupee bank accounts. US funds are deposited to the US bank account and US payments are made in the same currency. University depositors are credited with the Canadian dollar equivalent of the US funds received and payments are debited at the Canadian equivalent of the US dollars. For FY2018 Q1, \$31m was received in US dollars and \$7m was paid out. During the quarter, UBC Treasury sold \$12m of US funds and US cash increased by \$12M. The majority of US funds received are from MasterCard Foundation, research grants and donations. The Library is the largest payer of US funds, but researchers also purchase equipment in US funds on a fairly regular basis. Of the 2,126 US dollar denominated payments that have been made year to date, only 15 were greater than CAD \$100,000. Treasury provides a foreign exchange hedging service (all currencies), but decisions are made at the Faculty or department level. As of June 30 2017, Treasury has arranged USD 12.4m of internal forward contracts (mostly with the Library). In addition, Treasury has arranged EUR 0.3M, GBP 0.2m and SEK 2.9m of internal forward contracts.

4. Capital

The University makes significant ongoing capital investments to support its learning and research mission, and to create an outstanding student experience. Below is a summary of capital expenditures for 2017-2018:

Capital expenditure by asset category (in \$millions):

(in \$millions)	Full Year			2016/17
	Forecast	Budget	Variance	Actuals
Building and Property:				
Major Buildings	158	153	(5)	133
Building Renovations & Additions	97	64	(33)	96
Capital Infrastructure	12	30	18	12
	<u>267</u>	<u>247</u>	<u>(20)</u>	<u>240</u>
Research equipment	40	37	(3)	42
Other equipment & furnishings	49	42	(7)	21
Information Technology	28	33	5	13
Library	18	18	-	18
	<u>402</u>	<u>377</u>	<u>(25)</u>	<u>334</u>

Funding of capital expenditure (in \$millions):

(in \$millions)	Full Year			2016/17
	Forecast	Budget	Variance	Actuals
Funding Source:				
Ministry (KDF/COA)	39	38	1	32
Ministry -Routine capital	39	38	1	33
Federal - CFI	12	18	(6)	11
Federal - SIF	27	28	(1)	6
Donations	19	8	11	47
	<u>136</u>	<u>130</u>	<u>6</u>	<u>130</u>
Internal Sources				
Unit/Central	130	108	22	110
IIC's	10	8	2	6
Internal Loans	126	131	(5)	89
	<u>266</u>	<u>247</u>	<u>19</u>	<u>205</u>
	<u>402</u>	<u>377</u>	<u>25</u>	<u>335</u>

Major Buildings

Forecasted major building expenditures are in line with budget. Notable forecasted expenditures relating to major building projects include:

- Undergrad Teaching Labs (\$40m)
- UBCO Teaching and Learning Centre (\$26m)
- Gage South Student Residence (\$25m)
- Totem Park Residence (\$11m)

Building Renovations and Additions / Capital Infrastructure

Forecast capital expenditures for Building Renovations and Additions are higher than budget and forecasted expenditures for capital infrastructure are lower than budget because routine capital costs originally anticipated for capital infrastructure are now to be spent on building renovations.

Information Technology (IT)

Forecast capital expenditures on IT include \$10m for Student Academic System Initiative (SASI), \$8m for information security, and \$2m for HR Finance System Renewal.

Funding Sources

Forecasted funding for capital expenditures is \$25m higher than originally budgeted due primarily to units also projecting more capital spending through use of operating cash.

Net Investments in Capital

When UBC acquires tangible capital assets, the spending appears as a surplus in the Statement of Operations in the year of acquisition although the cash is spent. This is referred to as net investment in capital. The 2017-2018 forecast net investment in capital is \$52m, a \$25m increase from budget, mainly driven by higher capital additions.

(in \$ millions)	Full Year			2016/17
	Forecast	Budget	Variance	Actual
Capital asset additions	402	377	(25)	334
Less funded externally	(136)	(131)	5	(129)
Less funded from internal loans, net of repayments	(94)	(102)	(8)	(48)
Capital additions funded from operations	172	144	(28)	157
Depreciation	(197)	(202)	5	(185)
Less amortization of deferred capital contributions	77	85	(8)	77
Net depreciation	(120)	(117)	(3)	(108)
Net investment in capital	52	27	25	49

5. Research

The Sponsored Research Fund accounts for all research transactions, the majority of which are funded externally. The use of these funds is restricted by the sponsor, donor or granting agency and is intended to support the research activities of principal investigators in their areas of expertise. The fund also includes some unrestricted activities funded from internal sources. These activities are typically for start-up purposes or represent residual balances from expired research projects, which are retained by the principal investigators.

Financial Results

There are currently over 10,000 active research projects. The vast majority of these projects are restricted in nature. Restricted funds are only recognized as income when the funding received is spent in accordance with the restrictions stipulated by the granting agency so that revenues match expenditures, resulting in a neutral bottom line. For this reason, the research revenues reported in our consolidated statements will vary considerably from the amounts awarded to UBC during any given year. Unrestricted research will have an immediate impact on the reported bottom line each year to the extent the funding has not been spent.

The table below presents the financial forecast for fiscal 2017-2018.

(in \$millions)	Q1 Year to Date			Full Year			2016/17
	Actual	Budget	Variance	Forecast	Budget	Variance	Actual
Revenues							
Government grants and contracts	63	67	(4)	262	265	(3)	268
Non-government grants, contracts and donations	29	30	(1)	118	121	(3)	116
Sales and services		1	(1)	3	4	(1)	7
Transfers into research	5	6	(1)	27	25	2	27
	<u>97</u>	<u>104</u>	<u>(7)</u>	<u>410</u>	<u>415</u>	<u>(5)</u>	<u>418</u>
Expenses							
Salaries and benefits	59	60	1	238	238	-	237
Grants and reimbursements to other agencies	6	9	3	33	36	3	34
Operating costs	28	32	4	125	129	4	126
	<u>93</u>	<u>101</u>	<u>8</u>	<u>396</u>	<u>403</u>	<u>7</u>	<u>397</u>
Excess (deficiency) of revenues over expenses	4	3	1	14	12	2	21
Capital Investments	(2)	(3)	1	(11)	(12)	1	(16)
Net change in fund balances during the year	<u>2</u>	<u>-</u>	<u>2</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>5</u>

Awards

The research funding landscape is complex and fast evolving. Investment in new programs such as the Canada First Research Excellence Fund (CFREF) and significant re-investment in Canada Foundation for Innovation (CFI) is also expected to benefit UBC by more research dollars flowing to researchers.

Over the past few years, we have seen significant decreases in national funding success rates for the Tri-Council programs in particular the Canadian Institutes of Health Research program (CIHR). The University is investing in capacity that helps the institution become more competitive, and early signs are very positive.

In the first quarter of fiscal year 2018, Tri-Council funding decreased in value by 3% compared to the same period in the previous fiscal year. A delay in funding extensions by CIHR due to program changes are expected to offset this decline in Q2. Government and non-profit funding remain steady with potential increases in CFI/BCKDF funding this year when funding announcements are expected to be released in Q2.

Industry projects receiving funding have increased by over 50% this quarter compared to the same period in the previous fiscal year.

Below is a summary of research awards by faculty projected for fiscal year 2017-2018.

	Government (Tri-Council)	Government (Other agencies)	Non-Profit	Industry	Total
Applied Science	25,263	20,251	5,736	8,499	59,749
Arts	14,112	5,756	3,758	82	23,708
Dentistry	2,596	531	703	111	3,941
Education	3,107	752	1,176	54	5,089
Forestry	3,814	4,672	1,334	557	10,377
Land and Food Systems	2,150	1,634	1,118	1,053	5,955
Law	514	110	344	27	995
Medicine	94,400	76,843	108,787	31,476	311,506
Pharmaceutical Sciences	2,044	1,028	2,412	358	5,842
Sauder School of Business	1,970	544	589	84	3,187
Science	48,385	27,148	16,687	9,378	101,598
UBC Okanagan	5,071	2,949	2,962	620	11,602
Other Faculties	827	18,946	4,177	742	24,692
Total	204,253	161,164	149,783	53,041	568,241

6. Endowment

The Endowment funds at the University consist of endowed gifts, bequests, donations and land lease proceeds.

(in \$Millions)	Total (including SHFE and FHAFE)		IMANT Invested Funds (excluding TREK AND TREK IMPACT)		Land Lease Proceeds (TREK, TREK IMPACT, SHFE and FHAFE)		Others	
	2017/2018	2017/2018	2017/2018	2017/2018	2017/2018	2017/2018	2017/2018	2017/2018
	Forecast	Budget	Forecast	Budget	Forecast	Budget	Forecast	Budget
Endowment market value								
Endowment capital account	1,860	1,852	1,079	1,078	609	600	172	174
Stabilization account	275	216	216	168	50	40	9	8
Balance	2,135	2,068	1,295	1,246	659	640	181	182
Endowment spending								
Investment income	80	78	48	47	28	28	4	3
UBCPT rental distributions	6	6	0	0	6	6	0	0
Operating expenses	(76)	(76)	(45)	(46)	(27)	(27)	(4)	(3)
Surplus (deficit)	10	8	3	1	7	7	0	0

¹ The stabilization balance reflects the value of endowments that have been generated through returns that are above target levels. It is a measure of how much additional cover is currently contained in the endowment above the core principal balances as protection against future market downturns.

² Investment income is recorded using the accrual basis of accounting. For unrestricted endowment funds investment income includes only realized returns. For restricted endowment funds, investment income includes total returns to the extent of expenses incurred; the excess is deferred and recorded on the Statement of Financial Position until the period in which the related expenses are incurred.

³ Endowment spending supports the University's academic mission, student financial awards, student housing, academic and research initiatives, as well as capital projects.

Endowment Investments

IMANT Invested Funds

The total market value of IMANT invested funds is forecast to be \$1.3b at March 31, 2018. The long-term target rate of return of 6.65% was established to produce a steady income stream to maintain the purchasing power of endowment capital and to support the awards and endowment programs in perpetuity. The rate of return for April to May 2017 was approximately 2%.

Land Proceeds Endowments (TREK, TREK Impact, SHFE and FHAFE)

Prior to 2012, land lease proceeds were directed to the TREK Endowment (an unrestricted endowment, invested by IMANT, to support university priorities). Between 2012 and late 2017, all land lease proceeds were recorded in the Student Housing Financing Endowment (SHFE) to invest in new student residences.

In February 2016, the Board of Governors approved the establishment of the Sustainable Future Fund (SFF). At the October 2016 Endowment Responsible Investment Policy Committee meeting, MSCI (an independent risk and performance measurement provider for institutional investors) and UBCC350 presented their views on the potential investments for the SFF. Establishment of the SFF is consistent with the University's leadership in sustainability. Based on IMANT's recommendation, the SFF will be invested in a global, balanced, low carbon, ex-energy portfolio. In March 2017, the SFF was established with a \$10m contribution from land lease revenues endowed by the Board of Governors.

In December 2016, the Board of Governors approved the establishment of the Faculty Housing Assistance Financing Endowment Fund (FHAFE). FHAFE is a discrete endowment fund intended to finance UBC's housing assistance program to facilitate the recruitment and retention of outstanding faculty members. At their February 2017 meeting, the Board approved the FHAFE terms of reference, the establishment of FHAFE with \$10.4m of capital contributions from land lease proceeds and an annual allocation of \$10m from land lease proceeds for the next fifteen years.

The market value of the land lease proceeds endowments are forecast to be \$659m at March 31, 2018.

Other Investments

The forecast for fiscal 2017-2018 “other investments” category include:

- Peter Wall Endowment valued at \$139m;
- Vancouver Foundation investments, valued at \$28m;
- Other donated securities of \$8m;
- Merilees Chair, valued at \$4m; and
- Promissory notes receivable of \$2m.

Figures reported are consistent with market values at March 31, 2017.