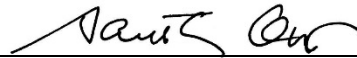


SUBJECT	UBC FOUNDATION FINANCIAL STATEMENTS MARCH 31, 2017
MEETING DATE	DECEMBER 5, 2017

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	November 1, 2017
Presented By	Barbara Miles, Vice-President Development & Alumni Engagement Andrew Simpson, Vice-President Finance & Operations Stuart Mackenzie, Director, Financial Reporting & Budgeting

EXECUTIVE SUMMARY

The Board of Directors of the UBC Foundation (the Foundation) has approved the audited financial statements for the year ended March 31, 2017. The financial statements were prepared by the University and have been audited by KPMG LLP. The Foundation’s financial statements are included in the University’s consolidated financial statements.

The Foundation was established as a corporation in 1987 under the University Foundations Act. Its purpose is to develop public awareness of the University of British Columbia, and to encourage financial support for the University and its programs.

There are five principal operating activities in the Foundation:

- **General Purpose:** this fund reports all unrestricted revenue and restricted contributions for which no corresponding restricted fund is presented.
- **Peter Wall Endowment:** In 1992, the Foundation received a major donation totaling \$15.4 million from Mr. Peter Wall and the Peter Wall Charitable Foundation. The donation included cash, a rental property which has since been sold, and beneficial ownership of 6.5 million common shares of Wall Financial Corporation, a publicly traded company. The donation established the Peter Wall Endowment for the purpose of funding the Peter Wall Institute for Advanced Studies at the University. The Peter Wall Endowment is governed and managed by a Board of up to five trustees.
- **Rick Hansen Trust:** The Trust was established in December 1996 by Rick Hansen and the Rick Hansen Man in Motion Foundation, with an initial capital contribution of \$100. RHT was established for the purposes of initiating, establishing, operating, and funding the Rick Hansen Institute at the University. The Foundation has been appointed as trustee of the RHT.

- **Kay Earle Endowment:** In 2010, the Foundation received a gift of residential property valued at \$1.5 million from Ms. Kathleen F. Earle and established the Kay Earle Endowment. The Foundation agreed to hold this property for a fifteen-year period from the date of gift. Net rental proceeds will be used to maintain the property and any excess will be used to support research projects. When the property is sold after the fifteen-year period, the net proceeds are to be maintained in perpetuity.
- **Investments in business ventures:** E@UBC is a not-for-profit organization, which assists in the development of student businesses by making investments permitted by the Small Business Venture Capital Act and providing business and managerial expertise to these businesses. As at March 31, the investments of E@UBC consisted of equity investments in business ventures which with a total value of \$750,839.

INSTITUTIONAL STRATEGIC PRIORITIES SUPPORTED

Learning Research Innovation Engagement International
 (Internal / External)

or **Operational**

DESCRIPTION & RATIONALE UBC is required to prepare audited consolidated financial statements on an annual basis, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. The financial statements of UBC Foundation are included in the audited consolidated financial statements of UBC.

BENEFITS UBC is ranked amongst the best worldwide and is regarded as a globally influential university with a reputation for excellence in advanced research and learning. Ensuring that the operating activities of related organizations are aligned with the University’s objectives, and that the financial statements of related organizations are included in the consolidated financial statements in accordance with the required accounting framework, would continue to support the University in maintaining its reputation and credibility.

RISKS In light of funding constraints and continuing changes to the relevant accounting standards, it is imperative to ensure that the financial statements of related organizations are included in the consolidated financial statements in accordance with the required accounting framework. Otherwise it may result in further financial pressures, restrictions on the University’s ability to maintain required service levels, negative impacts to the University’s reputation, in addition to other risks.

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
FINANCIAL STATEMENTS
MARCH 31, 2017**

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**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
STATEMENT OF MANAGEMENT RESPONSIBILITY
MARCH 31, 2017**

The financial statements of the University of British Columbia Foundation (the Foundation) have been prepared by management in conformity with Canadian public sector accounting standards, including the 4200 standards for government not-for-profit organizations. The financial statements present fairly the financial position of the Foundation as at March 31, 2017, and the results of its operations, changes in net assets, remeasurement gains and losses, and the changes in its cash flow for the year ended March 31, 2017.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that Foundation assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Foundation Board is responsible for reviewing and approving the financial statements, and overseeing management's performance of its financial reporting responsibilities.

The Foundation Board carries out its responsibility for review of the financial statements principally through the officers of the Foundation. The officers of the Foundation meet with management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the officers of the Foundation, with and without the presence of management.

The financial statements for the year ended March 31, 2017 have been reported on by KPMG LLP, the auditor appointed by the Foundation Board. The Independent Auditor's Report outlines the scope of the audit and provides the audit opinion on the financial statements for the year ended March 31, 2017.

Handwritten signature of Barbara Miles in black ink.

Barbara Miles
Vice President

Handwritten signature of Ian Burgess in black ink.

Ian Burgess
Treasurer

October 25, 2017



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the University of British Columbia Foundation

We have audited the accompanying consolidated financial statements of the University of British Columbia Foundation (the "Entity"), which comprise the consolidated statement of financial position as at March 31, 2017, the consolidated statements of operations, remeasurement gains and losses, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University of British Columbia Foundation as at March 31, 2017, its consolidated results of operations, its consolidated remeasurement gains and losses, its consolidated changes in net assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

October 25, 2017


Vancouver, Canada

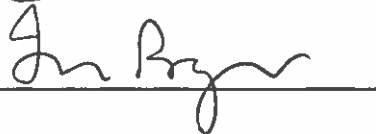
**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017**

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 382,741	\$ 325,144
Accounts receivable	<u>120,124</u>	<u>117,018</u>
	<u>502,865</u>	<u>442,162</u>
Investments		
Charitable remainder trust (Note 3)	4,615,924	4,494,571
Wall Financial Corporation (Note 4)	115,342,500	89,375,000
Life insurance policies (Note 5)	142,512	162,579
Investments in business ventures (Note 6)	750,839	335,001
Rick Hansen Trust (Note 7)	<u>32,389,002</u>	<u>31,327,637</u>
	<u>153,240,777</u>	<u>125,694,788</u>
Capital assets (Note 8)	<u>3,881,539</u>	<u>3,868,719</u>
Total assets	\$ <u>157,625,181</u>	\$ <u>130,005,669</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 93,750	\$ 112,850
Due to the University of British Columbia (Note 9)	<u>2,501,393</u>	<u>2,487,174</u>
	<u>2,595,143</u>	<u>2,600,024</u>
Net assets		
General purpose fund	4,616,191	4,615,198
Endowment:		
Rick Hansen Trust	26,708,783	27,277,578
Peter Wall Endowment	72,605,000	72,605,000
Key Earle Endowment	<u>1,500,000</u>	<u>1,500,000</u>
	<u>100,813,783</u>	<u>101,382,578</u>
Related Organizations	<u>994,428</u>	<u>532,250</u>
	<u>106,424,402</u>	<u>106,530,026</u>
Accumulated remeasurement gains:		
General purpose fund	156,746	55,460
Rick Hansen Trust	5,680,219	4,050,059
Peter Wall Endowment	42,737,500	16,770,000
Related organizations	<u>31,071</u>	<u>-</u>
	<u>48,605,536</u>	<u>20,875,519</u>
Net assets before share capital	155,029,938	127,405,545
Share capital (Note 12)	<u>100</u>	<u>100</u>
Total net assets	<u>155,030,038</u>	<u>127,405,645</u>
Total liabilities and net assets	\$ <u>157,625,181</u>	\$ <u>130,005,669</u>

(See accompanying notes to the financial statements)

On behalf of the Board





**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31**

	General Purpose	Rick Hansen Trust (Note 7)	Endowment		Key Earle Endowment (Note 11)	Related Organizations	Total 2017	Total 2016
			Peter Wall Endowment (Note 10)					
Revenue:								
Donations	\$ 1,218,175	\$ 823	\$ -	\$ -	\$ -	\$ 450,000	\$ 1,668,998	\$ 1,819,744
Investment income	993	2,182,996	3,900,000	8,126			6,092,115	2,446,520
Transfer from the University of British Columbia (Note 13)	10,000						10,000	384,068
	<u>1,229,168</u>	<u>2,183,819</u>	<u>3,900,000</u>	<u>8,126</u>		<u>450,000</u>	<u>7,771,113</u>	<u>4,650,332</u>
Expenses:								
Grants to the University of British Columbia	1,218,175	2,152,882	-	8,126			3,379,183	1,557,803
Grants to the Peter Wall Institute	-	-	3,900,000	-			3,900,000	-
Grants to the Rick Hansen Institute	-	599,732	-	-			599,732	571,176
Professional and consulting fees	10,000	-	-	-		(12,178)	(2,178)	65,743
	<u>1,228,175</u>	<u>2,752,614</u>	<u>3,900,000</u>	<u>8,126</u>		<u>(12,178)</u>	<u>7,876,737</u>	<u>2,194,722</u>
Excess (Deficiency) of revenue over expenses	993	(568,795)	-	-		462,178	(105,624)	2,455,610
Net assets, beginning of year, before share capital and accumulated remeasurement gains	4,615,198	27,277,578	72,605,000	1,500,000		532,250	106,530,026	104,074,416
Net assets, end of year, before share capital and accumulated remeasurement gains	\$ 4,616,191	\$ 26,708,783	\$ 72,605,000	\$ 1,500,000		\$ 994,428	\$ 106,424,402	\$ 106,530,026
Accumulated remeasurement gains, end of year	156,746	5,680,219	42,737,500	-		31,071	48,605,536	20,875,519
Net assets, end of year, before share capital	<u>4,772,938</u>	<u>32,389,002</u>	<u>115,342,500</u>	<u>1,500,000</u>		<u>1,025,499</u>	<u>155,029,938</u>	<u>127,405,545</u>

(See accompanying notes to the financial statements)

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31**

	<u>2017</u>	<u>2016</u>
Cash provided from (used for):		
Operating activities:		
Excess (Deficiency) of revenue over expenses	\$ <u>(105,624)</u>	\$ <u>2,455,610</u>
Changes in:		
Accounts receivable	(3,106)	(5,802)
Accounts payable	(19,100)	60,869
Due to the University of British Columbia	<u>14,219</u>	<u>36,748</u>
	<u>(7,987)</u>	<u>91,815</u>
Investing activities		
Change in Rick Hansen Trust investments	568,795	(2,210,823)
Purchase of land held for resale	(12,820)	(27,774)
Investment in business ventures	<u>(384,767)</u>	<u>(235,000)</u>
	<u>171,208</u>	<u>(2,473,597)</u>
Increase in cash	57,597	73,828
Cash, beginning of year	<u>325,144</u>	<u>251,316</u>
Cash, end of year	<u>\$ <u>382,741</u></u>	<u>\$ <u>325,144</u></u>

(See accompanying notes to the financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31

	Endowment					Total 2016
	General Purposes	Rick Hansen Trust (Note 7)	Peter Wall Endowment (Note 10)	Kay Earle Endowment (Note 11)	Related Organizations	
Accumulated remeasurement gains, beginning of year	\$ 55,460	\$ 4,050,059	\$ 16,770,000	\$ -	\$ -	\$ 18,526,516
Remeasurement gains (losses) realized and reclassified to the statement of operations from:						
Equity investments quoted in active market	-	764,952	-	-	-	611,355
Other investments designated at fair value	-	165,392	-	-	-	388,922
Unrealized gains (losses) generated during the year from:						
Equity investments quoted in active market		1,721,633	25,967,500		31,071	1,848,845
Other investments designated at fair value		638,871	-	-	-	(140,389)
Charitable remainder trust	121,353	-	-	-	-	(359,789)
Cash surrender value of life insurance	(20,087)	-	-	-	-	79
Net remeasurement gains for the year	101,286	1,630,160	25,967,500	-	31,071	2,349,003
Accumulated remeasurement gains, end of year	\$ 156,746	\$ 5,680,219	\$ 42,737,500	\$ -	\$ 31,071	\$ 48,605,536
						\$ 20,875,519

(See accompanying notes to the financial statements)

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

1. Operations

The University of British Columbia Foundation (the Foundation) was established as a corporation in 1987 under the University Foundations Act. Its purpose is to develop public awareness of The University of British Columbia (the University), and to encourage financial support for the University and its programs.

The Foundation is designated under the Act as an agent of the Crown in right of the Province of British Columbia.

2. Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

a) Fund Accounting

Fund accounting procedures are used in order to organize restrictions placed on the use of resources by donors or the Board of the Foundation. Separate accounts are maintained for each fund to facilitate observance of these restrictions.

There are five types of funds within the Foundation: General Purpose, Peter Wall Endowment, Rick Hansen Trust, Kay Earle Endowment, and Related Organizations.

General Purpose Fund This fund reports all unrestricted revenue and restricted contributions for which no corresponding restricted fund is presented. The fund balance represents net assets that are not subject to externally imposed restrictions.

Rick Hansen Trust Income and endowment from the Rick Hansen Trust are used exclusively for the benefit of the Rick Hansen Institute at the University of British Columbia.

Peter Wall Endowment The use of capital and income arising from the Peter Wall Endowment is restricted by the terms of the Deed of Trust establishing the Endowment. These terms also impose restrictions on the ability of the Foundation to transfer or otherwise deal in the shares held in Wall Financial Corporation.

Kay Earle Endowment The capital and income arising from the Kay Earle Endowment is restricted by the terms of the Testamentary Trust establishing the Endowment. These terms also impose restrictions on the ability of the Foundation to transfer the donated residential property.

Related Organizations This fund reports the accounts and results of operations of not-for-profit entities that the Foundation controls, using the consolidation method as described in (b) below.

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

Significant Accounting Policies (continued)

b) Controlled organizations:

Controlled not-for-profit organizations are accounted for using the consolidation method. Under this method, the consolidated financial statements reflect the assets, liabilities, revenues, and expenses of not-for-profit organizations controlled by the Foundation. Adjustments are made to conform the accounting policies of the not-for-profit organization to those of the Foundation and inter-organizational transactions and balances are eliminated upon consolidation.

Entrepreneurship@UBC Ventures (VCC) Inc. (E@UBC) is a not-for-profit organization accounted for using the consolidation method. E@UBC is controlled by the Foundation and was incorporated under the Business Corporations Act in September 2012 to assist in the development of student businesses by making investments permitted by the Small Business Venture Capital Act and providing business and managerial expertise.

c) Revenue Recognition

The Foundation follows the restricted fund method of accounting for contributions which includes donations. Unrestricted contributions including general donations are recognized in the General Purpose Fund when received or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions including donations to the Peter Wall Endowment and Rick Hansen Trust are recognized as revenue in these funds when they are receivable by the Foundation. Restricted contributions for which there is no corresponding restricted fund are initially recorded in the General Purpose Fund as deferred contribution and recognized as revenue to the extent amounts are spent in accordance with the restrictions.

Donations arising from bequests are recognized at the time the assets are distributed to the Foundation by the Executor.

d) Capital Assets

Donated capital assets from parties unrelated to the Foundation are recorded at fair value at the date of contribution.

The Foundation's capital assets are currently comprised only of land.

e) Charitable Remainder Trust

Charitable remainder trust donations are recognized at the time the trust agreement is executed. The gifts' fair values are determined by discounting the future cash flows of the trusts to current dollars using an appropriate market rate.

f) Gifts-in-kind

Gifts-in-kind include premiums paid on life insurance policies, artifacts, and other gifts-in-kinds, and are not recorded in the financial statements.

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

Significant Accounting Policies (continued)

g) Investment Income

Investment income earned on endowments includes interest, realized gains and losses, and dividends, and is recorded in the respective restricted funds in the statement of operations. Investment income earned on all other investments including interest, realized gains and losses, and dividends are recorded in the general fund in the statement of operations. Investment income is recorded on an accrual basis.

h) Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and related balances reversed from the Statement of Remeasurement Gains and Losses.

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

Significant Accounting Policies (continued)

i) Use of Estimates

The preparation of the 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 year. Significant areas requiring use of management estimates relate to the valuation of level 1 and 2 financial instruments and provisions for contingencies. Actual results could differ from these estimates.

3. Charitable Remainder Trust

The Foundation has been named as beneficiary of the following:

	Fair Value Hierarchy (Note 2(h))		2017		2016
Charitable Remainder Trust	Level 2	\$	<u>4,615,924</u>	\$	<u>4,494,571</u>

The trust holds three shares of Tempo Construction Limited (Tempo). The donor and the Foundation entered into an agreement for the future purchase and sale of these Tempo shares. The purchase price for these Tempo shares will be the lesser of \$5,000,000 or the amount received under a \$5,000,000 Life Insurance Policy. The fair value of the Charitable Remainder Trust is determined by discounting the value of the Life Insurance Policy to current dollars using an appropriate market rate.

4. Wall Financial Corporation

The Foundation holds the following investment:

	Fair Value Hierarchy (Note 2(h))		2017		2016
Wall Financial Corporation (Note 10)	Level 1	\$	<u>115,342,500</u>	\$	<u>89,375,000</u>

The Foundation holds beneficial ownership to 6.5 million common shares of Wall Financial Corporation (WFC), which amounts to 19.60% (2016 – 19.60%) ownership of WFC. The investment forms part of the Peter Wall Endowment (Notes 2(a) and 10). The Foundation does not control or have significant influence over WFC.

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

5. Life Insurance Policies

The Foundation is the named beneficiary of various life insurance policies. The fair value included in investments is the cash surrender value of the existing policies:

			<u>Fair Value Hierarchy</u> (Note 2(h))		<u>2017</u>		<u>2016</u>
Life Insurance Policies	Level 2	\$		\$	<u>142,512</u>		<u>162,579</u>

The contracts have face value amounts totaling \$1.3 million (2016 - \$1.2 million). Annual premiums are payable by the donors who have made the assignments.

Tax receipts in an amount totaling \$27,014 (2016 - \$27,014) have been issued to various donors by the Foundation representing the current fiscal year's premium amounts paid.

6. Investments in business ventures

E@UBC is a not-for-profit organization and is accounted for using the consolidation method. E@UBC assists in the development of student businesses by making investments permitted by the Small Business Venture Capital Act and providing business and managerial expertise to these businesses. As at March 31, the investments of E@UBC consisted of equity investments in business ventures with a total value of \$750,839 (2016 - \$335,001).

During the year, the following related party transactions occurred between E@UBC and the Foundation:

E@UBC issued 450,000 common shares at \$1 per share to 3 third party donors. The donors subsequently donated the shares to the Foundation.

7. Rick Hansen Trust (RHT)

RHT was established in December 1996 by Rick Hansen and the Rick Hansen Man in Motion Foundation, with an initial capital contribution of \$100. RHT was established for the purposes of initiating, establishing, operating, and funding the Rick Hansen Institute at the University of British Columbia.

The Foundation has been appointed as trustee of the RHT.

The following endowments constitute the RHT:

- *Rick Hansen Man in Motion Endowment Fund*, held at the Vancouver Foundation.
- *Disability Resource Centre Endowment Fund*, held at the University of British Columbia and at the Vancouver Foundation.
- *Rick Hansen National Fellow Program Endowment Fund*, held at the University of British Columbia.

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

Rick Hansen Trust (RHT) (continued)

- *Rick Hansen Institute Spinal Cord Research Endowment Fund*, established in August 1999.
- *B.C. Neurotrauma Fund Professorship Endowment Fund*, established in August 1999.
- *Chair in Spinal Cord Rehabilitation Endowment Fund*, established in June 2002.
- *Cordula and Gunter Paetzold Chair*, established in June 2002.
- *BC Leadership Chair in Spinal Cord Research Endowment Fund*, established in June 2002.

The market value of the Rick Hansen Trust investments at March 31, 2017 is \$32,389,002 (2016 - \$31,327,637), including \$10,041,907 (2016 - \$9,308,079) at the Vancouver Foundation. Rick Hansen Trust investments of \$22,347,095 (2016 - \$22,019,558) are pooled and invested together with the University's investments.

The capital of the Rick Hansen Man in Motion Fund, a portion of the capital of the BC Leadership Chair in Spinal Cord and a portion of the capital of the Disability Resource Centre Endowment Fund and any additions are administered, invested and managed by the Vancouver Foundation. The Foundation has complete discretion to transfer the capital of the fund from Vancouver Foundation to the Foundation as long as the portion removed shall not exceed a maximum of 25% of the fund in any one quarter.

The composition of the Rick Hansen Trust investments recorded at fair value is as follows:

March 31, 2017	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Rick Hansen Trust:				
Cash and short-term notes	\$ 559,694	\$ 559,694	-	-
Fixed income	-	-	-	-
Mutual funds	1,394,848	1,394,848	-	-
Canadian equities	4,393,834	4,393,834	-	-
Canadian equities mutual funds	2,320,001	2,320,001	-	-
United States equities mutual funds	1,282,906	1,282,906	-	-
International equities mutual funds	5,925,529	4,866,138	1,059,391	-
Real estate	510,580	-	-	510,580
Private equity	5,564,679	-	-	5,564,679
Other	10,436,932	-	10,436,932	-
Rick Hansen Trust recorded at fair value	\$ 32,389,002	\$ 14,817,420	\$ 11,496,323	\$ 6,075,259
March 31, 2016	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Rick Hansen Trust:				
Cash and short-term notes	\$ 382,100	\$ 382,100	-	-
Fixed income	-	-	-	-
Mutual funds	2,709,113	2,709,113	-	-
Canadian equities	4,046,374	4,046,374	-	-
Canadian equities mutual funds	2,544,852	2,544,852	-	-
United States equities mutual funds	1,396,858	1,396,858	-	-
International equities mutual funds	6,315,538	4,950,305	1,365,233	-
Real estate	335,926	-	-	335,926
Private equity	4,036,306	-	-	4,036,306
Other	9,560,569	-	9,560,569	-
Rick Hansen Trust recorded at fair value	\$ 31,327,637	\$ 16,029,602	\$ 10,925,802	\$ 4,372,232

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Rick Hansen Trust (RHT) (continued)

The following table reconciles the changes in fair value of financial instruments classified as level 3 during the year:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 4,372,232	\$ 3,693,654
Unrealized losses	(45,063)	(6,082)
Purchases	2,291,175	1,063,957
Dispositions	(543,085)	(379,297)
Balance, end of year	<u>\$ 6,075,259</u>	<u>\$ 4,372,232</u>

8. Capital Assets

(a) In 2010, the Foundation received a gift of residential property. The fair value of the property was \$1.5 million at the date of contribution, all of which has been allocated to the land, based on appraisal of the property at the time of contribution.

(b) In 2015, the Foundation purchased 2 lots adjacent to the UBCO Campus. The cost of the land includes legal and appraisal costs.

	<u>2017</u>	<u>2016</u>
Land – Kay Earle Endowment (a)	\$ 1,500,000	\$ 1,500,000
Land, UBCO (b)	<u>2,381,539</u>	<u>2,368,719</u>
	<u>\$ 3,881,539</u>	<u>\$ 3,868,719</u>

9. Due to University of British Columbia

The amount payable to the University of British Columbia includes \$2,381,539 (2016 - \$2,368,719) relating to the land purchased in 2015, described in note 8 above, and donations and dividends received and granted to the University that have not been paid as at fiscal year-end. The amount payable is unsecured, non-interest-bearing and has no fixed terms of payment.

10. Peter Wall Endowment

In 1992, the Foundation received a major donation totaling \$15.4 million from Mr. Peter Wall and the Peter Wall Charitable Foundation. The donation included cash, a rental property which has since been sold, and beneficial ownership of 6.5 million common shares of Wall Financial Corporation, a publicly traded company. The donation established the Peter Wall Endowment for the purpose of funding the Peter Wall Institute for Advanced Studies at the University.

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Peter Wall Endowment (continued)

The Peter Wall Endowment is governed and managed by a Board of up to five trustees. The Foundation is represented on this Board by one member, the Chairman of the UBC Foundation. The combined representatives of the University and the Foundation together comprise the majority of this Board.

11. Kay Earle Endowment

In 2010, the Foundation received a gift of residential property valued at \$1.5 million from Ms. Kathleen F. Earle and established the Kay Earle Endowment. The Foundation agreed to hold this property for a fifteen-year period from the date of gift. Net rental proceeds will be used to maintain the property and any excess will be used to support research projects. When the property is sold after the fifteen-year period, the net proceeds are to be maintained in perpetuity. Income earned on the proceeds is to be used to support research projects.

12. Share Capital

Authorized and outstanding
1 common share with a par value of \$100

	2017	2016
Issued		
1 Common share	\$ <u>100</u>	\$ <u>100</u>

13. Related Party

The University is a related party as it controls the Foundation. Related party transactions for the 2017 fiscal year include grants of \$7,878,915 (2016 - \$1,754,912) provided to the University, and a transfer of \$10,000 (2016 - \$384,068) from the University.

14. Financial Risks and Concentration of Credit Risk

a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation is exposed to credit risk with respect to accounts receivable, cash and investments.

The Foundation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Foundation at March 31, 2017 is the carrying value of these assets.

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Financial Risks and Concentration of Credit Risk (continued)

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations. The balance for doubtful accounts at March 31, 2017 is nil.

There have been no significant changes to the credit risk exposure from 2016.

b) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2016.

c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(i) Other price risk:

The Foundation is exposed to financial risks as a result of equity price fluctuations and the volatility of these prices.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Foundation is exposed to interest rate risk on fixed income investments held; the risk arises from fluctuations in interest rates and the degree of volatility in these rates.

There have been no significant changes to the market risk exposure from 2016.

15. Comparative Figures

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current period.