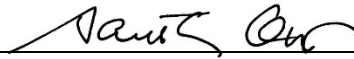


<b>SUBJECT</b>	<b>UBC INVESTMENT MANAGEMENT TRUST   FINANCIAL STATEMENTS MARCH 31, 2017</b>
<b>MEETING DATE</b>	<b>DECEMBER 5, 2017</b>

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

**APPROVED FOR SUBMISSION**



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 Santa J. Ono, President and Vice-Chancellor

**FOR INFORMATION**

<b>Report Date</b>	November 1, 2017
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**Presented By** Andrew Simpson, Vice-President Finance & Operations  
 Stuart Mackenzie, Director, Financial Reporting & Budgeting

**EXECUTIVE SUMMARY**

The IMANT Board of Directors has approved the audited financial statements for the year ended March 31, 2017. The financial statements were prepared by IMANT management and have been audited by Rolfe, Benson LLP Chartered Professional Accountants.

IMANT was incorporated on March 28, 2003 under the provisions of the Company Act of British Columbia. It is a wholly owned subsidiary of the University of British Columbia. The Board of Directors of IMANT is appointed as a committee of the UBC Board of Governors pursuant to Section 27 (2)(c) of the University Act with the authority to administer and manage the investable assets of the University. IMANT acts as a “manager of managers” and retains investment management firms from around the world to invest the University’s assets. Currently, IMANT provides oversight for five portfolios valued at \$3.6 billion as at March 31, 2017:

1. Endowment Fund
2. Staff Pension Plan
3. Core Working Capital Fund
4. Supplemental Arrangement Plan
5. Sustainable Future Pool

**INSTITUTIONAL STRATEGIC PRIORITIES SUPPORTED**

Learning     
  Research     
  Innovation     
  Engagement     
  International  
 (Internal / External)

or  Operational

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<b>DESCRIPTION &amp; RATIONALE</b>	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 Investment Management Trust are included in the audited consolidated financial statements of UBC.
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<b>BENEFITS</b> Learning, Research, Financial, Sustainability & Reputational	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.
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<b>RISKS</b> Financial, Operational & Reputational	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.
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**UBC INVESTMENT MANAGEMENT  
TRUST INCORPORATED**

**FINANCIAL STATEMENTS**

**31 MARCH 2017**



# UBC INVESTMENT MANAGEMENT TRUST INCORPORATED

## Financial Statements

For the year ended 31 March 2017

### Contents

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Independent Auditors' Report	
Balance Sheet	4
Statement of Retained Earnings (Deficit)	5
Statement of Earnings	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 13



ROLFE, BENSON LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT - Continued**

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of UBC Investment Management Trust Incorporated as at 31 March 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

*Rolfe, Benson LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
1 June 2017



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Vancouver, B.C. V6E 3V7  
Tel: 604-684-1101 Fax: 604-684-7937  
E-mail: admin@rolfebenson.com

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## INDEPENDENT AUDITORS' REPORT

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To the Directors,  
UBC Investment Management Trust Incorporated

### **Report on the Financial Statements**

We have audited the accompanying financial statements of UBC Investment Management Trust Incorporated, which comprise the balance sheet as at 31 March 2017, and the statements of retained earnings (deficit), earnings and cash flows for the year then ended, and 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 accounting standards for private enterprises, 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 the 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 the auditors' 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, the auditors consider internal control relevant to the management'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 management'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.

**UBC INVESTMENT MANAGEMENT TRUST INCORPORATED**

**Balance Sheet**

31 March 2017

	2017	2016
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 194,206	\$ 192,849
Accounts receivable	18,858	1,913
Prepaid expenses	34,429	30,656
	<u>247,493</u>	<u>225,418</u>
<b>Equipment and leasehold improvements (Note 3)</b>	29,843	34,050
<b>Security deposit</b>	5,941	5,941
	<u>\$ 283,277</u>	<u>\$ 265,409</u>

**Liabilities**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 374,867	\$ 334,878
<b>Deferred lease inducement (Note 6)</b>	15,855	284
	<u>390,722</u>	<u>335,162</u>

Commitments (Note 7)

**Shareholder's Equity (Deficit)**

Share capital (Note 8)	100	100
Retained earnings (deficit)	(107,545)	(69,853)
	<u>(107,445)</u>	<u>(69,753)</u>
	\$ 283,277	\$ 265,409

APPROVED BY THE DIRECTORS:

Diane Julek Director

MSL Director

The accompanying notes are an integral part of these financial statements.

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**UBC INVESTMENT MANAGEMENT TRUST INCORPORATED**  
**Statement of Retained Earnings (Deficit)**  
For the year ended 31 March 2017

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	2017	2016
Balance - beginning of year	\$ (69,853)	\$ (70,713)
Net earnings (loss) for the year	<u>(37,692)</u>	<u>860</u>
<b>Balance - end of year</b>	<b>\$ (107,545)</b>	<b>\$ (69,853)</b>

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The accompanying notes are an integral part of these financial statements.



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**UBC INVESTMENT MANAGEMENT TRUST INCORPORATED****Statement of Earnings**

For the year ended 31 March 2017

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	2017	2016
<b>Revenue</b>		
Portfolio management fees (Note 5)	\$ 2,068,538	\$ 1,746,447
<b>Expenses</b>		
Salaries and related benefits	1,358,434	1,081,693
Directors fees and expenses	224,312	196,414
Office lease	115,300	114,096
Executive search	116,032	64,052
Computer support and licenses	89,722	92,080
Travel, conferences, and seminars	84,742	64,665
Legal	37,696	4,919
Office	25,623	26,136
Audit and accounting	14,750	18,725
Telephone	11,427	12,259
Dues and memberships	8,560	10,418
Insurance	6,000	5,000
Advertising and promotion	2,107	2,314
Bank charges and interest	1,075	2,268
Consulting and research	-	39,926
Amortization of equipment and leasehold improvements	10,450	10,622
	<u>2,106,230</u>	<u>1,745,587</u>
<b>Net earnings (loss) for the year</b>	<u>\$ (37,692)</u>	<u>\$ 860</u>

The accompanying notes are an integral part of these financial statements.



**UBC INVESTMENT MANAGEMENT TRUST INCORPORATED**

**Statement of Cash Flows**

For the year ended 31 March 2017

	2017	2016
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net earnings (loss) for the year	\$ (37,692)	\$ 860
Items not involving cash		
Amortization of equipment and leasehold improvements	10,450	10,622
Amortization of deferred lease inducement	(1,417)	(3,409)
	(28,659)	8,073
Changes in non-cash working capital balances		
Accounts receivable	(16,945)	23,652
Prepaid expenses	(3,773)	(1,384)
Accounts payable and accrued liabilities	39,990	10,813
Deferred lease inducement	16,988	-
	7,601	41,154
<b>Investing activity</b>		
Purchase of equipment	(6,244)	(5,406)
<b>Net increase in cash</b>	<b>1,357</b>	<b>35,748</b>
<b>Cash - beginning of year</b>	<b>192,849</b>	<b>157,101</b>
<b>Cash - end of year</b>	<b>\$ 194,206</b>	<b>\$ 192,849</b>

The accompanying notes are an integral part of these financial statements.



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**UBC INVESTMENT MANAGEMENT TRUST INCORPORATED**  
**Notes to the Financial Statements**  
For the year ended 31 March 2017

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**1. Incorporation**

The Company was incorporated on 28 March 2003 under the provisions of the Company Act of British Columbia and commenced operations on that date.

The Company is a wholly owned subsidiary of the University of British Columbia (UBC). The Company manages four of UBC's investment funds and the Company earns a portfolio management fee for its services.

**2. Summary of significant accounting policies**

These financial statements are prepared in accordance with Canadian accounting standards for private enterprises. The significant policies are detailed as follows:

(a) Financial instruments

(i) Measurement of financial instruments

The Company initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Company subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

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**UBC INVESTMENT MANAGEMENT TRUST INCORPORATED**

**Notes to the Financial Statements**

**For the year ended 31 March 2017**

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2. **Summary of significant accounting policies - Continued**

(a) Financial instruments - Continued

(iii) Transaction costs

The Company recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(b) Revenue recognition

Fees for services are recognized as revenue when the services are rendered and billed.

(c) Equipment

Equipment is recorded at cost and is being amortized over its estimated useful life on the following basis:

Furniture and fixtures	20% Declining balance
Computer equipment	30% Declining balance

(d) Leasehold improvements

Leasehold improvements are recorded at cost and are amortized on a straight-line basis over six years.

(e) Impairment of long-lived assets

The Company tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

**UBC INVESTMENT MANAGEMENT TRUST INCORPORATED**  
**Notes to the Financial Statements**  
For the year ended 31 March 2017

**2. Summary of significant accounting policies - Continued**

(f) Income taxes

The Company follows the future income taxes payable method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for the estimated tax consequences attributable to temporary differences between the amounts reported in the financial statements and their respective tax basis, using enacted income tax rates. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in operations in the period that the rate becomes substantially enacted.

(g) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and revenues and expenses and disclosure of contingent assets and liabilities at the balance sheet date. Accounts subject to estimates include amortization rates of equipment and recognition of accrued liabilities. Management believes that the estimates utilized in preparing the financial statements are prudent and reasonable, however, actual results could differ from those estimates.

**3. Equipment and leasehold improvements**

	Cost	Accumulated Amortization	2017 Net	2016 Net
Furniture and fixtures	\$ 100,670	\$ 87,107	\$ 13,563	\$ 16,317
Computer equipment	73,166	62,347	10,819	8,582
Leasehold improvements	73,606	68,145	5,461	9,151
	<u>\$ 247,442</u>	<u>\$ 217,599</u>	<u>\$ 29,843</u>	<u>\$ 34,050</u>

**4. Accounts payable and accrued liabilities**

	2017	2016
Accounts payable and accrued liabilities	\$ 354,016	\$ 323,147
GST payable	20,851	11,731
	<u>\$ 374,867</u>	<u>\$ 334,878</u>

**UBC INVESTMENT MANAGEMENT TRUST INCORPORATED**  
**Notes to the Financial Statements**  
For the year ended 31 March 2017

**5. Shareholder transactions**

(a) During the year the Company entered into the following transactions with UBC:

	2017	2016
Portfolio management fees	\$ 2,068,538	\$ 1,746,447
Operating expenses	\$ 11,551	\$ 8,107

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

(b) Included in accounts payable are amounts due to:

	2017	2016
UBC	\$ 2,262	\$ 1,269

**6. Deferred lease inducement**

	2017	2016
Office lease	\$ 15,853	\$ 284

The Company received a lease inducement of \$16,988 as part of its office lease extension agreement during the year. This amount has been recorded as a deferred lease inducement and is being amortized as a reduction of rent expense on a straight-line basis over the term of the agreement. The deferred portion of the lease inducement will be amortized into income as follows:

2018	\$ 3,397	
2019	3,397	
2020	3,397	
2021	3,397	
2022	2,265	
	\$ 15,853	

**UBC INVESTMENT MANAGEMENT TRUST INCORPORATED**  
**Notes to the Financial Statements**  
For the year ended 31 March 2017

**7. Commitments**

The Company has operating leases for the rental of equipment and office premises which expire April 2019 and November 2021 respectively. The minimum annual lease payments are as follows:

2018	\$	67,616
2019		68,371
2020		68,111
2021		67,950
2022		<u>45,300</u>
	\$	<u>317,348</u>

**8. Share capital**

Authorized

100,000 common shares without par value

Issued

	<u>2017</u>	<u>2016</u>
100 common shares	\$ 100	\$ 100

**9. Financial instruments**

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at the balance sheet date, 31 March 2017.

(a) Liquidity risk

Liquidity risk is the risk that a company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to liquidity risk mainly in respect of its accounts payable and accrued liabilities. The Company manages liquidity risk by maintaining adequate cash. There has been no change to this risk exposure from 2016.

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# UBC INVESTMENT MANAGEMENT TRUST INCORPORATED

## Notes to the Financial Statements

For the year ended 31 March 2017

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### 9. Financial instruments - Continued

#### (b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risk relates to its cash and accounts receivable. Cash is in place with a major financial institution. The Company provides credit to its customers in the normal course of the operations. There has been no change to this risk exposure from 2016.

#### (c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is mainly exposed to interest rate risk.

#### (d) Interest rate risk

Interest rate risk is the risk that the fair market value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its floating interest rate financial instruments. Floating-rate instruments subject the Company to a cash flow risk.

### 10. Non-capital losses

The Company has non-capital losses carried forward of \$93,800 which are available to reduce the taxable income of future years. If not utilized, these non-capital losses will expire as follows:

2029	\$	30,050
2030		3,401
2031		10,032
2032		8,335
2036		2,358
2037		<u>39,624</u>
	\$	<u>93,800</u>