



SUBJECT	UBC INVESTMENT MANAGEMENT TRUST INC. ("IMANT") FINANCIAL STATEMENTS MARCH 31, 2018
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MEETING DATE	NOVEMBER 26, 2018
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Forwarded on the Recommendation of the President

**APPROVED FOR
SUBMISSION**

Santa J. Ono, President and Vice-Chancellor

FOR INFORMATION

Report Date	November 1, 2018
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Presented By Peter Smailes, Vice-President Finance & Operations
Stuart Mackenzie, Interim Comptroller

EXECUTIVE SUMMARY

The IMANT Board of Directors has approved the audited financial statements for the year ended March 31, 2018. The financial statements were prepared by IMANT management and have been audited by Rolfe, Benson LLP.

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 \$4.1 billion as at March 31, 2018:

1. Endowment Fund¹
2. Staff Pension Plan
3. Working Capital Fund
4. Supplemental Plan
5. Sustainable Future Pool

¹Includes Student Housing Financing Endowment and Faculty Housing Assistance Financing Endowment short-term cash.

INSTITUTIONAL STRATEGIC PRIORITIES SUPPORTED

- Learning Research Innovation Engagement
(Internal / External) International

or a 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 Investment Management Trust Inc. are included in the audited consolidated financial statements of UBC.

BENEFITS
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.

RISKS
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.

**UBC INVESTMENT MANAGEMENT
TRUST INCORPORATED**

FINANCIAL STATEMENTS

31 MARCH 2018

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED

Financial Statements

For the year ended 31 March 2018

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INDEPENDENT AUDITORS' REPORT

To the Directors,
UBC Investment Management Trust Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of UBC Investment Management Trust Inc., which comprise the balance sheet as at 31 March 2018, 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.



INDEPENDENT AUDITORS' REPORT - Continued

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UBC Investment Management Trust Inc. as at 31 March 2018, 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
24 May 2018

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED**Balance Sheet****31 March 2018**

	2018	2017
Assets		
Current		
Cash	\$ 49,022	\$ 194,206
Accounts receivable	242,089	18,858
Prepaid expenses	29,158	34,429
	<u>320,269</u>	<u>247,493</u>
Equipment and leasehold improvements (Note 3)	24,369	29,843
Security deposit	5,941	5,941
	<u>\$ 350,579</u>	<u>\$ 283,277</u>
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 357,333	\$ 374,867
Deferred lease inducement (Note 6)	12,458	15,855
	<u>369,791</u>	<u>390,722</u>
Commitments (Note 7)		
Shareholder's Equity (Deficit)		
Share capital (Note 8)	100	100
Retained earnings (deficit)	(19,312)	(107,545)
	<u>(19,212)</u>	<u>(107,445)</u>
	<u>\$ 350,579</u>	<u>\$ 283,277</u>

APPROVED BY THE DIRECTORS:



Director

Director

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

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED
Statement of Retained Earnings (Deficit)
For the year ended 31 March 2018

	2018	2017
Balance - beginning of year	\$ (107,545)	\$ (69,853)
Net earnings (loss) for the year	<u>88,233</u>	<u>(37,692)</u>
Balance - end of year	<u>\$ (19,312)</u>	<u>\$ (107,545)</u>

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

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED
Statement of Earnings
For the year ended 31 March 2018

	<u>2018</u>	<u>2017</u>
Revenue		
Portfolio management fees (Note 5)	<u>\$ 2,134,934</u>	<u>\$ 2,068,538</u>
Expenses		
Salaries and related benefits	1,452,933	1,358,434
Directors fees and expenses	164,758	224,312
Office lease	117,413	115,300
Computer support and licenses	113,510	89,722
Travel, conferences, and seminars	64,500	84,742
Executive search	27,403	116,032
Office	26,910	25,623
Legal	18,677	37,696
Audit and accounting	14,900	14,750
Telephone	12,233	11,427
Dues and memberships	11,906	8,560
Insurance	6,000	6,000
Consulting and research	2,378	-
Advertising and promotion	1,717	2,107
Bank charges and interest	1,180	1,075
Amortization of equipment and leasehold improvements	10,283	10,450
	<u>2,046,701</u>	<u>2,106,230</u>
Net earnings (loss) for the year	<u>\$ 88,233</u>	<u>\$ (37,692)</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 2018

	2018	2017
Cash provided by (used in):		
Operating activities		
Net earnings (loss) for the year	\$ 88,233	\$ (37,692)
Items not involving cash		
Amortization of equipment and leasehold improvements	10,283	10,450
Amortization of deferred lease inducement	(3,398)	(1,417)
	95,118	(28,659)
Changes in non-cash working capital balances		
Accounts receivable	(223,231)	(16,945)
Prepaid expenses	5,271	(3,773)
Accounts payable and accrued liabilities	(17,533)	39,990
Deferred lease inducement	-	16,988
	(140,375)	7,601
Investing activity		
Purchase of equipment	(4,809)	(6,244)
Net increase (decrease) in cash	(145,184)	1,357
Cash - beginning of year	194,206	192,849
Cash - end of year	\$ 49,022	\$ 194,206

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

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED
Notes to the Financial Statements
For the year ended 31 March 2018

1. Incorporation and operations

The Company was incorporated on 28 March 2003 under the provisions of the Business Corporations 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.

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 earnings. 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 earnings.

(iii) Transaction costs

The Company recognizes its transaction costs in net earnings 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.

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED
Notes to the Financial Statements
For the year ended 31 March 2018

2. Summary of significant accounting policies - Continued

(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.

(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.

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED
Notes to the Financial Statements
For the year ended 31 March 2018

3. Equipment and leasehold improvements

	Cost	Accumulated Amortization	2018 Net	2017 Net
Furniture and fixtures	\$ 102,673	\$ 90,020	\$ 12,653	\$ 13,563
Computer equipment	75,971	66,027	9,944	10,819
Leasehold improvements	73,606	71,834	1,772	5,461
	<u>\$ 252,250</u>	<u>\$ 227,881</u>	<u>\$ 24,369</u>	<u>\$ 29,843</u>

4. Accounts payable and accrued liabilities

	2018	2017
Accounts payable and accrued liabilities	\$ 347,264	\$ 354,016
GST payable	10,070	20,851
	<u>\$ 357,333</u>	<u>\$ 374,867</u>

5. Shareholder transactions

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

	2018	2017
Portfolio management fees	\$ 2,134,934	\$ 2,068,538
Operating expenses	\$ 11,023	\$ 11,551

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 receivable are amounts due from:

	2018	2017
UBC	\$ 225,000	\$ -

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED
Notes to the Financial Statements
For the year ended 31 March 2018

5. Shareholder transactions - Continued

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

	2018	2017
UBC	\$ 3,135	\$ 2,262

6. Deferred lease inducement

	2018	2017
Office lease	\$ 12,458	\$ 15,855

The Company received a lease inducement of \$16,988 as part of its office lease extension agreement in a prior 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:

2019	\$ 3,397
2020	3,397
2021	3,397
2022	2,267
	\$ 12,458

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:

2019	\$ 68,371
2020	68,111
2021	67,950
2022	45,300
	\$ 249,732

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED
Notes to the Financial Statements
For the year ended 31 March 2018

8. Share capital

Authorized

100,000 common shares without par value

Issued

100 common shares

	2018	2017
	\$ 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 2018.

(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 the prior year.

(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 the prior year.

(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 currency risk.

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED
Notes to the Financial Statements
For the year ended 31 March 2018

9. Financial instruments - Continued

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company incurs some expenses in U.S. dollars and is therefore exposed to foreign exchange fluctuations. The Company does not enter into any hedging instruments to manage its exposure to foreign currency risks.

10. Non-capital losses

The Company has a non-capital loss carried forward of \$8,705 which is available to reduce the taxable income of future years. If not utilized, this non-capital loss will expire in 2037.