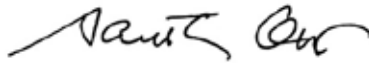


SUBJECT	UBC INVESTMENT MANAGEMENT TRUST INC. - FINANCIAL STATEMENTS MARCH 31, 2019
MEETING DATE	NOVEMBER 26, 2019

Forwarded on the Recommendation of the President

**APPROVED FOR
SUBMISSION**



Santa J. Ono, President and Vice-Chancellor

FOR INFORMATION

Report Date	November 1, 2019
Presented By	Peter Smailes, Vice-President Finance & Operations Karamjeet Heer, Comptroller

EXECUTIVE SUMMARY

The IMANT Board of Directors has approved the audited financial statements for the year ended March 31, 2019. 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 \$4.4 billion as at March 31, 2019:

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.

STRATEGIC CORE AREAS SUPPORTED

- People and Places
 Research Excellence
 Transformative Learning
 Local / Global Engagement

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 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.

Learning, Research,
Financial,
Sustainability &
Reputational

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.

Financial,
Operational &
Reputational

**UBC INVESTMENT MANAGEMENT
TRUST INCORPORATED**

FINANCIAL STATEMENTS

31 MARCH 2019

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED

Financial Statements

For the year ended 31 March 2019

Contents

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



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E-mail: admin@rolfebenenson.com

INDEPENDENT AUDITORS' REPORT

To the Directors,
UBC Investment Management Trust Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of UBC Investment Management Trust Inc. (the "Company"), which comprise the balance sheet as at 31 March 2019, and the statements of retained earnings (deficit), earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.



INDEPENDENT AUDITORS' REPORT - Continued

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



INDEPENDENT AUDITORS' REPORT - Continued

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rolfe, Benson LLP

CHARTERED PROFESSIONAL ACCOUNTANTS


Vancouver, Canada
24 May 2019

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED**Balance Sheet****31 March 2019**

	2019	2018
Assets		
Current		
Cash	\$ 569,472	\$ 49,022
Accounts receivable	6,690	242,089
Prepaid expenses	29,786	29,158
	<u>605,948</u>	<u>320,269</u>
Equipment and leasehold improvements (Note 3)	28,150	24,369
Security deposit	4,941	5,941
	<u>\$ 639,039</u>	<u>\$ 350,579</u>
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 697,377	\$ 357,333
Deferred lease inducement (Note 6)	9,060	12,458
	<u>706,437</u>	<u>369,791</u>
Commitments (Note 7)		
Shareholder's Equity (Deficit)		
Share capital (Note 8)	100	100
Retained earnings (deficit)	(67,498)	(19,312)
	<u>(67,398)</u>	<u>(19,212)</u>
	<u>\$ 639,039</u>	<u>\$ 350,579</u>

APPROVED BY THE BOARD:



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 2019

	2019	2018
Balance - beginning of year	\$ (19,312)	\$ (107,545)
Net earnings (loss) for the year	<u>(48,186)</u>	<u>88,233</u>
Balance - end of year	<u>\$ (67,498)</u>	<u>\$ (19,312)</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 2019

	2019	2018
Revenue		
Portfolio management fees	\$ 2,200,798	\$ 2,134,934
Other revenue	<u>2,179</u>	<u>-</u>
	<u>2,202,977</u>	<u>2,134,934</u>
Expenses		
Salaries and related benefits	1,683,491	1,452,933
Directors fees and expenses	172,895	164,758
Office lease	118,142	117,413
Computer support and licenses	116,680	113,510
Travel	45,263	64,500
Office	27,172	26,910
Audit and accounting	20,320	14,900
Legal	18,522	18,677
Telephone	12,647	12,233
Dues and memberships	10,988	11,906
Advertising and promotion	8,341	1,717
Insurance	6,000	6,000
Bank charges and interest	1,095	1,180
Consulting and research	-	2,378
Executive search	-	27,403
Amortization of equipment and leasehold improvements	9,607	10,283
	<u>2,251,163</u>	<u>2,046,701</u>
Net earnings (loss) for the year	<u>\$ (48,186)</u>	<u>\$ 88,233</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 2019

	2019	2018
Cash provided by (used in):		
Operating activities		
Net earnings (loss) for the year	\$ (48,186)	\$ 88,233
Items not involving cash		
Amortization of equipment and leasehold improvements	9,607	10,283
Amortization of deferred lease inducement	(3,398)	(3,398)
	(41,977)	95,118
Changes in non-cash working capital balances		
Accounts receivable	235,399	(223,231)
Prepaid expenses	(628)	5,271
Accounts payable and accrued liabilities	340,043	(17,533)
	532,837	(140,375)
Investing activities		
Purchase of equipment and leasehold improvements	(12,649)	(4,809)
Purchase of software	(738)	-
Security deposit	1,000	-
	(12,387)	(4,809)
Net increase (decrease) in cash	520,450	(145,184)
Cash - beginning of year	49,022	194,206
Cash - end of year	\$ 569,472	\$ 49,022

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 2019

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 is economically dependent on UBC as its only revenue source is the earning of 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 accounting 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 2019

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
Computer software	100% 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

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset 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 2019

3. Equipment and leasehold improvements

	Cost	Accumulated Amortization	2019 Net	2018 Net
Furniture and fixtures	\$ 104,067	\$ 92,690	\$ 11,377	\$ 12,653
Computer equipment	76,830	69,140	7,690	9,944
Computer software	738	369	369	-
Leasehold improvements	84,004	75,290	8,714	1,772
	<u>\$ 265,639</u>	<u>\$ 237,489</u>	<u>\$ 28,150</u>	<u>\$ 24,369</u>

4. Accounts payable and accrued liabilities

	2019	2018
Accounts payable and accrued liabilities	\$ 670,053	\$ 347,263
GST payable	27,324	10,070
	<u>\$ 697,377</u>	<u>\$ 357,333</u>

5. Shareholder transactions

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

	2019	2018
Portfolio management fees	\$ 2,200,798	\$ 2,134,934
Operating expenses	\$ 9,499	\$ 11,023

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:

	2019	2018
UBC	\$ -	\$ 225,000

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED
Notes to the Financial Statements
For the year ended 31 March 2019

5. Shareholder transactions - Continued

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

	2019	2018
UBC	\$ 2,169	\$ 3,135

6. Deferred lease inducement

	2019	2018
Office lease	\$ 9,060	\$ 12,458

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:

2020	\$ 3,397
2021	3,397
2022	2,266
	\$ 9,060

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:

2020	\$ 68,111
2021	67,950
2022	45,300
	\$ 181,361

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED
Notes to the Financial Statements
For the year ended 31 March 2019

8. Share capital

Authorized

100,000 common shares without par value

Issued

100 common shares

	2019	2018
	\$ 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 2019.

(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 one customer, UBC, 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 2019

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 non-capital losses carried forward of \$55,273 which are available to reduce the taxable income of future years. If not utilized, these non-capital losses will expire as follows:

2037	\$ 8,705
2039	<u>46,568</u>
	<u>\$ 55,273</u>