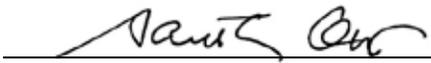


SUBJECT	THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION FINANCIAL STATEMENTS MARCH 31, 2019
MEETING DATE	NOVEMBER 26, 2019

APPROVED FOR SUBMISSION

Forwarded on the Recommendation of the President



Santa J. Ono, President and Vice-Chancellor

FOR INFORMATION

Report Date	November 8, 2019
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Presented By Heather McCaw, Vice-President Development & Alumni Engagement
 Peter Smalles, Vice-President Finance & Operations
 Karamjeet Heer, Comptroller

EXECUTIVE SUMMARY

The Board of Directors of the UBC Foundation has approved the audited financial statements for the year ended March 31, 2019. 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.

Under the *University Foundations Act*, the UBC Foundation was established in 1987 as an Agent of the Crown to encourage financial support for UBC and its programs, facilities and activities, and to receive funds and property for the benefit of UBC.

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 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.

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

THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

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**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR THE YEAR ENDED MARCH 31, 2019**

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, 2019, 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, 2019.

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.

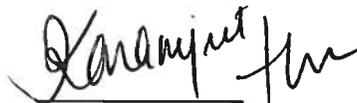
The Foundation Board is responsible for reviewing and approving the financial statements, and overseeing management's performance of its financial reporting responsibilities.

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, 2019 have been reported on by KPMG LLP, the auditor appointed by the Foundation Board. The Independent Auditors' Report outlines the scope of the audit and provides the audit opinion on the financial statements for the year ended March 31, 2019.



Heather McCaw
Vice President



Karamjeet Heer
Treasurer

October 24, 2019



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

Report on the Financial Statements

Opinion

We have audited the financial statements of University of British Columbia Foundation (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2019
- the consolidated statement of operations and changes in net assets for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University of British Columbia Foundation as at March 31, 2019, its consolidated results of operations and changes in net assets, its consolidated remeasurement gains and losses, and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

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 auditors' report.

We are independent of the Entity 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 Public Sector Accounting Standards, 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- 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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
October 24, 2019

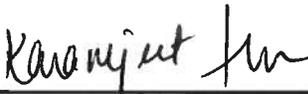
**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019**

ASSETS	<u>Note</u>	<u>2019</u>	<u>2018</u>
Current assets:			
Cash		\$ 902,552	\$ 1,122,164
Accounts receivable		3,038,633	126,728
		<u>3,941,185</u>	<u>1,248,892</u>
Investments			
Charitable remainder trust	3	4,810,005	4,672,066
Wall Financial Corporation	4	134,980,300	148,584,800
Life insurance policies	5	157,866	151,230
Investments in business ventures	6	2,819,790	1,892,547
Rick Hansen Trust	7	33,418,508	32,845,986
		<u>176,186,469</u>	<u>188,146,629</u>
Capital assets	8	<u>2,459,381</u>	<u>3,959,381</u>
Total assets		\$ <u>182,587,035</u>	\$ <u>193,354,902</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable		\$ 64,272	\$ 119,348
Due to the University of British Columbia	9	2,590,566	2,585,778
		<u>2,654,838</u>	<u>2,705,126</u>
Net assets:			
General purpose fund		4,618,375	4,617,116
Rick Hansen Trust		28,204,447	27,755,176
Peter Wall Endowment		72,605,000	72,605,000
Kay Earle Endowment		2,907,062	1,500,000
Related Organizations		2,091,649	1,807,389
		<u>110,426,533</u>	<u>108,284,681</u>
Accumulated remeasurement gains			
General purpose fund		366,181	221,606
Rick Hansen Trust		5,214,061	5,090,810
Peter Wall Endowment		62,375,300	75,979,800
Related organizations		1,550,022	1,072,779
		<u>69,505,564</u>	<u>82,364,995</u>
Net assets before share capital		<u>179,932,097</u>	<u>190,649,676</u>
Share capital	12	100	100
Total net assets		<u>179,932,197</u>	<u>190,649,776</u>
Total liabilities and net assets		\$ <u>182,587,035</u>	\$ <u>193,354,902</u>

(See accompanying notes to the consolidated financial statements)

On behalf of the board


Heather McCaw, Vice President


Karamjeet Heer, Treasurer

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2019**

	Note	Endowment				Related Organizations	Total 2019	Total 2018
		General Purpose	Rick Hansen Trust 7	Peter Wall Endowment 10	Kay Earle Endowment 11			
Revenue:								
Donations		\$ 40,278	\$ 400	\$ -	\$ -	\$ 350,000	\$ 390,678	\$ 1,143,289
Investment income		1,308	2,006,624	6,500,000	-	1,302	8,509,234	6,107,923
Other income		-	-	-	1,407,062	-	1,407,062	-
Transfer from the University of British Columbia	13	11,025	-	-	-	-	11,025	10,000
		<u>52,611</u>	<u>2,007,024</u>	<u>6,500,000</u>	<u>1,407,062</u>	<u>351,302</u>	<u>10,317,999</u>	<u>7,261,212</u>
Expenses:								
Grants to the University of British Columbia		40,278	900,164	-	-	-	940,442	1,489,626
Grants to the Peter Wall Institute		-	-	6,500,000	-	-	6,500,000	3,250,000
Grants to the Rick Hansen Institute		-	657,589	-	-	-	657,589	625,550
Professional and consulting fees		11,074	-	-	-	67,042	78,116	35,757
		<u>51,352</u>	<u>1,557,753</u>	<u>6,500,000</u>	<u>-</u>	<u>67,042</u>	<u>8,176,147</u>	<u>5,400,933</u>
Excess (Deficiency) of Revenue over expenses		1,259	449,271	-	1,407,062	284,260	2,141,852	1,860,279
Net assets, beginning of year, before share capital and accumulated remeasurement gains		<u>4,617,116</u>	<u>27,755,176</u>	<u>72,605,000</u>	<u>1,500,000</u>	<u>1,807,389</u>	<u>108,284,681</u>	<u>106,424,402</u>
Net assets, end of year, before share capital and accumulated remeasurement gains		4,618,375	28,204,447	72,605,000	2,907,062	2,091,649	110,426,533	108,284,681
Accumulated remeasurement gains, end of year		<u>366,181</u>	<u>5,214,061</u>	<u>62,375,300</u>	<u>-</u>	<u>1,550,022</u>	<u>69,505,564</u>	<u>82,364,995</u>
Net assets, end of year, before share capital		<u>\$ 4,984,556</u>	<u>\$ 33,418,508</u>	<u>\$ 134,980,300</u>	<u>\$ 2,907,062</u>	<u>\$ 3,641,671</u>	<u>\$ 179,932,097</u>	<u>\$ 190,649,676</u>

(See accompanying notes to the consolidated financial statements)

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019**

	<u>2019</u>	<u>2018</u>
Cash provided from (used for):		
Operating activities		
Excess of revenue over expenses	\$ 2,141,852	\$ 1,860,279
Changes in non-cash:		
Accounts receivable	(2,911,905)	(6,604)
Accounts payable	(55,076)	25,598
Due to the University of British Columbia	4,788	84,385
Gain on sale of property	<u>(1,407,062)</u>	<u>-</u>
	<u>(4,369,255)</u>	<u>103,379</u>
Investing activities		
Change in Rick Hansen Trust investments	(449,271)	(1,046,393)
Purchase of land held for resale	-	(77,842)
Investment in business ventures	(450,000)	(100,000)
Sale of property	<u>2,907,062</u>	<u>-</u>
	<u>2,007,791</u>	<u>(1,224,235)</u>
Increase (Decrease) in cash	(219,612)	739,423
Cash, beginning of year	<u>1,122,164</u>	<u>382,741</u>
Cash, end of year	\$ <u>902,552</u>	\$ <u>1,122,164</u>

(See accompanying notes to the consolidated financial statements)

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2019**

	<u>Endowment</u>					
	General Purpose	Rick Hansen Trust	Peter Wall Endowment	Related Organizations	Total 2019	Total 2018
Accumulated remeasurement gains, beginning of year	\$ 221,606	\$ 5,090,810	\$ 75,979,800	\$ 1,072,779	\$ 82,364,995	\$ 48,605,536
Remeasurement (gains) losses realized and reclassified to the statement of operations from:						
Equity investments quoted in active market	-	(486,986)	-	-	(486,986)	(1,012,635)
Other investments designated at fair value	-	(276,626)	-	-	(276,626)	(317,920)
Unrealized gains (losses) generated during the year from:						
Equity investments quoted in active market	-	80,959	(13,604,500)	-	(13,523,541)	33,739,844
Other investments designated at fair value	-	805,904	-	477,243	1,283,147	1,285,310
Charitable remainder trust	137,939	-	-	-	137,939	56,142
Cash surrender value of life insurance	6,636	-	-	-	6,636	8,718
Net remeasurement gains (losses) for the year	<u>144,575</u>	<u>123,251</u>	<u>(13,604,500)</u>	<u>477,243</u>	<u>(12,859,431)</u>	<u>33,759,459</u>
Accumulated remeasurement gains, end of year	<u>\$ 366,181</u>	<u>\$ 5,214,061</u>	<u>\$ 62,375,300</u>	<u>\$ 1,550,022</u>	<u>\$ 69,505,564</u>	<u>\$ 82,364,995</u>

THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

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) Basis of Accounting

The Foundation uses the restricted fund method of accounting and separate funds are maintained for each of the following:

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 entities that the Foundation controls.

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

Significant Accounting Policies (continued)

b) Basis of Consolidation:

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the organizations which are controlled by the Foundation. Adjustments are made to conform the accounting policies of the controlled organizations to those of the Foundation and inter-organizational transactions and balances are eliminated upon consolidation.

Entrepreneurship@UBC Ventures (VCC) Inc. (e@UBC VCC) is controlled by the Foundation and is included in these consolidated financial statements. e@UBC VCC was incorporated under the Business Corporations Act in September 2012 and makes investments permitted by the Small Business Venture Capital Act and provides business and managerial expertise to these businesses.

c) Revenue Recognition

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.

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

Significant Accounting Policies (continued)

f) Gifts-in-kind

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

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 UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

Significant Accounting Policies (continued)

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.

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 the fair value of 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 ^{2(h)}	2019	2018
Charitable Remainder Trust	Level 2	\$ <u>4,810,005</u>	\$ <u>4,672,066</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.

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

4. Wall Financial Corporation

The Foundation holds the following investment:

	<u>Note</u>	<u>Fair Value Hierarchy ^{2(h)}</u>	<u>2019</u>	<u>2018</u>
Wall Financial Corporation	10	Level 1	\$ <u>134,980,300</u>	\$ <u>148,584,800</u>

The Foundation holds beneficial ownership to 6.5 million common shares of Wall Financial Corporation (WFC), which amounts to 19.14% (2018 – 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.

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 ^{2(h)}</u>	<u>2019</u>	<u>2018</u>
Life Insurance Policies	Level 2	\$ <u>157,866</u>	\$ <u>151,230</u>

The contracts have face value amounts totaling \$1,400,000 (2018 - \$1,400,000). Annual premiums are payable by the donors who have made the assignments.

Tax receipts in an amount totaling \$27,014 (2018 - \$27,014) have been issued to various donors by the Foundation representing the current fiscal year's premium amounts paid.

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

6. Investments in Business Ventures

The investments in business ventures consist of the equity investments of e@UBC VCC:

	Fair Value Hierarchy ^{2(h)}	2019	2018
Investments in Business Ventures	Level 3	\$ <u>2,819,790</u>	\$ <u>1,892,547</u>

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

	2019	2018
Balance, beginning of year	\$ 1,892,547	\$ 750,839
Unrealized gains	477,243	1,041,708
Purchases	450,000	100,000
Balance, end of year	\$ <u>2,819,790</u>	\$ <u>1,892,547</u>

During the year, e@UBC VCC issued 350,000 common shares (2018 – 838,000) at \$1 per share which were donated 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
- Disability Resource Centre Endowment Fund
- Rick Hansen National Fellow Program Endowment Fund
- Rick Hansen Institute Spinal Cord Research Endowment Fund
- B.C. Neurotrauma Fund Professorship Endowment Fund
- Chair in Spinal Cord Rehabilitation Endowment Fund
- Cordula and Gunter Paetzold Chair
- BC Leadership Chair in Spinal Cord Research Endowment Fund

**THE UNIVERSITY OF BRITISH COLUMBIA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

Rick Hansen Trust (RHT) (continued)

The composition of the RHT investments recorded at fair value is as follows:

March 31, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Cash and short-term notes	\$ 654,393	\$ -	\$ -	\$ 654,393
Fixed income – Mutual Fund	1,290,997	-	-	1,290,997
Canadian equities	3,688,890	-	-	3,688,890
Canadian equities mutual funds	1,062,902	-	-	1,062,902
United States equities mutual funds	1,649,776	-	-	1,649,776
International equities mutual funds	5,990,078	-	-	5,990,078
Real estate	-	-	1,997,510	1,997,510
Private equity	-	-	1,388,420	1,388,420
Hedge fund	-	-	1,340,627	1,340,627
Infrastructure equity	-	-	2,522,338	2,522,338
Private debt	-	-	324,787	324,787
Other	-	10,526,874	980,916	11,507,790
	\$ 14,337,036	\$ 10,526,874	\$ 8,554,598	\$ 33,418,508

March 31, 2018	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Cash and short-term notes	\$ 494,363	\$ -	\$ -	\$ 494,363
Fixed income – Mutual Fund	1,293,876	-	-	1,293,876
Canadian equities	4,264,271	-	-	4,264,271
Canadian equities mutual funds	976,084	-	-	976,084
United States equities mutual funds	1,289,604	-	-	1,289,604
International equities mutual funds	7,030,079	615,861	-	7,645,940
Real estate	-	-	1,872,060	1,872,060
Private equity	-	-	993,158	993,158
Hedge fund	-	-	1,063,281	1,063,281
Infrastructure equity	-	-	2,427,266	2,427,266
Private debt	-	-	131,026	131,026
Other	-	10,395,057	-	10,395,057
	\$ 15,348,277	\$ 11,010,918	\$ 6,486,791	\$ 32,845,986

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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>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 6,486,791	\$ 6,075,259
Unrealized gains (losses)	71,715	(489,049)
Purchases	2,382,078	1,603,107
Dispositions	(385,986)	(702,526)
Balance, end of year	<u>\$ 8,554,598</u>	<u>\$ 6,486,791</u>

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 funds 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 market value of the RHT investments held at the Vancouver Foundation at March 31, 2019 is \$10,190,060 (2018 - \$10,021,208). The market value of the RHT Investments held at the University's endowment funds at March 31, 2019 is \$23,228,448 (2018 - \$22,824,778).

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. The property was sold in 2019 (Note 11).

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

	<u>2019</u>	<u>2018</u>
Land – Kay Earle Endowment (a)	\$ -	\$ 1,500,000
Land, UBCO (b)	2,459,381	2,459,381
	<u>\$ 2,459,381</u>	<u>\$ 3,959,381</u>

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9. Due to University of British Columbia

The amount payable to the University of \$2,590,566 (2018 - \$2,585,778) is unsecured, non-interest-bearing and has no fixed terms of payment; included in this amount is \$2,459,381 (2018 - \$2,459,381) relating to the land purchased in 2015 at UBCO.

10. Peter Wall Endowment

In 1992, the Foundation received a donation totaling \$15,400,000 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. The Foundation is represented on this Board by the Chairman of the Foundation who can delegate this role. 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 \$1,500,000 from Ms. Kathleen F. Earle and established the Kay Earle Endowment which will be used to support research projects. The Foundation agreed to hold this property for a fifteen-year period from the date of gift, as long as practicable and reasonable. Rental income, net of property maintenance is transferred to the Kay Earle Endowment at the discretion of the University.

During 2019, the property was sold for net proceeds of \$2,907,062 which subsequent to March 31, 2019 will be deposited to the Kay Earle Endowment Fund held at the University.

12. Share Capital

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

	2019	2018
Issued: 1 Common share	\$ <u>100</u>	\$ <u>100</u>

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13. Related Party

The University is a related party as it controls the Foundation. Related party transactions for the 2019 fiscal year include grants of \$8,098,031 (2018 - \$5,365,176) provided to the University, and a transfer of \$11,025 (2018 - \$10,000) 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, 2019 is the carrying value of these assets.

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, 2019 is nil.

There have been no significant changes to the credit risk exposure from 2018.

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 2018.

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14. Financial Risks and Concentration of Credit Risk (continued)

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 2018.