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THE UNIVERSITY OF BRITISH COLUMBIA

REPORT TO THE BOARD OF GOVERNORS

**SUBJECT UBC INVESTMENT MANAGEMENT TRUST INC. ("IMANT")
FINANCIAL STATEMENTS MARCH 31, 2014**

MEETING DATE DECEMBER 2, 2014

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

**APPROVED FOR
SUBMISSION**

Arvind Gupta, President and Vice-Chancellor

Presented By David H. Farrar, Provost and Vice-President Academic
Ian Burgess, Comptroller
Jai Parihar, President & Chief Executive Officer, UBC IMANT

Report Date October 31, 2014

DECISION REQUESTED For Information

EXECUTIVE SUMMARY

The IMANT Board of Directors has approved the audited financial statements for the year ended March 31, 2014. The financial statements were prepared by IMANT management and have been audited by Rolfe, Benson Chartered Accountants.

Discussion Summary

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 six portfolios valued at \$2.8 billion as at March 31, 2014:

1. Endowment Fund
2. Staff Pension Plan
3. Core Working Capital Fund
4. Supplemental Arrangement Plan
5. Centre for Brain Health Fund
6. Special Working Capital Fund

Attached:

UBC Investment Management Trust Inc. audited financial statements for the year ended March 31, 2014.

Place and Promise N/A
COMMITMENT(s)

Place and Promise N/A
ACTION(s)

Description & N/A
Rationale

SCHEDULE N/A
 Implementation
 Timeline

RISKS N/A
 Financial, Operational
 & Reputational

Previous Report Date November 26, 2013

Decision N/A

Action / Follow Up N/A

**UBC INVESTMENT MANAGEMENT
TRUST INCORPORATED**

FINANCIAL STATEMENTS

31 MARCH 2014

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED

Financial Statements

For the year ended 31 March 2014

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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INDEPENDENT AUDITORS' REPORT

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 2014, 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.



INDEPENDENT AUDITORS' REPORT - Continued

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UBC Investment Management Trust Incorporated as at 31 March 2014, 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 ACCOUNTANTS

Vancouver, Canada
30 May 2014

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED

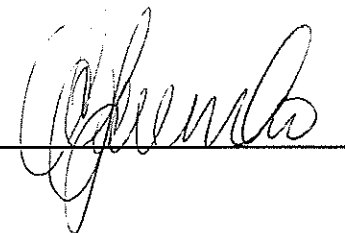
Balance Sheet

31 March 2014

	2014	2013
Assets		
Current		
Cash	\$ 198,513	\$ 246,494
Accounts receivable	8,329	20,572
Prepaid expenses	25,041	18,461
	231,883	285,527
Equipment and leasehold improvements (Note 3)	39,242	39,943
Security deposit	5,941	5,941
	\$ 277,066	\$ 331,411
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 314,892	\$ 336,457
Due to shareholder (Note 5)	56,598	56,877
	371,490	393,334
Due to shareholder (Note 5)	-	45,000
Deferred lease inducement (Note 6)	7,101	10,509
	378,591	448,843
Commitments (Note 7)		
Shareholder's Equity (Deficit)		
Share capital (Note 8)	100	100
Retained earnings (deficit)	(101,625)	(117,532)
	(101,525)	(117,432)
	\$ 277,066	\$ 331,411

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 2014

	2014	2013
Balance - beginning of year	\$ (117,532)	\$ (192,228)
Net earnings for the year	<u>15,907</u>	<u>74,696</u>
Balance - end of year	<u>\$ (101,625)</u>	<u>\$ (117,532)</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 2014

	2014	2013
Cash provided by (used in):		
Operating activities		
Net earnings for the year	\$ 15,907	\$ 74,696
Items not involving cash		
Amortization of equipment and leasehold improvements	11,130	11,790
Amortization of intangible assets	-	1,485
Amortization of deferred lease inducement	<u>(3,408)</u>	<u>(3,408)</u>
	23,629	84,563
Changes in non-cash working capital balances		
Accounts receivable	12,243	(22)
Prepaid expenses	(6,580)	5,625
Accounts payable and accrued liabilities	<u>(21,565)</u>	<u>(42,025)</u>
	<u>7,727</u>	<u>48,141</u>
Investing activity		
Purchase of equipment and leasehold improvements, net	<u>(10,429)</u>	<u>(13,456)</u>
Financing activity		
Advances to shareholder	<u>(45,279)</u>	<u>(45,279)</u>
Net decrease in cash	(47,981)	(10,594)
Cash - beginning of year	<u>246,494</u>	<u>257,088</u>
Cash - end of year	\$ 198,513	\$ 246,494

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 2014

	2014	2013
Revenue		
Portfolio management fees (Note 5)	\$ 1,602,046	\$ 1,672,640
Expenses		
Salaries and related benefits	1,038,196	1,097,990
Directors fees and expenses	193,235	175,182
Office lease	103,916	96,335
Computer support	74,271	64,646
Travel, conferences, and seminars	59,686	71,362
Office	30,485	26,026
Executive searches and consulting	25,697	6,203
Legal	15,567	13,672
Telephone	10,842	10,006
Audit and accounting	9,200	9,453
Dues and memberships	7,004	3,913
Bank charges and interest (Note 5)	3,901	3,585
Advertising and promotion	2,710	982
Repairs and maintenance	299	-
Insurance	-	5,314
Amortization of equipment	11,130	11,790
Amortization of intangible assets	-	1,485
	<u>1,586,139</u>	<u>1,597,944</u>
Net earnings for the year	\$ 15,907	\$ 74,696

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 2014

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

(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 and amounts due to shareholder.

(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.

(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.

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED
Notes to the Financial Statements
For the year ended 31 March 2014

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. The annual amortization rates and methods are as follows:

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) Intangible assets

Intangible assets are recorded at cost. The Company provides for amortization using the following methods at rates designed to amortize the cost of the intangible assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Computer software	100% Declining balance
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(f) 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.

(g) Income taxes

The Company follows the asset and liability 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.

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED
Notes to the Financial Statements
For the year ended 31 March 2014

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

(h) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises 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 balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. **Equipment and leasehold improvements**

	Cost	Accumulated Amortization	2014 Net	2013 Net
Furniture and fixtures	\$ 89,125	\$ 76,968	\$ 12,157	\$ 15,064
Computer equipment	62,529	51,925	10,604	15,049
Leasehold improvements	73,606	57,125	16,481	9,830
	<u>\$ 225,260</u>	<u>\$ 186,018</u>	<u>\$ 39,242</u>	<u>\$ 39,943</u>

4. **Accounts payable and accrued liabilities**

	2014	2013
Accounts payable and accrued liabilities	\$ 301,592	\$ 303,415
GST payable	13,301	33,043
	<u>\$ 314,892</u>	<u>\$ 336,457</u>

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED
Notes to the Financial Statements
For the year ended 31 March 2014

5. **Shareholder transactions**

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

	2014	2013
Portfolio management fees	\$ 1,602,046	\$ 1,672,640
Operating expenses	\$ 16,451	\$ 21,122
Interest expense	\$ 1,811	\$ 2,926

(b) Due to shareholder

	2014	2013
Advances - UBC	\$ 11,598	\$ 11,877
Promissory note - UBC	45,000	90,000
	56,598	101,877
Less current portion	56,598	56,877
Due beyond one year	\$ -	\$ 45,000

The promissory note is unsecured and bears interest at the greater of the Bank of Canada Prime Rate less 1% and 2.5%. The note is repayable at \$45,000 per year for the next five years. The note is to be fully repaid by 31 March 2015, unless otherwise agreed to by the shareholder by 1 March 2015.

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

	2014	2013
UBC	\$ 44,598	\$ 43,057

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.

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED
Notes to the Financial Statements
For the year ended 31 March 2014

6. Deferred lease inducement

	2014	2013
Office lease	\$ <u>7,101</u>	\$ <u>10,509</u>

The Company received a lease inducement of \$20,450 as part of its office lease agreement. 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:

2015	\$ 3,408
2016	3,408
2017	<u>285</u>
	\$ <u>7,101</u>

7. Commitments

The Company is committed to the rental of office premises and equipment under long-term operating leases which expire at various dates to 2017. The minimum annual lease payments are as follows:

2015	\$ 64,843
2016	64,638
2017	<u>43,092</u>
	\$ <u>172,573</u>

8. Share capital

Authorized

100,000 common shares without par value

Issued

	2014	2013
100 common shares	\$ <u>100</u>	\$ <u>100</u>

UBC INVESTMENT MANAGEMENT TRUST INCORPORATED
Notes to the Financial Statements
For the year ended 31 March 2014

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 2014.

(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 and amounts due to shareholder.

(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 accounts receivable. The Company provides credit to its clients in the normal course of the operations.

(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 \$79,188 which are available to reduce the taxable income of future years. If not utilized, these non-capital losses will expire as follows:

2030	\$ 57,420
2031	3,401
2032	10,032
2033	<u>8,335</u>
	<u>\$ 79,188</u>