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Independent Auditors' Report

To the Members of the University of Victoria Foundation

We have audited the accompanying financial statements of the University of Victoria Foundation, which comprise the statement of financial position as at March 31, 2011, the statements of revenue and expense and changes in fund balances and cash flows for the year then ended, and notes, comprising 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 generally accepted accounting principles, 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 our 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, we consider internal control relevant to the entity'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 entity'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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University of Victoria Foundation as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

June 21, 2011
Victoria, Canada

UNIVERSITY OF VICTORIA FOUNDATION
STATEMENT OF FINANCIAL POSITION
As at March 31, 2011

	2011	2010
ASSETS		
Cash on deposit	\$ 3,195,567	\$ 2,090,636
Accrued interest and other receivables	1,382,515	998,180
Amount due from the University of Victoria	-	286,406
Investments (Schedule A)	298,858,023	258,720,857
	\$ 303,436,105	\$ 262,096,079
LIABILITIES AND FUND BALANCES		
Accounts payable	\$ 657,558	\$ 1,940,665
Amount due to the University of Victoria (note 5)	3,064,259	-
Loan payable to the University of Victoria (note 6)	1,602,502	459,088
	5,324,319	2,399,753
Endowment Principal balances (Statement 2):		
Restricted endowment	246,315,852	222,157,424
Restricted quasi-endowment	7,582,237	7,433,850
Designated endowment	16,600,446	16,218,440
Designated quasi-endowment	1,318,343	1,295,029
Unrestricted endowment	2,006,928	1,966,257
Unrestricted quasi-endowment	2,619,033	1,755,873

UNIVERSITY OF VICTORIA FOUNDATION
STATEMENT OF REVENUE AND EXPENSE AND CHANGES IN FUND BALANCES
For the Year ended March 31, 2011
(with comparative figures for 2010)

	<u>Endowment Principal</u>		<u>Expendable Funds</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
REVENUE				
Donations	\$ 19,452,497	\$ 8,203,657	\$ 200,335	\$ 406,323
Top up donations from University of Victoria (note 5)	-	-	67,107	547,117
Transfer of endowment from University of Victoria	1,137,547	64,315,836	-	-
University of Victoria matching funds	304,000	337,395	-	-
Interest and dividend income	-	-	9,592,318	7,837,175
Realized gains, less losses	-	-	5,359,709	(1,047,780)
Unrealized gains, less losses	-	-	12,098,434	34,278,321
	<u>20,894,044</u>	<u>72,856,888</u>	<u>27,317,903</u>	<u>42,021,156</u>
EXPENSE				
Scholarships, bursaries and other distributions (note 5)	-	-	7,723,561	5,438,176
Administration fees (Note 5)	-	-	663,371	658,753
Investment management fees	-	-	1,409,555	1,248,096
	<u>-</u>	<u>-</u>	<u>9,796,487</u>	<u>7,345,025</u>
Excess of revenue over expense	20,894,044	72,856,888	17,521,416	34,676,131
Fund balances at beginning of year	250,826,873	177,811,222	8,869,453	(25,647,915)
Interfund Transfers - Encroachment on Quasi-Endowments (note 7)	(43,874)	(50,502)	43,874	50,502
Capitalizations to Endowment Principal (note 4)	<u>4,765,796</u>	<u>209,265</u>	<u>(4,765,796)</u>	<u>(209,265)</u>
Fund balances at end of year	<u>\$ 276,442,839</u>	<u>\$ 250,826,873</u>	<u>\$ 21,668,947</u>	<u>\$ 8,869,453</u>

See accompanying notes to the financial statements

UNIVERSITY OF VICTORIA FOUNDATION
STATEMENT OF CASH FLOWS
For the Year ended March 31, 2011

	<u>2011</u>	<u>2010</u>
Cash provided by (used in)		
Operating activities		
Excess of revenue over expense	\$ 38,415,460	\$ 107,533,019
Items not involving cash		
Share donations	-	941,069
Realized gains, less losses on investment	(5,359,709)	1,047,780
Unrealized gains, less losses on investment	(12,098,434)	(34,278,321)
Changes in non-cash working capital balances (net)		
Net (increase) decrease in current assets	(384,335)	2,173,581
Net decrease in current liabilities	(1,283,107)	(4,651,548)
Increase (decrease) in due to the University of Victoria	3,064,259	(686,207)
Decrease (increase) in due from the University of Victoria	<u>286,406</u>	<u>(286,406)</u>
	<u>22,640,540</u>	<u>71,792,967</u>
Investing activities		
Increase in investment	(22,679,023)	(82,372,393)
Financing activities		
Loan payable	1,143,414	459,088
Increase (decrease) in cash during the year	1,104,931	(10,120,338)
Cash, beginning of year	<u>2,090,636</u>	<u>12,210,974</u>
Cash, end of year	<u>\$ 3,195,567</u>	<u>\$ 2,090,636</u>

See accompanying notes to the financial statements

**UNIVERSITY OF VICTORIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011**

Note 1. Purpose and Status of University of Victoria Foundation

The purpose of the Foundation is to encourage and administrate financial support of the University through donations from individuals, corporations, and foundations to fund scholarships, bursaries and other university purposes; and to promote a continuing interest in the University and in higher education in general. The Foundation is incorporated in British Columbia under the University of Victoria Foundation Act

Note 5. Related Party Transaction

The Foundation paid \$455,100 (2010 - \$443,900) in administration fees to the University of Victoria during the year ended March 31, 2011.

In 2011 the University of Victoria funded \$67,107 (2010 - \$547,117) in awards on behalf of the Foundation with no expectation of repayment. This funding permitted awards to be distributed during a period of adverse investment returns.

Amount due to the University of Victoria relates to cash flows resulting from activities between the University of Victoria and the Foundation.

Note 6. Loan from University of Victoria

In 2011 the University of Victoria provided a \$1,602,502 (2010 - \$459,088) interest free loan to the Foundation for the purpose of supplementing Foundation distributions. The loan is not negotiable, transferable or assignable by the Foundation. The total loan amount is to be repaid to the University of Victoria in the following fiscal year, upon approval of the Foundation's Board of Directors.

Note 7. Interfund Transfers

The Foundation's policy allows for encroachment on the principal balance of quasi-endowments. This interfund transfer covers any deficit expendable balances at year end. During the year ended March 31, 2011, \$43,874 (2010-\$50,502) was transferred from principal to expendable.

Note 8. Capital Disclosures

The Foundation considers its capital to be its endowment principal and expendable fund balances. The Foundation's objectives when managing its capital are to protect the value of the fund against inflation and to provide stability in the earnings distribution. With the assistance of an investment consultant, the Foundation's Board of Directors regularly monitors the Foundation's investments to

	COUPON INTEREST	DUE	FACE VALUE OR NUMBER OF SHARES	ORIGINAL COST	MARKET VALUE	UNREALIZED GAIN (LOSS)
FIXED INCOME						
BANK OF MONTREAL FXD/FLRT CALL	5.200%	21/06/2017	36,000	37,800	37,370	(430)
BANK OF NOVA SCOTIA SUB NOTES FIX-FLT CALL	4.940%	15/04/2019	33,000	34,874	34,783	(91)
BRITISH COLUMBIA PROV BONDS (CMPD)	6.350%	18/06/2031	500,000	591,760	626,437	34,677
BRITISH COLUMBIA PROVINCE	5.700%	18/06/2029	3,100,000	3,410,497	3,600,123	189,626
BRITISH COLUMBIA PROVINCE MTN	5.600%	01/06/2018	1,595,000	1,770,746	1,795,897	25,151
CADILLAC FAIRVIEW FINANCE TRUST SER A	3.240%	25/01/2016	450,000	449,978	449,784	(194)
CADILLAC FAIRVIEW FINANCE TRUST SER B	4.310%	25/01/2021	185,000	184,956	185,334	378
CANADA GOVT BOND 5.00% 01JUN37 SER XW98	5.000%	01/06/2037	139,000	201,153	196,419	(4,734)
CANADA HOUSING TRUST	3.750%	15/03/2020	2,455,000	2,472,855	2,480,687	7,832
CANADA HOUSING TRUST GLOBAL NO 1 SER 23	4.100%	15/12/2018	825,000	853,762	861,152	7,390
CBC MONETIZATION TRUST NOTE	4.688%	15/05/2027	110,850	110,850	111,937	1,087
CIBC SUB DEBE MTN FIX-TO-FLOAT 30APR2015	4.110%	30/04/2020	33,000	33,802	33,826	24
HOSPITAL FOR SICK CHILDREN SER-A SR UNSECD NT	5.217%	16/12/2049	155,000	151,358	159,263	7,905
NEW BRUNSWICK SFD	4.400%	03/06/2019	1,050,000	1,081,647	1,088,158	6,511
NHA MBS P#96503636 BY EQUITABLE TRUST CO	4.350%	01/01/2018	300,000	292,274	293,490	1,216
NHA MBS P#96505011 PEOPLES TRUST CO	4.200%	01/10/2019	90,000	87,593	88,623	1,030
ONTARIO (PROVINCE OF)	4.200%	02/06/2020	60,000	60,954	60,892	(62)
ONTARIO PROVINCE CANADA	7.600%	02/06/2027	3,948,000	5,426,922	5,394,093	(32,829)
ONTARIO PROVINCE CANADA	6.200%	02/06/2031	400,000	497,340	488,290	(9,050)
ONTARIO PROVINCE CANADA BOND	5.850%	08/03/2033	1,265,000	1,421,431	1,493,211	71,780
ONTARIO PROVINCE CDA	8.100%	08/09/2023	692,000	957,746	945,574	(12,172)
ONTARIO PROVINCE CDA NON-CALL DEB	4.700%	02/06/2037	2,403,000	2,468,657	2,455,508	(13,149)
ONTARIO PROVINCE DEBENTURE	4.600%	02/06/2039	555,000	556,499	560,314	3,815
QUEBEC PROVINCE CDA	6.000%	01/10/2029	1,515,000	1,697,309	1,790,380	93,071
QUEBEC PROVINCE NTS	4.500%	01/12/2019	1,905,000	1,975,409	1,981,451	6,042
QUEBEC PROVINCE SERIES B082 MTN	5.000%	01/12/2038	95,000	102,930	100,722	(2,208)
RBC SUB NOTES SER A CAPITAL TR FLTG RT(CALL)	4.580%	30/04/2017	34,000	35,149	34,939	(210)
SOUTH COAST BC TRANSPORTATION 3.8% BD 02NOV20	3.800%	02/11/2020	315,000	314,767	302,905	(11,862)
PHILLIPS H&N FOREIGN BOND FUND SERIES O			407,088	818,299	819,347	1,048
PHILLIPS H&N HIGH YIELD BOND FD SER-O PHN285			85,194	998,154	981,305	(16,849)
PHILLIPS H&N INVESTMENT GRADE CO BND TR SER O			4,283,079	43,505,540	43,412,856	(92,684)
PHILLIPS HAGER & NORTH MTGE PE TR FD SE O 430			556,732	5,689,585	5,842,684	153,099
				78,292,596	78,707,754	415,158

CANADIAN EQUITIES						
AGNICO-EAGLE MINES LTD COM			14,800	940,681	953,860	13,179
AGRIUM INC			7,600	604,471	680,428	75,957
ARC RESOURCES COMMON			33,864	503,827	892,309	388,482
BANK NOVA SCOTIA			71,770	2,347,209	4,269,597	1,922,388
BANK OF MONTREAL			19,387	937,235	1,220,993	283,758
BARRICK GOLD CORP			44,700	1,860,903	2,252,433	391,530
BAYTEX ENERGY CORP COMMON			18,600	661,538	1,054,434	392,896

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**UNIVERSITY OF VICTORIA FOUNDATION
SCHEDULE OF INVESTMENTS
MARCH 31, 2011**

<u>COUPON INTEREST</u>	<u>DUE</u>	<u>FACE VALUE OR NUMBER OF SHARES</u>	<u>ORIGINAL COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN (LOSS)</u>
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UNIVERSITY OF VICTORIA FOUNDATION
SCHEDULE OF INVESTMENTS
MARCH 31, 2011

	COUPON INTEREST	DUE	FACE VALUE OR NUMBER OF SHARES	ORIGINAL COST	MARKET VALUE	UNREALIZED GAIN (LOSS)
BG GROUP			56,700	999,830	1,371,233	371,403
BOUYGUES EUR1			22,000	1,044,113	1,029,061	(15,052)
BRIDGESTONE CORP NPV			21,900	425,428	448,010	22,582
BUNGE LIMITED COM USD0.01			10,100	604,541	710,617	106,076
CANON INC			23,200	1,020,342	985,695	(34,647)
CAP GEMINI EUR8			5,647	270,898	319,487	48,589
CHINA MOBILE HKD0.10			110,000	1,090,216	985,658	(104,558)
CHUGAI PHARM CO NPV			58,300	1,082,063	979,845	(102,218)
CISCO SYSTEMS COM			54,000	1,347,754	900,853	(446,901)
CLP HOLDINGS HKD5			144,500	1,041,059	1,136,673	95,614
CNOOC LTD HKD0.02			479,000	519,136	1,174,110	654,974
COMCAST CORP			29,900	605,882	718,978	113,096
CORNING INC COM			30,000	552,499	602,028	49,529
CSL NPV			32,800	1,110,089	1,178,939	68,850
DAIKIN INDUSTRIES			33,800	1,277,024	988,181	(288,843)
DANSKE BANK A/S DKK10			9,296	122,716	109,479	(13,237)
DBS GROUP HOLDINGS			103,123	1,189,001	1,165,074	(23,927)
DELHAIZE GROUP NPV			3,100	227,173	245,846	18,673
DELL INC COM USD0.01			77,930	1,061,842	1,099,937	38,095
DELTA AIRLINES INC COM USD0.0001			40,800	536,080	388,940	(147,140)
DENSO CORP			32,500	1,048,926	1,052,782	3,856
DEVON ENERGY CORP COM USD0.10			8,100	595,760	723,072	127,312
DOW CHEMICAL CO COM USD2.50			17,400	619,086	638,943	19,857
E.ON AG			25,100	954,484	750,487	(203,997)
EDP-ENERGIAS PORTU EUR1(GEGD)			53,600	190,164	203,326	13,162
EOG RESOURCES INC			12,000	1,019,521	1,383,350	363,829
ESPRIT HOLDINGS HKD0.10			74,301	501,600	331,726	(169,874)
ESSILOR INTL. EUR0.35			17,600	949,755	1,273,077	323,322
FANUC LTD			7,500	718,580	1,108,238	389,658
FASTENAL COM USD0.01			20,100	777,643	1,267,558	489,915
FLIR SYSTEMS INC COM USD0.01			22,300	598,350	750,762	152,412
FORD MOTOR CO COM STK USD0.01			14,200	158,603	205,950	47,347
GAP INC COM USD0.05			20,200	445,462	445,253	(209)
GAZPROM ADR REP 4 ORD RUB5			32,600	833,639	1,025,542	191,903
GILEAD SCIENCES COM USD0.001			15,300	581,899	632,076	50,177
GILEAD SCIENCES SOM USD0.001			22,800	1,238,256	941,918	(296,338)
GOOGLE INC COM USD0.001 CLASS 'A'			1,900	1,041,248	1,084,451	43,203
HANA FINANCIAL GROUP			9,700	286,694	408,147	121,453
HENNES & MAURITZ			33,500	829,266	1,082,711	253,445
HESS CORPORATION COM USD1			7,200	501,323	596,786	95,463
HEWLETT PACKARD CO COM USD0.01			17,200	797,761	685,473	(112,288)
HONDA MOTOR CO			33,900	1,220,074	1,243,357	23,283
HONG KONG & CHINA GAS HKD0.25			288,937	564,906	674,267	109,361
HOYA CORP			44,400	1,351,322	989,066	(362,256)
HSBC HLDGS ORD USD0.50(UK REG)			114,100	1,348,298	1,140,408	(207,890)
IMPERIAL TOBACCO ORD GBP0.10			13,150	422,190	395,115	(27,075)
INDITEX EUR0.15			15,600	809,710	1,219,285	409,575
ING GROUP NV CVA EUR0.24			82,200	1,000,475	1,013,404	12,929

UNIVERSITY OF VICTORIA FOUNDATION
 SCHEDULE OF INVESTMENTS
 MARCH 31, 2011

	COUPON INTEREST	DUE	FACE VALUE OR NUMBER OF SHARES	ORIGINAL COST	MARKET VALUE	UNREALIZED GAIN (LOSS)
INGERSOLL-RAND CO. COM USD1.00 CLASS 'A'			15,100	461,615	709,594	247,979
INTEL CORP			60,800	1,256,593	1,193,495	(63,098)
JAPAN TOBACCO INC			203	777,784	715,956	(61,828)
JFE HOLDINGS INC NPV			16,700	530,482	477,071	(53,411)
JOHNSON & JOHNSON			17,700	1,133,195	1,020,135	(113,060)
JOHNSON & JOHNSON COM USD1			13,400	837,605	772,305	(65,300)
JP MORGAN CHASE & COM USD1			17,600	681,066	789,241	108,175
KB FINANCIAL GROUP ADR FORMERLY KOOKMIN BANK			8,100	335,007	413,011	78,004
KEYENCE CORP			4,160	1,056,281	1,039,477	(16,804)
KOHL'S CORPORATION COM USD0.01			7,700	411,075	397,274	(13,801)
KONINKLIJKE DSM NV EUR1.50			3,100	160,739	185,529	24,790
KROGER CO COM USD1			13,200	301,361	307,778	6,417
LG DISPLAY CO LTD KRW5000			6,500	200,642	198,281	(2,361)
LG ELECTONICS INC KRW5000			3,767	377,931	350,747	(27,184)
L'OREAL EUR0.20			10,100	916,769	1,146,051	229,282
LOWE'S COS INC COM				1,056,281		

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**UNIVERSITY OF VICTORIA FOUNDATION
SCHEDULE OF INVESTMENTS
MARCH 31, 2011**

	COUPON INTEREST	DUE	FACE VALUE OR NUMBER OF SHARES	ORIGINAL COST	MARKET VALUE	UNREALIZED GAIN (LOSS)	
SHARP CORP			60,000	674,734	580,967	(93,767)	
SHIN-ETSU CHEMICAL			24,000	1,403,095	1,164,750	(238,345)	
SOC GENERALE EUR1.25			9,800	540,829	620,263	79,434	
STANDARD CHARTERED ORD USD0.50			37,350	1,018,604	941,710	(76,894)	
SUMCO CORPORATION NPV			1,100	20,031	21,651	1,620	
TATA STEEL LTD GDR EACH REPR 1 ORD (REG S)			8,000	106,086	107,779	1,693	
TE CONNECTIVITY LT			5,800	129,460	196,450	66,990	
TELECOM ITALIA SPA DI RISP EUR0.55			124,700	158,428	163,359	4,931	
TELECOM ITALIA SPA EUR0.55			321,500	518,482	481,528	(36,954)	
TESCO ORD GBP0.05			184,000	1,228,279	1,093,098	(135,181)	
TIME WARNER INC CABLE USD0.01			8,955	353,720	(621,411)	(267,691)	
					580,827	580,827	
					(8824)	(8824)	
					580,827	580,827	
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					0	0	
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					-90	-90	
					TESCO ORD GBP0.05		

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