

ATTACHMENT 1

THE UNIVERSITY OF BRITISH COLUMBIA

THE NEIGHBOURS FUND

FINANCIAL STATEMENTS

March 31, 2008

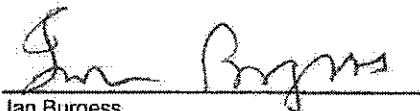
	<u>Page</u>
Auditor's Report	1
Statement of Financial Position	2
Statement of Revenue and Expenses	3
Statement of Net Assets	4
Notes to Financial Statements	5

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Statement of Financial Position
As at March 31

	<u>2008</u>	<u>2007</u>
ASSETS		
Due from the University of British Columbia (Note 3)	\$ 5,389,890	\$ 3,545,681
Accounts Receivable	461,884	57,555
Services Levy Accrual	<u>634,110</u>	<u>595,420</u>
Total Assets	\$ <u>6,485,884</u>	\$ <u>4,198,656</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accrued Liabilities	\$ <u>425,358</u>	\$ <u>3,400</u>
 Net Assets		
Internally Restricted		
Capital Replacement Reserve (Note 5)	2,366,676	1,916,435
Community Centre Reserve (Note 6)	1,178,986	961,401
Community Access Reserve (Note 7)	800,000	-
Contingency Reserve (Note 8)	336,000	-
Unrestricted	<u>1,378,864</u>	<u>1,317,420</u>
	<u>6,060,526</u>	<u>4,195,256</u>
Total Liabilities and Net Assets	\$ <u>6,485,884</u>	\$ <u>4,198,656</u>

(See accompanying notes to the financial statements)

Approved:



Ian Burgess
Associate Vice President, Finance

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Statement of Revenue and Expenses
Year ended March 31

	<u>2008</u>	<u>2007</u>
Revenue		
Services Levy	\$ 2,273,125	\$ 1,989,938
Investment Interest	173,887	155,670
Funding from the University of British Columbia (Note 9)	1,136,000	-
Other	750	3,125
	<u>3,583,762</u>	<u>2,148,733</u>
 Expenses		
University Neighbourhoods Association (Note 4)	1,687,430	1,134,980
Administration (Note 10)	20,000	20,000
Professional Fees	6,968	4,297
Bad Debts	3,181	-
Communications	913	771
	<u>1,718,492</u>	<u>1,160,048</u>
 Excess of Revenue over Expenses	 <u>\$ 1,865,270</u>	 <u>\$ 988,685</u>

(See accompanying notes to the financial statements)

**THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Statement of Net Assets
As at March 31**

	<u>Unrestricted</u>	<u>Internally Restricted Reserves</u>	<u>Total 2008</u>	<u>Total 2007</u>
Net assets, beginning of year	\$ 1,317,420	\$ 2,877,836	\$ 4,195,256	\$ 3,206,571
Excess of revenue over expenses	1,865,270	-	1,865,270	988,685
Transfers to reserves	<u>(1,803,826)</u>	<u>1,803,826</u>	<u>-</u>	<u>-</u>
	61,444	1,803,826	1,865,270	988,685
Net assets, end of year	<u>\$ 1,378,864</u>	<u>\$ 4,681,662</u>	<u>\$ 6,060,526</u>	<u>\$ 4,195,256</u>

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2008

1. Nature of Fund

The Neighbours Fund (the "Fund") is an unincorporated entity that collects a Services Levy from residents and residential developers located on the University of British Columbia (UBC) properties. For fiscal year 2007/08 the Services Levy was collected on the properties of Hampton Place, Hawthorn Place, Chancellor Place, Wesbrook Place and East Campus.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

a) Statement of Cash Flows

A statement of cash flows has not been presented as management does not consider that it would provide additional meaningful information.

b) Services Levy

The Services Levy is charged to tenants on a calendar year basis and reported in the financial statements on an accrual basis.

c) Revenue Recognition

Unrestricted contributions and the Services levy revenue is recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

d) Financial Instruments

Effective April 1, 2007 the Fund adopted the new CICA accounting standards for the recognition, measurement, disclosure and presentation of its financial assets and financial liabilities. The new standards require that all non-derivative financial assets and liabilities be measured at fair value with the exception of loans and receivables and held-to-maturity investments, which should be measured at amortized cost. The new standards also require that gains and losses on financial instruments measured at fair value be recognized in net income in the periods in which they arise, with the exception of unrealized gains and losses on financial assets classified as available-for-sale, which are recognized directly in the appropriate fund in net assets until the financial asset is derecognized or becomes impaired.

The Fund's financial instruments are classified as loans and receivables, or other financial liabilities.

The adoption of the new standards on a prospective basis had no impact to opening net assets.

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2008

e) Future accounting and reporting changes - Financial instruments – Presentation and Disclosure

CICA Handbook Section 3862, Financial Instruments – Disclosure, and Section 3863, Financial Instruments – Presentation, both issued in December 2006, establish comprehensive disclosure and presentation requirements related to financial instruments. The standards revise the current disclosure requirements of CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation, and place an increased emphasis on disclosures regarding the risks associated with financial instruments and how these risks are managed.

CICA Handbook Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives and provides additional guidance with classification of financial instruments, from the perspective of the issuer, between liabilities and equity.

These standards will impact the Fund's note disclosures and allow users to further evaluate the Fund's policies and processes for managing capital and the risks related to the Fund's financial instruments.

The Fund will implement these standards in 2009.

f) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect 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 revenues during the year. Actual results could differ from those estimates, as additional information becomes available in the future.

g) Comparative Figures

Comparative figures have been reclassified where necessary to be consistent with the presentation adopted in the current year.

3. Due from the University of British Columbia

The University of British Columbia collects service levies on behalf of the Fund and deposits these monies in the University's account. These funds are invested with the overall cash reserves of the University on a temporary basis to allow for flexibility in managing cash reserves.

Interest earned is prorated between the Capital Replacement Reserve, the Community Centre Reserve, and the Surplus based on the respective balances in these accounts at year end.

**THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2008**

4. University Neighbourhoods Association (UNA)

The UNA was formed under the Society Act in May 29, 2002 to act as the organization to serve certain residential housing communities on UBC lands. Commencing in April of 2004, the UNA was responsible to provide municipal like services, such as landscaping, street and road maintenance to the residents. The Fund pays a portion of the Services Levy to the UNA as funding for its operations. The amount recognized as expenses in the year is the amount paid to the UNA. The amount paid to the UNA in a year is established based on the UNA budget developed and submitted to the UBC Board of Governors, which represents the estimated expense for the year.

5. Capital Replacement Reserve

Each year a percentage (16.4%) of the Services Levy is set aside to replace infrastructure works, such as sidewalks, roads, water lines, storm and sanitary sewers in future years. Interest is allocated to the reserve based on the balance in the reserve at year-end.

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 1,916,435	\$ 1,510,398
Appropriations from Services Levy Revenue	372,792	326,350
Interest Earned	77,449	79,687
Transfer to Capital Replacement Reserve	<u>450,241</u>	<u>406,037</u>
Balance, end of year	<u>\$ 2,366,676</u>	<u>\$ 1,916,435</u>

6. Community Centre Reserve

Each year a percentage (8.3%) of the Services Levy is set aside to fund the community facility. Interest is allocated to the reserve based on the balance in the reserve at year-end.

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 961,401	\$ 756,260
Appropriations from Services Levy Revenue	188,669	165,165
Interest Earned	38,916	39,976
Withdrawal from Reserve	(10,000)	-
Transfer to Community Centre Reserve	<u>217,585</u>	<u>205,141</u>
Balance, end of year	<u>\$ 1,178,986</u>	<u>\$ 961,401</u>

**THE UNIVERSITY OF BRITISH COLUMBIA
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Notes to Financial Statements
Year ended March 31, 2008**

7. Community Access Reserve

The Community Access Reserve is comprised of funds set aside to make annual payments to UBC for the operating costs of the facilities to which the UNA has obtained access. This reserve amount is based on an agreement between UBC and UNA. No interest is allocated to this reserve because transfer of funds occurred at year-end.

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ -	\$ -
Transfer to Community Access Reserve	<u>800,000</u>	<u>-</u>
Balance, end of year	<u>\$ 800,000</u>	<u>\$ -</u>

8. Contingency Reserve

The Contingency Reserve is comprised of funds set aside to pay for unexpected or unbudgeted repairs and expenses which require immediate action. This reserve amount is determined by UNA. No interest is allocated to this reserve because transfer of funds occurred at year-end.

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ -	\$ -
Transfer to Contingency Reserve	<u>336,000</u>	<u>-</u>
Balance, end of year	<u>\$ 336,000</u>	<u>\$ -</u>

9. Funding from the University of British Columbia

During the year, the Neighbours Fund received \$1.1m funding from UBC as part of the new agreement between UBC and the UNA. This one-time funding represents a contribution by UBC towards ensuring that future charges to be made to the UNA by various UBC facilities for access to these facilities do not require more than 15% of the annual service levy revenues, and results from benchmarking to other municipal expenditures. The funding also remedies issues around historical service charges.

10. Administration Expense

Administration expense consists of a fee charged to the UNA for administrative costs.

11. Related Party

Two of the seven members of the UNA Board of Directors are UBC appointed faculty, staff and students. Related party transactions for the 2007/08 fiscal year are funding of \$1,687,430 (2006/07 \$1,134,980) provided to UNA and administration fees of \$20,000 (2006/07 \$20,000) charged to the Fund by UBC.