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UNIVERSITY NEIGHBOURHOODS ASSOCIATION

Financial Statements

Year Ended March 31, 2011

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UNIVERSITY NEIGHBOURHOODS ASSOCIATION  
Index to Financial Statements  
Year Ended March 31, 2011

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## INDEPENDENT AUDITORS' REPORT

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To the Members of University Neighbourhoods Association:

We have audited the accompanying financial statements of University Neighbourhoods Association, which comprise the statement of financial position as at March 31, 2011, and the statements of revenues and expenditures, changes in net assets 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 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 the auditor's 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 auditor considers 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 University Neighbourhoods Association as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.  
September 7, 2011

*Johnsen Archer LLP*

CHARTERED ACCOUNTANTS

# UNIVERSITY NEIGHBOURHOODS ASSOCIATION

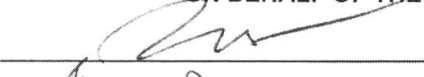
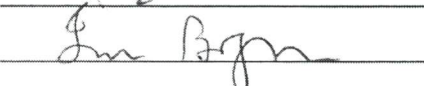
## Statement of Financial Position

March 31, 2011

	2011	2010
<b>ASSETS</b>		
Current assets		
Cash	\$ 486,061	\$ 398,168
Accounts receivable	201,284	633,872
Prepaid expenses	56,538	53,047
	743,883	1,085,087
Capital assets (Note 4)	686,080	439,655
	<b>\$ 1,429,963</b>	<b>\$ 1,524,742</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 433,291	\$ 294,989
Due to Neighbours Fund Reserves (Note 5)	60,000	395,000
Deferred operating contributions (Note 6)	79,000	-
	572,291	689,989
Deferred capital contribution (Note 7)	335,830	382,740
	<b>908,121</b>	<b>1,072,729</b>
<b>NET ASSETS</b>		
Invested in capital assets	369,501	44,018
Restricted for capital purchases	42,700	250,000
Unrestricted	109,641	157,995
	521,842	452,013
	<b>\$ 1,429,963</b>	<b>\$ 1,524,742</b>

Commitments (Note 9)

ON BEHALF OF THE BOARD

 Director  
 Director

See notes to financial statements

# UNIVERSITY NEIGHBOURHOODS ASSOCIATION

## Statement of Revenues and Expenditures

Year Ended March 31, 2011

	2011	2010 (note 8)
<b>Revenue</b>		
Community centre	\$ 113,917	\$ 91,954
Other revenue	105,263	87,300
Province of B.C.	48,072	14,409
Service levies	2,547,717	2,367,591
	<b>2,814,969</b>	<b>2,561,254</b>
<b>Expenses</b>		
Communication	79,157	17,391
Community access	508,186	446,926
Community centre		
Direct operating costs	154,246	150,968
Programming	85,691	86,364
Salaries and benefits	237,177	207,175
Community support	63,428	52,048
General meetings and directors' liability	61,506	16,829
Office	234,595	78,670
Salaries and benefits	390,256	267,218
Sustainability	25,529	2,770
	<b>1,839,771</b>	<b>1,326,359</b>
<b>Municipal services</b>		
Landscaping	494,348	373,619
Parking and security	82,768	84,288
Road, gutter, sidewalk maintenance	14,319	6,575
Sewer and drainage	131,375	285,764
Streetlights	72,298	57,377
Property management	80,000	70,000
Other	14,187	5,139
	<b>889,295</b>	<b>882,762</b>
	<b>85,903</b>	<b>352,133</b>
Amortization of capital assets	62,984	52,972
Amortization of deferred capital contribution	(46,910)	(46,910)
	<b>16,074</b>	<b>6,062</b>
<b>Excess of revenue over expenses for the year</b>	<b>\$ 69,829</b>	<b>\$ 346,071</b>

**UNIVERSITY NEIGHBOURHOODS ASSOCIATION**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2011**

	Invested in capital assets	Restricted for capital purchases	Unrestricted	2011	2010
				\$ -	
<b>Net assets - beginning of year</b>	44,018	250,000	157,995	<b>452,013</b>	508,942
Excess of revenues over expenses	16,074	-	53,755	<b>69,829</b>	346,071
Internally restricted	-	87,700	(87,700)	-	-
Investment in capital assets	309,409	(295,000)	(14,409)	-	-
Transfer to Neighbours' Fund	-	-	-	-	(403,000)
<b>Net assets - end of year</b>	<b>\$ 369,501</b>	<b>\$ 42,700</b>	<b>\$ 109,641</b>	<b>\$ 521,842</b>	<b>\$ 452,013</b>



# UNIVERSITY NEIGHBOURHOODS ASSOCIATION

## Statement of Cash Flows Year Ended March 31, 2011

	2011	2010
<b>Operating activities</b>		
Excess of revenue over expenses	\$ 69,829	\$ 346,071
Items not affecting cash:		
Amortization of capital assets	62,984	52,972
Amortization of deferred capital contribution	(46,910)	(46,910)
	85,903	352,133
Changes in non-cash working capital:		
Accounts receivable	432,588	(30,604)
Prepaid expenses	(3,491)	(30,776)
Accounts payable and accrued liabilities	138,302	135,518
Due to Neighbours Fund Reserves	(335,000)	25,000
Deferred revenues	-	(1,234)
Deferred operating contributions	79,000	-
	311,399	97,904
Cash flow from operating activities	397,302	450,037
<b>Investing activities</b>		
Purchase of capital assets	(309,409)	(25,020)
Transfer to Neighbours' Fund	-	(403,000)
Cash flow used by investing activities	(309,409)	(428,020)
<b>Increase in cash</b>	87,893	22,017
Cash - beginning of year	398,168	376,151
<b>Cash - end of year</b>	\$ 486,061	\$ 398,168

## UNIVERSITY NEIGHBOURHOODS ASSOCIATION

### Notes to Financial Statements

Year Ended March 31, 2011

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#### 1. NATURE OF OPERATIONS

University Neighbourhoods Association (the "Association") is a not-for-profit organization incorporated under the Society Act of British Columbia on May 29, 2002. The Association represents the residents of the designated local areas and Hampton Place and delivers municipal-like services to them. The Association operates within the guidelines of its constitution and by-laws and the Neighbours' Agreement (the "Agreement") between the Association and the University of British Columbia ("U.B.C.").

The Association's operations are funded by services levies (property taxes) collected by U.B.C. pursuant to the Agreement. During the year, the Association received \$2,626,717 of service levies (2010 - \$2,367,591) in funding pursuant to this agreement. As a not-for-profit organization, the Association is not subject to income taxes.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and incorporate the following significant accounting policies:

##### Adoption of amended accounting standards

Effective April 1, 2010 the Society adopted amendments to the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 4400, "Financial Statement Presentation by Not-for-Profit Organizations," and 4470 "Disclosure of Allocated Expenses by Not-for-Profit Organizations".

The amendments remove the requirement to disclose net assets invested in capital assets, clarify capital asset recognition criteria and amortization, add a requirement to disclose the allocated fundraising and general support expenses and add a requirement to follow Handbook Section 1540, Cash Flow Statements.

The application of these amendments did not have a material impact on the Association's financial statements.

##### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

*(continues)*



**UNIVERSITY NEIGHBOURHOODS ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2011**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer hardware	3 years	straight-line method
Leasehold improvements	15 years	straight-line method
Office equipment and fixtures	10 years	straight-line method

The Association regularly reviews its capital assets to eliminate obsolete items.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment when the occurrence of events or changes in circumstances indicate that the carrying value of assets may not be recoverable, as measured by comparison of their net book value to the estimated future cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Unrestricted contributions including services levies are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at the amortization rate of the related capital assets.

Investment income is recognized as revenue when earned.

Donated materials and services

The Association does not record the value of donated materials and services.

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**UNIVERSITY NEIGHBOURHOODS ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2011**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Financial instruments

The Association applies the CICA Handbook sections 3855, "Financial Instruments - Recognition and Measurement" and, as permitted for not-for-profit organizations, 3861, "Financial Instruments - Disclosure and Presentation". Under these sections, all financial instruments are classified into one of five categories: held for trading, held-to-maturity investments, loans and receivables, available for sale financial assets or other financial liabilities. All financial instruments are initially measured fair value. After initial recognition, held-for trading and available-for-sale financial assets are measured at the balance sheet date at fair value, and loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost.

1. Held for trading:

Cash is measured and reported at fair value with any subsequent changes in fair value being recognized as unrealized gains or losses in the statement of operations in the period in which the change in value takes place.

2. Available-for-sale:

Term deposits are measured and reported at fair value with any subsequent changes in fair value being recognized as unrealized gains or losses in the statement of operations in the period in which the change in value takes place.

3. Loans and receivables:

Accounts receivable are initially recorded at fair value and subsequently measured at amortized cost less any impairment losses recognized, and approximate their fair values due to the relatively short periods to maturity.

4. Other financial liabilities:

Accounts payable and accrued liabilities are measured at amortized cost and approximate their fair values due to the relatively short periods to maturity.

5. Transaction costs:

Transaction that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception, and are recognized over the term of the assets or liabilities using the effective interest method.

Future accounting framework

The CICA is issuing a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on January 1, 2013, not-for-profit organizations will be required to choose between International Financial Reporting Standards and Generally Accepted Accounting Principals for Not-For-Profit Organizations. Early adoption of these standards is permitted. The Association will assess the impact of the transition once the framework is issued.

**UNIVERSITY NEIGHBOURHOODS ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2011**

**3. FINANCIAL INSTRUMENTS**

The Association has exposure to the following risk from its use of financial instruments:

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from customers. In order to reduce its credit risk, the Association reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Fair Value

The Association's carrying value of cash, accounts receivable, and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments.

Currency Risk

Currency risk is the risk to the Association's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Association is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The Association does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest Rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. It is in management's opinion that the Association is not exposed to any interest rate risk.

**4. CAPITAL ASSETS**

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Computer software	\$ 14,278	\$ 14,278	\$ -	\$ -
Leasehold improvements	496,448	75,631	420,817	202,568
Office equipment and fixtures	413,040	147,777	265,263	237,087
	<b>\$ 923,766</b>	<b>\$ 237,686</b>	<b>\$ 686,080</b>	<b>\$ 439,655</b>

**5. DUE TO NEIGHBOURS FUND RESERVES**

As per the agreement between the Association and the University of British Columbia, certain surpluses at the end of each fiscal year are returned to the University for deposit to the Rate Stabilization Reserve in the Neighbours' Fund.



# UNIVERSITY NEIGHBOURHOODS ASSOCIATION

## Notes to Financial Statements

Year Ended March 31, 2011

### 6. DEFERRED OPERATING CONTRIBUTIONS

Deferred operating contributions represent funds internally restricted by the Association to be used for future operations. This deferred contribution is amortized to service levies - U.B.C. funding on the same basis as the related expenditures are incurred.

	2011	2010
Funds internally restricted	\$ 79,000	\$ -

### 7. DEFERRED CAPITAL CONTRIBUTION

Deferred capital contribution represents funding received from U.B.C. to acquire equipment and leasehold improvements for the Community Centre. This deferred contribution is amortized to operations on the same basis as the related equipment and leasehold improvements.

	2011	2010
Deferred capital contribution	\$ 524,900	\$ 524,900
Accumulated amortization	(189,070)	(142,160)
	\$ 335,830	\$ 382,740

### 8. NEIGHBOURS' FUND

The Neighbours' Fund is a fund held by U.B.C. The Neighbours' Fund funds the operation of the University Neighbourhoods Association to provide for the operation, maintenance, repair and replacement of the Municipal-like Services and Facilities and Amenities provided to residents in the Designated Local Areas. U.B.C. deposits into the Neighbours' Fund the Services Levy that U.B.C. levies annually against the leasehold strata owners pursuant to their lease agreement. The Neighbours' Fund also includes Subfunds: the Access Fund, the Capital Replacement Fund, the Contingency Reserve Fund, the Infrastructure Reserve Fund and the Rate Stabilization Fund.

### 9. COMMITMENTS

The Association has entered into a lease agreement for its premises. The Association has also entered into agreements to provide support payments for certain UBC recreational facilities and the UBC Botanical Garden. The aggregate future minimum lease payments and support payments are as follows:

2012	\$ 436,475
2013	436,475
2014	436,475
2015	71,475
2016	11,913
	<u>\$ 1,392,813</u>

**UNIVERSITY NEIGHBOURHOODS ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2011**

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10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.