

THE UNIVERSITY OF BRITISH COLUMBIA

THE NEIGHBOURS' FUND

FINANCIAL STATEMENTS

March 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Governors of the University of British Columbia

We have audited the accompanying financial statements of The Neighbours' Fund, which comprise the statement of financial position as at March 31, 2016, the statement of operations, change in net assets 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that is 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 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 Neighbours' Fund as at March 31, 2016 and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

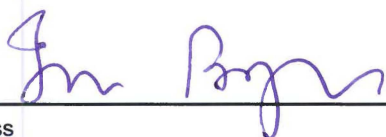
September 21, 2016
Vancouver, Canada

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

		<u>2016</u>	<u>2015</u>
ASSETS			
Current Assets			
Due from the University of British Columbia	(Note 3)	\$ 8,813,116	\$ 9,741,844
Accounts receivable		60,501	36,712
Services levies receivable		<u>813,501</u>	<u>892,162</u>
Total assets		<u>\$ 9,687,118</u>	<u>\$ 10,670,718</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 7,500	\$ 8,000
Due to the University Neighbourhoods Association		<u>-</u>	<u>783,201</u>
		7,500	791,201
Net assets			
Reserves			
Infrastructure Replacement Reserve	(Note 5)	4,346,319	4,184,080
Capital Reserve	(Note 6)	1,698,851	1,626,577
Community Access Reserve	(Note 7)	744,848	853,332
Contingency Reserve	(Note 8)	1,072,855	1,052,847
Rate Stabilization Reserve	(Note 9)	1,607,450	2,111,617
Community Field Replacement Reserve	(Note 10)	<u>209,295</u>	<u>205,392</u>
		9,679,618	10,033,845
Unappropriated Reserves	(Note 11)	<u>-</u>	<u>(154,328)</u>
		9,679,618	9,879,517
Total liabilities and net assets		<u>\$ 9,687,118</u>	<u>\$ 10,670,718</u>

(See accompanying notes to the financial statements)

Approved:



Ian Burgess
Comptroller

THE UNIVERSITY OF BRITISH COLUMBIA
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Statement of Operations
Year ended March 31

	2016	2015
Revenue		
Residential services levy	\$ 2,851,198	\$ 2,870,505
General municipal services levy	635,799	688,140
Interest and miscellaneous income (Note 3)	190,118	174,875
	3,677,115	3,733,520
Expenses		
University Neighbourhoods Association (Note 12)	2,839,832	2,602,420
Non-recoverable portion of GST/HST on transfers to UNA	46,857	43,600
Athletics fees (Note 12)	655,292	618,546
Utilities (Note 12)	252,070	256,413
Administration (Note 12)	57,000	57,000
Osborne Centre rental (Note 12)	15,000	15,000
Collection agency fees (Note 13)	166	11,134
Professional fees	7,124	8,624
Communications	3,673	3,273
	3,877,014	3,616,010
Excess (deficiency) of revenue over expenses	\$ (199,899)	\$ 117,510

(See accompanying notes to the financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Statement of Changes in Net Assets
Year ended March 31

	Appropriated Reserves	Unappropriated Reserves	2016 Total	2015 Total
Net assets, beginning of year	\$ 10,033,845	\$ (154,328)	\$ 9,879,517	\$ 9,762,007
Excess (deficiency) of revenue over expenses	188,781	(388,680)	(199,899)	117,510
Transfers (Note 11)	(543,008)	543,008	-	-
	(354,227)	154,328	(199,899)	117,510
Net assets, end of year	\$ 9,679,618	\$ -	\$ 9,679,618	\$ 9,879,517

(See accompanying notes to the financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Statement of Cash Flows
Year ended March 31

	2016	2015
Cash provided from:		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (199,899)	\$ 117,510
Change in:		
Due from the University of British Columbia	928,728	(42,158)
Accounts receivable	(23,789)	331
Services levies receivable	78,661	(36,183)
Accounts payable and accrued liabilities	(500)	500
Due to the University Neighbourhoods Association	(783,201)	(40,000)
	199,899	(117,510)
Change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

(See accompanying notes to the financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Notes to Financial Statements
Year ended March 31, 2016

1. Nature of the Fund

The Neighbours' Fund (the Fund) is an unincorporated entity that collects a Services Levy from residents and residential developers, together with a portion of a General Municipal Services Levy for rental housing and commercial space, all located at the University of British Columbia (UBC or the University) within the Neighbourhood Housing Areas. For fiscal year 2016, the Neighbourhood Housing Areas include Acadia East, Chancellor Place, East Campus, Hampton Place, Hawthorn Place, Stadium Road and Wesbrook Place.

Funding for the annual operations of the University Neighbourhoods Association (UNA) is transferred to the UNA from the Fund and managed directly by the UNA (Note 4).

2. Significant Accounting Policies

These 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) Revenue Recognition

Residential service levies, general municipal service levies and funding from the University are recognized as revenue in the year received or receivable if the amount to be received can be reasonably established and collection is reasonably assured.

Residential service levies and general municipal service levies are charged to tenants on a calendar year basis and reported in the financial statements on an accrual basis.

The Fund also receives investment interest income which is recorded on an accrual basis.

b) 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.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair values are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets 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 previously recorded unrealized gain or loss is adjusted through the Statement of Remeasurement Gains and Losses.

THE UNIVERSITY OF BRITISH COLUMBIA
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Notes to Financial Statements
Year ended March 31, 2016

When the asset is sold, the unrealized gains and losses previously recognized in the Statement of Remeasurement Gains and Losses are reversed and recognized in the Statement of Operations.

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.

There are no financial instruments carried at fair value as at year end and as a result, the Statement of Remeasurement Gains and Losses has not been prepared.

c) 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 and expenses during the year. Significant areas requiring the use of management estimates relate to valuation of accounts receivable and services levies receivable and provisions for accrued liabilities and contingencies. Actual results could differ from those estimates, as additional information becomes available in the future.

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 by the University. Investment interest of \$190,118 (2015 - \$174,875), calculated at an average of 2% per annum (2015 - 2%), was allocated by the University to the Fund during the year.

THE UNIVERSITY OF BRITISH COLUMBIA
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Notes to Financial Statements
Year ended March 31, 2016

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 April 2004, the UNA is responsible for providing municipal-like services, such as landscaping and street and road maintenance to the residents. The Fund pays a portion of the services levy collected by the University to the UNA as funding for the UNA's operations. The amount recognized as expenses in the year is the net amount paid to the UNA. The amount paid to the UNA in a year is established based on the UNA budget, which represents the estimated expense for the year.

5. Infrastructure Replacement Reserve

2.4% (2015 - 2.4%) of the services levy is set aside to replace infrastructure works, such as sidewalks, roads, water lines, storm and sanitary sewers in future years. Once the reserve reaches \$10 million, the Board of Directors of UNA and Board of Governors of UBC will review future funding levels. \$775 is made up of a transfer to the Infrastructure Replacement Reserve of \$83,688 plus a transfer to the Capital Reserve of \$41,844 less a \$124,757 payment from the Community Access Reserve to UBC Athletics. Interest is calculated monthly using a rate determined by the University based on the reserve balance in the account.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 4,184,080	\$ 4,028,608
Transfer from unappropriated reserves	83,688	85,406
Interest earned during the year	<u>78,551</u>	<u>70,066</u>
	<u>162,239</u>	<u>155,472</u>
Balance, end of year	\$ <u>4,346,319</u>	\$ <u>4,184,080</u>

6. Capital Reserve

1.2% (2015 - 1.2%) of the services levy is set aside to fund the community centre facility. Once the reserve reaches \$5 million, the Board of Directors of UNA and Board of Governors of UBC will review future funding levels. Interest is calculated monthly using a rate determined by the University based on the reserve balance in the account.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 1,626,577	\$ 1,556,882
Transfer from unappropriated reserves	41,844	42,704
Interest earned during the year	<u>30,430</u>	<u>26,991</u>
	<u>72,274</u>	<u>69,695</u>
Balance, end of year	\$ <u>1,698,851</u>	\$ <u>1,626,577</u>

THE UNIVERSITY OF BRITISH COLUMBIA
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Notes to Financial Statements
Year ended March 31, 2016

7. Community Access Reserve

The Community Access Reserve is comprised of funds set aside to make payments to UBC for the operating costs of the facilities to which the UNA has obtained access in accordance with an agreement between UBC and the UNA. During the year, in accordance with the UNA Neighbours' Fund Reserves Policy, a transfer of \$124,757 (2015 - \$52,458) was made from the reserve for the use of athletics facilities on Campus. Interest is calculated monthly using a rate determined by the University based on the reserve balance in the account.

	<u>2016</u>		<u>2015</u>
Balance, beginning of year	\$ 853,332	\$	890,197
Interest earned during the year	16,273		15,593
Transfer to UBC Athletics	<u>(124,757)</u>		<u>(52,458)</u>
	<u>(108,484)</u>		<u>(36,865)</u>
Balance, end of year	<u>\$ 744,848</u>	\$	<u>853,332</u>

8. Contingency Reserve

1.0% of the services levy (2015 - 1.0%) is set aside to pay for unexpected or unbudgeted repairs and expenses which require immediate action. Interest is calculated monthly using a rate determined by the University based on the reserve balance in the account. The maximum amount of the reserve is \$1 million. Once the maximum is reached, annual contributions are to cease. There were no contributions to the reserve during the years ended March 31, 2016 and March 31, 2015 as the maximum amount was reached.

	<u>2016</u>		<u>2015</u>
Balance, beginning of year	\$ 1,052,847	\$	1,034,656
Interest earned during the year	<u>20,008</u>		<u>18,191</u>
Balance, end of year	<u>\$ 1,072,855</u>	\$	<u>1,052,847</u>

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Year ended March 31, 2016

9. Rate Stabilization Reserve

1.0% of the services levy (2015 - 1.0%) is normally set aside to guard against unforeseen changes in the City of Vancouver tax rates. The maximum amount of the reserve is \$2 million. Once the maximum is reached, annual contributions are to cease. Any surpluses from the UNA's annual budget are deposited to this Reserve. During the year, \$543,783 (2015 - \$40,000) was transferred to the unappropriated reserves. Interest is calculated monthly using a rate determined by the University based on the reserve balance in the account.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 2,111,617	\$ 2,035,821
Interest earned during the year	39,616	35,796
Transfer (to) from the unappropriated reserves	<u>(543,783)</u>	<u>40,000</u>
	<u>(504,167)</u>	<u>75,796</u>
Balance, end of year	\$ <u>1,607,450</u>	\$ <u>2,111,617</u>

10. Community Field Replacement Reserve

The Community Field Replacement Reserve was established to set aside funds for the replacement of the turf field. The maximum amount of the reserve to be allocated from unappropriated reserves is \$600,000. Interest is calculated monthly using a rate determined by the University based on the reserve balance in the account. The UNA Standing Committee on Finance and Audit will assess the contributions next year.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 205,392	\$ 201,843
Interest earned during the year	<u>3,903</u>	<u>3,549</u>
	<u>3,903</u>	<u>3,549</u>
Balance, end of year	\$ <u>209,295</u>	\$ <u>205,392</u>

THE UNIVERSITY OF BRITISH COLUMBIA
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Notes to Financial Statements
Year ended March 31, 2016

11. Unappropriated Reserves

The unappropriated reserves are the accumulated excess of revenues over expenses, if any, net of amounts transferred to (from) the Infrastructure Replacement, Capital, Community Access, Rate Stabilization and Community Field Replacement Reserves. The 2016 transfer from the rate stabilization reserve to the unappropriated reserve includes \$154,328 to fund the 2015 deficit (Note 9).

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ (154,328)	\$ 14,000
Excess (deficiency) of revenue over expenses	<u>(388,680)</u>	<u>(52,676)</u>
	<u>(543,008)</u>	<u>(38,676)</u>
Less transfers to (payments from):		
Infrastructure Replacement Reserve	83,688	85,406
Capital Reserve	41,844	42,704
Community Access Reserve	(124,757)	(52,458)
Rate Stabilization Reserve	<u>(543,783)</u>	<u>40,000</u>
	<u>(543,008)</u>	<u>115,652</u>
Balance, end of year	\$ <u>-</u>	\$ <u>(154,328)</u>

12. Related Party

Two of the seven members of the UNA Board of Directors are appointed by UBC.

Related party transactions include funding provided to the UNA of \$2,839,832 (2015 - \$2,602,240).

Related party transactions also include the following payments made to UBC:

	<u>2016</u>	<u>2015</u>
UBC Athletics - use of athletic facilities	\$ 655,292	\$ 618,546
UBC Building Operations - utilities	252,070	256,413
UBC - administrative costs	57,000	57,000
UBC School of Kinetics - Osborne Centre gym rental	15,000	15,000
	<u>\$ 979,362</u>	<u>\$ 946,959</u>

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THE NEIGHBOURS' FUND
Notes to Financial Statements
Year ended March 31, 2016

13. Collection Agency Fees

Collection agency fees relate to amounts paid to an external agency to collect unpaid and overdue service levies.

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 Fund is exposed to credit risk with respect to accounts receivable.

The Fund 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 Fund at March 31, 2016 is the carrying value of these assets.

The carrying value of amounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in Statement of Operations and is set up based on the Fund's historical experience regarding collections. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations.

As at March 31, 2016, \$60,501 (2015 - \$36,712) amounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure from 2015.

b) Liquidity risk:

Liquidity risk is the risk that the Fund will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Fund manages its liquidity risk by monitoring its operating requirements.

Accounts payable and accrued liabilities are generally due 60 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2015.

15. Comparative Figures

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current period.