

**THE UNIVERSITY OF BRITISH COLUMBIA**

**THE NEIGHBOURS' FUND**

**FINANCIAL STATEMENTS**

**March 31, 2017**

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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 (the "Entity"), which comprise the statement of financial position as at March 31, 2017, 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, 2017 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.

*KPMG LLP*

Chartered Professional Accountants

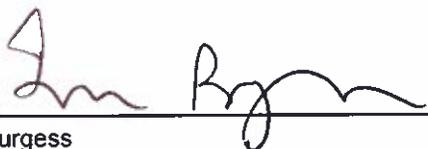
November 3, 2017  
Vancouver, Canada

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

		<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
Current Assets			
Due from the University of British Columbia	(Note 3)	\$ 7,949,401	\$ 8,813,116
Accounts receivable		58,421	60,501
Services levies receivable		<u>707,377</u>	<u>813,501</u>
<b>Total assets</b>		<u>\$ 8,715,199</u>	<u>\$ 9,687,118</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable and accrued liabilities		<u>\$ 7,500</u>	<u>\$ 7,500</u>
<b>Net assets</b>			
Reserves			
Infrastructure Replacement Reserve	(Note 5)	4,479,250	4,346,319
Capital Reserve	(Note 6)	1,758,864	1,698,851
Community Access Reserve	(Note 7)	739,458	744,848
Contingency Reserve	(Note 8)	1,007,234	1,072,855
Rate Stabilization Reserve	(Note 9)	470,673	1,607,450
Community Field Replacement Reserve	(Note 10)	<u>252,220</u>	<u>209,295</u>
		<u>8,707,699</u>	<u>9,679,618</u>
Unappropriated Reserves	(Note 11)	<u>-</u>	<u>-</u>
		<u>8,707,699</u>	<u>9,679,618</u>
<b>Total liabilities and net assets</b>		<u>\$ 8,715,199</u>	<u>\$ 9,687,118</u>

(See accompanying notes to the financial statements)

Approved:



\_\_\_\_\_  
Ian Burgess  
Comptroller

**THE UNIVERSITY OF BRITISH COLUMBIA**  
**THE NEIGHBOURS' FUND**  
**Statement of Operations**  
**Year ended March 31**

	<u>2017</u>	<u>2016</u>
<b>Revenue</b>		
Residential services levy	\$ 2,545,507	\$ 2,851,198
General municipal services levy	582,059	635,799
Interest and miscellaneous income (Note 3)	130,650	190,118
University's contribution (Note 14)	250,000	-
	<u>3,508,216</u>	<u>3,677,115</u>
<b>Expenses</b>		
University Neighbourhoods Association (Note 12)	2,664,412	2,839,832
Non-recoverable portion of GST/HST on transfers to UNA	44,623	46,857
Wesbrook Community Centre (Note 12)	80,000	-
Fire protection costs (Note 14)	500,000	-
Athletics fees (Note 12)	706,455	655,292
Utilities (Note 12)	398,647	252,070
Administration (Note 12)	57,000	57,000
Osborne Centre rental (Note 12)	15,000	15,000
Collection agency fees (Note 13)	2,191	166
Professional fees	7,624	7,124
Communications	4,183	3,673
	<u>4,480,135</u>	<u>3,877,014</u>
<b>Deficiency of revenue over expenses</b>	<u>\$ (971,919)</u>	<u>\$ (199,899)</u>

(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**

	<u>Appropriated Reserves</u>	<u>Unappropriated Reserves</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>Net assets, beginning of year</b>	\$ 9,679,618	\$ -	\$ 9,679,618	\$ 9,879,517
Excess (deficiency) of revenue over expenses	130,683	(1,102,602)	(971,919)	(199,899)
Transfers (Note 11)	<u>(1,102,602)</u>	<u>1,102,602</u>	<u>-</u>	<u>-</u>
	(971,919)	-	(971,919)	(199,899)
<b>Net assets, end of year</b>	<u>\$ 8,707,699</u>	<u>\$ -</u>	<u>\$ 8,707,699</u>	<u>\$ 9,679,618</u>

(See accompanying notes to the financial statements)

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

	<b>2017</b>	<b>2016</b>
<b>Cash provided from:</b>		
<b>Operating activities</b>		
Deficiency of revenue over expenses	\$ (971,919)	\$ (199,899)
Change in:		
Due from the University of British Columbia	863,715	928,728
Accounts receivable	2,080	(23,789)
Services levies receivable	106,124	78,661
Accounts payable and accrued liabilities	-	(500)
Due to the University Neighbourhoods Association	-	(783,201)
	971,919	199,899
 Change in cash	 -	 -
<b>Cash, beginning of year</b>	<b>-</b>	<b>-</b>
<b>Cash, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

(See accompanying notes to the financial statements)

**THE UNIVERSITY OF BRITISH COLUMBIA**  
**THE NEIGHBOURS' FUND**  
**Notes to Financial Statements**  
**Year ended March 31, 2017**

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**1. Nature of 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 2017, 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.

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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 \$130,650 (2016 - \$190,118), calculated at an average of 1.05% per annum (2016 - 2%), was allocated by the University to the Fund during the year.

**THE UNIVERSITY OF BRITISH COLUMBIA**  
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**Year ended March 31, 2017**

**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% (2016 - 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. Interest is calculated monthly using a rate determined by the University based on the reserve balance in the account.

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 4,346,319	\$ 4,184,080
Transfer from unappropriated reserves	75,062	83,688
Interest earned during the year	57,869	78,551
	<u>132,931</u>	<u>162,239</u>
Balance, end of year	\$ <u>4,479,250</u>	\$ <u>4,346,319</u>

**6. Capital Reserve**

1.2% (2016 - 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>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 1,698,851	\$ 1,626,577
Transfer from unappropriated reserves	37,531	41,844
Interest earned during the year	22,482	30,430
	<u>60,013</u>	<u>72,274</u>
Balance, end of year	\$ <u>1,758,864</u>	\$ <u>1,698,851</u>

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**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 \$15,000 (2016 - \$124,757) was made from the reserve to UBC for the use of athletic facilities and the Osborne Centre on Campus. Interest is calculated monthly using a rate determined by the University based on the reserve balance in the account.

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 744,848	\$ 853,332
Interest earned during the year	9,610	16,273
Transfer to UBC	<u>(15,000)</u>	<u>(124,757)</u>
	<u>(5,390)</u>	<u>(108,484)</u>
Balance, end of year	<u>\$ 739,458</u>	<u>\$ 744,848</u>

**8. Contingency Reserve**

1.0% of the services levy (2016 - 1.0%) is set aside to pay for unexpected or unbudgeted repairs and expenses which require immediate action. During the year, in accordance with the UNA's Neighbours' Fund Reserves Policy, a withdrawal of \$80,000 (2016 - \$0) was made from the reserve to UNA to fund the remaining projects at Wesbrook Community Centre. 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, 2017 and March 31, 2016 as the maximum amount was reached.

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 1,072,855	\$ 1,052,847
Interest earned during the year	14,379	20,008
Transfer to UNA	<u>(80,000)</u>	<u>-</u>
	<u>(65,621)</u>	<u>20,008</u>
Balance, end of year	<u>\$ 1,007,234</u>	<u>\$ 1,072,855</u>

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**9. Rate Stabilization Reserve**

1.0% of the services levy (2016 - 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 and deficits in unappropriated reserves are funded from this reserve. During the year, \$1,160,195 was transferred to the unappropriated reserves which comprises of \$910,195 transfer to cover deficits in the unappropriated reserves and \$250,000 payment to the Province for fire protection services (Note 14). Interest is calculated monthly using a rate determined by the University based on the reserve balance in the account.

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 1,607,450	\$ 2,111,617
Transfer to unappropriated reserves	(1,160,195)	(543,783)
Interest earned during the year	23,418	39,616
	<u>(1,136,777)</u>	<u>504,167</u>
Balance, end of year	<u>\$ 470,673</u>	<u>\$ 1,607,450</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. During the year, a \$40,000 (2016 - \$0) contribution was received from UNA. 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>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 209,295	\$ 205,392
Interest earned during the year	2,925	3,903
Transfer from UNA	40,000	-
	<u>42,925</u>	<u>3,903</u>
Balance, end of year	<u>\$ 252,220</u>	<u>\$ 209,295</u>

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**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, Contingency, Rate Stabilization and Community Field Replacement Reserves.

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ -	\$ (154,328)
Deficiency of revenue over expenses	<u>(1,102,602)</u>	<u>(388,680)</u>
	<u>(1,102,602)</u>	<u>(543,008)</u>
Less transfers to (payments from):		
Infrastructure Replacement Reserve	75,062	83,688
Capital Reserve	37,531	41,844
Community Access Reserve	(15,000)	(124,757)
Contingency Reserve	(80,000)	-
Rate Stabilization Reserve	(1,160,195)	(543,783)
Community Field Replacement Reserve	<u>40,000</u>	<u>-</u>
	<u>(1,102,602)</u>	<u>(543,008)</u>
Balance, end of year	\$ <u>-</u>	\$ <u>-</u>

**12. Related Party**

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

Related party transactions include operational funding provided to the UNA of \$2,704,412 (2016 - \$2,839,832) as well as \$80,000 (2016 - \$0) of funding provided to the UNA to fund the remaining projects at Wesbrook Community Centre. During the year, a \$40,000 (2016 - \$0) contribution was received from the UNA.

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

	<u>2017</u>	<u>2016</u>
UBC Athletics - use of athletic facilities	\$ 706,455	\$ 655,292
UBC Building Operations - utilities	398,647	252,070
UBC - administrative costs	57,000	57,000
UBC School of Kinetics - Osborne Centre gym rental	15,000	15,000
	<u>\$ 1,177,102</u>	<u>\$ 979,362</u>

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**13. Collection Agency Fees**

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

**14. Fire protection costs**

Fire protection costs relate to amounts paid to the Province for annual fire protection services for the university community.

During the fiscal year, \$250,000 (2016 - \$0) was paid out of the Rate Stabilization Reserve, with \$250,000 contributed by the University to the Neighbours' Fund to cover the other half of the cost.

**15. 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, 2017 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, 2017 \$58,421 (2016 - \$60,501) amounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure from 2016.

**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 2016.