

THE UNIVERSITY OF BRITISH COLUMBIA

THE NEIGHBOURS' FUND

FINANCIAL STATEMENTS

March 31, 2020

	<u>Page</u>
Independent Auditors' Report	1-3
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8-14



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinion

We have audited the financial statements of The Neighbours' Fund (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the The Neighbours' Fund as at March 31, 2020, its results of operations and changes in net assets, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

January 22, 2021

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

	<u>Note</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Current assets			
Due from the University of British Columbia	3	\$ 7,486,471	\$ 7,152,720
Accounts receivable		110,911	54,371
Services levies receivable		<u>1,422,264</u>	<u>1,191,822</u>
Total assets		<u>\$ 9,019,646</u>	<u>\$ 8,398,913</u>
 LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities		\$ <u>218,754</u>	\$ <u>287,833</u>
 Net assets:			
Appropriated Reserves			
Infrastructure Replacement Fund	5	4,993,749	4,783,516
Capital Replacement Fund	6	1,991,294	1,895,852
Contingency Reserve Fund	7	1,059,180	1,038,912
Stabilization Fund	8	122,203	72,303
Community Field Replacement Reserve	9	326,749	320,497
Unappropriated Reserve	10	<u>307,717</u>	<u>-</u>
		8,800,892	8,111,080
Impact of COVID-19 (note 15)			
Total liabilities and net assets		<u>\$ 9,019,646</u>	<u>\$ 8,398,913</u>

(See accompanying notes to the financial statements)

Approved:



Peter Smailes, VP Finance & Operations

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Statement of Operations
As at March 31

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Revenue			
Residential services levy		\$ 4,084,414	\$ 3,126,221
General municipal services levy		836,841	699,510
Interest income	3	170,136	130,099
University's contribution	11	<u>679,123</u>	<u>77,629</u>
		5,770,514	4,033,459
Expenses			
University Neighbourhoods Association	11	2,983,774	2,145,067
Non-recoverable portion of GST/HST on transfers to UNA		45,932	35,394
Fire protection costs	13	1,188,674	1,082,616
Athletics fees	11	353,309	263,368
Utilities	11	425,470	371,651
Administration	11	57,000	57,000
Interest expense	3	4,420	8,962
Collection agency fees	12	-	731
Professional fees		9,293	15,124
Communications		<u>12,830</u>	<u>4,774</u>
		5,080,702	3,984,687
Excess of revenue over expenses		<u>\$ 689,812</u>	<u>\$ 48,772</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>Note</u>	<u>Appropriated Reserves</u>	<u>Unappropriated Reserves</u>	<u>2020 Total</u>	<u>2019 Total</u>
Net assets, beginning of year		\$ 8,111,080	\$ -	\$ 8,111,080	\$ 8,062,308
Excess of revenue over expenses		155,717	534,095	689,812	48,772
Transfers	10	226,378	(226,378)	-	-
Net assets, end of year		<u>\$ 8,493,175</u>	<u>\$ 307,717</u>	<u>\$ 8,800,892</u>	<u>\$ 8,111,080</u>

(See accompanying notes to the financial statements)

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

	<u>2020</u>	<u>2019</u>
Cash provided from:		
Operating activities		
Excess of revenue over expenses	\$ 689,812	\$ 48,772
Change in:		
Due from the University of British Columbia	(333,751)	(7,533)
Accounts receivable	(56,540)	(9,281)
Services levies receivable	(230,442)	(313,929)
Accounts payable and accrued liabilities	<u>(69,079)</u>	<u>281,971</u>
	<u>(689,812)</u>	<u>(48,772)</u>
Change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

(See accompanying notes to the financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Notes to Financial Statements
Year ended March 31, 2020

1. Nature of Fund

The Neighbours' Fund (the "Fund") is an unincorporated entity within the University of British Columbia ("UBC" or the "University") 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 within the Neighbourhood Housing Areas. For fiscal year 2020, 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 (Notes 4 and 11).

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.

Contributions of services that are used in the operations of the Fund and would have otherwise been purchased are recognized as revenue when the fair value of the services can be reasonably estimated.

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

b) Financial Instruments

Financial instruments are classified into two categories: fair value or amortized cost.

The carrying amount of financial instruments such as accounts receivables and services levies receivables approximate fair value due to their short-term maturities.

The Fund does not have any financial instruments required or elected to be subsequently recorded at fair value, as a result the Statement of Remeasurement Gains and Losses has not been prepared.

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Notes to Financial Statements
Year ended March 31, 2020

2. Significant Accounting Policies (continued)

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, services levies receivable, 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 collects and deposits service levies in the University's bank account on behalf of the Fund, and distributes annual operational funding. During the year, interest income of \$170,136 (2019 - \$130,099) was earned on the amounts held in the University's bank account at an average annual rate of 1.95% (2019 - 1.64%), and interest expense of \$4,420 (2019 - \$8,962) was charged at an average annual rate of 0.39% (2019 - 0.94%) on any outstanding balances during the year where the annual operational funding by the University exceeded the balance of the service levies collected.

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 Fund

2.4% (2019 - 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 (Note 3) based on the reserve balance in the account.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 4,783,516	\$ 4,616,950
Transfer from service levy revenue		
through transfer from unappropriated reserves	118,110	91,818
Interest earned during the year	92,123	74,748
	<u>210,233</u>	<u>166,566</u>
Balance, end of year	\$ <u>4,993,749</u>	\$ <u>4,783,516</u>

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Notes to Financial Statements
Year ended March 31, 2020

6. Capital Replacement Fund

1.2% (2018 - 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 (Note 3) based on the reserve balance in the account.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,895,852	\$ 1,820,548
Transfer from service levy revenue through transfer from unappropriated reserves	59,055	45,909
Interest earned during the year	<u>36,387</u>	<u>29,395</u>
	95,442	75,304
Balance, end of year	<u>\$ 1,991,294</u>	<u>\$ 1,895,852</u>

7. Contingency Reserve Fund

1.0% of the services levy (2019 - 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 (Note 3) 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, 2020 and March 31, 2019 as the maximum amount was reached.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,038,912	\$ 1,022,195
Interest earned during the year	20,268	16,717
Balance, end of year	<u>\$ 1,059,180</u>	<u>\$ 1,038,912</u>

8. Stabilization Fund

1.0% of the services levy (2019 - 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, \$nil (2019 - \$219,054) was drawn from the reserve to cover the current year deficits in the unappropriated reserves. Interest is calculated monthly using a rate determined by the University (Note 3) based on the reserve balance in the account.

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Notes to Financial Statements
Year ended March 31, 2020

8. Stabilization Fund (continued)

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 72,303	\$ 286,654
Interest earned during the year	687	4,703
Transfer from service levy revenue through transfer from unappropriated reserves	49,213	-
Drawdown to cover current year deficits in unappropriated reserves	-	(219,054)
	<u>49,900</u>	<u>(214,351)</u>
Balance, end of year	\$ <u>122,203</u>	\$ <u>72,303</u>

9. 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, nil (2019 - \$nil) was transferred from the Access Fund. Interest is calculated monthly using a rate determined by the University (Note 3) based on the reserve balance in the account.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 320,497	\$ 315,961
Interest earned during the year	6,252	4,536
Balance, end of year	\$ <u>326,749</u>	\$ <u>320,497</u>

10. Unappropriated Reserves

The unappropriated reserves are the accumulated excess of revenues over expenses, if any, net of amounts transferred to (from) the Infrastructure Replacement Fund, Capital Replacement Fund, Access Fund, Contingency, Stabilization Fund, and Community Field Replacement Reserves.

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Notes to Financial Statements
Year ended March 31, 2020

10. Unappropriated Reserves (continued)

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ -	\$ -
Excess (deficiency) of revenue over expenses, including interest income	534,095	(81,327)
Less transfers to (payments from):		
Infrastructure Replacement Fund	118,110	91,818
Capital Replacement Fund	59,055	45,909
Stabilization Fund	49,213	(219,054)
	<u>226,378</u>	<u>(81,327)</u>
Balance, end of year	\$ <u>307,717</u>	\$ <u>-</u>

11. Related Party

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

Related party transactions include:

a. Operational funding provided by the Fund to the UNA of \$2,983,774 (2019 - \$2,145,067).

b. Payments made to UBC as follows:

	<u>2020</u>	<u>2019</u>
UBC Athletics - use of athletic facilities	\$ 353,309	\$ 263,368
UBC Building Operations - utilities	425,470	371,651
	<u>\$ 778,779</u>	<u>\$ 635,019</u>

c. UBC contributed \$679,123 (2019 – \$77,629) to the Fund. This contribution included \$600,000 to fund UNA's prior year operational deficit and \$79,123 to cover administrative costs and other expenses.

12. Collection Agency Fees

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

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Notes to Financial Statements
Year ended March 31, 2020

13. Fire protection costs

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

During the fiscal year, the entire cost of \$1,188,674 (2019 - \$1,082,616) was paid from the unappropriated reserves.

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 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.

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, 2020 is the carrying value of these accounts receivables.

As at March 31, 2020 \$110,913 (2019 - \$54,371) amounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure from 2019.

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 from receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2019.

15. Impact of COVID-19:

The declaration of the COVID-19 virus as a pandemic by the World Health Organization on March 11, 2020, and the subsequent shut-downs globally, domestically, and locally have had a significant impact on the jurisdictions in which the Fund operates. The initial impact has been minimal to the Fund's operations. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on Fund's operations, if any, cannot be estimated reliably at this time.