

THE UNIVERSITY OF BRITISH COLUMBIA

THE NEIGHBOURS' FUND

FINANCIAL STATEMENTS

March 31, 2021

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To the Board of Governors of The Neighbours' Fund:

Opinion

We have audited the financial statements of The Neighbours' Fund (the "Fund"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2021, and the results of its operations 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund 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.

Other Matter

The financial statements for the year ended March 31, 2020 were audited by another auditor who expressed an unqualified opinion on those financial statements on January 22, 2021.

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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 these 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Fund 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.

We 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.

Vancouver, British Columbia

December 13, 2021

MNP LLP

Chartered Professional Accountants

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

ASSETS	Note	2021	2020
Current assets			
Due from the University of British Columbia	3	\$ 7,631,768	\$ 7,486,471
Accounts receivable		200,468	110,911
Services levies receivable		<u>1,600,961</u>	<u>1,422,264</u>
Total assets		\$ <u>9,433,197</u>	\$ <u>9,019,646</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities		\$ <u>14,815</u>	\$ <u>218,754</u>
Net assets:			
Appropriated Reserves			
Infrastructure Replacement Reserve	5	5,209,953	4,993,749
Capital Reserve	6	2,095,581	1,991,294
Contingency Reserve	7	1,077,288	1,059,180
Rate Stabilization Reserve	8	185,231	122,203
Community Field Replacement Reserve	9	<u>332,335</u>	<u>326,749</u>
		8,900,388	8,493,175
Unappropriated Reserve	10	<u>517,994</u>	<u>307,717</u>
		9,418,382	8,800,892
Total liabilities and net assets		\$ <u>9,433,197</u>	\$ <u>9,019,646</u>

Impact of COVID-19 (Note 14)

(See accompanying notes to the financial statements)

Approved:



Director



Director

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

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Revenue			
Residential services levy		\$ 4,881,320	\$ 4,084,414
General municipal services levy		1,020,233	836,841
Interest income	3	130,134	165,716
University's contribution	11	480,027	679,123
		<u>6,511,714</u>	<u>5,766,094</u>
Expenses			
University Neighbourhoods Association	11	3,667,288	2,983,774
Non-recoverable portion of GST/HST on transfers to UNA		60,345	45,932
Fire protection costs	12	1,215,206	1,188,674
Athletics fees	11	426,679	353,309
Utilities	11	444,679	425,470
Administration	11	57,000	57,000
Professional fees		10,000	9,293
Communications		13,027	12,830
		<u>5,894,224</u>	<u>5,076,282</u>
Surplus of revenue over expenses		<u>\$ 617,490</u>	<u>\$ 689,812</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>2021 Total</u>	<u>2020 Total</u>
Net assets, beginning of year		\$ 8,493,175	\$ 307,717	\$ 8,800,892	\$ 8,111,080
Excess of revenue over expenses		135,741	481,749	617,490	689,812
Transfers	10	<u>271,472</u>	<u>(271,472)</u>	<u>-</u>	<u>-</u>
Net assets, end of year		<u>\$ 8,900,388</u>	<u>\$ 517,994</u>	<u>\$ 9,418,382</u>	<u>\$ 8,800,892</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>2021</u>	<u>2020</u>
Cash provided from:		
Operating activities		
Excess of revenue over expenses	\$ 617,490	\$ 689,812
Change in:		
Due from the University of British Columbia	(145,297)	(333,751)
Accounts receivable	(89,557)	(56,540)
Services levies receivable	(178,697)	(230,442)
Accounts payable and accrued liabilities	<u>(203,939)</u>	<u>(69,079)</u>
	<u>(617,490)</u>	<u>(689,812)</u>
Change in cash	-	-
Cash, beginning of year	<u>-</u>	<u>-</u>
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Statement of Management Responsibility
Year ended March 31, 2021

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 leaseholders, 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 2021, 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 10).

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.

The Fund follows the deferral method of accounting. Amounts received in the current year that relate to future years are deferred and will be recognized in the year the services are provided.

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
Statement of Management Responsibility
Year ended March 31, 2021**

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 \$130,134 (2020 - \$165,716) was earned on the amounts held in the University's bank account at an average annual rate of 1.71% (2020 – 1.95%).

4. University Neighbourhoods Association (UNA)

The UNA was formed under the Society Act (now BC Societies Act) in May 29, 2002 to promote the development of good neighbourhoods, and to provide, operate and maintain services and facilities on behalf of such residents. 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% (2020 - 2.4%) of the services levy is set aside to pay for the cost of repairing or replacing the municipal-like infrastructure required to service the neighbourhoods. This may include the replacement of 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>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 4,993,749	\$ 4,783,516
Transfer from service levy revenue		
through transfer from unappropriated reserves	141,637	118,110
Interest earned during the year	74,567	92,123
	<u>216,204</u>	<u>210,233</u>
Balance, end of year	\$ <u>5,209,953</u>	\$ <u>4,993,749</u>

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Statement of Management Responsibility
Year ended March 31, 2021

6. Capital Reserve

1.2% (2020 - 1.2%) of the services levy is set aside to pay for the cost of repairing and replacing facilities and amenities in the neighbourhoods. 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>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 1,991,294	\$ 1,895,852
Transfer from service levy revenue through transfer from unappropriated reserves	70,819	59,055
Interest earned during the year	<u>33,468</u>	<u>36,387</u>
	<u>104,827</u>	<u>95,442</u>
Balance, end of year	\$ <u>2,095,581</u>	\$ <u>1,991,294</u>

7. Contingency Reserve

1.0% of the services levy (2020 - 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, 2021 and March 31, 2010 as the maximum amount was reached.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 1,059,180	\$ 1,038,912
Interest earned during the year	<u>18,108</u>	<u>20,268</u>
Balance, end of year	\$ <u>1,077,288</u>	\$ <u>1,059,180</u>

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Statement of Management Responsibility
Year ended March 31, 2021

8. Rate Stabilization Reserve

1.0% of the services levy (2020 - 1.0%) is normally set aside to be used in the event the amount of Services Levy collected by UBC is decreased due to a change in relative ratios between the municipal tax rate of the City of Vancouver levied on residential property as opposed to the provincial/rural service tax levied on residential property. 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. Interest is calculated monthly using a rate determined by the University (Note 3) based on the reserve balance in the account.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 122,203	\$ 72,303
Interest earned during the year	4,012	687
Transfer from service levy revenue through transfer from unappropriated reserves	<u>59,016</u>	<u>49,213</u>
	<u>63,028</u>	<u>49,900</u>
Balance, end of year	\$ <u>185,231</u>	\$ <u>122,203</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. Interest is calculated monthly using a rate determined by the University (Note 3) based on the reserve balance in the account.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 326,749	\$ 320,497
Interest earned during the year	<u>5,586</u>	<u>6,252</u>
Balance, end of year	\$ <u>332,335</u>	\$ <u>326,749</u>

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Statement of Management Responsibility
Year ended March 31, 2021

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, Capital, Community Access, Contingency, Rate Stabilization and Community Field Replacement Reserves.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 307,717	\$ -
Excess of revenue over expenses	481,749	534,095
Less transfers to (payments from):		
Infrastructure Replacement Reserve	141,637	118,110
Capital Reserve	70,819	59,055
Rate Stabilization Reserve	<u>59,016</u>	<u>49,213</u>
	<u>271,472</u>	<u>226,378</u>
Balance, end of year	\$ <u>517,994</u>	\$ <u>307,717</u>

11. Related Party

Related party transactions include operational funding provided to the UNA of \$3,667,288 (2020 - \$2,983,774).

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

	<u>2021</u>	<u>2020</u>
UBC Athletics - use of athletic facilities	\$ 426,679	\$ 353,309
UBC Building Operations - utilities	444,679	425,470
	<u>\$ 871,358</u>	<u>\$ 778,779</u>

The University contributed \$480,027 (2020 - \$679,123) to the Fund. This contribution included \$400,000 to Fund UNA's prior year operation deficit and \$80,027 to cover administrative costs and other expenses.

12. 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, the entire cost of \$1,215,206 (2020 - \$1,188,674) was paid from the unappropriated reserves.

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Statement of Management Responsibility
Year ended March 31, 2021

13. 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, 2021 is the carrying value of these accounts receivables.

As at March 31, 2021 \$ 200,468 (2020 - \$110,913) amounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure from 2020.

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 2020.

14. Impact of COVID-19

In December 2019, a novel strain of the coronavirus (now commonly known as COVID-19) was reported, and has since spread rapidly throughout many countries, and on March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries, including the United States, Canada, and China, imposed unprecedented restrictions on travel, and there have been business closures and a substantive reduction in economic activity in countries that have had significant outbreaks of COVID-19.

For the year ended March 31, 2021, the financial impact of COVID-19 on the Fund was not significant. The Fund does not expect COVID-19 to have an impact on future operations, however, management will continue to monitor the impact closely.

15. Comparative Information

Certain comparative figures have been reclassified in order to provide presentational consistency with the current year.