

THE UNIVERSITY OF BRITISH COLUMBIA

**THE NEIGHBOURS FUND
FINANCIAL STATEMENTS**

March 31, 2007

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October 22, 2007

Auditors' Report

**To the Board of Governors of
The University of British Columbia**

We have audited the statement of financial position of **The Neighbours Fund** as at March 31, 2007 and the statement of revenues and expenditures for the year then ended. These financial statements are the responsibility of the University of British Columbia's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Neighbours Fund as at March 31, 2007 and the results of operations for the year then ended in accordance with Canadian generally accepted accounting principles.

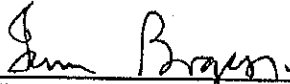
PricewaterhouseCoopers LLP

Chartered Accountants

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Statement of Financial Position
Year ended March 31, 2007

	2007	2006
Assets		
Cash and Short-term Deposits (Note 3)	\$ 3,545,681	\$ 2,892,276
Accounts Receivable (Note 2(a))	57,555	32,593
Services Levy Accrual (Note 2(a))	595,420	284,252
Total Assets	\$ 4,198,656	\$ 3,209,121
 Liabilities		
Accrued Liabilities	\$ 3,400	\$ 2,550
 Reserves and Surplus		
Reserves		
Capital Replacement Reserve (Note 5)	1,916,435	1,510,398
Community Centre Reserve (Note 6)	961,401	756,260
Surplus (Note 7)	1,317,420	939,913
	4,195,256	3,206,571
Total Liabilities, Reserves and Surplus	\$ 4,198,656	\$ 3,209,121

Approved:



 Acting Associate Vice President, Finance

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Statement of Financial Activities
Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
Revenue		
Services Levy	\$ 1,989,938	\$ 1,355,635
Investment Interest	155,670	86,863
Miscellaneous Revenue	3,125	-
	<u>2,148,733</u>	<u>1,442,498</u>
Expenditures		
Administration (Note 8)	20,000	20,000
Communications	771	237
Professional Fees	4,297	3,683
University Neighbourhoods Association	1,134,980	585,716
	<u>1,160,048</u>	<u>609,636</u>
Excess of Revenue over Expenditures	988,685	832,862
Transfers to Reserves		
Capital Replacement Reserve (Note 5)	(406,037)	(265,556)
Community Centre Reserve (Note 6)	(205,141)	(134,164)
	<u>377,507</u>	<u>433,142</u>
Excess of Revenue over Expenditure after Transfers	377,507	433,142
Surplus, Beginning of Year	<u>939,913</u>	<u>506,771</u>
Surplus, End of Year	<u>\$ 1,317,420</u>	<u>\$ 939,913</u>

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2007

1. Nature of Fund

The Fund is an unincorporated entity that collects a Services Levy from residents and residential developers located on the University of British Columbia (UBC) properties. For fiscal year 2006/07 the Services levy was collected on the properties of Hampton Place, Hawthorn Place, Chancellor Place and South Campus.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) Services Levy

The Services Levy is charged to tenants on a calendar year basis and reported in the financial statements on an accrual basis.

b) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets at the date of the financial statements and the reported amounts or revenues during the year. Actual results could differ from those estimates, as additional information becomes available in the future.

In the current year a change in estimate was made to Service Levy accruals and revenue resulting in an increase of \$139,364 for the year ended March 31, 2007.

c) Future Accounting Changes – Financial Instruments

In 2005, the Canadian Institute of Chartered Accountants (CICA) issued new accounting standards comprising handbook sections 3855 "Financial Instruments – Recognition and Measurement", 3865 "Hedges", and 3251 "Equity", which will become effective for the Fund beginning April 1, 2007.

The standards require that organizations elect to designate each financial asset as trading, available for sale, held to maturity or loans and receivables. The Fund has designated its investments as held for trading, with realized and unrealized gains and losses being recorded in the statement of operations.

In addition, the standards require that all financial assets be measured at fair value on the statement of financial position with the exception of loans, receivables, and investments classified as held-to-maturity, which will be measured at amortized cost.

Similarly, the standards require that all financial liabilities be measured at fair value on the statement of financial position when they are held for trading. Other financial liabilities should be measured at amortized cost.

The Fund has financial assets and liabilities that contain a contractual right or obligation to be converted to cash. The fair values of these financial assets and liabilities approximate their carrying values.

**THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2007**

3. Cash and Short-term Deposits

These funds are invested by the University of British Columbia with the overall cash reserves of the University. Funds are invested on a temporary basis to allow for flexibility in managing cash reserves.

Interest earned is prorated between the Capital Replacement Reserve, the Community Centre Reserve, and the Surplus based on the respective balances in these accounts at year end.

4. University Neighbourhoods Association (UNA)

The UNA was formed under the Society Act in May 29, 2002 to act as the municipal organization to serve certain residential housing communities on UBC lands. Commencing in April of 2004, the UNA was responsible to provide municipal like services, such as landscaping, street and road maintenance to the residents. The Neighbours Fund pays a portion of the services levy to the UNA as funding for their operations. The amount recognized as expenditure in the year is the amount paid over to the UNA. The amount paid to the UNA in a year is established based on the UNA budget developed and submitted to the UBC Board of Governors. Any subsequent surplus or deficit on comparing budget to actual expenditure will be recorded in future periods.

5. Capital Replacement Reserve

Each year a percentage (16.4%) of the Services Levy is set aside to replace infrastructure works, such as sidewalks, roads, water lines, storm and sanitary sewers in future years. Interest earned on the reserve is calculated based on the balance in the reserve account at year end.

	<u>2007</u>	<u>2006</u>
Balance, Beginning of Year	\$ 1,510,398	\$ 1,244,842
Appropriations from Services Levy Revenue	326,350	222,324
Interest Earned	<u>79,687</u>	<u>43,232</u>
Transfer to Capital Replacement Reserve	<u>406,037</u>	<u>265,556</u>
Balance, End of Year	<u>\$ 1,916,435</u>	<u>\$ 1,510,398</u>

**THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2007**

6. Community Centre Reserve

Each year a percentage (8.3%) of the Services Levy is set aside to fund a future community facility. Interest earned on the reserve is calculated based on the balance in the reserve account at year end.

	<u>2007</u>	<u>2006</u>
Balance, Beginning of Year	\$ 756,260	\$ 622,096
Appropriations from Services Levy Revenue	165,165	112,518
Interest Earned	<u>39,976</u>	<u>21,646</u>
Transfer to Community Centre Reserve	<u>205,141</u>	<u>134,164</u>
Balance, End of Year	<u>\$ 961,401</u>	<u>\$ 756,260</u>

7. Surplus

This surplus consists of current and prior years' surpluses, and is unrestricted as to use.

8. Administration Expense

Administration expense consists of a fee charged to the UNA for administrative costs.

9. Related Party

Three of the seven members of the UNA Board of Directors are UBC appointed faculty, staff and students. Related party transactions for the 2006/07 fiscal year are funding of \$1,134,980 (2005/06 \$585,716) provided to UNA and administration fees of \$20,000 (2005/06 \$20,000) charged to UNA by the Fund.

10. Statement of Cash Flows

A statement of cash flows has not been prepared, as the information is readily available from the other statements.