

THE UNIVERSITY OF BRITISH COLUMBIA

THE NEIGHBOURS FUND

FINANCIAL STATEMENTS

March 31, 2009

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AUDITORS' REPORT TO THE MEMBERS OF 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, 2009 and the statement of revenues and expenses and statement of net assets 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, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature, extending from the left side of the 'K' towards the right.

Chartered Accountants

Burnaby, Canada

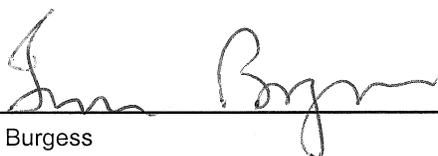
July 16, 2009

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

	2009	2008
ASSETS		
Due from the University of British Columbia (Note 3)	\$ 6,314,130	\$ 5,389,890
Accounts Receivable	417,192	461,884
Services Levy Accrual	667,906	634,110
Total Assets	\$ 7,399,228	\$ 6,485,884
 LIABILITIES AND NET ASSETS		
Liabilities		
Accrued Liabilities	\$ 516,232	\$ 425,358
 Net Assets		
Reserves		
Infrastructure Replacement Reserve (Note 5)	3,296,055	2,366,676
Capital Reserve (Note 6)	1,228,613	1,178,986
Community Access Reserve (Note 7)	816,332	800,000
Contingency Reserve (Note 8)	660,707	336,000
Rate Stabilization Reserve (Note 9)	687,847	-
	6,689,554	4,681,662
Unappropriated Reserves	193,442	1,378,864
	6,882,996	6,060,526
Total Liabilities and Net Assets	\$ 7,399,228	\$ 6,485,884

(See accompanying notes to the financial statements)

Approved:



 Ian Burgess
 Comptroller, Finance

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Statement of Revenue and Expenses
Year ended March 31

	<u>2009</u>	<u>2008</u>
Revenue		
Services Levy	\$ 2,569,567	\$ 2,273,125
Investment Interest	132,441	173,887
Funding from the University of British Columbia	-	1,136,000
Other	<u>18</u>	<u>750</u>
	<u>2,702,026</u>	<u>3,583,762</u>
Expenses		
University Neighbourhoods Association (Note 10)	1,813,143	1,687,430
Administration (Note 10)	50,000	20,000
Bad Debts	7,960	3,181
Professional Fees	7,465	6,968
Communications	<u>988</u>	<u>913</u>
	<u>1,879,556</u>	<u>1,718,492</u>
Excess of Revenue over Expenses	<u>\$ 822,470</u>	<u>\$ 1,865,270</u>

(See accompanying notes to the financial statements)

**THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Statement of Net Assets
As at March 31**

	<u>Unappropriated Reserves</u>	<u>Reserves</u>	<u>Total 2009</u>	<u>Total 2008</u>
Net assets, beginning of year	\$ 1,378,864	\$ 4,681,662	\$ 6,060,526	\$ 4,195,256
Excess of revenue over expenses	822,470	-	822,470	1,865,270
Transfers	<u>(2,007,892)</u>	<u>2,007,892</u>	<u>-</u>	<u>-</u>
	<u>(1,185,422)</u>	<u>2,007,892</u>	<u>822,470</u>	<u>1,865,270</u>
Net assets, end of year	<u>\$ 193,442</u>	<u>\$ 6,689,554</u>	<u>\$ 6,882,996</u>	<u>\$ 6,060,526</u>

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2009

1. Nature of Fund

The Neighbours 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 or the University) properties. For fiscal year 2008/09, the Services Levy was collected on the properties of Hampton Place, Hawthorn Place, Chancellor Place, Wesbrook Place and East Campus.

Funding for the annual operations of the University Neighbourhoods Association (UNA) are transferred to the UNA and managed directly by them.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) for not-for-profit organizations.

a) Statement of Cash Flows

A statement of cash flows has not been presented as management does not consider that it would provide additional meaningful information.

b) Revenue Recognition

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.

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.

c) Financial Instruments

Financial instruments are classified as loans and receivables, or other financial liabilities, which are measured at amortised cost using the effective interest rate method. The Fund's financial instruments include due from the University of British Columbia, accounts receivable, Services Levy accrual and accrued liabilities. The Fund classifies all of its assets as loans and receivables and its accruals and accrued liabilities as other financial liabilities.

d) 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 Levy accrual and provisions for accrued liabilities and contingencies. Actual results could differ from those estimates, as additional information becomes available in the future.

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2009

e) Future Accounting and Reporting Changes

(i) Revisions to Not-for-Profit Accounting Standards

In September 2008, the Canadian Institute of Chartered Accountants (CICA) issued amendments to Handbook Sections 4400, Financial Statement Presentation by Not-for-Profit Organizations and 4470, Disclosure of Allocated Expenses by Not-for-Profit Organizations. The amendments are effective for the Fund's fiscal year commencing April 1, 2009 and remove the requirement to disclose invested in capital assets in net assets, clarify capital asset recognition criteria and amortization, expand interim financial statement requirements to not-for-profit organizations that prepare interim financial statements, require disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and include the requirement to follow CICA Handbook Section 1540, Cash Flow Statements. The Fund is currently evaluating the impact of these revisions for the fiscal year ending March 31, 2010.

(ii) Changes in Accounting Framework

The CICA has decided to transition GAAP for publicly accountable entities to International Financial Reporting Standards effective January 1, 2011. The Fund is currently classified as a not-for-profit organization. The Accounting Standards Board and the Public Sector Accounting Board have jointly issued an Invitation to Comment to invite feedback on the future of financial reporting by not-for-profit organizations.

(iii) Financial Instruments

During 2009, the CICA announced that not-for-profit organizations could elect to continue to apply CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation in place of CICA Handbook Sections 3862, Financial Instruments – Disclosure and 3863, Financial Instruments – Presentation. The Fund has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with CICA Handbook Section 3861.

f) New Accounting Pronouncements and Changes in Accounting Policies

(i) Assessing Going Concern

Effective April 1, 2008, the Fund adopted CICA Handbook Section 1400, General Standards of Financial Statement Presentation, which requires the Fund to assess and disclose its ability to continue as a going concern. Based on assessment by management, the Fund is currently not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Fund's ability to continue as a going concern.

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2009

(ii) Capital Disclosures

Effective April 1, 2008, the Fund adopted CICA Handbook Section 1535, Capital Disclosures. Under this new standard, the Fund is required to disclose both qualitative and quantitative information that enables users of the financial statements to evaluate the Fund's objectives, policies, and processes for managing capital. It also includes disclosure regarding what the Fund regards as capital, whether the Fund has complied with any externally imposed requirements and in the event of non-compliance, the consequences of such non-compliance (Note 11).

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 with the overall cash reserves of the University.

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 in April of 2004, the UNA was responsible to provide municipal-like services, such as landscaping, 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 developed and submitted to the UBC Board of Governors, which represents the estimated expense for the year.

5. Infrastructure Replacement Reserve (formerly Capital Replacement Reserve)

This year, 2.4% (2007/08 – 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 is calculated monthly based on the reserve balance in the account.

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 2,366,676	\$ 1,916,435
Transfer from Unappropriated Reserves	803,000	-
Appropriations from Services Levy Revenue	61,670	372,792
Transfer of Interest Earned during the year	64,709	77,449
Total Transfer from Unappropriated Reserves	<u>929,379</u>	<u>450,241</u>
Balance, end of year	<u>\$ 3,296,055</u>	<u>\$ 2,366,676</u>

THE UNIVERSITY OF BRITISH COLUMBIA
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Notes to Financial Statements
Year ended March 31, 2009

6. Capital Reserve (formerly Community Centre Reserve)

This year, 1.2% (2007/08 – 8.3%) of the Services Levy is set aside to fund the community centre facility. Interest is calculated monthly based on the reserve balance in the account.

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 1,178,986	\$ 961,401
Appropriations from Services Levy Revenue	30,835	188,669
Transfer of Interest Earned during the year	18,792	38,916
Withdrawal from Capital Reserve	-	(10,000)
Total Transfer from Unappropriated Reserves	<u>49,627</u>	<u>217,585</u>
Balance, end of year	<u>\$ 1,228,613</u>	<u>\$ 1,178,986</u>

7. Community Access Reserve

The Community Access Reserve is comprised of funds set aside to make annual 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. Interest is calculated monthly based on the reserve balance in the account. In the prior year, no interest is allocated to this reserve because transfer of funds occurred at year end.

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 800,000	\$ -
Transfer from Unappropriated Reserves	-	800,000
Transfer of Interest Earned during the year	16,332	-
Total Transfer from Unappropriated Reserves	<u>16,332</u>	<u>800,000</u>
Balance, end of year	<u>\$ 816,332</u>	<u>\$ 800,000</u>

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2009

8. Contingency Reserve

The Contingency Reserve is comprised of funds set aside to pay for unexpected or unbudgeted repairs and expenses which require immediate action. Interest is calculated monthly based on the reserve balance in the account. In the prior year, no interest is allocated to this reserve because transfer of funds occurred at year end.

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 336,000	\$ -
Transfer from Unappropriated Reserves	311,969	336,000
Transfer of Interest Earned during the year	<u>12,738</u>	<u>-</u>
Total Transfer from Unappropriated Reserves	<u>324,707</u>	<u>336,000</u>
Balance, end of year	<u>\$ 660,707</u>	<u>\$ 336,000</u>

9. Rate Stabilization Reserve

The Rate Stabilization Reserve is comprised of funds set aside to guard against unforeseen changes in the City of Vancouver tax rates. Interest is calculated monthly based on the reserve balance in the account.

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ -	\$ -
Transfer from Unappropriated Reserves	681,969	-
Transfer of Interest Earned during the year	<u>5,878</u>	<u>-</u>
Total Transfer from Unappropriated Reserves	<u>687,847</u>	<u>-</u>
Balance, end of year	<u>\$ 687,847</u>	<u>\$ -</u>

10. Related Party

Two of the seven members of the UNA Board of Directors are appointed by UBC. These appointees may be faculty, staff or students.

Related party transactions for the 2008/09 fiscal year are funding of \$1,813,143 (2007/08 - \$1,687,430) provided to the UNA, and administration fees of \$50,000 (2007/08 - \$20,000) charged to the Fund by UBC for administrative costs.

**THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2009**

11. Capital Disclosures

The Fund receives its principal source of capital through Service Levies charged to tenants, investment income and funding from the University. The Fund defines capital to be net assets. The Fund's objective when managing capital is to promote the creation of a vibrant and sustainable community for the residents of UBC's residential neighbourhoods.

The Fund's capital is used to replace infrastructure works, to fund the community centre facility, to make annual payment for the operating costs of the facilities, to pay for unexpected or unbudgeted repairs and expenses, and to guard against unforeseen changes in the tax rate.

The Fund's capital is set aside annually in the applicable reserves in the amounts established by the UNA's reserve policy. Expenditures from any of the reserves may only be made with the approval of the UNA Board of Directors.