

*THE UNIVERSITY OF BRITISH COLUMBIA*

**FOR INFORMATION ONLY**

**FORWARDED TO:**            **BOARD OF GOVERNORS ON  
RECOMMENDATION  
OF PRESIDENT STEPHEN J. TOOPE**

**APPROVED FOR SUBMISSION:**

\_\_\_\_\_  
**Stephen J. Toope, President & Vice-Chancellor**

**DATE**                            \_\_\_\_\_

**PRESENTED BY:**            **Pierre Ouillet, Vice President, Finance, Resources & Operations  
Ian Burgess, Comptroller**

**DATE OF MEETING:**        **September 16, 2010**

**SUBJECT:**                    **The Neighbours Fund  
Financial Statements March 31, 2010**

**DECISION REQUESTED:**        **For information only**

**EXECUTIVE SUMMARY:**

The Comptroller has approved the audited financial statements of Neighbours Fund for the year ended March 31, 2010. The financial statements were prepared by UBC Finance and have been audited by KPMG LLP.

The Neighbours Fund is an unincorporated entity that collects a Services Levy from residents and residential developers located on the University's properties. For fiscal year 2009/10, the Services Levy was collected on the properties of Hampton Place, Hawthorn Place, Chancellor Place, Wesbrook Place, and East Campus. During the 2009/10 year, the Neighbours Fund received \$2,781,783 of service levies (prior year \$2,569,567). Funding for the annual operations of the University Neighbourhoods Association (UNA) are transferred to UNA and managed directly by them.

**ATTACHMENTS:**

The Neighbours Fund Financial Statements Year Ended March 31, 2010

**THE UNIVERSITY OF BRITISH COLUMBIA**

**THE NEIGHBOURS FUND**

**FINANCIAL STATEMENTS**

**March 31, 2010**

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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, 2010 and the statement of revenues and expenses and statement of net assets and cash flows 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, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Burnaby, Canada

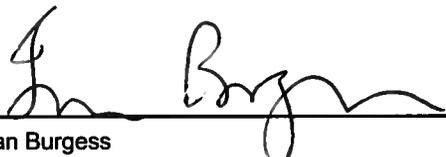
July 13, 2010

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

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Current Assets		
Due from the University of British Columbia (Note 3)	\$ 7,037,222	\$ 6,314,130
Accounts receivable	427,446	417,192
Services levy receivable	742,338	667,906
<b>Total assets</b>	<b>\$ 8,207,006</b>	<b>\$ 7,399,228</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accrued liabilities	\$ 559,490	\$ 516,232
 <b>Net assets</b>		
Reserves		
Infrastructure Replacement Reserve (Note 5)	3,367,937	3,296,055
Capital Reserve (Note 6)	1,263,872	1,228,613
Community Access Reserve (Note 7)	817,555	816,332
Contingency Reserve (Note 8)	881,146	660,707
Rate Stabilization Reserve (Note 9)	1,117,866	687,847
	7,448,376	6,689,554
Unappropriated reserves	199,140	193,442
	7,647,516	6,882,996
<b>Total liabilities and net assets</b>	<b>\$ 8,207,006</b>	<b>\$ 7,399,228</b>

(See accompanying notes to the financial statements)

**Approved:**



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Ian Burgess  
 Comptroller, Finance

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

	<b>2010</b>	<b>2009</b>
<b>Revenue</b>		
Services levy	\$ 2,781,783	\$ 2,569,567
Investment interest	16,962	132,441
Other	-	18
	2,798,745	2,702,026
<b>Expenses</b>		
University Neighbourhoods Association (Note 10)	1,964,621	1,813,143
Administration (Note 10)	50,000	50,000
Bad debts	5,922	7,960
Professional fees	12,277	7,465
Communications	1,405	988
	2,034,225	1,879,556
<b>Excess of revenue over expenses</b>	<b>\$ 764,520</b>	<b>\$ 822,470</b>

(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>Appropriated Reserves</u>	<u>2010</u>	<u>2009</u>
<b>Net assets, beginning of year</b>	\$ 193,442	\$ 6,689,554	\$ 6,882,996	\$ 6,060,526
Excess of revenue over expenses	764,520	-	764,520	822,470
Transfers	<u>(758,822)</u>	<u>758,822</u>	<u>-</u>	<u>-</u>
	5,698	758,822	764,520	822,470
<b>Net assets, end of year</b>	<u>\$ 199,140</u>	<u>\$ 7,448,376</u>	<u>\$ 7,647,516</u>	<u>\$ 6,882,996</u>

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

	<b>2010</b>	<b>2009</b>
<b>Cash provided from:</b>		
<b>Operating activities</b>		
Excess of revenue over expenses	\$ 764,520	\$ 822,470
Change in:		
Due from the University of British Columbia	(723,092)	(924,240)
Accounts receivable	(10,254)	44,692
Services levy receivable	(74,432)	(33,796)
Accrued liabilities	43,258	90,874
	(764,520)	(822,470)
Change in cash	-	-
<b>Cash, beginning of year</b>	-	-
<b>Cash, end of year</b>	\$ -	\$ -

**THE UNIVERSITY OF BRITISH COLUMBIA**  
**THE NEIGHBOURS FUND**  
**Notes to Financial Statements**  
**Year ended March 31, 2010**

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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 located on the University of British Columbia (UBC or the University) properties. For fiscal year 2010, 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) 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 generally accepted accounting principles (GAAP) for not-for-profit organizations.

**a) 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.

**b) Financial Instruments**

Financial instruments are classified as loans and receivables, or other financial liabilities, which are measured at amortized cost using the effective interest rate method. The Fund's financial instruments include due from the University of British Columbia, accounts receivable, services levy receivable and accrued liabilities. The Fund classifies all of its assets as loans and receivables and its accrued liabilities as other financial liabilities. The fair values of these financial instruments approximate book values due to their short-term nature.

**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 levy receivable and provisions for accrued liabilities and contingencies. Actual results could differ from those estimates, as additional information becomes available in the future.

**d) Future Accounting and Reporting Changes**

The Accounting Standards Board and Public Sector Accounting Board have released an exposure draft relating to the future of financial reporting by not-for-profit organizations. The

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exposure draft proposes that, as of January 1, 2012, not-for-profit organizations that are not part of the public sector, such as the Fund, be given the choice between adopting International Financial Reporting Standards or the new private company accounting framework supplemented by specific not-for-profit standards. The Fund is in the process of reviewing the potential impact of the proposals on its reporting framework and financial statements.

**e) New Accounting Pronouncements and Changes in Accounting Policies**

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

Effective April 1, 2009, the Fund adopted the amendments to CICA Handbook Section 4400, Financial Statement Presentation by Not-for-Profit Organizations, and 4470, Disclosure of Allocated Expenses by Not-for-Profit organizations. The amendments removed the requirement to disclose net assets invested in capital assets, clarified capital asset recognition criteria and amortization, expanded interim financial statement requirements to not-for-profit organizations that prepare interim financial statements, and added a requirement for disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and a requirement to follow Handbook Section 1540, Cash Flow Statements. The Fund has included a statement of cash flows for the year ended March 31, 2010.

(ii) Amendments to Section 1000, Financial Statement Concepts

Effective April 1, 2009, the Fund adopted CICA Handbook Section 1000, Financial Statement Concepts. The amendments clarify the relationship between incurring expenditures and creating assets and clarify that items, which do not meet the definition of assets or liabilities, are not eligible for recognition. The implementation of the amendments did not have an impact on the financial statements.

**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. Interest income of \$14,109 (2009 - \$124,296), calculated at an average of 0.15% per annum (2009 - 2.04%), was earned on this balance during 2010.

**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, which represents the estimated expense for the year.

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**Year ended March 31, 2010**

**5. Infrastructure Replacement Reserve**

2.4% (2009 – 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. Interest is calculated monthly based on the reserve balance in the account.

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 3,296,055	\$ 2,366,676
Transfer from unappropriated reserves	-	803,000
Appropriations from services levy revenue	66,763	61,670
Transfer of interest earned during the year	<u>5,119</u>	<u>64,709</u>
Total transfer from unappropriated reserves	<u>71,882</u>	<u>929,379</u>
Balance, end of year	<u>\$ 3,367,937</u>	<u>\$ 3,296,055</u>

**6. Capital Reserve**

1.2% (2009 – 1.2%) 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>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 1,228,613	\$ 1,178,986
Appropriations from services levy revenue	33,381	30,835
Transfer of interest earned during the year	<u>1,878</u>	<u>18,792</u>
Total transfer from unappropriated reserves	<u>35,259</u>	<u>49,627</u>
Balance, end of year	<u>\$ 1,263,872</u>	<u>\$ 1,228,613</u>

**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. Interest is calculated monthly based on the reserve balance in the account.

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 816,332	\$ 800,000
Transfer of interest earned during the year	<u>1,223</u>	<u>16,332</u>
Balance, end of year	<u>\$ 817,555</u>	<u>\$ 816,332</u>

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Year ended March 31, 2010**

**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.

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 660,707	\$ 336,000
Transfer from unappropriated reserves	219,387	311,969
Transfer of interest earned during the year	<u>1,052</u>	<u>12,738</u>
Total transfer from unappropriated reserves	<u>220,439</u>	<u>324,707</u>
Balance, end of year	<u>\$ 881,146</u>	<u>\$ 660,707</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>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 687,847	\$ -
Transfer from unappropriated reserves	428,945	681,969
Transfer of interest earned during the year	<u>1,074</u>	<u>5,878</u>
Total Transfer from unappropriated reserves	<u>430,019</u>	<u>687,847</u>
Balance, end of year	<u>\$ 1,117,866</u>	<u>\$ 687,847</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 2010 fiscal year are funding of \$1,964,621 (2009 - \$1,813,143) provided to the UNA, and administration fees of \$50,000 (2009 - \$50,000) charged to the Fund by UBC for administrative costs.

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Year ended March 31, 2010**

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**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.