

THE UNIVERSITY OF BRITISH COLUMBIA

THE NEIGHBOURS' FUND

FINANCIAL STATEMENTS

March 31, 2014

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

		<u>2014</u>	<u>2013</u>
ASSETS			
Current Assets			
Due from the University of British Columbia	(Note 3)	\$ 9,849,773	\$ 8,705,944
Due from University Neighbourhoods Association		-	579,276
Accounts receivable		47,361	41,568
Services levies receivable		<u>855,979</u>	<u>909,803</u>
Total assets		<u>\$ 10,753,113</u>	<u>\$ 10,236,591</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 167,905	\$ 192,000
Due to the University Neighbourhoods Association		<u>823,201</u>	<u>-</u>
		991,106	192,000
Net assets			
Reserves			
Infrastructure Replacement Reserve	(Note 5)	4,028,608	3,860,958
Capital Reserve	(Note 6)	1,556,882	1,482,689
Community Access Reserve	(Note 7)	890,197	871,449
Contingency Reserve	(Note 8)	1,034,656	1,012,845
Rate Stabilization Reserve	(Note 9)	2,035,821	1,942,628
Community Field Replacement Reserve	(Note 10)	<u>201,843</u>	<u>-</u>
		9,748,007	9,170,569
Unappropriated Reserves	(Note 11)	<u>14,000</u>	<u>874,022</u>
		<u>9,762,007</u>	<u>10,044,591</u>
Total liabilities and net assets		<u>\$ 10,753,113</u>	<u>\$ 10,236,591</u>

(See accompanying notes to the financial statements)

Approved:

Ian Burgess
Comptroller

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

	2014	2013
Revenue		
Residential services levy	\$ 3,015,787	\$ 3,392,212
General municipal services levy	550,191	561,758
Interest and miscellaneous income	196,055	184,409
	<u>3,762,033</u>	<u>4,138,379</u>
Expenses		
University Neighbourhoods Association (Note 12)	3,136,003	2,776,582
Non-recoverable portion of GST/HST on transfers to UNA (Note 13)	51,744	337,811
Athletics fees (Note 12)	543,235	245,936
Utilities (Note 12)	214,453	185,000
Administration (Note 12)	57,000	57,000
Acadia Park Playground (Note 14)	26,815	-
Collection agency fees (Note 15)	4,252	10,386
Professional fees	8,632	7,445
Communications	2,483	2,449
	<u>4,044,617</u>	<u>3,622,609</u>
Excess (deficiency) of revenue over expenses	<u>\$ (282,584)</u>	<u>\$ 515,770</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>Unappropriated Reserves</u>	<u>Appropriated Reserves</u>	<u>2014 Total</u>	<u>2013 Total</u>
Net assets, beginning of year	\$ 874,022	\$ 9,170,569	\$ 10,044,591	\$ 9,528,821
Excess (deficiency) of revenue over expenses	(474,275)	191,691	(282,584)	515,770
Transfers (Note 11)	(385,747)	385,747	-	-
	<u>(860,022)</u>	<u>577,438</u>	<u>(282,584)</u>	<u>515,770</u>
Net assets, end of year	<u>\$ 14,000</u>	<u>\$ 9,748,007</u>	<u>\$ 9,762,007</u>	<u>\$ 10,044,591</u>

(See accompanying notes to the financial statements)

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

	2014	2013
Cash provided from:		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (282,584)	\$ 515,770
Change in:		
Due from the University of British Columbia	(1,143,829)	(313,705)
Due from University Neighbourhoods Association	579,276	(534,312)
Accounts receivable	(5,793)	23,666
Services levies receivable	53,824	125,649
Accounts payable and accrued liabilities	(24,095)	182,932
Due to the University Neighbourhoods Association	823,201	-
	282,584	(515,770)
Change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

(See accompanying notes to the financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS' FUND
Notes to Financial Statements
Year ended March 31, 2014

1. Nature of Fund

The Neighbours' Fund (the Fund) is an unincorporated entity 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 of British Columbia (UBC or the University) within the Designated Local Areas. For fiscal year 2014, the Designated Local Areas are the neighbourhood 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 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.

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

b) Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair values are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any previously recorded unrealized gain or loss is adjusted through the Statement of Remeasurement Gains and Losses.

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When the asset is sold, the unrealized gains and losses previously recognized in the Statement of Remeasurement Gains and Losses are reversed and recognized in the Statement of Operations.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

There are no financial instruments carried at fair value as at year end and as a result, the Statement of Remeasurement Gains and Losses has not been prepared.

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 levies receivable and 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 of British Columbia collects service levies on behalf of the Fund and deposits these monies in the University's account. These funds are invested by the University. Investment interest of \$196,055 (2013 - \$184,409), calculated at an average of 2% per annum (2013 - 2%), was allocated by the University to the Fund during the year.

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.

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Year ended March 31, 2014

5. Infrastructure Replacement Reserve

2.4% (March 31, 2013 - 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 based on the reserve balance in the account.

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 3,860,958	\$ 3,684,056
Transfer from unappropriated reserves	85,583	94,895
Interest earned during the year	82,067	82,007
	<u>167,650</u>	<u>176,902</u>
Balance, end of year	\$ <u>4,028,608</u>	\$ <u>3,860,958</u>

6. Capital Reserve

1.2% (March 31, 2013 - 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 based on the reserve balance in the account.

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 1,482,689	\$ 1,404,120
Transfer from unappropriated reserves	42,792	47,448
Interest earned during the year	31,401	31,121
	<u>74,193</u>	<u>78,569</u>
Balance, end of year	\$ <u>1,556,882</u>	\$ <u>1,482,689</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 using a rate determined by the University based on the reserve balance in the account.

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 871,449	\$ 852,218
Interest earned during the year	18,748	19,231
Balance, end of year	\$ <u>890,197</u>	\$ <u>871,449</u>

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8. Contingency Reserve

1.0% of the services levy (March 31, 2013 - 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 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, 2014 and March 31, 2013 as the maximum amount was reached.

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 1,012,845	\$ 990,953
Interest earned during the year	<u>21,811</u>	<u>21,892</u>
Balance, end of year	\$ <u>1,034,656</u>	\$ <u>1,012,845</u>

9. Rate Stabilization Reserve

1.0% of the services levy (March 31, 2013 - 1.0%) is normally set aside to guard against unforeseen changes in the City of Vancouver tax rates. During 2014, the UNA Board of Directors approved a transfer of \$57,372 to bring the reserve balance to \$2 million, the maximum amount of the reserve. The UNA Board further approved a motion that no contribution to the Rate Stabilization Reserve be made from the Neighbours' service levies collected in 2014. Interest is calculated monthly using a rate determined by the University based on the reserve balance in the account.

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 1,942,628	\$ 1,340,022
Transfer from unappropriated reserves	57,372	39,540
Transfer from UNA	-	534,312
Interest earned during the year	<u>35,821</u>	<u>28,754</u>
	<u>93,193</u>	<u>602,606</u>
Balance, end of year	\$ <u>2,035,821</u>	\$ <u>1,942,628</u>

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10. Community Field Replacement Reserve

The Community Field Replacement Reserve was established during the year to set aside funds for the replacement of the turf field. During 2014, \$200,000 was transferred from the Unappropriated Reserves to the Community Field Replacement reserve. 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 based on the reserve balance in the account. The UNA Standing Committee on Finance and Audit will assess the contributions in three years time.

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ -	\$ -
Transfer from unappropriated reserves	200,000	-
Interest earned during the year	1,843	-
	<u>201,843</u>	<u>-</u>
Balance, end of year	\$ <u>201,843</u>	\$ <u>-</u>

11. Unappropriated Reserves

The unappropriated reserves are the accumulated excess of revenues over expenses, net of amounts transferred to the Infrastructure Replacement, Capital, Rate Stabilization Reserves and Community Field Replacement Reserves.

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 874,022	\$ 1,257,452
Excess (deficiency) of revenue over expenses	<u>(474,275)</u>	<u>332,765</u>
	<u>399,747</u>	<u>1,590,217</u>
Less transfers to:		
Infrastructure Replacement Reserve	85,583	94,895
Capital Reserve	42,792	47,448
Rate Stabilization Reserve	57,372	39,540
Community Field Replacement Reserve	200,000	-
Transfer from UNA to Rate Stabilization	<u>-</u>	<u>534,312</u>
	<u>385,747</u>	<u>716,195</u>
Balance, end of year	\$ <u>14,000</u>	\$ <u>874,022</u>

12. Related Party

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

Related party transactions for the 2014 fiscal year are comprised of funding of \$3,136,003 (2013 - \$2,776,582) provided to the UNA, and administration fees of \$57,000 (2013 - \$57,000) charged to

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the Fund by UBC for administrative costs. The Fund made payments to UBC Athletics of \$543,235 (2013 - \$245,936) and to UBC Building Operations for utilities of \$214,453 (2013 - \$185,000).

13. Non-recoverable Portion of GST/HST on Transfers to UNA

The Fund has recorded an expense of \$51,744 (2013 - \$337,811) on the Statement of Operations. This amount represents non-recoverable GST (2013 - \$188,907 of non-recoverable HST and GST and \$36,348 interest and penalties on a CRA assessment, and \$112,556 non-recoverable HST on 2013 transfers to the UNA).

14. Acadia Park Playground

The Acadia Park playground was built and completed in March 2014. The park was financed in part by \$26,815 donated by the Hampton Place residents primarily in fiscal 2012.

15. Collection Agency Fees

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

16. 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 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, 2014 is the carrying value of these assets.

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.

As at March 31, 2014 \$47,361 (2013 - \$86,532) amounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure from 2013.

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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 2013.