

**THE UNIVERSITY OF BRITISH COLUMBIA**

**THE NEIGHBOURS' FUND**

**FINANCIAL STATEMENTS**

**March 31, 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Governors of the University of British Columbia

We have audited the accompanying financial statements of The Neighbours' Fund, which comprise the statement of financial position as at March 31, 2015, the statement of operations, change in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 is free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Neighbours' Fund as at March 31, 2015 and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

October 14, 2015

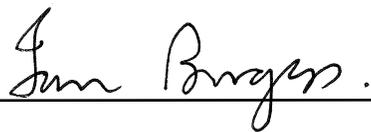
Burnaby, Canada

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

		<u>2015</u>	<u>2014</u>
<b>ASSETS</b>			
Current Assets			
Due from the University of British Columbia	(Note 3)	\$ 9,741,844	\$ 9,699,686
Accounts receivable		36,712	37,043
Services levies receivable		<u>892,162</u>	<u>855,979</u>
<b>Total assets</b>		<u>\$ 10,670,718</u>	<u>\$ 10,592,708</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 8,000	\$ 7,500
Due to the University Neighbourhoods Association		<u>783,201</u>	<u>823,201</u>
		791,201	830,701
<b>Net assets</b>			
Reserves			
Infrastructure Replacement Reserve	(Note 5)	4,184,080	4,028,608
Capital Reserve	(Note 6)	1,626,577	1,556,882
Community Access Reserve	(Note 7)	853,332	890,197
Contingency Reserve	(Note 8)	1,052,847	1,034,656
Rate Stabilization Reserve	(Note 9)	2,111,617	2,035,821
Community Field Replacement Reserve	(Note 10)	<u>205,392</u>	<u>201,843</u>
		10,033,845	9,748,007
Unappropriated Reserves	(Note 11)	<u>(154,328)</u>	<u>14,000</u>
		9,879,517	9,762,007
<b>Total liabilities and net assets</b>		<u>\$ 10,670,718</u>	<u>\$ 10,592,708</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**

	<b>2015</b>	<b>2014</b>
<b>Revenue</b>		
Residential services levy	\$ 2,870,505	\$ 3,015,787
General municipal services levy	688,140	550,191
Interest and miscellaneous income	174,875	196,055
	3,733,520	3,762,033
<b>Expenses</b>		
University Neighbourhoods Association (Note 12)	2,602,420	3,136,003
Non-recoverable portion of GST/HST on transfers to UNA	43,600	51,744
Athletics fees (Note 12)	618,546	543,235
Utilities (Note 12)	256,413	214,453
Administration (Note 12)	57,000	57,000
Acadia Park Playground (Note 13)	-	26,815
Osborne Centre rental (Note 12)	15,000	-
Collection agency fees (Note 14)	11,134	4,252
Professional fees	8,624	8,632
Communications	3,273	2,483
	3,616,010	4,044,617
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 117,510</b>	<b>\$ (282,584)</b>

(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>2015 Total</u>	<u>2014 Total</u>
<b>Net assets, beginning of year</b>	\$ 14,000	\$ 9,748,007	\$ 9,762,007	\$ 10,044,591
Excess (deficiency) of revenue over expenses	(52,676)	170,186	117,510	(282,584)
Transfers (Note 11)	(115,652)	115,652	-	-
	<u>(168,328)</u>	<u>285,838</u>	<u>117,510</u>	<u>(282,584)</u>
<b>Net assets, end of year</b>	<u>\$ (154,328)</u>	<u>\$ 10,033,845</u>	<u>\$ 9,879,517</u>	<u>\$ 9,762,007</u>

(See accompanying notes to the financial statements)

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

	<b>2015</b>	<b>2014</b>
<b>Cash provided from:</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ 117,510	\$ (282,584)
Change in:		
Due from the University of British Columbia	(42,158)	(993,742)
Due from University Neighbourhoods Association	-	579,276
Accounts receivable	331	4,525
Services levies receivable	(36,183)	53,824
Accounts payable and accrued liabilities	500	(184,500)
Due to the University Neighbourhoods Association	(40,000)	823,201
	(117,510)	282,584
Change in cash	-	-
<b>Cash, beginning of year</b>	-	-
<b>Cash, end of year</b>	\$ -	\$ -

(See accompanying notes to the financial statements)

**THE UNIVERSITY OF BRITISH COLUMBIA**  
**THE NEIGHBOURS' FUND**  
**Notes to Financial Statements**  
**Year ended March 31, 2015**

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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, 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 2015, 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.

**THE UNIVERSITY OF BRITISH COLUMBIA**  
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**Year ended March 31, 2015**

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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 \$174,875 (2014 - \$196,055), calculated at an average of 2% per annum (2014 - 2%), was allocated by the University to the Fund during the year.

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**Year ended March 31, 2015**

**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.

**5. Infrastructure Replacement Reserve**

2.4% (2014 - 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>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 4,028,608	\$ 3,860,958
Transfer from unappropriated reserves	85,406	85,583
Interest earned during the year	70,066	82,067
	<u>155,472</u>	<u>167,650</u>
Balance, end of year	\$ <u>4,184,080</u>	\$ <u>4,028,608</u>

**6. Capital Reserve**

1.2% (2014 - 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>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 1,556,882	\$ 1,482,689
Transfer from unappropriated reserves	42,704	42,792
Interest earned during the year	26,991	31,401
	<u>69,695</u>	<u>74,193</u>
Balance, end of year	\$ <u>1,626,577</u>	\$ <u>1,556,882</u>

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**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. During the year, in accordance with the UNA Neighbours' Fund Reserves Policy, \$52,458 was paid to the UBC Athletics Department from the reserve for the use of athletics facilities on Campus. Interest is calculated monthly using a rate determined by the University based on the reserve balance in the account.

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 890,197	\$ 871,449
Interest earned during the year	15,593	18,748
Payment during the year	<u>(52,458)</u>	<u>-</u>
	<u>(36,865)</u>	<u>18,748</u>
Balance, end of year	\$ <u><u>853,332</u></u>	\$ <u><u>890,197</u></u>

**8. Contingency Reserve**

1.0% of the services levy (2014 - 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, 2015 and March 31, 2014 as the maximum amount was reached.

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 1,034,656	\$ 1,012,845
Interest earned during the year	<u>18,191</u>	<u>21,811</u>
Balance, end of year	\$ <u><u>1,052,847</u></u>	\$ <u><u>1,034,656</u></u>

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**9. Rate Stabilization Reserve**

1.0% of the services levy (2014 - 1.0%) is normally set aside to guard against unforeseen changes in the City of Vancouver tax rates. 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. Interest is calculated monthly using a rate determined by the University based on the reserve balance in the account.

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 2,035,821	\$ 1,942,628
Transfer from unappropriated reserves	40,000	57,372
Transfer from UNA	-	-
Interest earned during the year	35,796	35,821
	<u>75,796</u>	<u>93,193</u>
Balance, end of year	\$ <u>2,111,617</u>	\$ <u>2,035,821</u>

**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 two years time.

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 201,843	\$ -
Transfer from unappropriated reserves	-	200,000
Interest earned during the year	3,549	1,843
	<u>3,549</u>	<u>201,843</u>
Balance, end of year	\$ <u>205,392</u>	\$ <u>201,843</u>

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**11. Unappropriated Reserves**

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

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 14,000	\$ 874,022
Excess (deficiency) of revenue over expenses	<u>(52,676)</u>	<u>(474,275)</u>
	<u>(38,676)</u>	<u>399,747</u>
Less transfers to (payments from):		
Infrastructure Replacement Reserve	85,406	85,583
Capital Reserve	42,704	42,792
Community Access Reserve	(52,458)	-
Rate Stabilization Reserve	40,000	57,372
Community Field Replacement Reserve	<u>-</u>	<u>200,000</u>
	<u>115,652</u>	<u>385,747</u>
Balance, end of year	\$ <u><u>(154,328)</u></u>	\$ <u><u>14,000</u></u>

**12. Related Party**

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

Related party transactions include funding provided to the UNA of \$2,602,240 (2014 - \$3,136,003). The return of a prior years' surplus of \$40,000 (2014 - \$0) was offset against payments made to the UNA of \$2,642,240 (2014 \$3,136,003).

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

	<u>2015</u>	<u>2014</u>
UBC Athletics - use of athletic facilities	\$ 618,546	\$ 543,235
UBC Building Operations - utilities	256,413	214,453
UBC - administrative costs	57,000	57,000
UBC School of Kinetics - Osborne Centre gym rental	15,000	-
	<u>\$ 946,959</u>	<u>\$ 814,688</u>

**13. 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.

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**Year ended March 31, 2015**

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**14. Collection Agency Fees**

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

**15. 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, 2015 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, 2015 \$36,712 (2014 - \$37,043) amounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure from 2014.

**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 2014.

**16. Comparative Figures**

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current period.