

THE UNIVERSITY OF BRITISH COLUMBIA

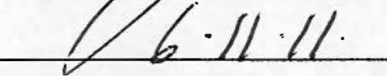
FOR INFORMATION ONLY

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

APPROVED FOR SUBMISSION:


Stephen J. Toope, President & Vice-Chancellor

DATE


6.11.11.

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

DATE OF MEETING: November 22, 2011

SUBJECT: The Neighbours Fund
Financial Statements March 31, 2011

DECISION REQUESTED: For information only

EXECUTIVE SUMMARY:

The Comptroller has approved the audited financial statements of Neighbours Fund for the year ended March 31, 2011. 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 2010/11, the Services Levy was collected on the properties of Hampton Place, Hawthorn Place, Chancellor Place, Wesbrook Place, and East Campus. During the 2010/11 year, the Neighbours Fund received \$3,194,267 of service levies (prior year \$2,781,783). 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, 2011.

THE UNIVERSITY OF BRITISH COLUMBIA

THE NEIGHBOURS FUND

FINANCIAL STATEMENTS

March 31, 2011

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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, 2011, the statement of operations, changes 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are 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, the auditor considers internal control relevant to the entity's preparation and fair presentation 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, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

October 12, 2011

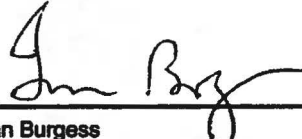
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THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Statement of Financial Position
As at March 31

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Due from the University of British Columbia (Note 3)	\$ 7,266,289	\$ 7,037,222
Accounts receivable	93,109	427,446
Services levy receivable	<u>948,085</u>	<u>742,338</u>
Total assets	\$ <u>8,307,483</u>	\$ <u>8,207,006</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued liabilities	<u>\$ 6,500</u>	<u>\$ 559,490</u>
Net assets		
Reserves		
Infrastructure Replacement Reserve (Note 5)	3,509,100	3,367,937
Capital Reserve (Note 6)	1,326,406	1,263,872
Community Access Reserve (Note 7)	833,215	817,555
Contingency Reserve (Note 8)	930,186	881,146
Rate Stabilization Reserve (Note 9)	<u>1,228,084</u>	<u>1,117,866</u>
	<u>7,826,991</u>	<u>7,448,376</u>
Unappropriated reserves	<u>473,992</u>	<u>199,140</u>
	<u>8,300,983</u>	<u>7,647,516</u>
Total liabilities and net assets	\$ <u>8,307,483</u>	\$ <u>8,207,006</u>

(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>2011</u>	<u>2010</u>
Revenue		
Services levy	\$ 3,194,267	\$ 2,781,783
Interest income	<u>146,524</u>	<u>16,962</u>
	<u>3,340,791</u>	<u>2,798,745</u>
Expenses		
University Neighbourhoods Association (Note 10)	2,626,762	1,964,621
Administration (Note 10)	50,000	50,000
Bad debts	1,465	5,922
Professional fees	7,436	12,277
Communications	<u>1,661</u>	<u>1,405</u>
	<u>2,687,324</u>	<u>2,034,225</u>
Excess of revenue over expenses	<u><u>\$ 653,467</u></u>	<u><u>\$ 764,520</u></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>Appropriated Reserves</u>	<u>2011</u>	<u>2010</u>
Net assets, beginning of year	\$ 199,140	\$ 7,448,376	\$ 7,647,516	\$ 6,882,996
Excess of revenue over expenses	513,731	139,736	653,467	764,520
Transfers	<u>(238,879)</u>	<u>238,879</u>	<u>-</u>	<u>-</u>
	274,852	378,615	653,467	764,520
Net assets, end of year	<u>\$ 473,992</u>	<u>\$ 7,826,991</u>	<u>\$ 8,300,983</u>	<u>\$ 7,647,516</u>

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

	<u>2011</u>	<u>2010</u>
Cash provided from:		
Operating activities		
Excess of revenue over expenses	\$ 653,467	\$ 764,520
Change in:		
Due from the University of British Columbia	(229,067)	(723,092)
Accounts receivable	334,337	(10,254)
Services levy receivable	(205,747)	(74,432)
Accrued liabilities	(552,990)	43,258
	<u>(653,467)</u>	<u>(764,520)</u>
Change in cash	-	-
Cash, beginning of year	<u>-</u>	<u>-</u>
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2011

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 on the University of British Columbia (UBC or the University) within the Designated Local Areas. For fiscal year 2011, 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 generally accepted accounting principles (GAAP).

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.

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2011

d) Future Accounting and Reporting Changes

Effective April 1, 2012, the Fund, a government non-for-profit organization, will adopt Public Sector Accounting Standards (PSAB). The Fund is currently reviewing the impact of this change on its 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. Investment interest of \$139,694 (2010 - \$9,464), calculated at an average of 1.91% per annum (2010 - 0.15%), was earned on this balance during 2011.

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.

5. Infrastructure Replacement Reserve

2.4% (2010 - 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 based on the reserve balance in the account.

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 3,367,937	\$ 3,296,055
Transfer from unappropriated reserves	76,662	66,763
Interest earned during the year	64,501	5,119
	<u>141,163</u>	<u>71,882</u>
Balance, end of year	<u>\$ 3,509,100</u>	<u>\$ 3,367,937</u>

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2011

6. Capital Reserve

1.2% (2010 – 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 based on the reserve balance in the account.

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 1,263,872	\$ 1,228,613
Transfer from unappropriated reserves	38,331	33,381
Interest earned during the year	<u>24,203</u>	<u>1,878</u>
	62,534	35,259
Balance, end of year	<u><u>\$ 1,326,406</u></u>	<u><u>\$ 1,263,872</u></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>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 817,555	\$ 816,332
Interest earned during the year	<u>15,660</u>	<u>1,223</u>
Balance, end of year	<u><u>\$ 833,215</u></u>	<u><u>\$ 817,555</u></u>

8. Contingency Reserve

1.0% of the service levy (2010 – 1.0% of UNA budget) is set aside to pay for unexpected or unbudgeted repairs and expenses which require immediate action. The maximum amount of the reserve is \$1 million. Once the maximum is reached, annual contributions are to cease. Interest is calculated monthly based on the reserve balance in the account.

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 881,146	\$ 660,707
Transfer from unappropriated reserves	31,943	219,387
Interest earned during the year	<u>17,097</u>	<u>1,052</u>
	49,040	220,439
Balance, end of year	<u><u>\$ 930,186</u></u>	<u><u>\$ 881,146</u></u>

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2011

9. Rate Stabilization Reserve

1.0% of the service levy (2010 – 1.0% of UNA budget) is 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 surplus from the UNA's annual budget is deposited to this reserve. Interest is calculated monthly based on the reserve balance in the account.

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 1,117,866	\$ 687,847
Transfer from unappropriated reserves	91,943	428,945
Interest earned during the year	18,275	1,074
	<u>110,218</u>	<u>430,019</u>
Balance, end of year	<u>\$ 1,228,084</u>	<u>\$ 1,117,866</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 2011 fiscal year are funding of \$2,626,762 (2010 - \$1,964,621) provided to the UNA, and administration fees of \$50,000 (2010 - \$50,000) charged to the Fund by UBC for administrative costs.

11. Capital Disclosures

The Fund receives its principal source of capital through Service Levies charged to tenants and investment income. 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.