UNIVERSITY NEIGHBOURHOODS ASSOCIATION

Financial Statements

Year Ended March 31, 2018

JOHNSEN ARCHER LLP
TAXATION · ACCOUNTING · ASSURANCE

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Index to Financial Statements
Year Ended March 31, 2018

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30 years of original thinking

INDEPENDENT AUDITOR'S REPORT

To the Members of University Neighbourhoods Association

We have audited the accompanying financial statements of University Neighbourhoods Association, which comprise the statement of financial position as at March 31, 2018 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and 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 accounting standards for not-for-profit organizations, 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.

Auditor's 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 the auditor's 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.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of University Neighbourhoods Association as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

As required by the Society Act (British Columbia), we report that in our opinion, these accounting principles have been applied on a basis consistent with the preceding year.

Johnsen Archer LLP

Surrey, B.C.
June 14, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Statement of Financial Position
March 31, 2018

	2018	2017
ASSETS		
Current assets		
Cash	$ 276,866	$ 266,589
Term deposits *(Note 4)*	806,962	1,002,474
Accounts receivable	11,513	30,976
Prepaid expenses	19,868	21,648
	1,115,209	1,321,687
Capital assets *(Note 5)*	1,338,288	1,450,937
	$ 2,453,497	$ 2,772,624
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities *(Note 6)*	$ 242,574	$ 303,237
Deferred revenue *(Note 7)*	356,832	328,914
	599,406	632,151
Deferred capital contributions *(Note 8)*	367,521	406,624
	966,927	1,038,775
NET ASSETS		
Invested in capital assets	950,295	1,039,610
Internally restricted net assets *(Note 9)*	135,455	197,712
Unrestricted net assets	400,820	496,527
	1,486,570	1,733,849
	$ 2,453,497	$ 2,772,624

Commitments *(Note 10)*

ON BEHALF OF THE BOARD

胡瑛 *Director*

Alexander *Director*

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UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Statement of Revenues and Expenditures
Year Ended March 31, 2018

	2018	2017
Revenue		
Community centres	$ 928,942	$ 711,404
Neighbours levy	2,287,752	2,664,412
Other revenue	370,646	366,120
Fire service credit	314,286	-
	3,901,626	3,741,936
Community services		
Communication	56,145	105,241
Community access	120,103	137,778
Community centre		
Direct operating costs	749,144	691,164
Programming	113,565	119,453
Salaries and benefits	759,009	668,141
Community support	13,252	17,834
General and administrative	387,477	356,453
General meetings	62,520	36,513
Salaries and wages	784,247	678,145
Sustainability	11,380	19,920
	3,056,842	2,830,642
Municipal services		
Direct operating costs	92,226	95,669
Landscaping	646,359	636,602
Property management	82,312	80,000
Road, gutter, sidewalk maintenance	22,580	25,494
Streetlights	103,461	107,141
	946,938	944,906
Deficiency of revenue over municipal services before amortization	(102,154)	(33,612)
Amortization of capital assets	184,228	188,035
Amortization of deferred capital contributions	(39,103)	(32,075)
	145,125	155,960
Deficiency of revenue over expenditures for the year	$ (247,279)	$ (189,572)

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The accompanying notes form an integral part of these financial statements.

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Statement of Changes in Net Assets
Year Ended March 31, 2018

	Invested in Capital Assets	Internally Restricted (Note 9)	Unrestricted	**2018**	2017
Net assets - beginning of year	$ 1,039,610	$ 197,712	$ 496,527	**$ 1,733,849**	$ 1,923,421
Excess (deficiency) of revenue over expenditures	(145,125)	-	(102,154)	**(247,279)**	(189,572)
Internally restricted expenditures	55,810	(62,257)	6,447	-	-
Net assets - end of year	$ 950,295	$ 135,455	$ 400,820	**$ 1,486,570**	$ 1,733,849

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UNIVERSITY NEIGHBOURHOODS ASSOCIATION

Statement of Cash Flows

Year Ended March 31, 2018

		2018		2017
Operating activities				
Deficiency of revenue over expenditure for the year	$	**(247,279)**	$	(189,572)
Items not affecting cash:				
Amortization of capital assets		**184,228**		188,035
Amortization of deferred capital contributions		**(39,103)**		(32,075)
		(102,154)		(33,612)
Changes in non-cash working capital:				
Accounts receivable		**19,463**		87,238
Prepaid expenses		**1,780**		13,682
Accounts payable and accrued liabilities		**(60,663)**		120,343
Deferred revenue		**27,918**		65,619
		(11,502)		286,882
Cash flow from (used by) operating activities		**(113,656)**		253,270
Investing activities				
Purchase of capital assets		**(71,579)**		(523,152)
Redemption of term deposits		**195,512**		1,088
Cash flow from (used by) investing activities		**123,933**		(522,064)
Financing activity				
Deferred capital contributions		**-**		333,333
Increase in cash		**10,277**		64,539
Cash - beginning of year		**266,589**		202,050
Cash - end of year	**$**	**276,866**	$	266,589

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1. NATURE OF OPERATIONS

University Neighbourhoods Association (the "Association") is a not-for-profit organization incorporated under the Society Act of British Columbia on May 29, 2002. The Association represents the residents of the University of British Columbia ("U.B.C.") designated local areas including Hampton Place and delivers municipal-like services to them. The Association operates within the guidelines of its constitution and by-laws and the Neighbours' Agreement (the "Agreement") between the Association and U.B.C.

The Association's operations are primarily funded by levies, collected pursuant to the Agreement, which consist of service levies and the general municipal services levy collected by U.B.C. pursuant to the Agreement. As a not-for-profit organization, the Association is not subject to income tax pursuant to paragraph 149(1)(f) of the Income Tax Act (Canada), subject to compliance with the rules contained therein.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and incorporate the following significant accounting policies:

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and other instruments with maturities at the date of purchase of less than 90 days and are measured at cost plus accrued interest.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a straight-line basis:

Computer hardware and software	3 years
Equipment and fixtures	10 years
Leasehold improvements	15 years

Capital assets are amortized at one-half the normal annual rate in the year of acquisiton and no amortization is charged in the year of disposal. Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

The Association regularly reviews its capital assets to eliminate obsolete items.

Captial assets are written down when they no longer provide any long-term service potential to the Association. Any write-down is recognized as an expense to the extent an asset's carrying value exceeds its residual value.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Unrestricted contributions including service levies are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Contributions externally restricted for the purchase of capital assets are deferred and amortized into revenue at the amortization rate of the related capital assets.

Other revenue such as investment income, community centre fees, newspaper and miscellaneous are deferred and recognized as revenue when earned.

Donated materials and services

The Association does not record the value of donated materials and services as their fair value cannot be reliably measured.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, derivatives and investments in equity instruments quoted in actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments carried at fair value are expensed when incurred. Transaction costs on the acquisition, sale, or issue of financial instruments carried at amortized cost are deferred and amortized over the life of the related instrument.

Measurement uncertainty

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates include valuation of accounts receivable, capital assets and deferred revenue. Such estimates are periodically reviewed and any adjustments necessary are reported in the period in which they become known. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash, term deposits, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or commodity risks arising from these financial instruments.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from customers. In order to reduce its credit risk, the Association reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts of $nil (2017 - $nil) is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Fair Values

The Association's carrying values of cash, term deposits, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the immediate or short term maturity of these instruments.

4. TERM DEPOSITS

The Association reinvested $800,000 of guaranteed investment certificates ("GICs"), which matured November 23, 2017, into one year term GICs. The GICs earn interest of 1.085% (2017 - 0.7%) per annum, mature on November 21, 2018 and are recorded at amortized cost.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	**2018 Net book value**	2017 Net book value
Computer hardware and software	$ 85,379	$ 74,242	**$ 11,137**	$ 16,655
Equipment and fixtures	1,438,162	648,769	**789,393**	837,199
Leasehold improvements	889,873	352,115	**537,758**	597,083
	$ 2,413,414	$ 1,075,126	**$ 1,338,288**	$ 1,450,937

As at March 31, 2018, no events or changes in circumstances had occurred which indicated that capital assets require a write-down.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are the following government remittances payable:

		2018		2017
Goods and Services tax payable	$	**18,861**	$	23,424
Source deductions payable		**20,580**		26,954
Workers Compensation Board payable		**-**		3,787
	$	**39,441**	$	54,165

7. DEFERRED REVENUE

Included in deferred revenue are contributions into the Capital Reserve Fund to replace field facilities at the end of their useful lives as set out in the University Hill Secondary School Artificial Playfield Joint Use Agreement (the "Joint Use Agreement") between U.B.C. and The Board of Education of School District No. 39 (the "School Board").

The Association was appointed by U.B.C. as manager through the Wesbrook Place Artificial Playfield License Agreement (the "License Agreement") to perform certain functions as described in the Joint Use Agreement.

		2018		2017
Capital Replacement Fund	$	**160,000**	$	160,000

8. DEFERRED CAPITAL CONTRIBUTION

Deferred capital contribution represents funding received from The Neighbours' Fund (a fund managed by U.B.C. consisting of monies raised by way of service levies collected by U.B.C.) to acquire equipment and complete leasehold improvements for the Community Centres. This deferred contribution is amortized to operations on the same basis as the related equipment and leasehold improvements.

		2018		2017
Deferred capital contribution	$	**586,543**	$	845,976
Accumulated amortization		**(219,022)**		(439,352)
	$	**367,521**	$	406,624

9. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets consist of deferred operating contributions internally restricted by the Association to be used for board-approved projects, as well as funds internally restricted for future capital purchases and community centre development.

	2018	2017
Community engagement		
Opening	$ 18,759	$ 70,000
Funds internally restricted	-	-
Expenditures incurred	(560)	(51,241)
	18,199	18,759
Capital projects		
Opening	98,340	305,378
Funds internally restricted	-	-
Expenditures incurred	(55,810)	(207,038)
	42,530	98,340
Consultants		
Opening	48,370	50,595
Funds internally restricted	-	-
Expenditures incurred	(3,006)	(2,225)
	45,364	48,370
Training and development		
Opening	32,243	40,000
Funds internally restricted	-	-
Expenditures incurred	(2,881)	(7,757)
	29,362	32,243
Total	$ 135,455	$ 197,712

10. COMMITMENTS

The Association has entered into a lease agreement for its premises and has committed to the following minimum annual lease payments along with a commitment for facility handyman services.

2019	$ 107,373
2020	97,773
2021	46,295
	$ 251,441

11. DIRECTORS' SALARIES

During the year, the Association paid $22,000 (2017 – $22,000) to four directors, and $8,250 (2017 – $8,250) to the Chair. Additionally, the Association paid $295,907 (2017 - $231,183) to three (2017 – two) employees earning above $75,000.