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UNIVERSITY NEIGHBOURHOODS ASSOCIATION

Financial Statements

Year Ended March 31, 2019

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UNIVERSITY NEIGHBOURHOODS ASSOCIATION  
Index to Financial Statements  
Year Ended March 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of University Neighbourhoods Association

*Report on the Financial Statements*

*Opinion*

We have audited the financial statements of University Neighbourhoods Association (the Association), which comprise the statement of financial position as at March 31, 2019, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2019, 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.

*Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Report on Other Legal and Regulatory Requirements*

As required by the British Columbia Societies Act, we report that, in our opinion, the Association's financial statements have been prepared following Canadian accounting standards for not-for-profit organizations.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Independent Auditor's Report to the Members of University Neighbourhoods Association (continued)

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Johnsen Archer LLP*

Surrey, B.C.  
August 20, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS


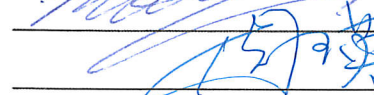
UNIVERSITY NEIGHBOURHOODS ASSOCIATION  
Statement of Financial Position  
March 31, 2019

	2019	2018
<b>ASSETS</b>		
Current assets		
Cash	\$ 280,012	\$ 276,866
Term deposits	-	806,962
Accounts receivable	381,346	11,513
Prepaid expenses	15,527	19,868
	676,885	1,115,209
Capital assets (Note 4)	1,178,571	1,338,288
	<b>\$ 1,855,456</b>	<b>\$ 2,453,497</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 288,734	\$ 242,574
Deferred revenue (Note 6)	383,348	356,832
	672,082	599,406
Deferred capital contributions (Note 7)	328,418	367,521
	1,000,500	966,927
<b>NET ASSETS</b>		
Invested in capital assets	829,408	950,295
Internally restricted net assets (Note 8)	67,471	135,455
Unrestricted net assets	(41,923)	400,820
	854,956	1,486,570
	<b>\$ 1,855,456</b>	<b>\$ 2,453,497</b>

Commitments (Note 10)



ON BEHALF OF THE BOARD

 Director  
 Director

**UNIVERSITY NEIGHBOURHOODS ASSOCIATION**  
**Statement of Revenues and Expenditures**  
**Year Ended March 31, 2019**

	2019	2018
<b>Revenue</b>		
Community centres	\$ 1,001,153	\$ 928,942
Neighbours levy (Note 9)	2,145,067	2,287,752
Other revenue	364,818	370,646
Fire service credit	314,286	314,286
	<b>3,825,324</b>	<b>3,901,626</b>
<b>Community services</b>		
Communication	109,047	60,298
Community access	117,955	120,103
Community centre		
Direct operating costs	486,842	422,889
Programming	555,276	439,821
Salaries and benefits	735,205	759,009
Community support	34,825	18,874
General and administrative	470,556	499,170
General meetings	28,411	56,898
Salaries and wages	795,634	668,401
Sustainability	18,524	11,380
	<b>3,352,275</b>	<b>3,056,843</b>
<b>Municipal services</b>		
Direct operating costs	98,758	92,226
Landscaping	660,888	646,358
Property management	82,961	82,312
Road, gutter, sidewalk maintenance	15,536	22,580
Streetlights	114,001	103,461
	<b>972,144</b>	<b>946,937</b>
Deficiency of revenue over municipal services before amortization	(499,095)	(102,154)
Amortization of capital assets	171,622	184,228
Amortization of deferred capital contributions	(39,103)	(39,103)
	<b>132,519</b>	<b>145,125</b>
<b>Deficiency of revenue over expenditures for the year</b>	<b>\$ (631,614)</b>	<b>\$ (247,279)</b>

**UNIVERSITY NEIGHBOURHOODS ASSOCIATION**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2019**

	Invested in Capital Assets	Internally Restricted (Note 8)	Unrestricted	2019	2018
<b>Net assets - beginning of year</b>	\$ 950,295	\$ 135,455	\$ 400,820	\$ 1,486,570	\$ 1,733,849
Deficiency of revenue over expenditures	(132,519)	-	(499,095)	(631,614)	(247,279)
Internally restricted expenditures	11,632	(67,984)	56,352	-	-
<b>Net assets - end of year</b>	<b>\$ 829,408</b>	<b>\$ 67,471</b>	<b>\$ (41,923)</b>	<b>\$ 854,956</b>	<b>\$ 1,486,570</b>

# UNIVERSITY NEIGHBOURHOODS ASSOCIATION

## Statement of Cash Flows Year Ended March 31, 2019

	2019	2018
<b>Operating activities</b>		
Deficiency of revenue over expenditure for the year	\$ (631,614)	\$ (247,279)
Items not affecting cash:		
Amortization of capital assets	171,622	184,228
Amortization of deferred capital contributions	(39,103)	(39,103)
	(499,095)	(102,154)
Changes in non-cash working capital:		
Accounts receivable	(369,833)	19,463
Prepaid expenses	4,341	1,780
Accounts payable and accrued liabilities	46,163	(60,663)
Deferred revenue	26,516	27,918
	(292,813)	(11,502)
Cash flow used by operating activities	(791,908)	(113,656)
<b>Investing activities</b>		
Purchase of capital assets	(11,908)	(71,579)
Redemption of term deposits	806,962	195,512
Cash flow from investing activities	795,054	123,933
<b>Financing activity</b>		
Deferred capital contributions	-	-
<b>Increase in cash</b>	<b>3,146</b>	<b>10,277</b>
Cash - beginning of year	276,866	266,589
<b>Cash - end of year</b>	<b>\$ 280,012</b>	<b>\$ 276,866</b>

# UNIVERSITY NEIGHBOURHOODS ASSOCIATION

## Notes to Financial Statements

Year Ended March 31, 2019

### 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 acquisition. No amortization is recorded 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.

Capital 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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UNIVERSITY NEIGHBOURHOODS ASSOCIATION  
Notes to Financial Statements  
Year Ended March 31, 2019

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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.

# UNIVERSITY NEIGHBOURHOODS ASSOCIATION

## Notes to Financial Statements

Year Ended March 31, 2019

### 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 company is exposed to credit risk from customers. In order to reduce its credit risk, the company 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 (2018 - \$nil) is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

#### Fair Values

The company'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. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Computer hardware and software	\$ 91,140	\$ 82,533	\$ 8,607	\$ 11,137
Equipment and fixtures	1,444,307	752,776	691,531	789,393
Leasehold improvements	889,873	411,440	478,433	537,758
	<b>\$ 2,425,320</b>	<b>\$ 1,246,749</b>	<b>\$ 1,178,571</b>	<b>\$ 1,338,288</b>

As at March 31, 2019, no events or changes in circumstances had occurred which indicated that capital assets require a write-down.

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2019	2018
Goods and Services Tax payable	\$ 25,176	\$ 18,861
Payroll source deductions payable	19,067	20,580
	<b>\$ 44,243</b>	<b>\$ 39,441</b>

# UNIVERSITY NEIGHBOURHOODS ASSOCIATION

## Notes to Financial Statements

Year Ended March 31, 2019

### 6. 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.

	2019	2018
Capital Replacement Fund	\$ 160,000	\$ 160,000

### 7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions 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.

	2019	2018
Deferred capital contributions	\$ 586,543	\$ 586,543
Accumulated amortization	(258,125)	(219,022)
	\$ 328,418	\$ 367,521

# UNIVERSITY NEIGHBOURHOODS ASSOCIATION

## Notes to Financial Statements

Year Ended March 31, 2019

### 8. 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.

	2019	2018
<b>Community engagement</b>		
Opening	\$ 18,199	\$ 18,759
Funds internally restricted	-	-
Expenditures incurred	-	(560)
	18,199	18,199
<b>Capital projects</b>		
Opening	42,530	98,340
Funds internally restricted	-	-
Expenditures incurred	(11,632)	(55,810)
	30,898	42,530
<b>Consultants</b>		
Opening	45,364	48,370
Funds internally restricted	-	-
Expenditures incurred	(45,364)	(3,006)
	-	45,364
<b>Training and development</b>		
Opening	29,362	32,243
Funds internally restricted	-	-
Expenditures incurred	(10,988)	(2,881)
	18,374	29,362
<b>Total</b>	\$ 67,471	\$ 135,455

**UNIVERSITY NEIGHBOURHOODS ASSOCIATION**  
**Notes to Financial Statements**  
**Year Ended March 31, 2019**

**9. NEIGHBOURS' LEVY**

Neighbours levy funding is recorded net of reserve transfers and contributions, and payments to U.B.C.

	31-Mar-19	31-Mar-18
Neighbours levy	\$ 3,511,572	\$ 3,303,196
Net Reserve Transfers	356,670	645,399
Total Neighbours Levy & Reserves	<u>3,868,242</u>	<u>3,948,595</u>
Payments to UBC	<u>(1,687,188)</u>	<u>(1,623,740)</u>
Net Levy Revenue	2,181,054	2,324,855
Unrecoverable GST	(35,987)	(37,103)
Net Neighbours levy	<u>\$ 2,145,067</u>	<u>\$ 2,287,752</u>

Payments to UBC consist of amounts paid directly out of the Neighbours Fund or paid directly by UBC on behalf of the UNA for Fire Protection Services, Athletics Access fee, and Storm Levy.

**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.

2020	\$ 97,773
2021	<u>46,295</u>
	<u>\$ 144,068</u>

**11. DIRECTORS' SALARIES**

During the year, the Association paid \$25,450 (2018 – \$22,000) to four directors, and \$9,369 (2018 – \$8,250) to the Chair. Additionally, the Association paid \$344,187 (2018 - \$295,905) to three (2018 – three) employees earning above \$75,000.

**12. COMPARATIVE FIGURES**

Some of the comparative figures have been reclassified to conform to the current year's presentation.