
UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Financial Statements
Year Ended March 31, 2013

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Index to Financial Statements
Year Ended March 31, 2013

	Page
AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Revenues and Expenditures	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11

INDEPENDENT AUDITORS' REPORT

To the Members of University Neighbourhoods Association

Report on the Financial Statements

We have audited the accompanying financial statements of University Neighbourhoods Association, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of revenues and expenditures, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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.

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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of University Neighbourhoods Association as at March 31, 2013, March 31, 2012 and April 1, 2011, its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Johnsen Archer LLP

Surrey, B.C.
August 20, 2013

CHARTERED ACCOUNTANTS

300 - 7485 130TH STREET, SURREY, BC, CANADA V3W 1H8 • TEL 604.501.2822 FAX 604.501.2832

WWW.JOHNSENARCHER.CA

AFFILIATED WORLDWIDE WITH





UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Statement of Financial Position
March 31, 2013

	March 31 2013	March 31 2012	April 1 2011
ASSETS			
Current			
Cash	\$ 1,473,955	\$ 395,502	\$ 486,061
Accounts receivable	6,094	168,471	201,284
Prepaid expenses	93,430	45,071	56,538
	1,573,479	609,044	743,883
Capital assets (Note 5)	576,896	623,255	686,080
	\$ 2,150,375	\$ 1,232,299	\$ 1,429,963
LIABILITIES			
Current			
Accounts payable and accrued liabilities (Note 6)	\$ 379,247	\$ 317,573	\$ 433,291
Due to Neighbours' Fund Reserves (Note 7)	579,276	44,964	60,000
	958,523	362,537	493,291
Deferred capital contribution (Note 8)	242,010	288,920	335,830
	1,200,533	651,457	829,121
NET ASSETS			
Invested in capital assets	334,886	334,335	350,250
Internally restricted (Note 10)	500,000	37,000	121,700
Unrestricted	114,956	209,507	128,892
	949,842	580,842	600,842
	\$ 2,150,375	\$ 1,232,299	\$ 1,429,963

Commitments (Note 12)

ON BEHALF OF THE BOARD


 Director

 Director

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Statement of Revenues and Expenditures
Year Ended March 31, 2013

	2013	2012
Revenue		
Community centre	\$ 182,688	\$ 151,300
Other revenue	145,309	117,957
Province of B.C.	48,342	48,072
Neighbours levies (Note 11)	2,886,582	2,897,694
	3,262,921	3,215,023
Expenses		
Communication	91,752	87,176
Community access (Note 11)	358,088	576,467
Community centre		
Direct operating costs	161,943	181,139
Programming	152,014	112,661
Salaries and benefits	282,252	242,521
Community support	113,020	104,477
General and administrative	294,654	336,979
General meetings and directors' liability	19,242	21,495
Salaries and benefits	424,178	437,900
Skateboard park contribution	100,000	-
Sustainability	38,094	19,446
	2,035,237	2,120,261
Municipal services		
Landscaping	531,226	595,501
Parking and security	14,725	100,910
Road, gutter, sidewalk maintenance	8,708	20,926
Sewer and drainage (Note 11)	-	162,402
Streetlights	60,632	65,012
Property management	80,000	80,000
Other	20,998	41,824
	716,289	1,066,575
	511,395	28,187
Amortization of capital assets	79,305	75,097
Amortization of deferred capital contribution (Note 8)	(46,910)	(46,910)
Reimbursement to Neighbours' Fund	110,000	-
	142,395	28,187
Excess of revenue over expenditures for the year	\$ 369,000	\$ -

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Statement of Changes in Net Assets
Year Ended March 31, 2013

	Invested in capital assets	Internally restricted (Notes 7, 10)	Unrestricted	2013	2012
Net assets - beginning of year	\$ 334,335	\$ 37,000	\$ 209,507	\$ 580,842	\$ 600,842
Excess (deficiency) of revenue over expenditures	(32,395)	-	401,395	369,000	-
Investment in capital assets	16,946	-	(16,946)	-	-
Internally restricted expenditures	16,000	(39,613)	23,613	-	(20,000)
Interfund transfers (Note 10)	-	502,613	(502,613)	-	-
Net assets - end of year	\$ 334,886	\$ 500,000	\$ 114,956	\$ 949,842	\$ 580,842

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Statement of Cash Flows
Year Ended March 31, 2013

	2013	2012
Operating activities		
Excess of revenue over expenditures	\$ 369,000	\$ -
Items not affecting cash:		
Amortization of capital assets	79,305	75,097
Amortization of deferred capital contribution	(46,910)	(46,910)
	401,395	28,187
Changes in non-cash working capital:		
Accounts receivable	162,377	32,813
Prepaid expenses	(48,359)	11,467
Accounts payable and accrued liabilities	61,674	(115,718)
Due to Neighbours' Fund Reserves	534,312	(15,036)
Internally restricted expenditures	-	(20,000)
	710,004	(106,474)
Cash flow from (used by) operating activities	1,111,399	(78,287)
Investing activity		
Purchase of capital assets	(32,946)	(12,272)
Increase (decrease) in cash	1,078,453	(90,559)
Cash - beginning of year	395,502	486,061
Cash - end of year	\$ 1,473,955	\$ 395,502

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Notes to Financial Statements
Year Ended March 31, 2013

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 designated local areas and 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 the University of British Columbia ("U.B.C.").

The Association's operations are primarily funded by Neighbours levies which consists of Service Levies and the General Municipal Services Levy ("GMSL") collected by U.B.C. pursuant to the Agreement. As a not-for-profit organization, the Association is not subject to income taxes.

2. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

On April 1, 2012, the Association adopted accounting standards for not-for-profit organizations ("ASNPO") with a transition date of April 1, 2011. These financial statements are the first prepared in accordance with these standards. The accounting policies selected under this framework have been applied retrospectively. There were no adjustments to opening fund balances, assets, liabilities, or cash flows for the year ended March 31, 2012.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with ASNPO and incorporate the following significant accounting policies:

Changes in accounting policies - Accounting Standards for Not-for-Profit Organizations

With regard to the Association's transition from former Canadian Generally Accepted Accounting Principles to ASNPO, the Association has made the following elections available under Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1501, "First-time Adoption:"

Financial instruments

The Association has applied CICA Handbook Section 3856, "Financial instruments", to the opening balance sheet for the first year presented in the financial statements for the year of adoption of ASNPO. Any difference between the recognition and measurement of financial instruments at that date, in accordance with Handbook Section 3856, and the prior year's closing balance sheet is recorded as an adjustment to opening retained earnings at the date of transition to ASNPO.

At the date of transition to ASNPO, an entity is permitted to designate any financial asset or financial liability to be measured at fair value in accordance with Handbook Section 3856, "Financial Instruments", paragraph 3856.13(a). The Association has not utilized this election.

(continues)

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Notes to Financial Statements
Year Ended March 31, 2013

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

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer hardware	3 years	straight-line method
Leasehold improvements	15 years	straight-line method
Office equipment and fixtures	10 years	straight-line method

Capital assets are amortized at one-half of the normal annual rate in the year of acquisition. No amortization is taken in the year of disposal.

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

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Unrestricted contributions including services 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 restricted for the purchase of capital assets are deferred and amortized into revenue at the amortization rate of the related capital assets.

Investment income is 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, financial assets with 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.

(continues)

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Notes to Financial Statements
Year Ended March 31, 2013

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

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 capital assets. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

4. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and due to Neighbours' Fund Reserves. The Association has exposure to the following risk from its use of 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 is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Fair Value

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

Currency Risk

Currency risk is the risk to the Association's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. It is management's opinion that the Association is not exposed to significant foreign currency exchange risk.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. It is in management's opinion that the Association is not exposed to any interest rate risk.

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Notes to Financial Statements
Year Ended March 31, 2013

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Computer hardware	\$ 31,557	\$ 17,591	\$ 13,966	\$ 1,083
Leasehold improvements	500,580	142,237	358,343	391,715
Office equipment and fixtures	436,846	232,259	204,587	230,457
	\$ 968,983	\$ 392,087	\$ 576,896	\$ 623,255

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2013	2012
HST payable	\$ 19,017	\$ -
Source deductions payable	-	15,230
	\$ 19,017	\$ 15,230

7. DUE TO NEIGHBOURS' FUND RESERVES

As per the agreement between the Association and U.B.C., certain surpluses at the end of each fiscal year are returned to U.B.C. for deposit to the Rate Stabilization Reserve in the Neighbours' Fund (Note 9).

8. DEFERRED CAPITAL CONTRIBUTION

Deferred capital contribution represents funding received from the Neighbours' Fund to acquire equipment and leasehold improvements for the Community Centre. This deferred contribution is amortized to operations on the same basis as the related equipment and leasehold improvements.

	2013	2012
Deferred capital contribution	\$ 524,900	\$ 524,900
Accumulated amortization	(282,890)	(235,980)
	\$ 242,010	\$ 288,920

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Notes to Financial Statements
Year Ended March 31, 2013

9. NEIGHBOURS' FUND

The Neighbours' Fund is a fund held by U.B.C. The Neighbours' Fund funds the operation of the University Neighbourhoods Association to provide for the operation, maintenance, repair and replacement of the Municipal-like Services and Facilities and Amenities provided to residents in the Designated Local Areas. U.B.C. deposits into the Neighbours' Fund the Services Levy that U.B.C. levies annually against the leasehold strata owners pursuant to their lease agreement, and the GMSL that U.B.C. levies against commercial and residential buildings. The Neighbours' Fund also includes Subfunds: the Access Fund, the Capital Replacement Fund, the Contingency Reserve Fund, the Infrastructure Reserve Fund and the Rate Stabilization Fund.

10. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets consists 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.

	2013	2012
Deferred operating contributions		
Opening	\$ -	\$ 79,000
Funds internally restricted	225,102	-
Funds repaid to Neighbours' Fund Reserves	-	(20,000)
Funds transferred to unrestricted net assets	(1,489)	(5,102)
Expenditures incurred	(23,613)	(53,898)
	200,000	-
Future capital purchases		
Opening	37,000	42,700
Funds internally restricted	279,000	-
Funds transferred to unrestricted net assets	-	(4,000)
Expenditures incurred	(16,000)	(1,700)
	300,000	37,000
	\$ 500,000	\$ 37,000

11. NEIGHBOURS LEVIES

During the year the Association and U.B.C. came to a mutual agreement with regard to interpreting a section of the Neighbours' Agreement whereby it was determined that U.B.C. would accept responsibility for the Athletics, Sewer and Drainage costs and services delivery under its obligation under the leases signed by residents. Neighbours levies revenues were decreased for the fiscal year along with the corresponding expenses to reflect this change.

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Notes to Financial Statements
Year Ended March 31, 2013

12. COMMITMENTS

The Association has entered into a lease agreement for its premises. The Association has also entered into agreements to provide support payments for certain U.B.C. facilities and the U.B.C. Botanical Garden. The aggregate future minimum lease payments and support payments are as follows:

2014	\$ 85,475
2015	71,475
2016	<u>11,913</u>
	<u>\$ 168,863</u>