

THE UNIVERSITY OF BRITISH COLUMBIA

FOR INFORMATION

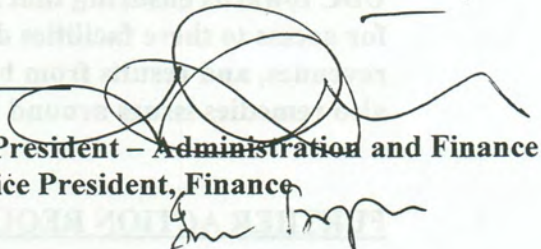
FORWARDED TO:

BOARD OF GOVERNORS ON RECOMMENDATION
OF PRESIDENT STEPHEN J. TOOPE

APPROVED FOR SUBMISSION:


Stephen J. Toope

DATE:


4/09/08

PRESENTED BY:

Lisa Castle, Acting Vice President – Administration and Finance
Ian Burgess, Associate Vice President, Finance

DATE OF MEETING:

September 25, 2008

SUBJECT:

The Neighbours Fund
Financial Statements March 31, 2008

DECISION REQUESTED:

For Information Only

EXECUTIVE SUMMARY:

The Neighbours Fund Financial Statements provide an overview of the Services Levy revenues and transfers to the University Neighbourhoods Association (UNA) for the year ended March 31, 2008. The financial statements were prepared by UBC Finance and have been audited by KPMG LLP.

Page

1

Auditor's Report

2

Statement of Financial Position

3

THE UNIVERSITY OF BRITISH COLUMBIA

4

THE NEIGHBOURS FUND

5

FINANCIAL STATEMENTS

March 31, 2008

DISCUSSION SUMMARY

Market housing owners pay taxes to UBC (Services Levy) and to the Province of British Columbia (rural tax). The combined tax is, by written lease agreement, equivalent to the City of Vancouver tax for an equivalent assessed property value. The Services Levy component comprises approximately 40% of the total tax.

The remaining 60% is made up of the Provincial School Tax, the Provincial Rural Tax, transportation, the BC Assessment Authority, and the Greater Vancouver Regional District (GVRD).

The Services Levy is expended on municipal services, such as landscaping, street and road maintenance and utility operational costs. These expenditures are the responsibility of the UNA under contract between the University and the UNA, and funds are transferred from the Neighbours Fund to the UNA based upon the UNA budget.

During the year, the Neighbours Fund received \$1.1m funding from UBC as part of the new agreement between UBC and the UNA. This one-time funding represents a contribution by UBC towards ensuring that future charges to be made to the UNA by various UBC facilities for access to these facilities do not require more than 15% of the annual service levy revenues, and results from benchmarking to other municipal expenditures. The funding also remedies issues around historical service charges.

FURTHER ACTION REQUIRED FOLLOWING BOARD/COMMITTEE DECISION

Follow-up

Financial statements are provided to all market housing owners. General information is also provided, when required, to the University Neighbourhood Association.

ATTACHMENTS:

1. Audited Neighbours Fund Financial Statements March 31, 2008



KPMG LLP
Chartered Accountants
Metrotower II
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Burnaby BC V5H 4N2

Telephone (604) 527-3600
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AUDITORS' REPORT TO THE MEMBERS OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF BRITISH COLUMBIA

We have audited the statement of financial position of The Neighbours Fund as at March 31, 2008 and the statement of revenues and expenditures for the year then ended. These financial statements are the responsibility of the University of British Columbia's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Neighbours Fund as at March 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

The prior year comparatives were audited by another firm of chartered accountants.

KPMG LLP

Chartered Accountants

Burnaby, Canada

June 25, 2008

	<u>Page</u>
Auditor's Report	1
Statement of Financial Position	2
Statement of Revenue and Expenses	3
Statement of Net Assets	4
Notes to Financial Statements	5

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Statement of Revenue and Expenses
Year ended March 31

	<u>2008</u>	<u>2007</u>
Revenue		
Services Levy	\$ 2,273,125	\$ 1,989,938
Investment Interest	173,887	155,670
Funding from the University of British Columbia (Note 9)	1,136,000	-
Other	750	3,125
	<u>3,583,762</u>	<u>2,148,733</u>
Expenses		
University Neighbourhoods Association (Note 4)	1,687,430	1,134,980
Administration (Note 10)	20,000	20,000
Professional Fees	6,968	4,297
Bad Debts	3,181	-
Communications	913	771
	<u>1,718,492</u>	<u>1,160,048</u>
Excess of Revenue over Expenses	<u>\$ 1,865,270</u>	<u>\$ 988,685</u>

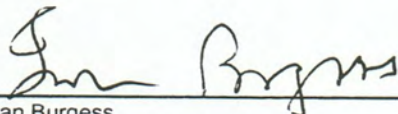
(See accompanying notes to the financial statements)

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

	<u>2008</u>	<u>2007</u>
ASSETS		
Due from the University of British Columbia (Note 3)	\$ 5,389,890	\$ 3,545,681
Accounts Receivable	461,884	57,555
Services Levy Accrual	634,110	595,420
Total Assets	<u>\$ 6,485,884</u>	<u>\$ 4,198,656</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued Liabilities	\$ 425,358	\$ 3,400
Net Assets		
Internally Restricted		
Capital Replacement Reserve (Note 5)	2,366,676	1,916,435
Community Centre Reserve (Note 6)	1,178,986	961,401
Community Access Reserve (Note 7)	800,000	-
Contingency Reserve (Note 8)	336,000	-
Unrestricted	1,378,864	1,317,420
	<u>6,060,526</u>	<u>4,195,256</u>
Total Liabilities and Net Assets	<u>\$ 6,485,884</u>	<u>\$ 4,198,656</u>

(See accompanying notes to the financial statements)

Approved:


 Ian Burgess
 Associate Vice President, Finance

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2008

1. Nature of Fund

The Neighbours Fund (the "Fund") is an unincorporated entity that collects a Services Levy from residents and residential developers located on the University of British Columbia (UBC) properties. For fiscal year 2007/08 the Services Levy was collected on the properties of Hampton Place, Hawthorn Place, Chancellor Place, Wesbrook Place and East Campus.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

a) Statement of Cash Flows

A statement of cash flows has not been presented as management does not consider that it would provide additional meaningful information.

b) Services Levy

The Services Levy is charged to tenants on a calendar year basis and reported in the financial statements on an accrual basis.

c) Revenue Recognition

Unrestricted contributions and the Services levy revenue is recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

d) Financial Instruments

Effective April 1, 2007 the Fund adopted the new CICA accounting standards for the recognition, measurement, disclosure and presentation of its financial assets and financial liabilities. The new standards require that all non-derivative financial assets and liabilities be measured at fair value with the exception of loans and receivables and held-to-maturity investments, which should be measured at amortized cost. The new standards also require that gains and losses on financial instruments measured at fair value be recognized in net income in the periods in which they arise, with the exception of unrealized gains and losses on financial assets classified as available-for-sale, which are recognized directly in the appropriate fund in net assets until the financial asset is derecognized or becomes impaired.

The Fund's financial instruments are classified as loans and receivables, or other financial liabilities.

The adoption of the new standards on a prospective basis had no impact to opening net assets.

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Statement of Net Assets
As at March 31

			Internally Restricted Reserves		
	2008	2007	Unrestricted	Total 2008	Total 2007
Net assets, beginning of year	\$ 1,317,420	\$ 2,877,836	\$ 4,195,256	\$ 3,206,571	
Excess of revenue over expenses	1,865,270	-	1,865,270	988,685	
Transfers to reserves	(1,803,826)	1,803,826	-	-	
	61,444	1,803,826	1,865,270	988,685	
Net assets, end of year	<u>\$ 1,378,864</u>	<u>\$ 4,681,662</u>	<u>\$ 6,060,526</u>	<u>\$ 4,195,256</u>	

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2008

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 to the UNA as funding for its operations. The amount recognized as expenses in the year is the amount paid to the UNA. The amount paid to the UNA in a year is established based on the UNA budget developed and submitted to the UBC Board of Governors, which represents the estimated expense for the year.

5. Capital Replacement Reserve

Each year a percentage (16.4%) of the Services Levy is set aside to replace infrastructure works, such as sidewalks, roads, water lines, storm and sanitary sewers in future years. Interest is allocated to the reserve based on the balance in the reserve at year-end.

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 1,916,435	\$ 1,510,398
Appropriations from Services Levy Revenue	372,792	326,350
Interest Earned	77,449	79,687
Transfer to Capital Replacement Reserve	<u>450,241</u>	<u>406,037</u>
Balance, end of year	<u>\$ 2,366,676</u>	<u>\$ 1,916,435</u>

6. Community Centre Reserve

Each year a percentage (8.3%) of the Services Levy is set aside to fund the community facility. Interest is allocated to the reserve based on the balance in the reserve at year-end.

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 961,401	\$ 756,260
Appropriations from Services Levy Revenue	188,669	165,165
Interest Earned	38,916	39,976
Withdrawal from Reserve	(10,000)	-
Transfer to Community Centre Reserve	<u>217,585</u>	<u>205,141</u>
Balance, end of year	<u>\$ 1,178,986</u>	<u>\$ 961,401</u>

THE UNIVERSITY OF BRITISH COLUMBIA
THE NEIGHBOURS FUND
Notes to Financial Statements
Year ended March 31, 2008

7. Community Access Reserve

The Community Access Reserve is comprised of funds set aside to make annual payments to UBC for the operating costs of the facilities to which the UNA has obtained access. This reserve amount is based on an agreement between UBC and UNA. No interest is allocated to this reserve because transfer of funds occurred at year-end.

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ -	\$ -
Transfer to Community Access Reserve	<u>800,000</u>	<u>-</u>
Balance, end of year	<u>\$ 800,000</u>	<u>\$ -</u>

8. Contingency Reserve

The Contingency Reserve is comprised of funds set aside to pay for unexpected or unbudgeted repairs and expenses which require immediate action. This reserve amount is determined by UNA. No interest is allocated to this reserve because transfer of funds occurred at year-end.

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ -	\$ -
Transfer to Contingency Reserve	<u>336,000</u>	<u>-</u>
Balance, end of year	<u>\$ 336,000</u>	<u>\$ -</u>

9. Funding from the University of British Columbia

During the year, the Neighbours Fund received \$1.1m funding from UBC as part of the new agreement between UBC and the UNA. This one-time funding represents a contribution by UBC towards ensuring that future charges to be made to the UNA by various UBC facilities for access to these facilities do not require more than 15% of the annual service levy revenues, and results from benchmarking to other municipal expenditures. The funding also remedies issues around historical service charges.

10. Administration Expense

Administration expense consists of a fee charged to the UNA for administrative costs.

11. Related Party

Two of the seven members of the UNA Board of Directors are UBC appointed faculty, staff and students. Related party transactions for the 2007/08 fiscal year are funding of \$1,687,430 (2006/07 \$1,134,980) provided to UNA and administration fees of \$20,000 (2006/07 \$20,000) charged to the Fund by UBC.