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**UNIVERSITY NEIGHBOURHOODS ASSOCIATION**

**Financial Statements**

**Year Ended March 31, 2020**

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TAXATION • ACCOUNTING • ASSURANCE

**UNIVERSITY NEIGHBOURHOODS ASSOCIATION**  
**Index to Financial Statements**  
**Year Ended March 31, 2020**

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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, 2020, 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, 2020, 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.

*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 those charged with governance either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

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

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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 Association'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 Association'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 Association 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.

*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.

*Johnsen Archer LLP*

Surrey, B.C.  
August 17, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

**UNIVERSITY NEIGHBOURHOODS ASSOCIATION**

**Statement of Financial Position**

**March 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current assets		
Cash	\$ 719,691	\$ 280,012
Accounts receivable	207,162	381,346
Prepaid expenses	7,565	15,527
	<b>934,418</b>	676,885
<u>Capital assets (Note 4)</u>	<b>970,687</b>	1,178,571
	<b>\$ 1,905,105</b>	<b>\$ 1,855,456</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 346,799	\$ 288,734
Deferred revenue	131,451	223,348
	<b>478,250</b>	512,082
<u>Deferred contributions (Note 6)</u>	<b>280,000</b>	160,000
<u>Deferred capital contributions (Note 7)</u>	<b>289,315</b>	328,418
	<b>1,047,565</b>	1,000,500
<b>NET ASSETS</b>		
Invested in capital assets	660,627	829,408
Internally restricted net assets (Note 8)	67,471	67,471
<u>Unrestricted net assets</u>	<b>129,442</b>	(41,923)
	<b>857,540</b>	854,956
	<b>\$ 1,905,105</b>	<b>\$ 1,855,456</b>

Commitments (Note 10)

Subsequent events (Note 12)

**UNIVERSITY NEIGHBOURHOODS ASSOCIATION**

**Statement of Revenues and Expenditures**

**Year Ended March 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>Revenue</b>		
Community centres	\$ 887,774	\$ 1,001,153
Neighbours' levy (Note 9)	2,983,774	2,145,067
Other revenue	503,144	364,818
	<b>4,374,692</b>	<b>3,511,038</b>
<b>Community services</b>		
Communication	104,017	109,047
Community access	120,935	117,955
Community centre		
Direct operating costs	506,195	486,842
Programming	508,517	555,276
Salaries and benefits	901,551	735,205
Community support	15,093	34,825
General and administrative	334,381	401,597
General meetings	35,533	28,411
Salaries and wages	939,857	864,593
Sustainability	14,356	18,524
	<b>3,480,435</b>	<b>3,352,275</b>
<b>Municipal services</b>		
Direct operating costs	110,345	98,758
Common area maintenance	516,716	559,100
	<b>627,061</b>	<b>657,858</b>
Excess (deficiency) of revenue over expenditures before other income or expenses	<b>267,196</b>	(499,095)
<b>Other income or expenses</b>		
Amortization of capital assets	161,401	171,622
Amortization of deferred capital contributions	(39,103)	(39,103)
Loss on disposal of capital assets	142,314	-
	<b>264,612</b>	<b>132,519</b>
<b>Excess (deficiency) of revenue over expenditures for the year</b>	<b>\$ 2,584</b>	<b>\$ (631,614)</b>

**UNIVERSITY NEIGHBOURHOODS ASSOCIATION**

**Statement of Changes in Net Assets**

**Year Ended March 31, 2020**

	Invested in Capital Assets	Internally Restricted (Note 8)	Unrestricted	2020	2019
<b>Net assets - beginning of year</b>	\$ 829,408	\$ 67,471	\$ (41,923)	\$ 854,956	\$ 1,486,570
Excess (deficiency) of revenue over expenditures	(264,612)	-	267,196	2,584	(631,614)
Internally restricted expenditures	95,831	-	(95,831)	-	-
<b>Net assets - end of year</b>	<b>\$ 660,627</b>	<b>\$ 67,471</b>	<b>\$ 129,442</b>	<b>\$ 857,540</b>	<b>\$ 854,956</b>

**UNIVERSITY NEIGHBOURHOODS ASSOCIATION**

**Statement of Cash Flows**

**Year Ended March 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenditure for the year	\$ 2,584	\$ (631,614)
Items not affecting cash:		
Amortization of capital assets	161,401	171,622
Amortization of deferred capital contributions	(39,103)	(39,103)
Loss on disposal of capital assets	142,314	-
	<b>267,196</b>	<b>(499,095)</b>
Changes in non-cash working capital:		
Accounts receivable	174,184	(369,833)
Prepaid expenses	7,962	4,341
Accounts payable and accrued liabilities	58,065	46,163
Deferred revenue	(91,897)	26,516
	<b>148,314</b>	<b>(292,813)</b>
Cash flow from (used by) operating activities	<b>415,510</b>	<b>(791,908)</b>
<b>Investing activities</b>		
Purchase of capital assets	(95,831)	(11,908)
Redemption of term deposits	-	806,962
Cash flow from (used by) investing activities	<b>(95,831)</b>	<b>795,054</b>
<b>Financing activity</b>		
Deferred capital fund contributions	<b>120,000</b>	<b>-</b>
<b>Increase in cash</b>	<b>439,679</b>	<b>3,146</b>
Cash - beginning of year	<b>280,012</b>	<b>276,866</b>
Cash - end of year	<b>\$ 719,691</b>	<b>\$ 280,012</b>

# UNIVERSITY NEIGHBOURHOODS ASSOCIATION

## Notes to Financial Statements

Year Ended March 31, 2020

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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 ("UBC") 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, as outlined in the Agreement, are funded by levies collected by UBC.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

#### 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
Website	5 years

Capital assets are amortized once put into use. No amortization is recorded in the year of disposition. 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, 2020

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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.

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.

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, 2020**

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### **3. FINANCIAL INSTRUMENTS**

The Association's financial instruments consist of cash, 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 (2019 - \$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, 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	2020 Net book value	2019 Net book value
Computer hardware and software	\$ 80,216	\$ 56,502	\$ 23,714	\$ 8,607
Equipment and fixtures	1,122,023	662,230	459,793	691,531
Leasehold improvements	882,652	458,022	424,630	478,433
Website	69,500	6,950	62,550	-
	<b>\$ 2,154,391</b>	<b>\$ 1,183,704</b>	<b>\$ 970,687</b>	<b>\$ 1,178,571</b>

As at March 31, 2020, no events or changes in circumstances had occurred which indicated that capital assets require a write-down. During the year, \$142,314 of various capital assets were written off due to the assets no longer being in use.

### **5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	2020	2019
Employer Health Tax payable	\$ 7,726	\$ 7,835
Goods and Services Tax payable	29,456	25,176
Payroll source deductions payable	19,379	19,067
	<b>\$ 56,561</b>	<b>\$ 52,078</b>

# UNIVERSITY NEIGHBOURHOODS ASSOCIATION

## Notes to Financial Statements

**Year Ended March 31, 2020**

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### **6. DEFERRED CONTRIBUTIONS**

Included in deferred contributions 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.

	2020	2019
Capital Replacement Fund	\$ 280,000	\$ 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 complete leasehold improvements for the Community Centres. This deferred contribution is amortized to operations on the same basis as the related leasehold improvements.

	2020	2019
Deferred capital contributions	\$ 586,543	\$ 586,543
Accumulated amortization	(297,228)	(258,125)
	<b>\$ 289,315</b>	<b>\$ 328,418</b>

### **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.

	2020	2019
Community engagement		
Opening	\$ 18,199	\$ 18,199
Funds internally restricted	-	-
Expenditures incurred	-	-
	<b>18,199</b>	<b>18,199</b>

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**UNIVERSITY NEIGHBOURHOODS ASSOCIATION**

**Notes to Financial Statements**

**Year Ended March 31, 2020**

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**8. INTERNALLY RESTRICTED NET ASSETS (continued)**

**Capital projects**

Opening	<b>30,898</b>	42,530
Funds internally restricted	-	-
Expenditures incurred	-	(11,632)
	<b>30,898</b>	30,898

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**Training and development**

Opening	<b>18,374</b>	29,362
Funds internally restricted	-	-
Expenditures incurred	-	(10,988)
	<b>18,374</b>	18,374
<b>Total</b>	<b>\$ 67,471</b>	\$ 67,471

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**9. NEIGHBOURS' LEVY**

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

	<b>2020</b>	<b>2019</b>
Neighbours' Levy	\$ 4,710,785	\$ 3,511,572
UBC Community Services Grant	500,000	-
Net Reserve Transfers	(196,694)	356,670
Total Neighbours' Levy & Reserves	<b>5,014,091</b>	3,868,242
Payments to U.B.C.	(1,983,614)	(1,687,188)
Net Levy Revenue	<b>3,030,477</b>	2,181,054
Unrecoverable GST	(46,703)	(35,987)
 Net Neighbours' levy	 <b>\$ 2,983,774</b>	 \$ 2,145,067

Payments to UBC consist of amounts withdrawn by UBC out of the Neighbours Fund and include the Athletics Access fee and Water and Sewage charges, as well as amounts withdrawn to pay the Fire Services fee.

**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.

2021	<b>\$ 47,220</b>
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# UNIVERSITY NEIGHBOURHOODS ASSOCIATION

## Notes to Financial Statements

Year Ended March 31, 2020

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### 11. DIRECTORS' AND EMPLOYEE'S SALARIES

During the year, the Association paid \$24,317 (2019 – \$25,450) to four directors, and \$9,213 (2019 – \$9,369) to the Chair. Additionally, the Association paid \$459,682 (2019 - \$344,187) to four (2019 – three) employees earning above \$75,000.

### 12. SUBSEQUENT EVENTS

Subsequent to year-end, the outbreak of the Coronavirus disease ("COVID-19") has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses and not-for-profit organizations globally resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, nor is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. The Association has closed recreational facilities, resulting in a decline in revenue, and obtained federal government subsidies to assist with employee wages.

### 13. COMPARATIVE FIGURES

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