
UNIVERSITY NEIGHBOURHOODS ASSOCIATION

Financial Statements

Year Ended March 31, 2014

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
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Year Ended March 31, 2014

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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, 2014, 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.

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, 2014, its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Johnsen Archer LLP

Surrey, B.C.
July 14, 2014

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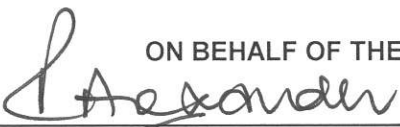



UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Statement of Financial Position
March 31, 2014

	2014	2013
ASSETS		
Current assets		
Cash	\$ 708,541	\$ 1,473,955
Accounts receivable	29,862	6,094
Internally restricted receivable (Note 8)	823,201	-
Prepaid expenses	97,840	93,430
	1,659,444	1,573,479
Capital assets (Note 4)	534,721	576,896
	\$ 2,194,165	\$ 2,150,375
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 188,608	\$ 379,247
Due to Neighbours' Fund Reserves (Note 6)	-	579,276
Deferred revenue	24,884	-
	213,492	958,523
Deferred capital contribution (Note 7)	195,100	242,010
	408,592	1,200,533
NET ASSETS		
Invested in capital assets	339,621	334,886
Internally restricted net assets (Note 8)	1,200,987	500,000
Unrestricted net assets	244,965	114,956
	1,785,573	949,842
	\$ 2,194,165	\$ 2,150,375

Commitments (Note 9)

ON BEHALF OF THE BOARD

 Director

 Director

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Statement of Revenues and Expenditures
Year Ended March 31, 2014

	2014	2013
Revenue		
Community centre	\$ 204,313	\$ 182,688
Neighbours levies	3,136,003	2,886,582
Other revenue	187,701	145,309
Province of B.C.	37,131	48,342
	3,565,148	3,262,921
Community services		
Communication	81,884	91,752
Community access (Note 6)	123,115	358,088
Community centre		
Direct operating costs	203,717	161,943
Programming	167,252	152,014
Salaries and benefits	336,172	282,252
Community support	124,560	113,020
General and administrative	323,170	294,654
General meetings	17,060	19,242
Salaries and benefits	492,265	424,178
Skateboard park contribution	-	100,000
Sustainability	31,394	38,094
	1,900,589	2,035,237
Municipal services		
Direct operating costs	23,931	14,725
Landscaping	548,529	531,226
Other	25,766	20,998
Property management	80,000	80,000
Road, gutter, sidewalk maintenance	13,740	8,708
Streetlights	96,471	60,632
	788,437	716,289
Excess of revenue over services before amortization	876,122	511,395
Amortization of capital assets	87,301	79,305
Amortization of deferred capital contribution (Note 7)	(46,910)	(46,910)
Reimbursement to Neighbours' Fund (Note 6)	-	110,000
	40,391	142,395
Excess of revenue over expenditures for the year	\$ 835,731	\$ 369,000

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Statement of Changes in Net Assets
Year Ended March 31, 2014

	Invested in capital assets	Internally restricted (Note 8)	Unrestricted	2014	2013
Net assets - beginning of year	\$ 334,886	\$ 500,000	\$ 114,956	\$ 949,842	\$ 580,842
Excess (deficiency) of revenue over expenditures	(40,391)	784,001	92,121	835,731	369,000
Investment in capital assets	17,403	-	(17,403)	-	-
Internally restricted expenditures	27,723	(65,924)	38,201	-	-
Interfund transfers	-	(17,090)	17,090	-	-
Net assets - end of year	\$ 339,621	\$ 1,200,987	\$ 244,965	\$ 1,785,573	\$ 949,842

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Statement of Cash Flows
Year Ended March 31, 2014

	2014	2013
Operating activities		
Excess of revenue over expenditures for the year	\$ 835,731	\$ 369,000
Items not affecting cash:		
Amortization of capital assets	87,301	79,305
Amortization of deferred capital contribution	(46,910)	(46,910)
	876,122	401,395
Changes in non-cash working capital:		
Accounts receivable	(23,768)	162,377
Internally restricted receivable	(823,201)	-
Prepaid expenses	(4,410)	(48,359)
Accounts payable and accrued liabilities	(190,639)	61,674
Due to Neighbours' Fund Reserves	(579,276)	534,312
Deferred revenue	24,884	-
	(1,596,410)	710,004
Cash flow from (used by) operating activities	(720,288)	1,111,399
Investing activity		
Purchase of capital assets	(45,126)	(32,946)
Increase (decrease) in cash	(765,414)	1,078,453
Cash - beginning of year	1,473,955	395,502
Cash - end of year	\$ 708,541	\$ 1,473,955

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Notes to Financial Statements
Year Ended March 31, 2014

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 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 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

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 at the following rates and methods:

Computer equipment	3 years	straight-line method
Equipment	10 years	straight-line method
Leasehold improvements	15 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.

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.

As at March 31, 2014, no capital assets had been identified which required a write-down.

(continues)

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Notes to Financial Statements
Year Ended March 31, 2014

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

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 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 expenditures during the period. These estimates include valuation of capital assets and internally restricted receivable. 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, 2014

3. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash, accounts receivable, internally restricted receivable, accounts payable and accrued liabilities and due to Neighbours' Fund Reserves. 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 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, internally restricted 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.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Computer software	\$ 53,411	\$ 26,993	\$ 26,418	\$ 13,966
Equipment	440,843	276,143	164,700	204,587
Leasehold improvements	519,855	176,252	343,603	358,343
	\$ 1,014,109	\$ 479,388	\$ 534,721	\$ 576,896

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2014	2013
Goods and services tax (GST) payable	\$ 19,453	\$ 19,017
Source deductions payable	1,406	-
	\$ 20,859	\$ 19,017

UNIVERSITY NEIGHBOURHOODS ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2014

6. 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.

The Neighbours' Fund is held by U.B.C. to fund the Association's operations, maintenance, repair and replacement of the Municipal-like Services and Facilities and Amenities provided to residents in the Designated Local Areas including Hamplton Place. U.B.C. deposits into the Neighbours' Fund the Services Levy paid annually by leasehold strata owners pursuant to their lease agreements, and the GMSL paid by lessors of 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, the Rate Stabilization Fund and the Community Field Replacement Fund.

The Association and U.B.C. have agreed with regard to interpreting a section of the Neighbours' Agreement that U.B.C. would accept responsibility through the Neighbours' Fund for the Athletics, Sewer and Drainage costs and services delivery as its obligation under the leases signed by residents.

7. 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.

	2014	2013
Deferred capital contribution	\$ 524,900	\$ 524,900
Accumulated amortization	(329,800)	(282,890)
	\$ 195,100	\$ 242,010

UNIVERSITY NEIGHBOURHOODS ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2014

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.

	2014	2013
Community engagement		
Opening	\$ 200,000	\$ -
Funds internally restricted	3,000	225,102
Funds transferred to unrestricted net assets	-	(1,489)
Funds transferred to capital projects	(96,799)	-
Expenditures incurred	(38,201)	(23,613)
	68,000	200,000
Capital projects		
Opening	300,000	37,000
Funds internally restricted	716,001	279,000
Funds transferred from community engagement	96,799	-
Funds transferred to unrestricted net assets	(17,090)	-
Expenditures incurred	(27,723)	(16,000)
	1,067,987	300,000
Consultants		
Funds internally restricted	65,000	-
	\$ 1,200,987	\$ 500,000

During the year, the board of directors approved a name change of internally restricted funds changing the formerly known "Deferred operating contributions" to "Community engagements" and "Future capital purchases" to "Capital projects".

Included in funds internally restricted is the internally restricted receivable of \$784,001 (\$823,201 net of GST) owing from the Neighbours' Fund for the fourth quarter neighbours levy. This balance has been approved for deferral by the UNA board of directors to be paid out and used in subsequent periods towards various capital projects including the new community centre.

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Notes to Financial Statements
Year Ended March 31, 2014

9. COMMITMENTS

The Association has entered into a lease agreement for its premises and have committed to the following minimum annual lease payments. Current lease term is up for renewal in May 2015.

2015	\$ 71,475
2016	11,913
	<u>\$ 83,388</u>