UNIVERSITY NEIGHBOURHOODS ASSOCIATION

Financial Statements

Year Ended March 31, 2012

CHARTERED ACCOUNTANTS
JOHNSEN ARCHER LLP

UNIVERSITY NEIGHBOURHOODS ASSOCIATION
Index to Financial Statements
Year Ended March 31, 2012

CHARTERED ACCOUNTANTS
JOHNSEN ARCHER LLP

CHARTERED ACCOUNTANTS
JOHNSEN ARCHER LLP

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, 2012, and 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 generally accepted accounting principles, 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, 2012, its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Johnsen Archer LLP

Surrey, B.C.
August 9, 2012

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 jhi

UNIVERSITY NEIGHBOURHOODS ASSOCIATION

Statement of Financial Position

March 31, 2012

	2012	2011
ASSETS		
Current assets		
Cash	$ 395,502	$ 486,061
Accounts receivable	168,471	201,284
Prepaid expenses	45,071	56,538
	609,044	743,883
Capital assets *(Note 4)*	623,255	686,080
	$ 1,232,299	$ 1,429,963
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 317,573	$ 433,291
Due to Neighbours Fund Reserves *(Note 5)*	44,964	60,000
	362,537	493,291
Deferred capital contribution *(Note 6)*	288,920	335,830
	651,457	829,121
NET ASSETS		
Invested in capital assets	334,335	350,250
Internally restricted *(Note 7)*	37,000	121,700
Unrestricted	209,507	128,892
	580,842	600,842
	$ 1,232,299	$ 1,429,963

Commitments *(Note 9)*

CHARTERED ACCOUNTANTS
JOHNSEN ARCHER LLP

ON BEHALF OF THE BOARD

Geraldo A. Fagundes Director

Jan Bergen Director

See notes to financial statements

UNIVERSITY NEIGHBOURHOODS ASSOCIATION

Statement of Revenues and Expenditures

Year Ended March 31, 2012

	2012	2011
Revenue		
Community centre	$ **151,300**	$ 113,917
Other revenue	**117,957**	105,263
Province of B.C.	**48,072**	48,072
Neighbours levies	**2,897,694**	2,626,717
	3,215,023	2,893,969
Expenses		
Communication	**87,176**	79,157
Community access	**576,467**	508,186
Community centre		
Direct operating costs	**181,139**	154,246
Programming	**112,661**	85,691
Salaries and benefits	**242,521**	237,177
Community support	**104,477**	63,428
General meetings and directors' liability	**21,495**	61,506
General and administrative	**336,979**	234,595
Salaries and benefits	**437,900**	390,256
Sustainability	**19,446**	25,529
	2,120,261	1,839,771
Municipal services		
Landscaping	**595,501**	494,348
Parking and security	**100,910**	82,768
Road, gutter, sidewalk maintenance	**20,926**	14,319
Sewer and drainage	**162,402**	131,375
Streetlights	**65,012**	72,298
Property management	**80,000**	80,000
Other	**41,824**	14,187
	1,066,575	889,295
	28,187	164,903
Amortization of capital assets	**75,097**	62,984
Amortization of deferred capital contribution	**(46,910)**	(46,910)
	28,187	16,074
Excess of revenue over expenditures for the year	$ **-**	$ 148,829

CHARTERED ACCOUNTANTS
JOHNSEN ARCHER LLP

See notes to financial statements

UNIVERSITY NEIGHBOURHOODS ASSOCIATION

Statement of Changes in Net Assets

Year Ended March 31, 2012

	Invested in capital assets	Internally restricted *(Note 7)*	Unrestricted	**2012**	2011
Net assets - beginning of year	$ 350,250	$ 121,700	$ 128,892	**$ 600,842**	$ 452,013
Excess (deficiency) of revenue over expenditures	(28,187)	-	28,187	**-**	148,829
Investment in capital assets	10,572	-	(10,572)	**-**	-
Internally restricted expenditures	1,700	(75,598)	53,898	**(20,000)**	-
Interfund transfers	-	(9,102)	9,102	**-**	-
Net assets - end of year	$ 334,335	$ 37,000	$ 209,507	**$ 580,842**	$ 600,842

CHARTERED ACCOUNTANTS
JOHNSEN ARCHER LLP

See notes to financial statements

UNIVERSITY NEIGHBOURHOODS ASSOCIATION

Statement of Cash Flows

Year Ended March 31, 2012

	2012	2011
Operating activities		
Excess of revenue over expenditures	$ -	$ 148,829
Items not affecting cash:		
Amortization of capital assets	**75,097**	62,984
Amortization of deferred capital contribution	**(46,910)**	(46,910)
	28,187	164,903
Changes in non-cash working capital:		
Accounts receivable	**32,813**	432,588
Prepaid expenses	**11,467**	(3,491)
Accounts payable and accrued liabilities	**(115,718)**	138,302
Due to Neighbours Fund Reserves	**(15,036)**	(335,000)
Internally restricted expenditures	**(20,000)**	-
	(106,474)	232,399
Cash flow from (used by) operating activities	**(78,287)**	397,302
Investing activity		
Purchase of capital assets	**(12,272)**	(309,409)
Increase (decrease) in cash	**(90,559)**	87,893
Cash - beginning of year	**486,061**	398,168
Cash - end of year	**$ 395,502**	$ 486,061

See notes to financial statements

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and incorporate the following significant accounting policies:

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 and 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.

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.

(continues)

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 expenses 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.

(continues)

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

Financial instruments

The Association applies the CICA Handbook sections 3855, "Financial Instruments - Recognition and Measurement" and, as permitted for not-for-profit organizations, 3861, "Financial Instruments - Disclosure and Presentation". Under these sections, all financial instruments are classified into one of five categories: held for trading, held-to-maturity investments, loans and receivables, available for sale financial assets or other financial liabilities. All financial instruments are initially measured fair value. After initial recognition, held-for trading and available-for-sale financial assets are measured at the balance sheet date at fair value, and loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost.

1. Held for trading:
   Cash is measured and reported at fair value with any subsequent changes in fair value being recognized as unrealized gains or losses in the statement of operations in the period in which the change in value takes place.

2. Available-for-sale:
   Term deposits are measured and reported at fair value with any subsequent changes in fair value being recognized as unrealized gains or losses in the statement of operations in the period in which the change in value takes place.

3. Loans and receivables:
   Accounts receivable are initially recorded at fair value and subsequently measured at amortized cost less any impairment losses recognized, and approximate their fair values due to the relatively short periods to maturity.

4. Other financial liabilities:
   Accounts payable and accrued liabilities and due to Neighbours Fund reserves are measured at amortized cost and approximate their fair values due to the relatively short periods to maturity.

5. Transaction costs:
   Transaction that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception, and are recognized over the term of the assets or liabilities using the effective interest method.

Future accounting framework

The CICA is issuing a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations will be required to choose between International Financial Reporting Standards and Generally Accepted Accounting Principals for Not-For-Profit Organizations. The Association has chosen to adopt Generally Accepted Accounting Principals for Not-For-Profit Organizations and is currently assessing the impact of the transition to that method and preparing to determine comparative information.

3. 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 value of cash, accounts receivable, accounts payable and accrued liabilities and due to Neighbours Fund Reserves approximates its fair value 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.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	**2012 Net book value**	2011 Net book value
Computer hardware	$ 15,578	$ 14,495	**$ 1,083**	$ -
Leasehold improvements	500,580	108,865	**391,715**	420,817
Office equipment and fixtures	419,880	189,423	**230,457**	265,263
	$ 936,038	$ 312,783	**$ 623,255**	$ 686,080

5. DUE TO NEIGHBOURS FUND RESERVES

As per the agreement between the Association and the University of British Columbia, certain surpluses at the end of each fiscal year are returned to the University for deposit to the Rate Stabilization Reserve in the Neighbours' Fund.

JA CHARTERED ACCOUNTANTS JOHNSEN ARCHER LLP

6. 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.

	2012	2011
Deferred capital contribution	**$ 524,900**	$ 524,900
Accumulated amortization	**(235,980)**	(189,070)
	$ 288,920	$ 335,830

7. 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.

	2012	2011
Deferred operating contributions		
Opening	**$ 79,000**	$ -
Funds internally restricted	**-**	79,000
Funds repaid to Neighbours Fund Reserves	**(20,000)**	-
Funds transferred to unrestricted net assets	**(5,102)**	-
Expenditures incurred	**(53,898)**	-
	-	79,000
Future capital purchases		
Opening	**42,700**	250,000
Funds internally restricted	**-**	87,700
Funds transferred to unrestricted net assets	**(4,000)**	-
Expenditures incurred	**(1,700)**	(295,000)
	37,000	42,700
	$ 37,000	$ 121,700

CHARTERED ACCOUNTANTS
JOHNSEN ARCHER LLP

8. 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.

9. 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 UBC recreational facilities and the UBC Botanical Garden. The aggregate future minimum lease payments and support payments are as follows:

2013	$ 583,818
2014	583,818
2015	71,475
2016	11,913
	$ 1,251,024

10. COMPARATIVE FIGURES

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