FINANCIAL STATEMENTS OF

THE ALUMNI ASSOCIATION OF THE UNIVERSITY OF BRITISH COLUMBIA

AND INDEPENDENT AUDITORS' REPORT THEREON

Year ended March 31, 2019

alumni UBC

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Alumni Association of The University of British Columbia

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of The Alumni Association of The University of British Columbia (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of 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 "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity 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 these 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 Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.

- 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.

Reporting on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 20, 2019

STATEMENT OF FINANCIAL POSITION

March 31, 2019, with comparative information for 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	**961,496**	1,104,195
Short-term investments	**1,742,291**	1,267,460
Accounts receivable	**243,019**	113,934
	2,946,806	2,485,589
Property and equipment (note 5)	**60,970**	20,301
	3,007,776	2,505,890
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities (notes 3 and 4)	**554,531**	373,562
Deferred revenue and refundable deposits	**624,245**	476,597
	1,178,776	850,159
Net assets:		
Net assets invested in property and equipment	**60,970**	20,301
Internally restricted for future operating programs	**43,461**	64,526
Internally restricted for future equipment purchases	**207,259**	207,760
Unrestricted net assets	**1,517,310**	1,363,144
	1,829,000	1,655,731
	$3,007,776	$2,505,890

See accompanying notes to financial statements.

Approved on behalf of the Board:

Randy Findlay
Chair

Barbara Anderson
Treasurer

STATEMENT OF OPERATIONS

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
UBC contribution (note 3)	**$2,141,404**	$2,067,812
The Robert H. Lee Alumni Centre	**608,815**	563,203
Cecil Green Park (note 7)	**593,351**	538,438
Alumni Services and Business Development (note 8)	**523,286**	475,344
Sponsorship and In Kind	**123,843**	169,655
Trek advertising	**106,604**	86,324
Interest and investment income	**48,007**	28,401
Miscellaneous	**-**	5,491
	4,145,310	3,934,668
Operating expenses (note 6):		
Administration	**789,388**	975,226
The Robert H. Lee Alumni Centre (note 3)	**932,218**	890,220
UBC Welcome Centre	**162,185**	123,216
Cecil Green Park (note 7)	**382,340**	348,939
Alumni Services and Business Development	**304,225**	176,155
Sponsorship and In Kind	**48,986**	81,085
Trek	**678,472**	699,642
Communications	**674,227**	493,573
	3,972,041	3,788,056
Excess of revenues over expenses	**$173,269**	$146,612

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31, 2019, with comparative information for 2018

2019	INVESTED IN PROPERTY AND EQUIPMENT	INTERNALLY RESTRICTED FOR FUTURE OPERATING PROGRAMS	INTERNALLY RESTRICTED FOR FUTURE FIXED ASSET PURPOSES	UNRESTRICTED	TOTAL
Balance, beginning of year	**20,301**	**64,526**	**207,760**	**1,363,144**	**1,655,731**
Internally approved appropriations	**-**	**159,320**	**52,000**	**(211,320)**	**-**
Excess (deficiency) of revenues over expenses	**(16,652)**	**(180,385)**	**4,820**	**365,486**	**173,269**
Interfund transfers:					
Purchase of property and equipment	**57,321**	**-**	**(57,321)**	**-**	**-**
Balance, end of year	**$60,970**	**$43,461**	**$207,259**	**$1,517,310**	**$1,829,000**

2018	INVESTED IN PROPERTY AND EQUIPMENT	INTERNALLY RESTRICTED FOR FUTURE OPERATING PROGRAMS	INTERNALLY RESTRICTED FOR FUTURE FIXED ASSET PURPOSES	UNRESTRICTED	TOTAL
Balance, beginning of year	22,511	225,000	115,583	1,146,025	1,509,119
Internally approved appropriations	-	-	97,000	(97,000)	-
Excess (deficiency) of revenues over expenses	(9,056)	(160,474)	2,023	314,119	146,612
Interfund transfers:					
Purchase of property and equipment	6,846	-	(6,846)	-	-
Balance, end of year	$20,301	$64,526	$207,760	$1,363,144	$1,655,731

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
CASH PROVIDED BY (USED IN):		
Operations:		
Excess of revenues over expenses	**173,269**	146,612
Depreciation, an item not involving cash	**16,652**	9,056
Changes in non-cash operating working capital items:		
Accounts receivable	**(129,085)**	2,652
Prepaid expenses	**-**	5,162
Accounts payable and accrued liabilities	**180,969**	(307,807)
Deferred revenue and refundable deposits	**147,648**	44,750
	389,453	(99,575)
Investments:		
Purchase of property and equipment	**(57,321)**	(6,846)
Short-term investments, net	**(474,831)**	254,518
	(532,152)	247,672
Increase (decrease) in cash and cash equivalents	**(142,699)**	148,097
Cash and cash equivalents, beginning of year	**1,104,195**	956,098
Cash and cash equivalents, end of year	**$961,496**	$1,104,195

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Nature of operations:

The Alumni Association of The University of British Columbia (the "Association") was incorporated under the Society Act (British Columbia) in March 1946 with the primary objective of increasing the involvement of alumni in the activities of The University of British Columbia (the "University"). On November 28, 2016, the new Societies Act (British Columbia) became effective. The Association has transitioned to the new act on February 2, 2018. The direct revenue sources of the Association are not sufficient to cover its operating and capital expenditures and, as a result, the continued support of the University is required to finance the activities of the Association.

Effective June 27, 2014, the Association entered into a new seven-year agreement with the University with an effective date of January 1, 2014. This agreement defines the relationship between the Association and the University. The agreement commits the University to funding the operations of the Association based on approved annual budgets. The initial term of the agreement will expire on December 31, 2021; however, the agreement automatically renews for additional three-year terms until terminated at the option of either party by providing six months written notice of termination to the other. These financial statements have been presented on a going concern basis which assumes the continued support of the University.

The Association is non-taxable under the Income Tax Act as a non-profit organization.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

(c) Short-term investments:

Short-term investments, consisting of Guaranteed Investment Certificates with maturities or cashable within the next fiscal year, are carried at fair value with gains and losses recorded in the statements of operations.

(d) Property and equipment:

Furniture and equipment is recorded at historical cost. Depreciation is recorded at 20% for furniture and 33⅓% for equipment per annum using the straight-line method.

(e) Internal restrictions of net assets:

Certain amounts are set aside into a separate component of net assets. These amounts may be held in term deposits and the interest income, which has been recorded in operations, is retained in the fund to maintain its purchasing power. Appropriation of these funds requires the approval of the Association's Board of Directors but is not subject to other restrictions. Internally restricted net assets include the following:

(i) Net assets internally restricted for future fixed asset purchases:

These amounts have been set aside for equipment replacement purposes which are approved by the Board of Directors.

(ii) Net assets internally restricted for future operating programs:

Appropriations of the operating fund balance are made from time to time to designate funds for specific projects. When the projects take place, the costs are included in operating expenses that are allocated to net assets internally restricted for future operating programs and any remaining appropriations upon completion of the project are returned to the unrestricted fund balance.

(f) Revenue:

The Association receives payments in advance for the rental of Cecil Green Park and the Robert H. Lee Alumni Centre. The recognition of such revenue is deferred until the date of the actual rental. The Association also receives payments pursuant to its alumni services and marketing agreements with Meloche Monnex Inc., Manulife, and Bank of Montreal. The Association records revenue from these contracts as services are rendered over the term of the agreement. In some instances, payments to the Association are based on the financial results of these affinity partners thus revenue is recorded on cash receipt, as the Association is unable until this time to reasonably estimate the revenue earned.

The Association follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured. Endowment contributions are recognized as direct increases in net assets. The Association currently has no endowment funds. Contributions subject to external restrictions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of property and equipment are deferred and amortized into revenue on the same basis that the related property and equipment are depreciated.

(g) Contributed services and in-kind contributions:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Print and digital advertising for events held by the Association, car rentals, hotel accommodations, and parking are being provided as in-kind contributions. The Association received $25,750 (2018 – $61,050) of in-kind contributions during the year. The contributions are recognized at their estimated fair value.

(h) Use of estimates:

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the fair value of in-kind contributions and the determination of useful lives of property and equipment for calculating depreciation.

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has elected to carry short-term investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(j) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

3. Related party transactions:

Included in accounts payable and accrued liabilities is $456,116 (2018 – $284,488) payable to the University. Also included in accounts payable and accrued liabilities is nil (2018 – $230) of funds held on behalf of various divisions and departments of the University to cover expenses which the Association will incur on their behalf.

The UBC contribution of $2,141,404 (2018 – $2,067,812) is contributions received from the University.

Included in The Robert H. Lee Alumni Centre expenses is $384,934 (2018 – $407,389) of maintenance, utilities, and facility management expenses as per the Service Level Agreement which is paid to the University for operations during the year, and is recorded at the exchange amount.

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at March 31, 2019 are government remittances payable of $14,487 (2018 – $14,063) relating to federal and provincial sales taxes, payroll taxes, health taxes, and workers' safety insurance.

5. Property and equipment:

MARCH 31, 2019	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Furniture and equipment	**$512,978**	**$452,008**	**$60,970**

MARCH 31, 2018	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Furniture and equipment	$455,657	$435,356	$20,301

6. Functional allocation of expense:

The costs of providing programs and other activities have been presented on a program basis in the statement of operations. Accordingly, salaries and other costs have been allocated among the programs and supporting services benefited.

The expenses of the Association on an account group basis are as follows:

	2019	2018
Alumni Centre operating expenses	**791,585**	720,868
Alumni services and business development	**52,372**	89,107
Association governance reporting	**52,942**	48,175
Cecil Green Park operating expenses	**228,392**	222,865
Directors expense	**23,342**	14,567
Equipment expense, including depreciation	**29,016**	20,371
Events	**53,858**	198,276
Meetings	**1,494**	3,562
Memberships and subscriptions	**6,278**	4,121
Miscellaneous	**5,560**	2,363
Office expense	**49,361**	41,399
Professional development	**24,486**	18,377
Purchased services	**331,656**	205,358
Salaries and benefits	**1,747,879**	1,648,173
Trek	**573,820**	550,474
	$3,972,041	$3,788,056

7. Cecil Green Park:

The Association shares Cecil Green Park revenue in excess of the net of the Association's direct cost related to the short-term leasing/booking of the premises and any proctor services annually with the University on a 50/50 basis. The cost of sharing this revenue is included in the expense caption "Cecil Green Park" in the statement of operations.

8. Alumni services and business development:

(a) During the year ended March 31, 2019, the Association entered into an agreement with Meloche Monnex Inc. ("Meloche"). Under the terms of the agreement, the Association will receive a fee for providing to Meloche the exclusive rights to market its home and automobile insurance to members of the Association until January 31, 2023.

(b) During the year ended March 31, 2009, the Association entered into an agreement with the Manufacturer's Life Insurance Company ("Manulife"). Under the terms of the agreement, the Association will receive a fee for providing Manulife the exclusive rights to market its life insurance to members of the Association until April 22, 2019, at which point the agreement will automatically renew for successive one-week periods.

(c) During the year ended March 31, 2017, the Association entered into an agreement with Bank of Montreal ("BMO"). Under the terms of the agreement, the Association will receive a fee for providing BMO the exclusive rights to market its products to members of the Association until May 11, 2021.

9. Financial risks:

(a) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its operating requirements. There has been no change to the risk exposures from 2018.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Association is exposed to credit risk with respect to its cash and cash equivalents, short-term investments and accounts receivable. The Association deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. There has been no change to the risk exposure from 2018.

10. Employee remuneration:

During the fiscal year ending March 31, 2019, the Association paid total remuneration of $1,070,086 (2018 – $1,045,856) to the ten highest paid employees for services, each of whom received total annual remuneration of $75,000 or greater.