FINANCIAL STATEMENTS OF THE ALUMNI ASSOCIATION OF THE UNIVERSITY OF BRITISH COLUMBIA

Year ended March 31, 2018

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Alumni Association of The University of British Columbia, which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 our 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, we consider 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 The Alumni Association of The University of British Columbia as at March 31, 2018, 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.

Report 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 year.

KPMG LLP

Chartered Professional Accountants
Vancouver, Canada
June 21, 2018

STATEMENT OF FINANCIAL POSITION

March 31, 2018, with comparative information for 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	**1,104,195**	956,098
Short-term investments	**1,267,460**	1,521,978
Accounts receivable	**113,934**	116,586
Prepaid expenses	**-**	5,162
	2,485,589	2,599,824
Property and equipment (note 5)	**20,301**	22,511
	2,505,890	2,622,335
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities (notes 3 and 4)	**373,562**	681,369
Deferred revenue and refundable deposits	**476,597**	431,847
	850,159	1,113,216
Net assets:		
Net assets invested in property and equipment	**20,301**	22,511
Internally restricted for future operating programs	**64,526**	225,000
Internally restricted for future equipment purchases	**207,760**	115,583
Unrestricted net assets	**1,363,144**	1,146,025
	1,655,731	1,509,119
	$2,505,890	$2,622,335

See accompanying notes to financial statements.

Approved on behalf of the Board:

Faye Wightman
Chair

Barbara Anderson
Treasurer

STATEMENT OF OPERATIONS

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
UBC contribution	**2,067,812**	2,316,198
The Robert H. Lee Alumni Centre	**563,203**	481,144
Cecil Green Park (note 7)	**538,438**	416,778
Alumni services and marketing (note 8)	**475,344**	435,464
Sponsorship	**169,655**	131,487
Trek advertising	**86,324**	77,166
Interest and investment income	**28,401**	25,714
Miscellaneous	**5,491**	2,225
	3,934,668	3,886,176
Operating expenses (note 6):		
Administration	**975,226**	825,619
The Robert H. Lee Alumni Centre (note 3)	**890,220**	794,468
UBC Welcome Centre	**123,216**	312,229
Cecil Green Park (note 7)	**348,939**	273,724
Alumni services and marketing	**176,155**	178,249
Sponsorship	**81,085**	53,468
Trek	**699,642**	657,914
Communications	**493,573**	501,128
	3,788,056	3,596,799
Excess of revenues over expenses	**$146,612**	$289,377

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31, 2018, with comparative information for 2017

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**

2017	INVESTED IN PROPERTY AND EQUIPMENT	INTERNALLY RESTRICTED FOR FUTURE OPERATING PROGRAMS	INTERNALLY RESTRICTED FOR FUTURE FIXED ASSET PURPOSES	UNRESTRICTED	TOTAL
Balance, beginning of year	16,388	-	78,606	1,124,748	1,219,742
Internally approved appropriations	-	225,000	49,000	(274,000)	-
Excess (deficiency) of revenues over expenses	(6,687)	-	787	295,277	289,377
Interfund transfers:					
Purchase of property and equipment	12,810	-	(12,810)	-	-
Balance, end of year	$22,511	$225,000	$115,583	$1,146,025	$1,509,119

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
CASH PROVIDED BY (USED IN):		
Operations:		
Excess of revenues over expenses	**146,612**	289,377
Depreciation, an item not involving cash	**9,056**	6,687
Changes in non-cash operating working capital items:		
Accounts receivable	**2,652**	(11,085)
Prepaid expenses	**5,162**	(1,197)
Accounts payable and accrued liabilities	**(307,807)**	(182,752)
Deferred revenue and refundable deposits	**44,750**	101,740
	(99,575)	202,770
Investments:		
Purchase of property and equipment	**(6,846)**	(12,810)
Short-term investments, net	**254,518**	(444,357)
	247,672	(457,167)
Increase (decrease) in cash and cash equivalents	**148,097**	(254,397)
Cash and cash equivalents, beginning of year	**956,098**	1,210,495
Cash and cash equivalents, end of year	**$1,104,195**	$956,098

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 January 17, 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 not-for-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.

(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 are carried at fair value with gains and losses recorded in 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 contributions received are set aside into a separate component of net assets. These contributions 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.

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

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

(g) 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 and the appropriations are returned to the operating fund balance.

(h) 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 capital assets are deferred and amortized into revenue on the same basis that the related capital assets are depreciated.

(i) 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 $61,050 (2017 – $44,633) worth of contributions during the year. The contributions are recognized at their estimated fair value.

(j) Use of estimates:

The preparation of 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 revenue recognition, the fair value of in-kind contributions, and the determination of useful lives of property and equipment for calculating depreciation.

(k) 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.

(l) Comparative information:

Certain comparative information was reclassified to conform to the presentation adopted in the current year.

3. Related party transactions:

Included in accounts payable and accrued liabilities is $284,488 (2017 – $507,432) payable to the University. Also included in accounts payable and accrued liabilities is $230 (2017 – $86,153) of funds held on behalf of various divisions and departments of the University to cover expenses which the Association will incur on their behalf. Included in Robert H. Lee Alumni Centre expenses is $407,389 (2017 – $369,333) of maintenance, utilities, and facility management expenses as per the Service Level Agreement which is paid to the University for operations during the year.

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at March 31, 2018 are government remittances payable of $14,063 (2017 – $8,317) relating to federal and provincial sales taxes, payroll taxes, health taxes, and workers' safety insurance.

5. Property and equipment:

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

MARCH 31, 2017	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Furniture and equipment	$448,812	$426,301	$22,511

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:

	2018	2017
Alumni Centre	**720,868**	702,654
Alumni services	**89,107**	59,283
Association	**48,175**	83,956
Cecil Green Park	**222,865**	176,051
Directors expense	**14,567**	18,953
Equipment expense, including depreciation	**20,371**	19,919
Events	**198,276**	45,940
Meetings	**3,562**	5,598
Memberships and subscriptions	**4,121**	7,483
Miscellaneous	**2,363**	1,692
Office expense	**41,399**	46,843
Professional development	**18,377**	19,422
Purchased services	**205,358**	197,659
Salaries and benefits	**1,648,173**	1,661,380
Trek	**550,474**	549,966
	$3,788,056	$3,596,799

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 marketing revenue:

(a) During the year ended March 31, 2009, the Association entered into an agreement with Meloche Monnex Inc. (Meloche). Under the terms of the agreement, the Association provided to Meloche the exclusive rights to market its home and automobile insurance to members of the Association until September 1, 2018.

(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 provide Manulife the exclusive rights to market its life insurance to members of the Association until September 30, 2018.

(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 provide 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 2017.

(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 deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. There has been no change to the risk exposure from 2017.

10. Employee remuneration:

During the fiscal year ending March 31, 2018, the Association paid total remuneration of $1,045,856 (2017 – $990,005) to ten employees and contractors for services, each of whom received total annual remuneration of $75,000 or greater.