

Financial Statements of

**The Alumni Association
of the University of
British Columbia**

And Independent Auditors' Report thereon

Year ended March 31, 2021

Independent Auditors' Report

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

Report on the Audit of 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, 2021
- 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, 2021, 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.

The logo for KPMG LLP, featuring the letters 'KPMG' in a stylized, handwritten font, followed by 'LLP' in a smaller, similar font. A horizontal line is drawn underneath the text.

Chartered Professional Accountants

Vancouver, Canada

June 23, 2021

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	837,186	1,234,918
Short-term investments	2,477,501	2,126,391
Accounts receivable	118,724	180,481
	3,433,411	3,541,790
Furniture and equipment (note 5)	47,657	64,793
	3,481,068	3,606,583
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities (notes 3 and 4)	440,010	897,717
Deferred revenue and refundable deposits	641,714	633,193
	1,081,724	1,530,910
Net assets:		
Net assets invested in furniture and equipment	47,657	64,793
Internally restricted for future operating programs	46,969	97,979
Internally restricted for future equipment purchases	240,077	239,217
Unrestricted net assets	2,064,641	1,673,684
	2,399,344	2,075,673
	\$3,481,068	\$3,606,583

See accompanying notes to financial statements.

Approved on behalf of the Board:

Ross Langford
Chair

Aleem Bandali
Treasurer

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
UBC contribution (note 3)	2,099,160	2,099,193
The Robert H. Lee Alumni Centre	88,770	684,507
Cecil Green Park (note 7)	259,231	667,533
Alumni Services and Business Development (note 8)	526,684	610,371
Sponsorship and In Kind	145,187	162,275
Trek advertising	86,979	132,464
Interest and investment income	43,319	55,494
	3,249,330	4,411,837
Operating expenses (note 6):		
Administration	517,745	812,822
The Robert H. Lee Alumni Centre (note 3)	647,507	995,118
UBC Welcome Centre	37,010	86,074
Cecil Green Park (note 7)	228,005	493,725
Alumni Services and Business Development	351,353	369,901
Sponsorship and In Kind	9,250	42,635
TREK and Communications	1,134,789	1,364,889
	2,925,659	4,165,164
Excess of revenues over expenses	\$323,671	\$246,673

See accompanying notes to financial statements.

Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	INVESTED IN FURNITURE AND EQUIPMENT	INTERNALLY RESTRICTED FOR FUTURE OPERATING PROGRAMS	INTERNALLY RESTRICTED FOR FUTURE FIXED ASSET PURPOSES	UNRESTRICTED	TOTAL
2021					
Balance, beginning of year	64,793	97,979	239,217	1,673,684	2,075,673
Internally approved appropriations	-	60,000	-	(60,000)	-
Excess (deficiency) of revenues over expenses	(21,395)	(111,010)	5,119	450,957	323,671
Interfund transfers:					
Purchase of furniture and equipment	4,259	-	(4,259)	-	-
Balance, end of year	\$47,657	\$46,969	\$240,077	\$2,064,641	\$2,399,344
2020					
Balance, beginning of year	60,970	43,461	207,259	1,517,310	1,829,000
Internally approved appropriations	-	165,000	52,000	(217,000)	-
Excess (deficiency) of revenues over expenses	(20,841)	(110,482)	4,622	373,374	246,673
Interfund transfers:					
Purchase of furniture and equipment	24,664	-	(24,664)	-	-
Balance, end of year	\$64,793	\$97,979	\$239,217	\$1,673,684	\$2,075,673

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
CASH PROVIDED BY (USED IN):		
Operations:		
Excess of revenues over expenses	323,671	246,673
Depreciation, an item not involving cash	21,395	20,841
Changes in non-cash operating working capital items:		
Accounts receivable	61,757	62,538
Accounts payable and accrued liabilities	(457,707)	343,186
Deferred revenue and refundable deposits	8,521	8,948
	(42,363)	682,186
Investments:		
Purchase of furniture and equipment	(4,259)	(24,664)
Short-term investments, purchases net of redemptions	(351,110)	(384,100)
	(355,369)	(408,764)
Increase (decrease) in cash and cash equivalents	(397,732)	273,422
Cash and cash equivalents, beginning of year	1,234,918	961,496
Cash and cash equivalents, end of year	\$837,186	\$1,234,918

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 in March 1946 and is registered under the Societies Act (British Columbia) with the primary objective of increasing the involvement of alumni in the activities of The University of British Columbia (the "University"). 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 7-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 3-year terms until terminated at the option of either party by providing 6-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.

The declaration of the COVID-19 virus as a pandemic by the World Health Organization on March 11, 2020, and the subsequent shut-downs globally, domestically, and locally have had a significant impact on the jurisdictions and market sectors in which the Association operates. The initial impact has been a reduction in rental revenues and certain other event based revenues, with a corresponding decrease to the related expenses. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Association's operations cannot be estimated reliably at this time. These impacts could include impairment in our investments or other long-lived assets or potential future decreases in revenue.

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 3-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) Furniture and equipment:

Furniture and equipment is recorded at historical cost. Depreciation is recorded at 20% for furniture and 33 $\frac{1}{3}$ % for equipment per annum using the straight-line method.

The Association annually assesses furniture and equipment for impairment.

(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 furniture and equipment are deferred and amortized into revenue on the same basis that the related furniture 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 these 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 \$7,116 (2020 - \$26,775) 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 these financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(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.

(k) Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

3. Related party transactions:

Included in accounts payable and accrued liabilities is \$284,111 (2020 - \$709,197) payable to the University.

The UBC contribution of \$2,099,160 (2020 - \$2,099,193) is contributions received from the University.

Included in The Robert H. Lee Alumni Centre expenses is \$198,141 (2020 - \$360,195) 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, 2021 are government remittances payable of \$23,326 (2020 - \$10,303) relating to federal and provincial sales taxes, payroll taxes, health taxes, and workers' safety insurance.

5. Furniture and equipment:

MARCH 31, 2021	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Furniture and equipment	\$541,900	\$494,243	\$47,657

MARCH 31, 2020	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Furniture and equipment	\$537,642	\$472,849	\$64,793

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:

	2021	2020
Alumni Centre operating expenses	402,273	841,716
Alumni services and business development	10,332	90,108
Association governance and reporting	11,954	65,510
Cecil Green Park operating expenses	46,126	304,677
Directors expense	866	6,652
Equipment expense, including depreciation	33,695	34,454
Events	-	64,610
Meetings	148	3,777
Memberships and subscriptions	3,175	4,629
Miscellaneous	175	3,117
Office expense	35,127	39,418
Professional development	5,190	13,798
Purchased services	245,498	365,513
Salaries and benefits	1,763,157	1,728,299
TREK print and digital	367,943	598,886
	\$2,925,659	\$4,165,164

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 of \$34,494 (2020 - \$138,673) 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, 2018, 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, 2020, 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 March 31, 2029, at which point the agreement will automatically renew for successive three month 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 June 30, 2021 pursuant to an extension to the original agreement expiring on 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 2020.

(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 2020.

10 Employee remuneration:

During the fiscal year ending March 31, 2021, the Association paid total remuneration of \$1,194,362 (2020 - \$1,083,173) to the ten highest paid employees for services, each of whom received total annual remuneration of \$75,000 or greater.