

Financial Statements of

**POST-SECONDARY
EMPLOYERS' ASSOCIATION**

Year ended March 31, 2016



KPMG LLP
Metro Tower I
4710 Kingsway, Suite 2400
Burnaby BC V5H 4M2
Canada
Telephone (604) 527-3600
Fax (604) 527-3636

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Post-Secondary Employers' Association, and
To the Minister responsible for Post-Secondary Employers' Association

Report on the Financial Statements

We have audited the accompanying financial statements of Post-Secondary Employers' Association, which comprise the statement of financial position as at March 31, 2016, the statements of operations and accumulated surplus, changes in net financial 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 public sector accounting standards, 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 Post-Secondary Employers' Association as at March 31, 2016 and its results of operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding period.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, stylized font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants

June 8, 2016

Burnaby, Canada

POST-SECONDARY EMPLOYERS' ASSOCIATION


Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Financial assets		
Cash and cash equivalents	\$ 2,558,891	\$ 2,466,755
Accounts receivable	621	100,449
	<u>2,559,512</u>	<u>2,567,204</u>
Liabilities		
Accounts payable and accrued liabilities	178,152	197,285
Deferred revenue (note 3)	369,746	407,500
Lease inducements	24,893	37,750
	<u>572,791</u>	<u>642,535</u>
Net Financial assets	1,986,721	1,924,669
Non-Financial assets:		
Tangible capital assets (note 4)	76,972	121,631
Prepaid expenses	7,475	7,000
	<u>84,447</u>	<u>128,631</u>
Commitments and contingencies (note 6)		
Accumulated surplus (note 5)	<u>\$ 2,071,168</u>	<u>\$ 2,053,300</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Operations and Accumulated Surplus

Year ended March 31, 2016, with comparative information for 2015

	2016 Budget (note 8)	2016 Actual	2015 Actual
Revenue:			
Operating and bargaining (note 3(a))	\$ 778,568	\$ 603,568	\$ 778,568
Human resources database grant	240,000	240,000	240,000
Annual assessments	389,284	389,284	389,284
Interest income	25,000	19,705	25,650
Bargaining fees and cost recoveries (note 3(b))	407,500	212,754	12,500
	1,840,352	1,465,311	1,446,002
Expenses (note 7):			
Collective bargaining	1,085,132	775,814	676,268
Operating	515,220	450,472	474,450
Human resources database	240,000	221,157	170,063
	1,840,352	1,447,443	1,320,781
Annual surplus	-	17,868	125,221
Accumulated surplus, beginning of year	2,053,300	2,053,300	1,928,079
Accumulated surplus, end of year	\$ 2,053,300	\$ 2,071,168	\$ 2,053,300

See accompanying notes to financial statements.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Changes in Net Financial Assets

Year ended March 31, 2016, with comparative information for 2015

	2016 Budget (note 8)	2016 Actual	2015 Actual
Annual surplus	\$ -	\$ 17,868	\$ 125,221
Tangible capital assets:			
Acquisition of tangible capital assets	(10,000)	(7,653)	(47,520)
Amortization of tangible capital assets	45,000	52,291	46,789
Loss on disposal of tangible capital assets	-	21	-
	<u>35,000</u>	<u>44,659</u>	<u>(731)</u>
Other non-financial asset:			
Acquisition of prepaid expenses and deposits	-	(14,036)	(3,664)
Use of prepaid expenses	-	13,561	29,668
	<u>-</u>	<u>(475)</u>	<u>26,004</u>
Increase in net financial assets	35,000	62,052	150,494
Net financial assets, beginning of year	1,924,669	1,924,669	1,774,175
Net financial assets, end of year	<u>\$ 1,959,669</u>	<u>\$ 1,986,721</u>	<u>\$ 1,924,669</u>

See accompanying notes to financial statements.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash flows provided by (used in):		
Operating activities:		
Annual surplus	\$ 17,868	\$ 125,221
Items not affecting cash:		
Amortization of tangible capital assets	52,291	46,789
Amortization of lease inducements	(12,857)	(6,000)
Loss on disposal of tangible capital assets	21	-
	57,323	166,010
Changes in non-cash working capital:		
Accounts receivable	99,828	(79,734)
Prepaid expenses and deposits	(475)	26,004
Accounts payable and accrued liabilities	(19,133)	36,794
Deferred revenue	(37,754)	407,500
Increase in lease inducements	-	20,000
	99,789	576,574
Capital activities:		
Acquisition of tangible capital assets	(7,653)	(47,520)
Increase in cash and cash equivalents	92,136	529,054
Cash and cash equivalents, beginning of year	2,466,755	1,937,701
Cash and cash equivalents, end of year	\$ 2,558,891	\$ 2,466,755

See accompanying notes to financial statements.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2016

1. Operations:

The Post-Secondary Employers' Association (the "Association") is a government not-for-profit organization incorporated under the Society Act (British Columbia) and operating under the authority of the Public Sector Employers Act. The Association is exempt from income taxes under Section 149 of the Income Tax Act.

The members of the Association consist of 19 public sector employers in the post-secondary sector of British Columbia. The mandate of the Association is to provide services to its members. These services are grouped into the following key areas: to bargain collectively on behalf of its members and to bind its members to collective agreements; to maintain a human resource database for its members and to advise on labour relations and human resource practices for its members.

2. Significant accounting policies:

(a) Basis of accounting:

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards established by the Canadian Public Sector Accounting Board.

(b) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(c) Revenue recognition:

Government transfers for operating purposes are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are initially recorded as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulations are met.

Revenue related to fees for services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

Interest income earned on cash and cash equivalents is unrestricted and recognized as revenue when earned.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(d) Financial instruments:

The Association's financial instruments include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. All of the Association's financial instruments are measured initially at fair value and subsequently at cost or amortized cost.

(e) Lease inducements:

Lease inducements include cash payments for leasehold improvements and are amortized on a straight-line basis over the term of the lease.

(f) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost, less residual value, of tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Leasehold improvements	Term of the lease
Computer hardware	3 years
Furniture and equipment	3 years
Website	5 years

When a tangible capital asset no longer contributes to the Association's ability to provide services, or when the value of future economic benefits associated with the tangible capital asset are less than its net book value, its carrying amount is written down to its residual value. The net write-downs are accounted for as expenses in the statement of operations.

(g) Funds and reserves:

As disclosed in note 5, certain amounts, as approved by the Board of Directors, are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(h) Expenses:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed. The Association reports its expenses by function and provides supplementary information about expenses by object (note 7).

(i) Pension benefits:

The Association and its employees participate in the Municipal Pension Plan. The Municipal Pension Plan is a multi-employer contributory defined benefit pension plan. Contributions to the plan are expensed as incurred.

(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 reporting date and the reported amounts of revenues and expenses during the year. The actual outcome could differ from the estimates made in the preparation of the financial statements. Areas requiring significant management estimates include contingencies and the useful lives of tangible capital assets for amortization.

3. Deferred revenue:

- (a) Deferred Public Sector Employers' Council ("PSEC") funding consists of grants from PSEC for services that had not yet been provided as of March 31, 2016.

	2016	2015
Balance, beginning of year	\$ -	\$ -
PSEC funding received	778,568	778,568
Amounts recognized as revenue in the period	(603,568)	(778,568)
Balance, end of year	\$ 175,000	\$ -

- (b) Deferred special levy fees consist of receipts from members for services that had not yet been provided as of March 31, 2016.

	2016	2015
Balance, beginning of year	\$ 407,500	\$ -
Special levy fees received	-	420,000
Amounts recognized as revenue in the period	(212,754)	(12,500)
Balance, end of year	\$ 194,746	\$ 407,500

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

4. Tangible capital assets:

	Leasehold improvements	Computer hardware	Furniture & equipment	Website	Total 2016	Total 2015
Cost:						
Opening balance	\$ 91,871	\$ 137,375	\$ 115,517	\$ 121,942	\$ 466,705	\$ 432,674
Additions	2,032	5,026	-	595	7,653	47,520
Disposals	-	(2,233)	-	-	(2,233)	(13,489)
Closing balance	93,903	140,168	115,517	122,537	472,125	466,705
Accumulated amortization:						
Opening balance	25,683	114,845	100,227	104,319	345,074	311,774
Amortization	23,253	10,947	10,393	7,698	52,291	46,789
Disposals	-	(2,212)	-	-	(2,212)	(13,489)
Closing balance	48,936	123,580	110,620	112,017	395,153	345,074
Net book value	\$ 44,967	\$ 16,588	\$ 4,897	\$ 10,520	\$ 76,972	\$ 121,631

5. Accumulated surplus:

	2016	2015
Invested in tangible capital assets	\$ 76,972	\$ 121,631
Internally restricted	-	950,000
Unappropriated	1,994,196	981,669
	\$ 2,071,168	\$ 2,053,300

During the year, the Association's Board of Directors resolved to reallocate internally restricted funds of \$950,000 to unappropriated surplus to be used for the purposes of fulfilling the mandate of the Association.

6. Commitments and contingencies:

- (a) The Association leases its office premises under a long-term lease expiring February 28, 2018 with one five-year renewal term. The minimum payments required under the lease agreement are as follows:

2017	\$ 92,568
2018	84,854
	\$ 177,422

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Commitments and contingencies (continued):

(b) The Association and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2014, the plan has about 185,000 active members and approximately 80,000 retired members.

The most recent valuation for the Municipal Pension Plan as at December 31, 2012, indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis. Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The next valuation will be as at December 31, 2015, with results available in 2016.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The Association paid \$146,842 (2015 - \$142,342) for employer contributions to the Plan during the year ended March 31, 2016.

7. Expenses by object:

	Budget 2016	2016	2015
Amortization	\$ 45,000	\$ 52,291	\$ 46,789
Bargaining	539,282	171,857	335,673
Governance	18,500	14,291	11,639
Infrastructure	6,000	961	-
Member services	145,000	146,079	64,226
Organization costs	153,950	110,298	108,700
Professional fees and conferences	47,200	41,885	32,120
Salaries and benefits	885,420	909,781	721,634
	\$ 1,840,352	\$ 1,447,443	\$ 1,320,781

8. Budgeted figures:

The budget information reported in the statements of operations and changes in net financial assets was approved by the Board of Directors on March 25, 2015.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

9. Financial risks:

(a) Liquidity risk:

Liquidity risk is the risk that the Association will not be able to meet its obligations as they fall due. The Association maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

(b) The Association is not subject to any significant credit, interest rate or market risks related to its financial instruments.