

Financial Statements of

**BRITISH COLUMBIA PUBLIC SCHOOL
EMPLOYERS' ASSOCIATION**

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Public Administrator of the British Columbia Public School Employers' Association and the Minister of the Ministry of Education, Province of British Columbia

Report on the Financial Statements

We have audited the accompanying financial statements of the British Columbia Public School Employers' Association, which comprise the statement of financial position as at March 31, 2017, the statements of operations, 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 of these financial statements in accordance with the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, 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 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 of the British Columbia Public School Employers' Association as at March 31, 2017 and for the year then ended are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2(a) to the financial statements, which describes the basis of accounting and significant differences between such basis of accounting and Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by Section 117(1)(b) of the Societies Act (British Columbia), we are required to state:

- whether, in our opinion, these financial statements fairly reflect, in all material respects, for the period under review, the financial position of the British Columbia Public School Employers' Association and the results of its operations. In accordance with Canadian generally accepted auditing standards, because the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia are not considered a fair presentation financial reporting framework, our opinion stated above cannot contain this statement.
- whether, in our opinion, these financial statements are prepared in accordance with generally accepted accounting principles. These financial statements were prepared in accordance the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia. Note 2(a) to the financial statements describes the significant differences between such basis of accounting and Canadian public sector accounting standards. As a result, our opinion stated above refers to the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and not to generally accepted accounting principles.
- whether these financial statements are prepared on a basis consistent with the basis on which the financial statements that related to the preceding period were prepared. We report that, in our opinion, the significant accounting policies applied in preparing these financial statements have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

May 11, 2017
Burnaby, Canada

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash	\$ 3,940,639	\$ 4,334,063
Accounts receivable	123,436	98,253
	<u>4,064,075</u>	<u>4,432,316</u>
Liabilities:		
Accounts payable and accrued liabilities (note 3)	311,565	485,668
Deferred revenue	138,301	148,840
Capital lease obligations (note 4)	17,844	25,021
Deferred capital contributions (note 5)	117,400	-
Deferred contributions (note 6)	1,305,920	1,659,296
	<u>1,891,030</u>	<u>2,318,825</u>
Net financial assets	2,173,045	2,113,491
Non-financial assets:		
Tangible capital assets (note 7)	693,500	649,897
Prepaid expenses	145,053	138,129
	<u>838,553</u>	<u>788,026</u>
Commitments and contingencies (note 8)		
Accumulated surplus	<u>\$ 3,011,598</u>	<u>\$ 2,901,517</u>

See accompanying notes to financial statements.

Approved by the Public Administrator:



A handwritten signature in blue ink, appearing to be 'M. J. ...', is written over a horizontal line.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	Budget 2017 (note 12)	2017	2016
Revenue:			
Provincial government funding	\$ 2,841,680	\$ 2,841,680	\$ 2,841,680
Restricted contribution revenues:			
Sustainable work force and data project	315,699	250,041	255,520
Labour relations	425,000	262,515	325,248
Employment practices liability program	264,347	265,337	208,168
Attendance support and wellness	296,164	193,083	82,021
Programs and events	605,600	704,297	515,649
Interest income	28,200	50,525	35,911
	<u>4,776,690</u>	<u>4,567,478</u>	<u>4,264,197</u>
Expenses (note 10):			
Member services	720,500	768,288	528,843
General and administrative	2,559,780	2,304,407	2,263,692
Sustainable work force and data project	315,699	250,041	255,520
Employment practices liability program	264,347	265,337	208,168
Attendance support and wellness	296,164	193,083	82,021
Professional development programs	128,200	184,497	98,275
Make a future	358,000	417,492	327,881
Governance expenses	134,000	74,252	64,855
	<u>4,776,690</u>	<u>4,457,397</u>	<u>3,829,255</u>
Annual surplus	-	110,081	434,942
Accumulated surplus, beginning of year	2,901,517	2,901,517	2,466,575
Accumulated surplus, end of year	<u>\$ 2,901,517</u>	<u>\$ 3,011,598</u>	<u>\$ 2,901,517</u>

See accompanying notes to financial statements.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Statement of Changes in Net Financial Assets

Year ended March 31, 2017, with comparative information for 2016

	Budget 2017 (note 12)	2017	2016
Annual surplus	\$ -	\$ 110,081	\$ 434,942
Acquisition of tangible capital assets	(33,000)	(161,910)	(99,660)
Amortization of tangible capital assets	103,000	116,184	130,799
Loss on disposal of tangible capital assets	10,000	2,123	26,161
Acquisition of prepaid expenses	-	(141,313)	(130,434)
Use of prepaid expenses	-	134,389	94,921
Increase in net financial assets for the year	80,000	59,554	456,729
Net financial assets, beginning of year	2,113,491	2,113,491	1,656,762
Net financial assets, end of year	\$ 2,193,491	\$ 2,173,045	\$ 2,113,491

See accompanying notes to financial statements.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating transactions:		
Annual surplus	\$ 110,081	\$ 434,942
Items not involving cash:		
Amortization of tangible capital assets	116,184	130,799
Amortization of deferred capital contributions	(4,048)	-
Loss on disposal of tangible capital assets	2,123	26,161
	<u>224,340</u>	<u>591,902</u>
Changes in non-cash items:		
Accounts receivable	(25,183)	(32,883)
Prepaid expenses	(6,924)	(35,513)
Accounts payable and accrued liabilities	(174,103)	314,296
Deferred contributions	(353,376)	(620,957)
Deferred revenue	(10,539)	56,136
	<u>(345,785)</u>	<u>272,981</u>
Capital transactions:		
Acquisition of tangible capital assets	(161,910)	(69,383)
Financing transactions:		
Payment of capital lease obligation	(7,177)	(9,784)
Receipt of capital contributions	121,448	-
	<u>114,271</u>	<u>(9,784)</u>
Increase (decrease) in cash during the year	(393,424)	193,814
Cash, beginning of year	4,334,063	4,140,249
Cash, end of year	<u>\$ 3,940,639</u>	<u>\$ 4,334,063</u>
Non-cash capital and financing activity:		
Acquisition of tangible capital assets under capital lease	\$ -	\$ 30,277

See accompanying notes to financial statements.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2017

1 Nature of business and basis of presentation:

The British Columbia Public School Employers' Association (the "Association") is incorporated under the Society Act (British Columbia), and is exempt from income taxes under Section 149 of the Income Tax Act. The Association is controlled by the Province of British Columbia and is considered another government organization under Canadian Public Sector Accounting Standards.

The primary objective of the Association is to develop and maintain human resource practices that maximize the benefits for students in British Columbia's public education system through effective use of resources and fair terms of employment.

Funding is provided by the Province of British Columbia and the Association is dependent on funding from this source.

2 Significant accounting policies:

The Association's significant accounting policies are as follows:

(a) Basis of accounting:

These financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the "framework"). The adoption of this framework has had no impact on the comparative figures as at and for the year ended March 31, 2016 or any prior year.

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges, and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Canadian Public Sector Accounting Board ("PSAB") without any PS 4200 series.

Regulation 198/2011 requires that contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(a) Basis of accounting (continued):

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which require that government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410, Government Transfers.

As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under PSAS. The adoption of the framework did not impact previously issued financial statements or comparative figures as no contributions had been received for the purpose of acquiring or developing a depreciable tangible capital asset prior to April 1, 2016. The impact of the framework was applied to contributions received in fiscal year 2017.

(b) 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 contributions 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 is unrestricted and are recognized as revenue when earned.

Contributions restricted for the purpose of depreciable capital assets are deferred and amortized to revenue at a rate corresponding with the amortization rate for the tangible capital assets.

(c) Tangible capital assets:

Tangible capital assets are recorded at cost and amortized as follows:

	Basis	Rate
Computer hardware	Straight-line	4 years
HR software system	Straight-line	15 years
Other computer software	Straight-line	1 year
Furniture and fixtures	Straight-line	7 years
Office equipment	Straight-line	5 years
Office equipment under capital lease	Straight-line	Term of the lease
Leasehold improvements	Straight-line	Term of the lease

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(c) Tangible capital assets (continued):

During the year, the Association changed its amortization policy from the declining balance method to straight-line method of amortization. There was no material impact on the comparative balances for any of the categories of tangible capital assets.

Contributed tangible capital assets are recorded at their fair value at the date of contribution. 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.

Leases that transfer substantially all benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are expensed as incurred.

(d) Employee future 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.

Employees are entitled to vacation which is accrued and expensed as service is provided.

(e) Use of estimates:

The preparation of financial statements in accordance with the accounting framework described in note 2(a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and 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 vacation accruals, contingencies, and the useful lives of tangible capital assets for amortization.

(f) Financial instruments:

The Association's financial instruments consist of cash, 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.

3. Accounts payable and accrued liabilities:

	2017	2016
Trade accounts payable and accruals	\$ 186,358	\$ 419,657
Vacation accruals	125,207	66,011
	<u>\$ 311,565</u>	<u>\$ 485,668</u>

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Capital lease obligations:

In May 2015, the Association entered into a capital lease to acquire office equipment. This lease expires in June 2019.

Future minimum payments for the year ended March 31 are as follows:

2018	\$	8,509
2019		8,509
2020		2,128
		19,146
Less amount representing interest at 6.1% per annum		(1,302)
Present value of capital lease payments	\$	17,844

5. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of funds received for the purchase of tangible capital assets.

	2017	2016
Balance, beginning of year	\$ -	\$ -
Contributions received during the year	121,448	-
	121,448	-
Amortization during the year	(4,048)	-
Balance, end of year	\$ 117,400	\$ -

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

6. Deferred contributions:

	2017							2016	
	Arbitration	Attendance Support	Employment Practices Liability	Board of director benefits training	K-12 bargaining and compensation	Labour market study grant	Sustainable work force and data project	Total	Total
Balance, beginning of year	\$ 423,298	\$ 667,979	\$ 166,832	\$ 13,517	\$ 2,370	\$ 80,000	\$ 305,300	\$ 1,659,296	\$ 2,280,253
Grants and contributions received	250,000	285,000	200,000	-	-	-	-	735,000	250,000
Amounts recognized as revenue in the period	(262,515)	(189,035)	(265,337)	-	-	-	(250,041)	(966,928)	(870,957)
Amounts transferred to deferred capital contribution	-	(121,448)	-	-	-	-	-	(121,448)	-
Balance, end of year	\$ 410,783	\$ 642,496	\$ 101,495	\$ 13,517	\$ 2,370	\$ 80,000	\$ 55,259	\$ 1,305,920	\$ 1,659,296

7. Tangible capital assets:

	Computer hardware	HR software system	HR software attendance support	Other computer software	Furniture and fixtures	Office equipment	Office equipment under capital lease	Leasehold improvements	2017 Total	2016 Total
Cost, beginning of year	\$ 258,110	\$ 956,194	\$ -	\$ 73,161	\$ 177,412	\$ 63,323	\$ 30,277	\$ 96,305	\$ 1,654,782	\$ 1,650,842
Additions	18,977	-	121,448	20,089	1,396	-	-	-	161,910	99,660
Disposals	(10,870)	-	-	-	-	-	-	(96,305)	(107,175)	(95,720)
Cost, end of year	266,217	956,194	121,448	93,250	178,808	63,323	30,277	-	1,709,517	1,654,782
Accumulated amortization, beginning of year	220,684	433,202	-	68,499	147,599	41,233	3,028	90,640	1,004,885	943,645
Amortization	11,198	63,405	4,048	14,707	4,359	4,418	8,384	5,665	116,184	130,799
Disposals	(8,747)	-	-	-	-	-	-	(96,305)	(105,052)	(69,559)
Accumulated amortization, end of year	223,135	496,607	4,048	83,206	151,958	45,651	11,412	-	1,016,017	1,004,885
Net carrying amount, end of year	\$ 43,082	\$ 459,587	\$ 117,400	\$ 10,044	\$ 26,850	\$ 17,672	\$ 18,865	\$ -	\$ 693,500	\$ 649,897

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

8. Commitments and contingencies:

- (a) The Association is committed to make operating lease payments for office premises as follows:

2018	\$	438,553
2019		448,699
2020		458,846
2021		460,691
2022		468,992
Thereafter		2,057,907
	\$	4,333,688

- (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, 2016, the plan has about 189,000 active members and approximately 85,000 retired members.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 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, 2018, with results available in 2019.

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 \$186,408 (2016 - \$178,515) for employer contributions to the Plan for the year ended March 31, 2017.

9. Trust funds:

The Association is holding funds in trust for the Support Staff Education and Adjustment Committee ("SSEAC"), which is a joint committee between support staff unions and the Association, to support the development and maintenance of a qualified sustainable support staff workforce in K-12 public education. At March 31, 2017, the amount of cash held in trust was \$3,205,946 (2016 - \$2,750,398). This amount is not included in the financial statements of the Association.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

10. Expenses by object:

	2017	2016
Advertising expense	\$ 60,030	\$ 24,370
Amortization of tangible capital assets	116,184	130,799
Capital lease interest	1,332	1,215
Communications	43,000	46,036
Contracted service (note 13)	389,351	280,914
Dues and subscriptions	20,017	17,658
Equipment rental	28,862	29,477
Honorariums	42,699	12,028
Legal services	298,818	355,610
Loss on disposal of tangible capital assets	2,123	26,161
Meeting expense	136,375	88,733
Occupancy costs	451,825	433,573
Office supplies	23,865	15,154
Other expense	3,599	4,493
Professional development	21,379	26,166
Salaries and benefits (note 13)	2,380,990	2,088,978
Technical support	178,566	150,376
Training supplies	44,337	3,548
Travel and accommodation	214,045	93,966
	<u>\$ 4,457,397</u>	<u>\$ 3,829,255</u>

11. Financial instrument risks:

The Association, through its financial assets and liabilities, is exposed to various risks. The following analysis provides an assessment of those risks at March 31, 2017.

(a) Credit risk:

Credit risk is the risk that the Association will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Association to significant concentrations of credit risk consist primarily of accounts receivable. The credit risk associated with related government entities is considered low.

The maximum amount of credit risk exposure is limited to the carrying amount of the balances in the financial statements.

(b) 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.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

12. Budget figures:

The budget information reported in the statements of operations and changes in net financial assets was approved by the members of the Association at the Annual General meeting on January 29, 2016.

13. Employee and contractor remuneration:

For the fiscal year ending March 31, 2017, the Association paid total remuneration of \$1,186,608 to the top 10 employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.

14. Comparative information:

The financial statements have been reclassified where applicable to conform to the presentation used in the current year. The changes do not affect prior year surplus.