

Financial Statements of

**POST-SECONDARY
EMPLOYERS' ASSOCIATION**

And Independent Auditor's Report thereon

Year ended March 31, 2023



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Post-Secondary Employers' Association, and to
the Minister of the Ministry of Finance, Province of British Columbia

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Post-Secondary Employers' Association (the "Association"), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial 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 Association as at March 31, 2023, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Association 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 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.

In preparing the financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

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

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 financial statements in accordance with Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 14, 2023

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 2,554,906	\$ 2,496,153
Accounts receivable	12,539	403,638
	<u>2,567,445</u>	<u>2,899,791</u>
Liabilities		
Accounts payable and accrued liabilities	479,646	400,860
Deferred revenue (note 3)	161,303	594,260
Deferred lease liability (note 4)	125,440	130,928
	<u>766,389</u>	<u>1,126,048</u>
Net financial assets	1,801,056	1,773,743
Non-financial assets		
Tangible capital assets (note 5)	234,824	254,954
Prepaid expenses	30,368	37,551
	<u>265,192</u>	<u>292,505</u>
Commitments (note 7)		
Accumulated surplus (note 6)	<u>\$ 2,066,248</u>	<u>\$ 2,066,248</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Operations and Accumulated Surplus

Year ended March 31, 2023, with comparative information for 2022

	2023 Budget (Note 11)	2023 Actual	2022 Actual
Revenue:			
Operating and bargaining (note 3(a))	\$ 805,568	\$ 764,515	\$ 1,150,133
Human resources database grant	240,000	240,000	240,000
Annual assessments	639,284	639,284	607,320
Interest income	24,000	114,505	23,173
Other income	10,000	2,500	7,500
Bargaining fees and cost recoveries (note 3(b))	1,475,646	1,449,510	987,990
	<u>3,194,498</u>	<u>3,210,314</u>	<u>3,016,116</u>
Expenses (note 9):			
Collective bargaining	2,303,508	2,247,481	2,200,293
Operating	601,567	671,259	547,878
Human resources database	289,423	291,574	267,945
	<u>3,194,498</u>	<u>3,210,314</u>	<u>3,016,116</u>
Annual surplus (deficit)	-	-	-
Accumulated surplus, beginning of year	2,066,248	2,066,248	2,066,248
Accumulated surplus, end of year	<u>\$ 2,066,248</u>	<u>\$ 2,066,248</u>	<u>\$ 2,066,248</u>

See accompanying notes to financial statements.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Changes in Net Financial Assets

Year ended March 31, 2023, with comparative information for 2022

	2023 Budget (Note 11)	2023 Actual	2022 Actual
Annual surplus (deficit)	\$ -	\$ -	\$ -
Tangible capital assets:			
Acquisition of tangible capital assets	(85,000)	(26,695)	(33,814)
Amortization of tangible capital assets	44,220	46,825	42,439
Loss on disposal of tangible capital assets	-	-	400
	(40,780)	20,130	9,025
Other non-financial assets:			
Acquisition of prepaid expenses	-	(43,857)	(3,000)
Use of prepaid expenses including amortization of prepaid rent of \$2,437 (2022 - \$2,437)	-	51,040	4,820
	-	7,183	1,820
Increase (decrease) in net financial assets	(40,780)	27,313	10,845
Net financial assets, beginning of year	1,773,743	1,773,743	1,762,898
Net financial assets, end of year	\$ 1,732,963	\$ 1,801,056	\$ 1,773,743

See accompanying notes to financial statements.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash flows provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ -	\$ -
Items not affecting cash:		
Amortization of tangible capital assets	46,825	42,439
Amortization of prepaid rent included in prepaid expenses	2,437	2,437
Loss on disposal of capital tangible assets	-	400
	49,262	45,276
Changes in non-cash operating working capital:		
Accounts receivable	391,099	(398,245)
Prepaid expenses	4,746	(617)
Accounts payable and accrued liabilities	78,786	(13,377)
Deferred revenue	(432,957)	185,445
Deferred lease liability	(5,488)	(5,488)
	85,448	(187,006)
Investing activities:		
Acquisition of tangible capital assets	(26,695)	(33,814)
Increase (decrease) in cash and cash equivalents	58,753	(220,820)
Cash and cash equivalents, beginning of year	2,496,153	2,716,973
Cash and cash equivalents, end of year	\$ 2,554,906	\$ 2,496,153
Cash and cash equivalents are comprised of:		
Cash	\$ 114,622	\$ 711,500
Central Deposit Program	2,440,284	1,784,653
	\$ 2,554,906	\$ 2,496,153

See accompanying notes to financial statements.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2023

1. Operations:

The Post-Secondary Employers' Association (the "Association") is a government/member-funded not-for-profit organization registered under the Societies Act (British Columbia) and operating under the authority of the Public Sector Employers Act (British Columbia). 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 short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

(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 and accumulated surplus 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, 2023

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.

Unrealized gains and losses from changes in the fair value of financial instruments would be recognized in the statement of re-measurement gains and losses until such time that the financial asset is de-recognized due to disposal or impairment. At the time of de-recognition, the related realized gains and losses are recognized in the statement of operations and accumulated surplus. The Association does not carry financial instruments at fair value and there are no unrealized gains or losses as at March 31, 2023 (2022 - nil). As a result, the Association does not have a statement of re-measurement gains and losses.

(e) Deferred lease liability:

Deferred lease liability includes amounts related to lease inducements and deferred rent liability for step-rent payments.

Lease inducements received and total rent payments are amortized on a straight-line basis over the term of the licence agreement for the office premises including the one five-year renewal (note 7(a)). The unamortized portion of lease inducements and deferred rent liability, being the difference between the straight-line rent expense and the actual rent payments paid, are reflected on the statement of financial position as deferred lease liability (note 4).

(f) Tangible capital assets:

Tangible capital assets are initially recorded at cost, which include 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 licence agreement including renewals
Computer hardware	3 years
Furniture and equipment	3 years
Website	5 years

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(f) Tangible capital assets (continued):

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 and accumulated surplus.

(g) 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 9).

(h) 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.

(i) 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.

3. Deferred revenue:

Deferred revenue is comprised of the following as at March 31:

	2022	Amounts received or receivable	Amounts recognized as revenue	2023
Public Sector Employer's Council (a)	\$ 52,250	\$ 873,568	\$ 764,515	\$ 161,303
2022 Special levy (b)	542,010	7,500	549,510	-
	<u>\$ 594,260</u>	<u>\$ 881,068</u>	<u>\$ 1,314,025</u>	<u>\$ 161,303</u>

(a) Deferred Public Sector Employers' Council ("PSEC") funding as at fiscal year-end consists of funds received from PSEC where stipulations are not met as at year-end.

(b) Deferred 2022 special levy fees consist of receipts from members for enhanced bargaining services that had not yet been provided as at March 31, 2022. The deferred amounts were recognized as revenue during the year ended March 31, 2023.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

4. Deferred lease liability:

The deferred lease liability is comprised of the following, as at March 31:

	2023	2022
Lease inducements	\$ 101,920	\$ 112,112
Deferred rent liability for step-rent	23,520	18,816
	<u>\$ 125,440</u>	<u>\$ 130,928</u>

5. Tangible capital assets:

	Leasehold improvements	Computer hardware	Furniture and equipment	Website	2023 Total	2022 Total
Cost:						
Opening balance	\$ 274,024	\$ 77,925	\$ 129,187	\$ 133,417	\$ 614,553	\$ 713,516
Additions	-	14,010	1,247	11,438	26,695	33,814
Disposals	-	(1,398)	-	-	(1,398)	(132,777)
Closing balance	274,024	90,537	130,434	144,855	639,850	614,553
Accumulated amortization:						
Opening balance	69,479	31,746	126,656	131,718	359,599	449,537
Amortization	18,480	24,426	2,276	1,643	46,825	42,439
Disposals	-	(1,398)	-	-	(1,398)	(132,377)
Closing balance	87,959	54,774	128,932	133,361	405,026	359,599
Net book value	<u>\$ 186,065</u>	<u>\$ 35,763</u>	<u>\$ 1,502</u>	<u>\$ 11,494</u>	<u>\$ 234,824</u>	<u>\$ 254,954</u>

6. Accumulated surplus:

	2023	2022
Invested in tangible capital assets	\$ 234,824	\$ 254,954
Unappropriated	1,831,424	1,811,294
	<u>\$ 2,066,248</u>	<u>\$ 2,066,248</u>

7. Commitments:

- (a) The Association has a five-year licence agreement for its office premises, which was renewed for another five years on April 1, 2023. The licence agreement includes one additional five-year renewal term up to the expiry of the term of the original lease held by Health Employers' Association of British Columbia with the ultimate landlord. The term of the original lease is fifteen years with one five-year renewal term.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

7. Commitments (continued):

(a) (continued):

The minimum payments, including basic rent, operating costs and property tax, required under the licence agreement including renewal terms in each of next five fiscal years and thereafter are approximately as follows:

2024	\$	117,247
2025		117,247
2026		117,247
2027		117,247
2028		117,247
Thereafter		609,755
		<hr/>
		\$ 1,195,990

(b) The Association has an equipment lease agreement with Xerox. The lease term is for 63 months, expiring on May 26, 2024.

The minimum payments required under the lease in each of the next two fiscal years are as follows:

2024	\$	2,866
2025		478
		<hr/>
		\$ 3,344

8. Pension plan:

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, 2022, the Plan has about 240,000 active members and approximately 124,000 retired members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Plan. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2024, with results available in the fall of 2025.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

8. Pension plan (continued):

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.

During the year ended March 31, 2023, the Association paid \$160,541 (2022 - \$152,906) for employer contributions to the Plan for 15 (2022 - 16) active members in the Plan from the Association.

9. Expenses by object:

	2023	2022
Amortization	\$ 46,825	\$ 42,439
Accounting, legal and other professional services	693,896	829,405
Conferences, membership and workshops	28,793	29,968
Meetings and travel	143,666	30,380
Office expenses and other	138,937	135,785
Salaries and benefits	2,158,197	1,948,139
	<u>\$ 3,210,314</u>	<u>\$ 3,016,116</u>

10. Related party transactions:

The Association is related through common ownership to all Province of British Columbia ministries, agencies, crown corporations, school districts, health authorities, hospitals societies, universities, and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Government fundings are provided primarily by the Province of British Columbia (the "Province") and the Ministry of Post-Secondary Education and Future Skills. The Association is dependent on the fundings from these sources.

Payroll services are provided to the Association by the British Columbia Institute of Technology, one of the members of the Association, on a nil charge basis.

The Association has a licence agreement with the Health Employers Association of British Columbia, a commonly controlled entity, to lease office space (note 7(a)).

11. Budget reporting:

The budget information reported in the Statement of Operations and Accumulated Surplus and Statement of Changes in Net Financial Assets was approved by the Board of Directors on March 10, 2022.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

12. Disclosure of remuneration:

During the year ended March 31, 2023, the Association paid total remuneration of \$1,764,393 (2022 - \$1,622,516) to the top 10 (2022 - 10) highest paid employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.

In addition, the Association paid remuneration in the amount of \$18,905 (2022 - \$9,712) to one member (2022 - two) on the Board of Directors in the capacity as the Chair of the Board. In accordance with the bylaws of the Association, no other members of the Board were paid a remuneration.

13. Financial risks:

(a) Credit risk:

The Association has limited exposure to credit risk associated with its cash and cash equivalents, and accounts receivable. The Association is not exposed to significant credit risk as the receivables are primarily due from governments. Cash and cash equivalents is held with a Canadian chartered bank and the Province of British Columbia's Central Deposit Program. The Association's maximum exposure to credit risk is limited to the carrying amount of these balances in the financial statements. There have been no changes to the credit risk from the prior year.

(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. There have been no changes to the liquidity risk from the prior year.

(c) The Association is not subject to any significant interest rate or market risks related to its financial instruments. There have been no changes to these risks from the prior year.