

Financial Statements of

**BRITISH COLUMBIA PUBLIC
SCHOOL EMPLOYERS'
ASSOCIATION**

Year ended March 31, 2013



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INDEPENDENT AUDITORS' REPORT

To the Members of the British Columbia Public School Employers' Association

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, 2013, the statements of operations, remeasurement of gains and losses, change 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 British Columbia Public School Employers' Association as at March 31, 2013 and its results of operations, its remeasurement gains and losses, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The financial statements of British Columbia Public School Employers' Association as at and for the nine-month period ended March 31, 2012 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 17, 2012.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding period.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a signature flourish.

Chartered Accountants

May 16, 2013

Burnaby, Canada

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Statement of Financial Position

	March 31, 2013	March 31, 2012
Financial assets:		
Cash	\$ 526,976	\$ 1,213,198
Portfolio investments (note 3)	3,000,000	2,000,000
Government funding receivable	-	625,000
Accounts receivable	150,197	131,556
	<u>\$ 3,677,173</u>	<u>\$ 3,969,754</u>
Liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 1,049,594	\$ 1,193,562
Deferred revenue	72,644	75,631
Obligations under capital lease (note 6)	37,737	52,490
Deferred contributions (note 7)	896,751	1,196,801
	<u>2,056,726</u>	<u>2,518,484</u>
Net financial assets	1,620,447	1,451,270
Non-financial assets:		
Tangible capital assets (note 4)	807,207	885,520
Prepaid expenses	101,930	98,964
	<u>909,137</u>	<u>984,484</u>
Commitments and contingencies (note 9)		
Accumulated surplus	<u>\$ 2,529,584</u>	<u>\$ 2,435,754</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

Alan Orell Director

Kevin Taylor Director

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Statement of Operations

	Budget Year ended March 31, 2013 (note 12)	Year ended March 31, 2013	9 month period ended March 31, 2012
Revenue:			
Provincial government funding	\$ 3,621,688	\$ 3,621,680	\$ 4,088,821
Restricted contribution revenues:			
Board of director benefit training	-	4,537	-
Bargaining and associated activities	-	194,309	97,609
Sustainable work force and data project	196,000	262,361	242,173
Support staff collective agreement implementation	-	23,568	-
Professional development programs	74,250	98,998	33,175
Make a future annual dues and other income	516,289	510,880	378,528
Events and other income	-	124,055	57,375
Interest income	30,000	70,863	44,786
	4,438,227	4,911,251	4,942,467
Expenses (note 10):			
Member services	743,500	663,468	1,061,326
General and administrative	2,954,549	2,776,047	2,256,082
WCB-JOSH Committee	-	-	16,354
Sustainable work force and data project	309,175	260,478	203,893
Support staff collective agreement implementation	-	23,568	-
Professional development programs	74,250	67,651	18,213
Make a future	608,920	702,774	520,784
Governance expenses	238,440	323,435	277,942
	4,928,834	4,817,421	4,354,594
Annual surplus	(490,607)	93,830	587,873
Accumulated surplus, beginning of period	2,435,754	2,435,754	1,847,881
Accumulated surplus, end of period	\$ 1,945,147	\$ 2,529,584	\$ 2,435,754

See accompanying notes to financial statements.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Statement of Changes in Net Financial Assets

	Budget Year ended March 31, 2013 (note 12)	Year ended March 31, 2013	9 month period ended March 31, 2012
Annual surplus	\$ (490,607)	\$ 93,830	\$ 587,873
Acquisition of tangible capital assets	(20,000)	(18,600)	(52,541)
Amortization of tangible capital assets	104,524	96,490	76,266
Loss on disposal of tangible capital assets	-	423	5,399
Acquisition of prepaid expenses	-	(101,930)	(98,964)
Use of prepaid expenses	-	98,964	143,208
Increase in net financial assets for the period	(406,083)	169,177	661,241
Net financial assets, beginning of period	1,451,270	1,451,270	790,029
Net financial assets, end of period	\$ 1,045,187	\$ 1,620,447	\$ 1,451,270

See accompanying notes to financial statements.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Statement of Cash Flows

	Year ended March 31, 2013	9 month period ended March 31, 2012
Cash provided by (used in):		
Operating transactions:		
Annual surplus	\$ 93,830	\$ 587,873
Items not involving cash:		
Amortization of tangible capital assets	96,490	76,266
Loss on disposal of tangible capital assets	423	5,399
	190,743	669,538
Change in non-cash operating working capital:		
Government funding receivable	625,000	(275,000)
Accounts receivable	(18,641)	30,482
Prepaid expenses	(2,966)	44,244
Accounts payable and accrued liabilities	(143,968)	189,683
Deferred contributions	(300,050)	(497,130)
Deferred revenue	(2,987)	59,731
	347,131	221,548
Capital transactions:		
Acquisition of tangible capital assets	(18,600)	(52,541)
Investing transactions:		
Redemptions (purchases) of portfolio investments	(1,000,000)	800,000
Financing transactions:		
Payment of capital lease obligation	(14,753)	(10,333)
Increase (decrease) in cash during the period	(686,222)	958,674
Cash, beginning of period	1,213,198	254,524
Cash, end of period	\$ 526,976	\$ 1,213,198

See accompanying notes to financial statements.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2013

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 an other government organization under Canadian Public 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 Company's significant accounting policies are as follows:

(a) Basis of accounting:

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

(b) Revenue recognition:

Operating government grants not restricted in use are recognized as revenue when received or receivable. Such grants, if contributed for a future period, are deferred and reported as deferred contributions until that future period.

Externally restricted contributions (note 7) are recognized as revenue in the year in which the related expenses are incurred.

Contributions restricted for capital purposes are reported as revenue in the period in which the contributions have been authorized by the government and the Association has met all eligibility criteria.

Interest income earned on cash and portfolio investments balances are unrestricted and are recognized as revenue when earned.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

2. Significant accounting policies (continued):

(c) Tangible capital assets:

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

	Basis	Rate
Computer hardware	Declining balance	30%
HR software system	Straight-line	15 years
Other computer software	Straight-line	1 year
Furniture and fixtures	Declining balance	20%
Office equipment	Declining balance	20%
Leasehold improvements	Straight-line	4 years
Office equipment under capital lease	Declining balance	20%

Contributed tangible capital assets are recorded at their fair value at the date of contribution. When tangible capital assets no longer contribute to the Association's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their 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, which transfer substantially all of the 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 charged to expenses as incurred.

(d) Arbitration costs:

Arbitration costs are recorded on the accrual basis. Accruals are estimated for arbitration costs in progress as of the fiscal year end based upon review of files on a case-by-case basis. Costs for cases that have simply been filed for arbitration but where no action has been commenced are not accrued. When actual costs are known, any difference from the estimated amount is recorded as an expense in the period in which the actual costs are known.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

2. Significant accounting policies (continued):

(e) 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 and sabbatical leave benefits which are accrued and expensed as service is provided.

(f) Portfolio investments:

Portfolio investments, consist of guaranteed investment certificates ("GICs"), are recorded at amortized cost unless there had been a loss in value other than a temporary decline in which case the investment is written down.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at March 31, 2013 and revenues and expenses during the year then ended. The actual outcome could differ from the estimates made in the preparation of the financial statements. Areas requiring significant management estimates include arbitration cost accruals, vacation accruals, contingencies, and the useful economic lives of tangible capital assets for amortization.

(h) Contributed services:

The Association is dependent on the work of many volunteers to fulfill its mission. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(i) Financial instruments:

The Association's financial instruments consists of cash, portfolio investments, government funding receivable, 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. Portfolio investments:

The GICs as at March 31, 2013 are held at a chartered bank and mature on varying dates ranging from April 22, 2013 to March 26, 2014 with interest rates of 1.65% - 1.85% (2012 - 1.45% - 1.85%)

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

4. Tangible capital assets:

	Computer Hardware	HR Software System	Other Computer Software	Furniture and Fixtures	Office equipment	Office equipment under capital Lease	March 31, 2013 Total	March 31, 2012 Total
Cost, beginning of period	\$ 233,994	\$ 931,706	\$ 60,696	\$ 152,408	\$ 63,316	\$ 83,371	\$ 1,525,491	\$ 1,485,387
Additions	5,787	1,884	791	10,138	-	-	18,600	52,541
Disposals	(1,083)	-	-	-	-	-	(1,083)	(12,437)
Cost, end of year	238,698	933,590	61,487	162,546	63,316	83,371	1,543,008	1,525,491
Accumulated amortization, beginning of period	193,968	184,920	59,912	123,128	45,695	32,348	639,971	570,743
Amortization	12,876	61,835	1,180	6,870	3,524	10,205	96,490	76,266
Disposals	(660)	-	-	-	-	-	(660)	(7,038)
Accumulated amortization, end of period	206,184	246,755	61,092	129,998	49,219	42,553	735,801	639,971
Net carrying amount, end of period	\$ 32,514	\$ 686,835	\$ 395	\$ 32,548	\$ 14,097	\$ 40,818	\$ 807,207	\$ 885,520

5. Accounts payable and accrued liabilities:

	2013	2012
Trade accounts payable and accruals	\$ 298,567	\$ 270,979
Vacation and sabbatical leave accruals	166,073	161,130
Arbitration cost accrual	584,954	761,453
	\$ 1,049,594	\$ 1,193,562

6. Capital lease obligations:

In November 2009, the Association entered into a capital lease to acquire office equipment. This lease expires in June 2015.

Future minimum payments are as follows:

2014	\$ 18,471
2015	18,471
2016	4,618
	41,560
Less amount representing interest at 7.9% per annum	3,823
Present value of capital lease payments	\$ 37,737

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to financial statements (continued)

Year ended March 31, 2013

7. Deferred contributions:

	2013							2012
	Benefits review committee	Board of director benefits training	K-12 bargaining and compensation	Support staff collective agreement implementation	Labour market study grant	Sustainable work force and data project	Total	Total
Balance, beginning of period	\$ 47,153	\$ 18,054	\$ 359,208	\$ -	\$ -	\$ 772,386	\$ 1,196,801	\$ 1,693,931
Grants and contributions received	-	-	-	100,000	80,000	-	180,000	81,000
Amounts recognized as revenue in the period	-	(4,537)	(194,309)	(18,843)	-	(262,361)	(480,050)	(578,130)
Balance, end of period	\$ 47,153	\$ 13,517	\$ 164,899	\$ 81,157	\$ 80,000	\$ 510,025	\$ 896,751	\$ 1,196,801

Subsequent to March 31, 2013, the Association received \$2.63 million for the purpose of addressing the standardization of extended health benefits for teachers in the province, which has not been recorded in the financial statements.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to financial statements (continued)

Year ended March 31, 2013

8. 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, 2013, the amount of cash held in trust was \$3,619,340 (2012 - \$3,933,488).

9. Commitments and contingencies:

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

2014	\$ 382,310
2015	382,310
2016	382,310
2017	63,718
2018	-
	<hr/>
	\$ 1,210,648

(b) The Association and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly-trusted pension plan. The Plan's Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 contributors from local government.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1.024 million for basic pension benefits. The next valuation will be as at December 31, 2012. However, as of the date of the audit report, the results were yet to be received. The actuary does not attribute portions of the surplus to individual employers. The Association paid \$169,201 for employer contributions to the plan in the year ended March 31, 2013 (nine-month period ended March 31, 2012 - \$126,629) while employee contributions totalled \$159,969 (Nine-month period ended March 31, 2012 - \$122,554)

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

10. Expenses by object:

	Year ended March 31, 2013	9 month period ended March 31, 2012
Advertising expense	\$ 43,369	\$ 49,308
Amortization of tangible capital assets	96,490	76,266
Capital lease interest	3,717	3,521
Communications	52,655	41,126
Contracted service	34,314	52,552
Dues and subscriptions	29,578	20,082
Equipment rental	29,208	21,991
Honorariums	87,347	69,330
Insurance	4,600	3,450
Legal services	253,958	726,888
Loss on disposal of tangible capital assets	424	5,399
Marketing expense	7,582	21,461
Meeting expense	223,832	95,211
Occupancy costs	373,189	232,651
Office supplies	33,826	25,322
Other expense	13,256	22,264
Professional development	37,640	31,652
Public relations	21,236	36,342
Research and reporting	111,065	133,750
Salaries and benefits	2,776,034	2,238,312
Technical support	69,298	62,883
Travel and accommodation	345,702	277,591
Website maintenance	169,101	107,242
	\$ 4,817,421	\$ 4,354,594

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

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, 2013.

(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 cash, portfolio investments, government funding receivable and 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 balance in the financial statements.

(b) Foreign exchange risk:

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Association is not exposed to foreign exchange risk as all financial instruments are denominated in Canadian dollars.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates and terms of term deposits and capital lease obligation are as disclosed in notes 3 and 6.

(d) Market risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Association is not exposed to significant market risk as no investments are held which are subject to significant market fluctuations.

(e) 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, 2013

12. Budget figures:

The budget information reported in the statements of operations and changed in net financial assets was approved by the Board of Directors at the Annual General meeting on January 12, 2012.

13. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.