

British Columbia Public School  
Employers' Association  
Financial Statements  
For the year ended June 30, 2010

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For the year ended June 30, 2010**

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## Auditors' Report

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

We have audited the Statement of Financial Position of the British Columbia Public School Employers' Association as at June 30, 2010 and the Statements of Operations, Changes in Net Assets, and Cash Flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the British Columbia Public School Employers' Association as at June 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. 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 year.

*BDO Canada LLP*

Chartered Accountants

Vancouver, British Columbia  
September 17, 2010

**British Columbia Public School Employers' Association**  
**Statement of Financial Position**

June 30

2010

2009

**Assets**

**Current**

Cash and cash equivalents (Note 1)	\$ 1,353,955	\$ 1,217,596
Government funding receivable	350,000	835,000
Accounts receivable	41,501	79,202
Prepaid expenses	86,889	88,359
	<u>1,832,345</u>	<u>2,220,157</u>

**Property and equipment (Note 2)**

<u>1,012,284</u>	<u>1,011,245</u>
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<u>\$ 2,844,629</u>	<u>\$ 3,231,402</u>
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**Liabilities and Net Assets**

**Liabilities**

**Current**

Accounts payable and accrued liabilities (Note 3)	\$ 758,374	\$ 1,011,184
Deferred revenue	9,950	89,770
Current portion of capital lease obligation (Note 4)	12,867	15,613
	<u>781,191</u>	<u>1,116,567</u>

**Capital lease obligation (Note 4)**

62,824	30,859
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**Deferred contributions (Note 5)**

Expenses of future periods	417,707	652,274
Property and equipment	970,284	1,022,782
	<u>2,232,006</u>	<u>2,822,482</u>

**Net Assets**

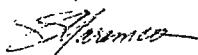
Invested in property and equipment (Note 6)	41,124	16,805
Internally restricted	571,499	392,115
Unrestricted	-	-
	<u>612,623</u>	<u>408,920</u>

<u>\$ 2,844,629</u>	<u>\$ 3,231,402</u>
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Approved on behalf of the Board:



Director



Director

## British Columbia Public School Employers' Association Statement of Operations

For the year ended June 30	2010	2009
<b>Revenue</b>		
Provincial government funding	\$ 3,621,712	\$ 4,055,220
Benefits review	11	1,237
Integrated business administration system	13,044	-
Professional development programs	222,360	98,792
Make a future and data project	361,590	1,243,975
Support staff collective agreement implementation	120,000	194,900
	<u>4,338,717</u>	<u>5,594,124</u>
Contributions for property and equipment	(97,836)	(903,288)
	<u>4,240,881</u>	<u>4,690,836</u>
Interest income	9,863	76,496
Make a future annual dues and other income	324,900	298,575
Amortization of deferred capital contributions	150,334	107,033
	<u>4,725,978</u>	<u>5,172,940</u>
<b>Member services expenses</b>		
Bargaining services	56,690	57,641
Communication	65,992	55,471
Exempt staff	-	92,565
Member services, legal and liaison	3,356	34,353
Occupational health and safety issues	-	7,433
Support staff bargaining	-	22,808
Teacher arbitration assistance	527,490	1,200,780
	<u>653,528</u>	<u>1,471,051</u>
<b>Operating expenses</b>		
Amortization of property and equipment	145,840	110,515
Capital lease interest	3,540	4,943
Communications	42,378	59,108
Dues and subscriptions	3,403	17,619
Equipment rental	75,069	96,067
(Gain) loss on disposal of property and equipment	(4,802)	4,313
Occupancy costs	276,691	267,992
Office and supplies and maintenance	23,451	22,087
Other	14,786	9,359
Professional fees	32,137	28,246
Salaries and benefits	2,298,889	2,372,171
	<u>2,911,382</u>	<u>2,992,420</u>
Professional development programs	147,262	243,039
Collective bargaining development and implementation	11	19,828
Make a future and data project	604,328	874,394
Integrated business administration system	13,044	-
	<u>764,645</u>	<u>1,137,261</u>
<b>Governance expenses</b>		
Board of Directors	122,958	132,205
Annual General Meeting	38,411	33,948
Other meetings	31,351	94,135
	<u>192,720</u>	<u>260,288</u>
	<u>4,522,275</u>	<u>5,861,020</u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 203,703</b>	<b>\$ (688,080)</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

**British Columbia Public School Employers' Association**  
**Statement of Changes in Net Assets**

**For the year ended June 30**

	Invested in Property and Equipment	Internally Restricted	Unrestricted	2010	Total 2009
<b>Balance, beginning of year</b>	\$ 16,805	\$ 392,115	\$ -	\$ 408,920	\$ 1,097,000
<b>Excess (deficiency) of revenue over expenses</b>	9,004	-	194,699	203,703	(688,080)
<b>Capital lease repayment</b>	15,315	-	(15,315)	-	-
<b>Transfer</b>	-	179,384	(179,384)	-	-
<b>Balance, end of year</b>	\$ 41,124	\$ 571,499	\$ -	\$ 612,623	\$ 408,920

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

**British Columbia Public School Employers' Association**  
**Statement of Cash Flows**

For the year ended June 30

2010

2009

**Cash provided by (used in)**

**Operating activities**

Excess (deficiency) of revenue over expenses	\$ 203,703	\$ (688,080)
Items not involving cash		
Amortization of deferred capital contributions	(150,334)	(107,033)
Amortization of property and equipment	145,840	110,515
(Gain) loss on disposal of property and equipment	(4,802)	4,313
	<u>194,407</u>	<u>(680,285)</u>
Changes in non-cash working capital balances		
Accounts receivable and government funding receivable	522,702	(509,800)
Prepaid expenses	1,470	(11,120)
Accounts payable and accrued liabilities	(252,810)	282,509
Deferred contributions for expenses of future periods	(234,567)	(1,183,104)
Deferred revenue	(79,820)	(89,770)
	<u>151,382</u>	<u>(2,191,570)</u>

**Investing activity**

Purchase of property and equipment	(97,836)	(903,288)
Proceeds from disposal of property and equipment	292	500
Acquisition of capital lease	(83,371)	-
	<u>(180,915)</u>	<u>(902,788)</u>

**Financing activities**

Contributions received for property and equipment	97,836	903,288
Financing of capital lease	83,371	-
Payment of capital lease obligation	(15,315)	(14,295)
	<u>165,892</u>	<u>888,993</u>

<b>Increase (decrease) in cash during the year</b>	<b>136,359</b>	<b>(2,205,365)</b>
Cash, beginning of year	<u>1,217,596</u>	<u>3,422,961</u>
<b>Cash, end of year</b>	<b>\$ 1,353,955</b>	<b>\$ 1,217,596</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

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**British Columbia Public School Employers' Association**  
**Summary of Significant Accounting Policies**

**June 30, 2010**

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**Nature of Business**

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 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.

**Net Assets**

The Association segregates its net assets into three categories. The amount invested in property and equipment represents the carrying value of property and equipment less related debt and deferred contributions. Amounts internally restricted are set aside for collective bargaining and associated purposes (see Statement of Changes in Net Assets). Unrestricted amounts are available for any purpose of the Association, as at June 30, 2010 and 2009 there were no unrestricted amounts.

**Revenue**

The Association follows the deferral method of accounting for contributions, which include government grants.

Unrestricted contributions are recognized as revenue when received or receivable.

Externally restricted contributions (Note 5(a)) are recognized as revenue in the year in which the related expenses are incurred. Contributions for the purchase of property and equipment (Note 5(b)) are deferred and amortized to revenue on the same basis as the related assets are amortized.

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

**Property and Equipment**

Property and equipment is recorded at cost. Property and equipment is amortized as follows:

Computer hardware	- 30% declining balance
HR software system	- Straight line basis over 15 years
Other computer software	- Straight line basis over 1 year
Website	- Straight line basis over 3 years
Furniture and fixtures	- 20% Declining balance
Office equipment	- 20% Declining balance
Leasehold improvements	- Straight line over 4 years
Office equipment under capital lease	- Straight line over 5 years

Contributed property and equipment are recorded at their fair value at the date of contribution. When property and equipment no longer contributes to the Association's ability to provide services, its carrying amount is written down to its residual value.



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**British Columbia Public School Employers' Association**  
**Summary of Significant Accounting Policies**

**June 30, 2010**

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**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.

**Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at June 30, 2010 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 and the useful economic lives of property and equipment for amortization.

**Contributed Services**

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

**Financial Instruments**

The Association categorizes its financial instruments as follows:

Cash and cash equivalents	Held-for-trading
Government funding receivable and accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

When initially recognized, all financial assets and liabilities are recorded at fair value in the Statement of Financial Position. In subsequent periods, Held-for-trading instruments are measured at fair value at the date of the statement of financial position. Loans and receivables, and other financial liabilities instruments are measured at amortized cost.

Fair values of financial instruments are approximated by their carrying values unless otherwise stated.

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## British Columbia Public School Employers' Association Summary of Significant Accounting Policies

June 30, 2010

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### Future Direction of Standards for Not-for- Profit Organizations

The Canadian Institute of Chartered Accountants ("CICA") has determined that not-for-profit organizations ("NPOs") do not meet the definition of "publicly accountable" organizations for purposes of consideration of International Financial Reporting Standards ("IFRS"). This means that NPOs will not be required to adopt IFRS in 2011. The CICA has issued an exposure draft seeking comment on its proposal to incorporate accounting standards for NPO's into Part III of the CICA Handbook.

Part III would comprise the core standards, often referred to as the 4400 series of the CICA handbook, which will remain the primary source of Canadian generally accepted accounting principles ("GAAP") for non-profit organizations. In addition a NPO would be directed to Part II, the accounting standards for private enterprises, to the extent they are of general applicability or pertain to the organization's circumstances when there is no relevant standard in Part III.

The CICA has stated that any NPO could elect to follow IFRS, if that approach meets the needs of the users of its financial statements. It is important to note that although Canadian publicly accountable enterprises are required to adopt IFRS on January 1, 2011, not-for-profit organizations are not required to make a choice or to follow the same transition schedule. The transition to a new strategy for not-for-profit financial reporting will be based on a separate timeline that allows adequate time to plan and transition successfully.

The impact of upcoming changes to the financial statement presentation of the Association has yet to be determined.

**British Columbia Public School Employers' Association**  
**Notes to Financial Statements**

**June 30, 2010**

**1. Cash and Cash Equivalents**

	2010	2009
Cash	\$ 1,353,955	\$ 217,596
Term deposit	-	1,000,000
	<b>\$ 1,353,955</b>	<b>\$ 1,217,596</b>

The Association's bank account is held at one chartered bank. The bank account earns interest at the prevailing rates. The term deposit as at June 30, 2009 was held at a chartered bank matured on May 3, 2010 and yielded 0.35%.

**2. Property and Equipment**

	2010		2009	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	\$ 252,601	\$ 197,524	\$ 55,077	\$ 61,938
HR software system	857,499	80,779	776,720	756,843
Other computer software	57,584	56,489	1,095	3,736
Website	48,327	23,924	24,403	39,674
Furniture and fixtures	152,408	109,349	43,059	46,409
Office equipment	67,114	41,202	25,912	32,391
Leasehold improvements	107,363	96,379	10,984	32,954
Office equipment under capital lease	83,371	8,337	75,034	37,300
	<b>\$ 1,626,267</b>	<b>\$ 613,983</b>	<b>\$ 1,012,284</b>	<b>\$ 1,011,245</b>

**British Columbia Public School Employers' Association**  
**Notes to Financial Statements**

June 30, 2010

**3. Accounts Payable and Accrued Liabilities**

	2010	2009
Trade accounts payable and accruals	\$ 214,783	\$ 428,982
Vacation accrual	96,091	107,702
Arbitration cost accruals	447,500	474,500
	\$ 758,374	\$ 1,011,184

**4. 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:

Year ending June 30		Amount
Year		
2011	\$	18,471
2012		18,471
2013		18,471
2014		18,471
2015		18,471
		92,355
Less amount representing interest at 7.9% per annum		16,664
Present value of capital lease payments		75,691
Less current portion		12,867
	\$	62,824

**5. Deferred Contributions**

(a) Expenses of future periods

	2010	2009
Balance, beginning of year	\$ 652,274	\$ 2,014,918
Add amounts received relating to future periods	255,000	90,000
Amount recognized as revenue in the year	(489,567)	(1,452,644)
Balance, end of year	\$ 417,707	\$ 652,274

**British Columbia Public School Employers' Association**  
Notes to Financial Statements

**June 30, 2010**

**5. Deferred Contributions (Continued)**

(a) Expenses of future periods - continued

The balance of deferred contributions for expenses of future periods consists of the following:

	2010	2009
Benefits review	\$ 197,153	\$ 197,165
Board of directors benefit training	8,598	-
Integrated business administration system	111,956	-
K-12 bargaining and compensation	100,000	100,000
Shared services and joint HR initiatives	-	15,813
Sustainable work force and data project	-	339,296
	<b>\$ 417,707</b>	<b>\$ 652,274</b>

(b) Property and Equipment

	2010	2009
Balance, beginning of year	\$ 1,022,782	\$ 226,527
Contributions received for property and equipment	97,836	903,288
Amortization	(150,334)	(107,033)
	<b>\$ 970,284</b>	<b>\$ 1,022,782</b>

The balance of deferred contributions for property and equipment consist of the following:

	2010	2009
Unamortized capital contributions used to purchase property and equipment	\$ 895,470	\$ 947,968
Unspent contributions	74,814	74,814
	<b>\$ 970,284</b>	<b>\$ 1,022,782</b>

**British Columbia Public School Employers' Association**  
**Notes to Financial Statements**

June 30, 2010

**6. Investment in Property and Equipment**

(a) Investment in property and equipment is calculated as follows:

	2010	2009
Property and equipment	\$ 1,012,284	\$ 1,011,245
Capital lease obligations	(75,691)	(46,472)
Amounts financed by deferred capital contributions	(895,470)	(947,968)
	\$ 41,123	\$ 16,805

(b) Change in net assets invested in property and equipment:

	2010	2009
Excess (deficiency) of revenue over expenses		
Amortization of deferred capital contributions	\$ 150,334	\$ 107,033
Amortization of property and equipment	(145,840)	(110,515)
Gain (loss) on disposal of property and equipment	4,510	(4,813)
	9,004	(8,295)
Net change in investment in property and equipment		
Acquisition of property and equipment	97,836	903,288
Amounts funded by deferred capital funding	(97,836)	(903,288)
Payment of capital lease obligations	15,315	14,295
	15,315	14,295
	\$ 24,319	\$ 6,000

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**British Columbia Public School Employers' Association**  
**Notes to Financial Statements**

**June 30, 2010**

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**7. Commitments and Contingencies**

- (a) The Association is committed under various operating leases to make lease payments for equipment and premises approximately as follows:

Fiscal Year	Amount
2011	\$ 413,237
2012	422,653
2013	422,653
2014	421,458
2015	<u>421,458</u>
	<u>\$ 2,101,459</u>

- (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 158,000 active members and approximately 57,000 retired members. Active members include approximately 33,000 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, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the surplus to individual employers. The Association paid \$139,856 for employer contributions to the plan in the year ended June 30, 2010 (2009 - \$157,525) while employee contributions totaled \$143,458 (2009 - \$145,432).

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**British Columbia Public School Employers' Association**  
**Notes to Financial Statements**

**June 30, 2010**

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**8. 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 June 30, 2010.

(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 and cash equivalents, government funding receivable and accounts receivable.

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 cash and cash equivalents and capital lease obligation are as disclosed in Notes 1 and 4.

(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.

(f) Capital Risk Management

The Association considers its capital to be its net assets, unrestricted, internally restricted and amounts invested in property and equipment. The Association's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide services to its members and to maintain its tax exempt status under the Canadian Income Tax Act. Annual budgets are developed and monitored to ensure the organization's capital is maintained at an appropriate level.



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**British Columbia Public School Employers' Association**  
**Notes to Financial Statements**

**June 30, 2010**

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**9. Comparative Amounts**

Certain comparative amounts presented in the financial statements have been restated to conform with the current year's presentation.

