

**British Columbia Public School
Employers' Association
Financial Statements
For the 9 month period ended March 31,
2012 (With comparative figures for the
year ended June 30, 2011)**

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the British Columbia Public School Employers' Association, which comprise the Statements of Financial Position as at March 31, 2012, June 30, 2011 and July 1, 2010, and the Statements of Operations, Changes in Net Assets and Cash Flows for the periods ended March 31, 2012 and June 30, 2011, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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 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, 2012, June 30, 2011 and July 1, 2010, and the results of its operations and its cash flows for the periods ended March 31, 2012 and June 30, 2011, in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

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



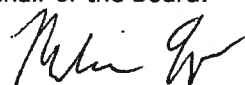
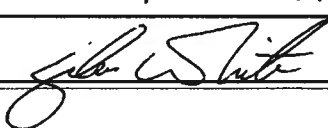
Chartered Accountants

Vancouver, British Columbia
May 17, 2012

British Columbia Public School Employers' Association
Statements of Financial Position

	March 31 2012	June 30 2011	July 1 2010
Financial assets			
Cash	\$1,213,198	\$ 254,524	\$ 1,353,955
Portfolio Investments (Note 2)	2,000,000	2,800,000	-
Government funding receivable	1,450,000	350,000	350,000
Accounts receivable	131,556	162,035	41,501
	<u>4,794,754</u>	<u>3,566,559</u>	<u>1,745,456</u>
Liabilities			
Accounts payable and accrued liabilities (Note 4)	1,193,562	1,003,875	758,374
Deferred revenue	75,631	15,900	9,950
Obligations under capital lease (Note 5)	52,490	62,824	75,691
Deferred contributions (Note 6)	2,021,801	1,693,931	417,707
	<u>3,343,484</u>	<u>2,776,530</u>	<u>1,261,722</u>
Net Financial Assets	<u>1,451,270</u>	<u>790,029</u>	<u>483,734</u>
Non-Financial Assets			
Tangible capital assets (Note 3)	885,520	914,646	987,881
Prepaid expenses	98,964	143,206	86,889
	<u>984,484</u>	<u>1,057,852</u>	<u>1,074,770</u>
Accumulated Surplus	<u>\$2,435,754</u>	<u>\$ 1,847,881</u>	<u>\$ 1,558,504</u>

Approved on behalf of the Board:


 _____ Director

 _____ Director

British Columbia Public School Employers' Association
Statements of Operations

For the period ended	Budget	March 31 2012	June 30 2011
	(12 months)	(9 months)	(12 months)
Revenue			
Provincial government funding	\$ 3,621,688	\$4,088,821	\$ 4,206,993
Benefits review	-	-	150,000
Bargaining and associated activities	-	97,609	177,612
Professional development programs	20,000	33,175	115,070
Sustainable work force and data project	-	242,017	92,006
Support staff collective agreement implementation	-	-	135,000
Integrated business administration system	-	156	14,030
Make a future annual dues and other income	308,500	378,528	436,643
Events and other income	10,000	57,375	108,635
Interest income	-	44,786	25,477
	3,960,188	4,942,467	5,461,466
Expenses			
Member services	754,000	1,061,326	1,097,732
General and administrative	3,402,979	2,256,082	2,904,343
Professional development programs	-	18,213	70,203
WCB-JOSH Committee	-	16,354	-
Collective bargaining development and implementation	29,000	-	75,000
Make a future	-	520,784	467,236
Sustainable work force and data project	333,000	203,737	254,552
Integrated business administration system	-	156	10,390
Governance expenses	253,440	277,942	292,633
	4,772,419	4,354,594	5,172,089
Annual surplus (deficit)	(812,231)	587,873	289,377
Accumulated Surplus, beginning of period	1,847,881	1,847,881	1,558,504
Accumulated Surplus, end of period	\$ 1,035,650	\$2,435,754	\$ 1,847,881

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

For the period ended	Budget 2012	March 31 2012	June 30 2011
	(12 months)	(9 months)	(12 months)
Annual surplus	\$ (812,231)	\$ 587,873	\$ 289,377
Acquisition of tangible capital assets	(40,000)	(52,541)	(50,429)
Amortization of tangible capital assets	129,000	76,266	118,662
Loss on disposal of tangible capital assets	-	5,399	5,003
Acquisition of prepaid expenses	-	(185,244)	(172,667)
Use of prepaid expenses and supplies	-	229,487	116,350
Change in net financial assets for the period	(723,231)	661,240	306,296
Net financial assets, beginning of period	790,029	790,029	483,733
Net financial assets, end of period	\$ 66,798	\$ 1,451,270	\$ 790,029

British Columbia Public School Employers' Association
Statement of Cash Flows

For the period ended	March 31 2012	June 30 2011
	(9 months)	(12 months)
Cash provided by (used in)		
Operating transactions		
Excess of revenue over expenses	\$ 587,873	\$ 289,377
Items not involving cash		
Amortization of tangible capital assets	76,266	118,662
Loss on disposal of tangible capital assets	5,399	5,003
	669,538	413,042
Changes in non-cash working operating items		
Accounts receivable and government funding receivable	(1,069,518)	(120,534)
Prepaid expenses	44,242	(56,318)
Accounts payable and accrued liabilities	189,687	245,501
Deferred contributions	327,870	1,276,224
Deferred revenue	59,731	5,950
	221,550	1,763,865
Capital transactions		
Purchase of tangible capital assets	(52,541)	(50,429)
Investing transactions		
Net redemptions (purchases) of portfolio investments	800,000	(2,800,000)
Financing transactions		
Payment of capital lease obligation	(10,333)	(12,867)
Increase (decrease) in cash during the year	958,676	(1,099,431)
Cash, beginning of year	254,524	1,353,955
Cash, end of year	\$ 1,213,198	\$ 254,524

British Columbia Public School Employers' Association

Summary of Significant Accounting Policies

March 31, 2012

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.

At the October 28, 2011 Board meeting, the directors approved to change the fiscal year end of the Association to March 31st to be consistent with provincial government reporting.

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.

Conversion to Public Sector Accounting Standards Commencing with the 2012 fiscal year, the Association has adopted Canadian public sector accounting ("PSA") standards as issued by the Public Sector Accounting Board. These financial statements are the first financial statements for which the Association has adopted PSA standards. The Association has early adopted the accounting standards contained in PS 1201 - Financial statement presentation, PS 3410 - Government transfers, and PS 3450 - Financial instruments in the preparation of these financial statements.

Detailed information on the impact of the conversion to Canadian public sector accounting standards is provided in Note 1.

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 6) 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. This is a change from the previous method of accounting for such contributions where such amounts were deferred and amortized over the life of the tangible capital asset being funded or contributed. The impact of this change is set out in Note 1 and comparative figures have been adjusted to be presented on the same basis.

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

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

March 31, 2012

Tangible Capital Assets

Tangible capital assets are recorded at cost. Tangible capital assets are 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
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 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.

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.

Portfolio Investments

Portfolio investments 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.

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, 2012 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 tangible capital assets 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'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.

British Columbia Public School Employers' Association
Notes to Financial Statements

March 31, 2012

1. Conversion to Public Sector Accounting Standards

The transition date for the new standards was July 1, 2010 with result that all comparative figures presented throughout these financial statements are prepared following the requirements of the new standards.

First time adoption standards also require that an opening statement of financial position for the first year of retroactive adoption be presented. Therefore the Statement of Financial position includes a column as at the transition date of July 1, 2010.

Changes were made to:

- Recognize contributions for tangible capital assets as received or receivable instead of deferring such contributions and amortizing to revenue over the life of the asset
- Expense intangible website costs that were previously capitalized

The impact of these changes on Accumulated Surplus (previously Net Assets) was as follows:

	June 30 2011	July 1 2010
Net assets as previously reported:		
Invested in property and equipment	\$ 41,168	\$ 41,124
Internally restricted	921,245	571,499
	<u>962,413</u>	<u>612,623</u>
Removal of deferred contributions for capital	928,817	970,284
Removal of intangible website costs	(43,349)	(24,403)
	<u>\$ 1,847,881</u>	<u>\$ 1,558,504</u>

The impact of these changes on the July 1, 2010 comparative figures reported on the Statement of Financial Position was as follows:

- Property and equipment decreased by \$24,403
- Deferred contributions property and equipment decreased by \$970,284

The impact of these changes on the June 30, 2011 comparative figures reported on the Statement of Financial Position was as follows:

- Property and equipment decreased by \$43,349
- Deferred contributions property and equipment decreased by \$928,817

British Columbia Public School Employers' Association
Notes to Financial Statements

March 31, 2012

1. Conversion to Public Sector Accounting Standards (Continued)

The impact of these changes on the June 30, 2011 comparative figures reported on the Statement of Operations was as follows:

- Amortization of deferred capital contributions decreased by \$133,965
- Contributions for property and equipment increased by \$92,498
- Amortization of property and equipment decreased by \$23,121
- Member services expenses increased by \$17,240
- Make a future expenses increased by \$24,828
- Annual surplus for the year decreased by \$60,415

2. Portfolio Investments

The term deposits as at March 31, 2012 are held at a chartered bank and mature on varying dates ranging from April 20, 2012 to April 22, 2013 with interest rates of 1.45% - 1.85% (2011 - 1.30% - 1.85%).

3. Tangible Capital Assets

	Computer Hardware	HR Software System	Other Computer Software	Furniture and Fixtures	Office Equipment	Office Equipment under Capital Lease	March 31, 2012 Total	June 30, 2011 Total	July 1, 2010 Total
Cost, beginning of year	\$ 233,225	\$ 893,426	\$ 59,641	\$ 152,408	\$ 63,316	\$ 83,371	\$ 1,485,387	\$ 1,577,940	\$ 1,833,810
Additions	13,206	38,280	1,055	-	-	-	52,541	50,430	180,488
Disposals	(12,437)	-	-	-	-	-	(12,437)	(142,982)	(79,507)
Cost, end of year	233,994	931,706	60,696	152,408	63,316	83,371	1,525,491	1,485,388	1,934,791
Accumulated amortization, beginning of year	189,096	139,143	58,613	117,961	42,586	23,344	570,743	590,060	862,238
Amortization	11,910	45,777	1,299	5,167	3,109	9,004	76,266	118,662	129,852
Disposals	(7,038)	-	-	-	-	-	(7,038)	(137,980)	(45,180)
Accumulated amortization, end of year	193,968	184,920	59,912	123,128	45,695	32,348	639,971	570,742	946,910
Net carrying amount, end of year	\$ 40,026	\$ 746,786	\$ 784	\$ 29,280	\$ 17,621	\$ 51,023	\$ 885,520	\$ 914,646	\$ 987,881

British Columbia Public School Employers' Association
Notes to Financial Statements

March 31, 2012

4. Accounts Payable and Accrued Liabilities

	March 31 2012	June 30 2011	July 1 2010
Trade accounts payable and accruals	\$ 270,979	\$ 366,831	\$ 214,783
Vacation accrual	161,130	122,044	96,091
Arbitration cost accruals	761,453	515,000	447,500
	\$ 1,193,562	\$ 1,003,875	\$ 758,374

5. 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 March 31		
Year		Amount
2013		18,471
2014		18,471
2015		18,471
2016		4,618
		<u>60,031</u>
Less amount representing interest at 7.9% per annum		<u>7,541</u>
Present value of capital lease payments		<u>52,490</u>

6. Deferred Contributions

	March 31 2012	June 30 2011	July 1 2010
Balance, beginning of year	\$ 1,693,931	\$ 417,707	\$ 652,274
Add amounts received relating to future periods	906,000	1,945,000	255,000
Amount recognized as revenue in the year	(578,130)	(668,776)	(489,567)
Balance, end of year	\$ 2,021,801	\$ 1,693,931	\$ 417,707

British Columbia Public School Employers' Association
Notes to Financial Statements

March 31, 2012

6. Deferred Contributions (Continued)

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

	March 31 2012	June 30 2011	July 1 2010
Benefits review	\$ 47,153	\$ 47,153	\$ 197,153
Board of directors benefit training	18,054	18,107	8,598
Integrated business administration system	601,409	601,566	111,956
K-12 bargaining and compensation	359,208	375,817	100,000
Support Staff Collective Agreement Implementation	750,000	-	-
Labour Relations	-	238,294	-
Labour Market Study Grant	75,000	-	-
Sustainable work force and data project	170,977	412,994	-
Balance, end of year	\$2,021,801	\$ 1,693,931	\$ 417,707

British Columbia Public School Employers' Association
Notes to Financial Statements

March 31, 2012

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
2013	\$ 404,498
2014	404,462
2015	408,127
2016	393,949
2017	<u>65,658</u>
	<u>\$ 1,676,694</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 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 with results available in 2013. The actuary does not attribute portions of the surplus to individual employers. The Association paid \$126,629 for employer contributions to the plan in the year ended March 31, 2012 (Year ended June 30, 2011 - \$127,973) while employee contributions totaled \$122,554 (Year ended June 30, 2011 - \$136,839).

British Columbia Public School Employers' Association
Notes to Financial Statements

March 31, 2012

8. Expenses by Object	March 31 2012	June 30 2011
	(9 months)	(12 months)
Advertising expense	\$ 49,308	\$ 85,139
Amortization of tangible capital assets	76,266	118,662
Capital lease interest	3,521	5,605
Communications	41,126	45,885
Contracted service	52,552	99,610
Dues & subscriptions	20,082	25,963
Equipment rental	21,991	29,357
Honorariums	69,330	77,890
Insurance	3,450	5,130
Legal services	726,888	701,063
Loss on disposal of tangible capital assets	5,399	5,003
Marketing expense	21,461	31,700
Meeting expense	95,211	190,501
Occupancy costs	232,651	296,382
Office supplies	25,322	24,786
Other expense	22,264	73,844
Professional development	31,652	41,503
Public relations	36,342	52,110
Research & reporting	133,750	36,646
Salaries & benefits	2,238,312	2,685,407
Technical support	62,883	76,396
Travel & accommodation	277,591	328,632
Website maintenance	107,242	134,875
	\$ 4,354,594	\$ 5,172,089

British Columbia Public School Employers' Association
Notes to Financial Statements

March 31, 2012

9. 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, 2012.

(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 term deposits and capital lease obligation are as disclosed in Notes 2 and 5.

(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 accumulated surplus. 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.