

Financial Statements of

**BRITISH COLUMBIA PUBLIC
SCHOOL EMPLOYERS'
ASSOCIATION**

Year ended March 31, 2014



KPMG LLP
Chartered Accountants
Metrotower II
Suite 2400 - 4720 Kingsway
Burnaby BC V5H 4N2
Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

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

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, 2014, the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation 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, 2014 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.

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.

KPMG LLP

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

Chartered Accountants

May 15, 2014

Burnaby, Canada

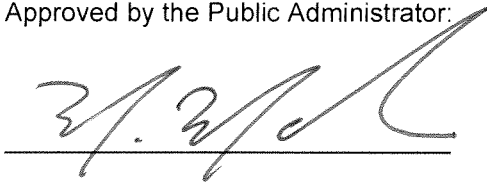
BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION
Statement of Financial Position

March 31, 2014, with comparative information for 2013

	2014	2013
Financial assets:		
Cash	\$ 5,212,949	\$ 526,976
Portfolio investments	-	3,000,000
Accounts receivable	95,342	150,197
	<u>5,308,291</u>	<u>3,677,173</u>
Liabilities:		
Accounts payable and accrued liabilities (note 4)	2,595,482	464,640
Deferred revenue	103,812	72,644
Capital lease obligations (note 5)	21,782	37,737
Deferred contributions (note 6)	1,378,869	1,481,705
	<u>4,099,945</u>	<u>2,056,726</u>
Net financial assets	1,208,346	1,620,447
Non-financial assets:		
Tangible capital assets (note 3)	795,558	807,207
Prepaid expenses	158,793	101,930
	<u>954,351</u>	<u>909,137</u>
Commitments and contingencies (note 7)		
Accumulated surplus	<u>\$ 2,162,697</u>	<u>\$ 2,529,584</u>

See accompanying notes to financial statements.

Approved by the Public Administrator:



BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION
Statement of Operations

Year ended March 31, 2014, with comparative information for 2013

	Budget 2014 (note 11)	2014	2013
Revenue:			
Provincial government funding	\$ 3,621,688	\$ 2,799,762	\$ 3,365,873
Restricted contribution revenues:			
Board of director benefit training	-	-	4,537
Bargaining and associated activities	183,500	606,748	194,309
Sustainable work force and data project	315,621	229,319	262,361
Support staff collective agreement implementation	-	67,818	23,568
Labour relations	-	326,476	426,499
Programs and events	766,725	636,188	834,205
Interest income	45,000	53,164	70,863
	4,932,534	4,719,475	5,182,215
Expenses (note 9):			
Member services	803,000	780,542	663,468
General and administrative	2,966,078	3,006,261	3,047,011
Sustainable work force and data project	315,621	229,319	260,478
Collective bargaining development and implementation	-	172,630	-
Support staff collective agreement implementation	-	67,818	23,568
Professional development programs	146,928	113,869	67,651
Make a future	698,531	604,762	702,774
Governance expenses	191,011	111,161	323,435
	5,121,169	5,086,362	5,088,385
Annual surplus (deficit)	(188,635)	(366,887)	93,830
Accumulated surplus, beginning of year	2,529,584	2,529,584	2,435,754
Accumulated surplus, end of year	\$ 2,340,949	\$ 2,162,697	\$ 2,529,584

See accompanying notes to financial statements.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION
Statement of Changes in Net Financial Assets

Year ended March 31, 2014, with comparative information for 2013

	Budget 2014 (note 11)	2014	2013
Annual surplus (deficit)	\$ (188,635)	\$ (366,887)	\$ 93,830
Acquisition of tangible capital assets	(20,000)	(105,236)	(18,600)
Amortization of tangible capital assets	95,067	113,999	96,490
Loss on disposal of tangible capital assets	-	2,161	423
Proceeds on sale of tangible capital assets	-	725	-
Acquisition of prepaid expenses	-	(129,655)	(101,930)
Use of prepaid expenses	-	72,792	98,964
Increase (decrease) in net financial assets for the year	(113,568)	(412,101)	169,177
Net financial assets, beginning of year	1,620,447	1,620,447	1,451,270
Net financial assets, end of year	\$ 1,506,879	\$ 1,208,346	\$ 1,620,447

See accompanying notes to financial statements.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating transactions:		
Annual surplus (deficit)	\$ (366,887)	\$ 93,830
Items not involving cash:		
Amortization of tangible capital assets	113,999	96,490
Loss on disposal of tangible capital assets	2,161	423
	(250,727)	190,743
Change in non-cash operating working capital:		
Government funding receivable	-	625,000
Accounts receivable	54,855	(18,641)
Prepaid expenses	(56,863)	(2,966)
Accounts payable and accrued liabilities	2,130,842	(143,968)
Deferred contributions	(102,836)	(300,050)
Deferred revenue	31,168	(2,987)
	1,806,439	347,131
Capital transactions:		
Acquisition of tangible capital assets	(105,236)	(18,600)
Proceed on sale of tangible capital assets	725	-
	(104,511)	(18,600)
Investing transactions:		
Redemptions (purchases) of portfolio investments	3,000,000	(1,000,000)
Financing transactions:		
Payment of capital lease obligation	(15,955)	(14,753)
Increase (decrease) in cash during the year	4,685,973	(686,222)
Cash, beginning of year	526,976	1,213,198
Cash, end of year	\$ 5,212,949	\$ 526,976

See accompanying notes to financial statements.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2014

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 6) are recognized as revenue in the year in which the related expenses are incurred.

Government transfers 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 and met the stipulations attached to the transfer.

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, 2014

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%
Office equipment under capital lease	Declining balance	20%
Leasehold improvements	Straight-line	4 years

Contributed tangible capital assets are recorded at their fair value at the date of contribution. When a tangible capital asset no longer contributes to the Association's ability to provide services, or when the value of future economic benefits associated with the tangible capital asset are less than its net book value, its carrying amount is written down to its residual value. The net write-downs are accounted for as expenses in the statement of operations.

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

(d) Employee future benefits:

The Association and its employees participate in the Municipal Pension Plan. The Municipal Pension Plan is a multi-employer contributory defined benefit pension plan. Contributions to the plan are expensed as incurred.

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

(e) Portfolio investments:

Portfolio investments consist of guaranteed investment certificates ("GICs") and 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.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at March 31, 2014 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.

(g) Financial instruments:

The Association's financial instruments consist 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 (continued)

Year ended March 31, 2014

3. Tangible capital assets:

	Computer hardware	HR software system	Other computer software	Furniture and fixtures	Office equipment	Office equipment under capital lease	Leasehold improvement	2014 Total	2013 Total
Cost, beginning of year	\$ 238,698	\$ 933,590	\$ 61,487	\$ 162,546	\$ 63,316	\$ 83,371	\$ -	\$ 1,543,008	\$ 1,525,491
Additions	7,616	-	1,315	-	-	-	96,305	105,236	18,600
Disposals	(10,175)	-	-	-	-	-	-	(10,175)	(1,083)
Cost, end of year	236,139	933,590	62,802	162,546	63,316	83,371	96,305	1,638,069	1,543,008
Accumulated amortization, beginning of year	206,184	246,755	61,092	129,998	49,219	42,553	-	735,801	639,971
Amortization	10,896	61,898	1,053	6,509	2,819	8,164	22,660	113,999	96,490
Disposals	(7,289)	-	-	-	-	-	-	(7,289)	(660)
Accumulated amortization, end of year	209,791	308,653	62,145	136,507	52,038	50,717	22,660	842,511	735,801
Net carrying amount, end of year	\$ 26,348	\$ 624,937	\$ 657	\$ 26,039	\$ 11,278	\$ 32,654	\$ 73,645	\$ 795,558	\$ 807,207

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

4. Accounts payable and accrued liabilities:

	2014	2013
Trade accounts payable and accruals	\$ 593,445	\$ 298,567
Vacation and sabbatical leave accruals	77,037	166,073
Flow-through funding payable	1,925,000	-
	<u>\$ 2,595,482</u>	<u>\$ 464,640</u>

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 for the year ended March 31 are as follows:

2015	\$ 18,471
2016	4,618
	<u>23,089</u>
Less amount representing interest at 7.9% per annum	1,307
Present value of capital lease payments	<u>\$ 21,782</u>

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to financial statements (continued)

Year ended March 31, 2014

6. Deferred contributions:

	2014							2013	
	Arbitration	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 year	\$ 584,954	\$ 47,153	\$ 13,517	\$ 164,899	\$ 81,157	\$ 80,000	\$ 510,025	\$ 1,481,705	\$ 1,958,254
Grants and contributions received	250,000	-	-	875,000	-	-	-	1,125,000	430,000
Amounts recognized as revenue in the period	(326,476)	-	-	(606,622)	(65,419)	-	(229,319)	(1,227,836)	(906,549)
Balance, end of year	\$ 508,478	\$ 47,153	\$ 13,517	\$ 433,277	\$ 15,738	\$ 80,000	\$ 280,706	\$ 1,378,869	\$ 1,481,705

Subsequent to March 31, 2014, the Association received \$1.37 million for the purpose of addressing the standardization of extended health benefits for teachers in the province and supporting the sustainable workforce and data project, which have not been recorded in the financial statements.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to financial statements (continued)

Year ended March 31, 2014

7. Commitments and contingencies:

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

2015	\$	382,310
2016		382,310
2017		63,718

(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, 2012 indicated an unfunded liability of \$1,370 million for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. The actuary does not attribute portions of the liability to individual employers. The Association paid \$179,676 for employer contributions to the plan in the year ended March 31, 2014 (2013 - \$169,201) while employee contributions totalled \$156,662 (2013 - \$159,969).

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, 2014, the amount of cash held in trust was \$3,164,190 (2013 - \$3,619,340). This amount is not included in the financial statements of the Association.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

9. Expenses by object:

	2014	2013
Advertising expense	\$ 13,130	\$ 43,369
Amortization of tangible capital assets	113,999	96,490
Capital lease interest	2,516	3,717
Communications	38,687	52,655
Contracted service	400,793	34,314
Dues and subscriptions	28,274	29,578
Equipment rental	30,839	29,208
Honorariums	129,764	87,347
Insurance	4,600	4,600
Legal services	355,327	424,650
Loss on disposal of tangible capital assets	2,158	424
Marketing expense	4,654	7,582
Meeting expense	120,425	223,832
Occupancy costs	383,452	473,461
Office supplies	18,466	33,826
Other expense	9,170	13,256
Professional development (recovery)	(24,635)	37,640
Public relations	5,507	21,236
Research and reporting	75,487	111,065
Salaries and benefits	2,897,171	2,776,034
Technical support	61,515	69,298
Travel and accommodation	228,721	345,702
Website maintenance	186,342	169,101
	<u>\$ 5,086,362</u>	<u>\$ 5,088,385</u>

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

10. 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, 2014.

(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 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 balances 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 capital lease obligation is as disclosed in notes 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.

BRITISH COLUMBIA PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

11. Budget figures:

The budget information reported in the statements of operations and changes in net financial assets was approved by the Board of Directors at the Annual General meeting on January 26, 2013. The budget was subsequently revised and approved by the Board of Directors at a meeting on April 2, 2013, resulting in the changes below.

	Original budget	Revised budget
Revenue:		
Provincial government funding	\$ 3,621,688	\$ 3,091,680
Bargaining and associated activities	183,500	183,500
Sustainable work force and data project	315,621	315,621
Support staff collective agreement implementation	-	-
Programs and events	766,725	766,725
Interest income	45,000	45,000
	<u>\$ 4,932,534</u>	<u>\$ 4,402,526</u>

12. Related party transactions:

During the year, personnel costs of \$49,500 were paid for by the Province. This amount is not recorded in the financial statements.

13. Comparative information:

Certain comparative figures have been reclassified to provide presentation consistency.