Financial Statements of

POST-SECONDARY EMPLOYERS' ASSOCIATION

Year ended March 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Post-Secondary Employers' Association, and
To the Minister responsible for Post-Secondary Employers' Association

Report on the Financial Statements

We have audited the accompanying financial statements of Post-Secondary Employers' Association, which comprise the statement of financial position as at March 31, 2017, the statements of operations and accumulated surplus, 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 Post-Secondary Employers' Association as at March 31, 2017 and its results of operations, 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 Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

June 7, 2017
Burnaby, Canada

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Financial assets		
Cash and cash equivalents	$ 1,385,209	$ 2,558,891
Term deposits (note 3)	1,209,765	-
Accounts receivable	4,104	621
	2,599,078	2,559,512
Liabilities		
Accounts payable and accrued liabilities	272,866	178,152
Deferred revenue (note 4)	265,772	369,746
Lease inducements	11,905	24,893
	550,543	572,791
Net Financial assets	2,048,535	1,986,721
Non-Financial assets:		
Tangible capital assets (note 5)	38,966	76,972
Prepaid expenses	15,885	7,475
	54,851	84,447
Commitments (note 7)		
Accumulated surplus (note 6)	$ 2,103,386	$ 2,071,168

See accompanying notes to financial statements.

Approved on behalf of the Board:

_______________ Director _______________ Director

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Operations and Accumulated Surplus

Year ended March 31, 2017, with comparative information for 2016

	2017 Budget	2017 Actual	2016 Actual
	(Note 10)		
Revenue:			
Operating and bargaining (note 4(a))	$ 913,568	$ 851,119	$ 603,568
Human resources database grant	240,000	240,000	240,000
Annual assessments	389,284	389,284	389,284
Interest income	18,750	26,240	19,705
Bargaining fees and cost recoveries (note 4(b))	200,000	31,423	212,754
	1,761,602	1,538,066	1,465,311
Expenses (note 9):			
Collective bargaining	1,131,375	947,696	775,814
Operating	418,899	356,746	450,472
Human resources database	211,328	201,406	221,157
	1,761,602	1,505,848	1,447,443
Annual surplus	-	32,218	17,868
Accumulated surplus, beginning of year	2,071,168	2,071,168	2,053,300
Accumulated surplus, end of year	$ 2,071,168	$ 2,103,386	$ 2,071,168

See accompanying notes to financial statements.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Changes in Net Financial Assets

Year ended March 31, 2017, with comparative information for 2016

	2017 Budget	2017 Actual	2016 Actual
	(Note 10)		
Annual surplus	$ -	$ 32,218	$ 17,868
Tangible capital assets:			
Acquisition of tangible capital assets	(38,000)	(4,717)	(7,653)
Amortization of tangible capital assets	44,000	42,723	52,291
Loss on disposal of tangible capital assets	-	-	21
	6,000	38,006	44,659
Other non-financial asset:			
Acquisition of prepaid expenses and deposits	-	(9,885)	(14,036)
Use of prepaid expenses	-	1,475	13,561
	-	(8,410)	(475)
Increase in net financial assets	6,000	61,814	62,052
Net financial assets, beginning of year	1,986,721	1,986,721	1,924,669
Net financial assets, end of year	$ 1,992,721	$ 2,048,535	$ 1,986,721

See accompanying notes to financial statements.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash flows provided by (used in):		
Operating activities:		
Annual surplus	$ 32,218	$ 17,868
Items not affecting cash:		
Accrued interest income included in term deposits	(9,765)	-
Amortization of tangible capital assets	42,723	52,291
Amortization of lease inducements	(12,988)	(12,857)
Loss on disposal of tangible capital assets	-	21
	52,188	57,323
Changes in non-cash operating working capital:		
Accounts receivable	(3,483)	99,828
Prepaid expenses and deposits	(8,410)	(475)
Accounts payable and accrued liabilities	94,714	(19,133)
Deferred revenue	(103,974)	(37,754)
	31,035	99,789
Investing activities:		
Acquisition of tangible capital assets	(4,717)	(7,653)
Purchase of term deposits	(1,200,000)	-
	(1,204,717)	(7,653)
Increase (decrease) in cash and cash equivalents	(1,173,682)	92,136
Cash and cash equivalents, beginning of year	2,558,891	2,466,755
Cash and cash equivalents, end of year	$ 1,385,209	$ 2,558,891
Cash and cash equivalents are comprised of:		
Cash	$ 42,493	$ 266,654
Investment savings account	1,342,716	2,292,237
	$ 1,385,209	$ 2,558,891

See accompanying notes to financial statements.

1. Operations:

The Post-Secondary Employers' Association (the "Association") is a government not-for-profit organization incorporated under the Society Act (British Columbia) and operating under the authority of the Public Sector Employers Act. The Association has until November 28, 2018 to transition to the new Societies Act (British Columbia), which became effective November 28, 2016. The Association is exempt from income taxes under Section 149 of the Income Tax Act.

The members of the Association consist of 19 public sector employers in the post-secondary sector of British Columbia. The mandate of the Association is to provide services to its members. These services are grouped into the following key areas: to bargain collectively on behalf of its members and to bind its members to collective agreements; to maintain a human resource database for its members and to advise on labour relations and human resource practices for its members.

2. Significant accounting policies:

(a) Basis of accounting:

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

(b) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(c) Revenue recognition:

Government transfers for operating purposes are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are initially recorded as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulations are met.

Revenue related to fees for services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

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

(d) Financial instruments:

The Association's financial instruments include cash and cash equivalents, term deposits, 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.

2. Significant accounting policies (continued):

(e) Lease inducements:

Lease inducements include cash payments for leasehold improvements and are amortized on a straight-line basis over the term of the lease.

(f) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost, less residual value, of tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Leasehold improvements	Term of the lease
Computer hardware	3 years
Furniture and equipment	3 years
Website	5 years

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.

(g) Expenses:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed. The Association reports its expenses by function and provides supplementary information about expenses by object (note 9).

(h) Pension benefits:

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

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the year. The actual outcome could differ from the estimates made in the preparation of the financial statements. Areas requiring significant management estimates include contingencies and the useful lives of tangible capital assets for amortization.

3. Term deposits:

Term deposits comprised of Guaranteed Investment Certificates ("GIC's") totaled $1,209,765 (2016 - nil) as at March 31, 2017.

The GIC's have interest rates ranging from 1.35% to 1.95% with maturities from July 2017 to January 2021.

4. Deferred revenue:

(a) Deferred Public Sector Employers' Council ("PSEC") funding consists of grants from PSEC for services that had not yet been provided as of March 31, 2017.

	2017	2016
Balance, beginning of year	$ 175,000	$ -
PSEC funding received	778,568	778,568
Amounts recognized as revenue in the year	(851,119)	(603,568)
Balance, end of year	$ 102,449	$ 175,000

(b) Deferred special levy fees consist of receipts from members for services that had not yet been provided as of March 31, 2017.

	2017	2016
Balance, beginning of year	$ 194,746	$ 407,500
Special levy fees received	-	-
Amounts recognized as revenue in the year	(31,423)	(212,754)
Balance, end of year	$ 163,323	$ 194,746

5. Tangible capital assets:

	Leasehold improvements	Computer hardware	Furniture & equipment	Website	Total 2017	Total 2016
Cost:						
Opening balance	$ 93,903	$ 140,168	$ 115,517	$ 122,537	$ 472,125	$ 466,705
Additions	1,000	3,717	-	-	4,717	7,653
Disposals	-	(2,532)	(1,012)	-	(3,544)	(2,233)
Closing balance	94,903	141,353	114,505	122,537	473,298	472,125
Accumulated amortization:						
Opening balance	48,936	123,580	110,620	112,017	395,153	345,074
Amortization	23,505	10,759	3,497	4,962	42,723	52,291
Disposals	-	(2,532)	(1,012)	-	(3,544)	(2,212)
Closing balance	72,441	131,807	113,105	116,979	434,332	395,153
Net book value	$ 22,462	$ 9,546	$ 1,400	$ 5,558	$ 38,966	$ 76,972

6. Accumulated surplus:

		2017		2016
Invested in tangible capital assets	$	38,966	$	76,972
Unappropriated		2,064,420		1,994,196
	$	2,103,386	$	2,071,168

7. Commitments:

The Association leases its office premises under a long-term lease expiring February 28, 2018 with one five-year renewal term. The minimum payments required under the lease agreement are as follows:

2018	$	83,468

8. Pension plan:

The Association and its employees contribute to the Municipal Pension Plan (a jointly trusteed pension plan). The Board of Trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2015, the plan has about 189,000 active members and approximately 85,000 retired members.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a $2,224 million funding surplus for basic pension benefits on a going concern basis. Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The next valuation will be as at December 31, 2018, with results available in 2019.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The Association paid $142,148 (2016 - $146,842) for employer and employee contributions to the Plan during the year ended March 31, 2017.

9. Expenses by object:

	2017	2016
Amortization	$ 42,723	$ 52,291
Accounting, legal and other professional services	343,788	220,112
Conferences, membership and workshops	8,598	11,868
Meetings and travel	48,215	73,755
Office expenses and other	84,528	91,169
Salaries and benefits	977,996	998,248
	$ 1,505,848	$ 1,447,443

10. Budgeted information:

The budget information reported in the statements of operations and changes in net financial assets was approved by the Board of Directors on March 23, 2016.

11. Remuneration paid to employees and contractors:

For the fiscal year ended March 31, 2017 the Association paid total remuneration of $871,457 to seven employees for services, each of whom received total annual remuneration of $75,000 or greater.

12. Remuneration paid to directors:

The Association's directors do not receive remuneration.

13. Financial risks:

(a) 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.

(b) The Association is not subject to any significant credit, interest rate or market risks related to its financial instruments other than its term deposits, which are subject to fair value risk due to bearing fixed rates of interest.

14. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.