

Financial Statements of

**POST-SECONDARY
EMPLOYERS' ASSOCIATION**

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Post-Secondary Employers' Association, and to the Minister of Finance, Province of British Columbia

Report on the Financial Statements

Opinion

We have audited the financial statements of Post-Secondary Employers' Association ("PSEA"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PSEA as at March 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of PSEA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing PSEA's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate PSEA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing PSEA's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 PSEA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PSEA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause PSEA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 financial statements in accordance with Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 5, 2019

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Financial Position

March 31, 2019, with comparative information for 2018

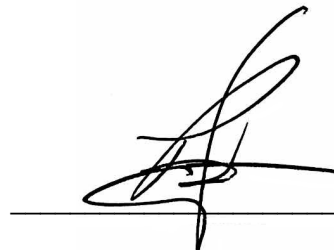
	2019	2018
Financial assets		
Cash and cash equivalents	\$ 2,348,388	\$ 1,774,100
Term deposits (note 3)	605,416	907,768
Accounts receivable	10,554	96,882
	<u>2,964,358</u>	<u>2,778,750</u>
Liabilities		
Accounts payable and accrued liabilities	283,088	383,415
Deferred revenue (note 4)	736,822	462,435
Lease inducements	142,688	152,880
	<u>1,162,598</u>	<u>998,730</u>
Net financial assets	1,801,760	1,780,020
Non-financial assets:		
Tangible capital assets (note 5)	255,245	260,748
Prepaid expenses	46,381	62,618
	<u>301,626</u>	<u>323,366</u>
Commitments (note 7)		
Accumulated surplus (note 6)	\$ 2,103,386	\$ 2,103,386

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, 2019, with comparative information for 2018

	2019 Budget (note 11)	2019 Actual	2018 Actual
Revenue:			
Operating and bargaining (note 4(a))	\$ 778,568	\$ 597,555	\$ 882,267
Human resources database grant	240,000	240,000	240,000
Annual assessments	639,284	639,284	389,284
Interest income	25,000	36,570	29,192
Bargaining fees and cost recoveries (notes 4(b) - (d))	338,791	291,626	270,888
	<u>2,021,643</u>	<u>1,805,035</u>	<u>1,811,631</u>
Expenses (note 9):			
Collective bargaining	1,474,138	1,338,273	1,094,367
Operating	479,310	276,573	503,448
Human resources database	254,668	190,189	213,816
	<u>2,208,116</u>	<u>1,805,035</u>	<u>1,811,631</u>
Annual deficit	(186,473)	-	-
Accumulated surplus, beginning of year	2,103,386	2,103,386	2,103,386
Accumulated surplus, end of year	<u>\$ 1,916,913</u>	<u>\$ 2,103,386</u>	<u>\$ 2,103,386</u>

See accompanying notes to financial statements.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Changes in Net Financial Assets

Year ended March 31, 2019, with comparative information for 2018

	2019 Budget (Note 11)	2019 Actual	2018 Actual
Annual surplus	\$ -	\$ -	\$ -
Tangible capital assets:			
Acquisition of tangible capital assets	(60,000)	(19,336)	(257,382)
Amortization of tangible capital assets	31,000	24,857	33,323
(Gain) loss on disposal of tangible capital assets	-	(18)	2,277
	(29,000)	5,503	(221,782)
Other non-financial asset:			
Acquisition of prepaid expenses	-	(41,107)	(82,112)
Use of prepaid expenses including amortization of prepaid rent of \$2,437 (2018 - nil)	-	57,344	35,379
	-	16,237	(46,733)
Increase (decrease) in net financial assets	(29,000)	21,740	(268,515)
Net financial assets, beginning of year	1,780,020	1,780,020	2,048,535
Net financial assets, end of year	\$ 1,751,020	\$ 1,801,760	\$ 1,780,020

See accompanying notes to financial statements.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash flows provided by (used in):		
Operating activities:		
Annual surplus	\$ -	\$ -
Items not affecting cash:		
Accrued interest income included in term deposits	(5,416)	(7,768)
Amortization of tangible capital assets	24,857	33,323
Amortization of lease inducements	(10,192)	(11,905)
Amortization of prepaid rent included in prepaid expenses	2,437	-
(Gain) loss on disposal of tangible capital assets	(18)	2,277
	11,668	15,927
Changes in non-cash operating working capital:		
Accounts receivable	86,328	(92,778)
Prepaid expenses	13,800	(46,733)
Accounts payable and accrued liabilities	(100,327)	110,549
Deferred revenue	274,387	196,663
Lease inducements	-	152,880
	285,856	336,508
Investing activities:		
Acquisition of tangible capital assets	(19,336)	(257,382)
Purchase of term deposits	-	(100,000)
Redemption of term deposits	300,000	400,000
Reinvested interest on term deposits	7,768	9,765
	288,432	52,383
Increase in cash and cash equivalents	574,288	388,891
Cash and cash equivalents, beginning of year	1,774,100	1,385,209
Cash and cash equivalents, end of year	\$ 2,348,388	\$ 1,774,100
Cash and cash equivalents are comprised of:		
Cash	\$ 235,562	\$ 750,196
Investment savings account	2,112,826	1,023,904
	\$ 2,348,388	\$ 1,774,100

See accompanying notes to financial statements.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2019

1. Operations:

The Post-Secondary Employers' Association (the "Association") is a government/member funded not-for-profit organization incorporated under the Society Act (British Columbia) and operating under the authority of the Public Sector Employers Act. The Association transitioned to the new Societies Act (British Columbia), on November 20, 2018. 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 and accumulated surplus 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.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

(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.

(e) Lease inducements:

Lease inducements are amortized on a straight-line basis over the term of the licence agreement for the office premises including the two five-year renewals (note 7(a)).

(f) Tangible capital assets:

Tangible capital assets are recorded at cost, which include 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 licence agreement including renewals
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 and accumulated surplus.

(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.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

(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 used for amortization.

3. Term deposits:

Term deposits comprised of Guaranteed Investment Certificates ("GIC's") totaled \$605,416 (2018 - \$907,768) as at March 31, 2019.

The GIC's have interest rates ranging from 1.60% to 1.95% (2018 - 1.50%-1.95%) with maturities from July 2019 to January 2021. Accrued interest is included in the term deposits balance as at fiscal year end.

4. Deferred revenue:

(a) Deferred Public Sector Employers' Council ("PSEC") funding consists of funds received from PSEC for services that had not yet been provided as at March 31, 2019.

	2019	2018
Balance, beginning of year	\$ -	\$ 102,449
PSEC funding received	793,568	779,818
Amounts recognized as revenue in the year	(597,555)	(882,267)
Balance, end of year	\$ 196,013	\$ -

(b) Deferred 2014 special levy fees consist of receipts from members for services that had not yet been provided as at March 31, 2019.

	2019	2018
Balance, beginning of year	\$ 131,105	\$ 163,323
Amounts recognized as revenue in the year	(10,283)	(32,218)
Balance, end of year	\$ 120,822	\$ 131,105

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

4. Deferred revenue (continued):

- (c) Deferred 2019 special levy fees consist of receipts from members for 2019 enhanced bargaining services that had not yet been provided as at March 31, 2019.

	2019	2018
Balance, beginning of year	\$ -	\$ -
Special levy funding received	370,000	-
Amounts recognized as revenue in the year	(208,461)	-
Balance, end of year	\$ 161,539	\$ -

- (d) Deferred Ministry of Advanced Education, Skills and Training ("AEST") revenue consists of funds received from AEST to address higher than budget arbitration costs and to support the Association's service stabilization strategy that had not yet been provided as of March 31, 2019.

	2019	2018
Balance, beginning of year	\$ 331,330	\$ -
AEST funding received	-	570,000
Amounts recognized as revenue in the year	(72,882)	(238,670)
Balance, end of year	\$ 258,448	\$ 331,330

Total deferred revenue, end of year	\$ 736,822	\$ 462,435
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5. Tangible capital assets:

	Leasehold improvements	Computer hardware	Furniture and equipment	Website	2019 Total	2018 Total
Cost:						
Opening balance	\$ 240,734	\$ 137,747	\$ 117,514	\$ 132,057	\$ 628,052	\$ 473,298
Additions	922	11,282	6,016	1,360	19,580	256,382
Disposals	-	(3,871)	-	-	(3,871)	(101,628)
Closing balance	241,656	145,158	123,530	133,417	643,761	628,052
Accumulated amortization:						
Opening balance	-	133,001	112,874	121,428	367,303	434,332
Amortization	15,405	3,854	2,752	2,846	24,857	33,323
Disposals	-	(3,644)	-	-	(3,644)	(100,351)
Closing balance	15,405	133,211	115,626	124,274	388,516	367,304
Net book value	\$ 226,251	\$ 11,947	\$ 7,904	\$ 9,143	\$ 255,245	\$ 260,748

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

6. Accumulated surplus:

	2019	2018
Invested in tangible capital assets	\$ 255,245	\$ 260,758
Unappropriated	1,848,141	1,842,628
	<u>\$ 2,103,386</u>	<u>\$ 2,103,386</u>

7. Commitments:

- (a) The Association has a five-year licence agreement for its office premises expiring March 31, 2023 with two five-year renewal terms up to the expiry of the original term of the lease held by Health Employers' Association of British Columbia, the term of the lease being fifteen years with one five-year renewal term.

The minimum payments, including basic rent, operating costs and property tax, required under the licence agreement including renewal terms in each of next 5 fiscal years and thereafter are approximately as follows:

2020	\$ 98,713
2021	98,713
2022	98,713
2023	98,713
2024	103,417
Thereafter	954,277
	<u>\$ 1,452,546</u>

- (b) The Association has an equipment lease agreement with Xerox. The lease term is for 63 months, expiring on May 26, 2024.

The minimum payments required under the lease in each of the next 5 fiscal years and thereafter are as follows:

2020	\$ 2,388
2021	2,866
2022	2,866
2023	2,866
2024	2,866
Thereafter	478
	<u>\$ 14,330</u>

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Pension plan:

The Association and its employees contribute to the Municipal Pension Plan (a jointly trustee 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, 2016, the plan has about 197,000 active members and approximately 95,000 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 the fall of 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 \$100,291 (2018 - \$94,683) for employer contributions to the Plan during the year ended March 31, 2019 for nine (2018 - eight) active members in the plan from the Association.

9. Expenses by object:

	2019	2018
Amortization	\$ 24,857	\$ 33,323
Accounting, legal and other professional services	238,668	241,600
Conferences, membership and workshops	5,456	7,068
Meetings and travel	129,016	127,296
Office expenses and other	128,968	95,435
Salaries and benefits	1,278,070	1,306,909
	<u>\$ 1,805,035</u>	<u>\$ 1,811,631</u>

10. Related party transactions:

The Association is related through common ownership to all Province of British Columbia ministries, agencies, crown corporations, school districts, health authorities, hospitals societies, universities, and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The exchange amount is equivalent to fair value.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

10. Related party transactions (continued):

Payroll services are provided to the Association by British Columbia Institute of Technology, one of the members of the Association, on a no-charge basis.

11. Budget reporting:

The budget information reported in the statements of operations and accumulated surplus and statement of changes in net financial assets was approved by the Board of Directors on March 14, 2018.

12. Disclosure of remuneration:

For the fiscal year ended March 31, 2019, the Association paid total remuneration of \$912,638 (2018 - \$967,033) to six (2018 - seven) employees for services, each of whom received total annual remuneration of \$75,000 or greater.

In addition, the Association paid remuneration in the amount of \$5,881 to one member on the Board of Directors in the capacity as the Chair of the Board. In accordance with the bylaws of the Association, no other members of the Board were paid a 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.

There have been no changes to the above risks from the prior year.