

Financial Statements of

**POST-SECONDARY
EMPLOYERS' ASSOCIATION**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of Financial Statements

Opinion

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

- the statement of financial position as at March 31, 2020
- 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 the Association as at March 31, 2020, 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 the Association 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 the Association'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 the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 the Association'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 the Association'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 the Association 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants

Vancouver, Canada
May 29, 2020

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Financial Position


March 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash and cash equivalents	\$ 2,581,770	\$ 2,348,388
Term deposits (note 3)	302,712	605,416
Accounts receivable	47,845	10,554
	<u>2,932,327</u>	<u>2,964,358</u>
Liabilities		
Accounts payable and accrued liabilities	325,392	283,088
Deferred revenue (note 4)	617,128	736,822
Deferred lease liability (note 5)	141,904	142,688
	<u>1,084,424</u>	<u>1,162,598</u>
Net financial assets	1,847,903	1,801,760
Non-financial assets		
Tangible capital assets (note 6)	268,673	255,245
Prepaid expenses	45,564	46,381
	<u>314,237</u>	<u>301,626</u>
Commitments (note 8)		
Accumulated surplus (note 7)	<u>\$ 2,162,140</u>	<u>\$ 2,103,386</u>

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, 2020, with comparative information for 2019

	2020 Budget (Note 12)	2020 Actual	2019 Actual
Revenue:			
Operating and bargaining (note 4(a))	\$ 998,792	\$ 866,237	\$ 597,555
Human resources database grant	240,000	240,000	240,000
Annual assessments	639,284	639,284	639,284
Interest income	36,000	61,155	36,570
Bargaining fees and cost recoveries (notes 4(b), (c), (d))	1,060,557	635,809	291,626
	<u>2,974,633</u>	<u>2,442,485</u>	<u>1,805,035</u>
Expenses (note 10):			
Collective bargaining	2,330,483	1,802,954	1,338,273
Operating	413,768	360,724	276,573
Human resources database	230,382	220,053	190,189
	<u>2,974,633</u>	<u>2,383,731</u>	<u>1,805,035</u>
Annual surplus	-	58,754	-
Accumulated surplus, beginning of year	2,103,386	2,103,386	2,103,386
Accumulated surplus, end of year	<u>\$ 2,103,386</u>	<u>\$ 2,162,140</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, 2020, with comparative information for 2019

	2020 Budget (Note 12)	2020 Actual	2019 Actual
Annual surplus	\$ -	\$ 58,754	\$ -
Tangible capital assets:			
Acquisition of tangible capital assets	(80,000)	(43,936)	(19,336)
Amortization of tangible capital assets	27,000	30,508	24,857
Gain on disposal of tangible capital assets	-	-	(18)
	(53,000)	(13,428)	5,503
Other non-financial asset:			
Acquisition of prepaid expenses	-	(49,093)	(41,107)
Use of prepaid expenses including amortization of prepaid rent of \$2,437 (2019 - \$2,437)	-	49,910	57,344
	-	817	16,237
Increase (decrease) in net financial assets	(53,000)	46,143	21,740
Net financial assets, beginning of year	1,801,760	1,801,760	1,780,020
Net financial assets, end of year	\$ 1,748,760	\$ 1,847,903	\$ 1,801,760

See accompanying notes to financial statements.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash flows provided by (used in):		
Operating activities:		
Annual surplus	\$ 58,754	\$ -
Items not affecting cash:		
Accrued interest income included in term deposits	(2,704)	-
Amortization of tangible capital assets	30,508	24,857
Amortization of prepaid rent included in prepaid expenses	2,437	2,437
Gain on disposal of tangible capital assets	-	(18)
	88,995	27,276
Changes in non-cash operating working capital:		
Accounts receivable	(37,291)	86,328
Prepaid expenses	(1,620)	13,800
Accounts payable and accrued liabilities	42,304	(100,327)
Deferred revenue	(119,694)	274,387
Deferred lease liability	(784)	(10,192)
	(28,090)	291,272
Investing activities:		
Acquisition of tangible capital assets	(43,936)	(19,336)
Redemption of term deposits	310,901	307,768
Interest reinvested on term deposits	(5,493)	(5,416)
	261,472	283,016
Increase in cash and cash equivalents	233,382	574,288
Cash and cash equivalents, beginning of year	2,348,388	1,774,100
Cash and cash equivalents, end of year	\$ 2,581,770	\$ 2,348,388
Cash and cash equivalents are comprised of:		
Cash	\$ 298,368	\$ 235,562
Investment savings account	-	2,112,826
Central Deposit Program	2,283,402	-
	\$ 2,581,770	\$ 2,348,388

See accompanying notes to financial statements.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2020

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.

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation has been dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Association are not known at this time.

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, 2020

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.

Unrealized gains and losses from changes in the fair value of financial instruments would be recognized in the statement of re-measurement gains and losses until such time that the financial asset is de-recognized due to disposal or impairment. At the time of de-recognition, the related realized gains and losses are recognized in the statement of operations and accumulated surplus. The Association does not carry financial instruments at fair value and there are no unrealized gains or losses as at March 31, 2020 (2019 - nil). As a result, the Association does not have a statement of re-measurement gains and losses

(e) Deferred lease liability:

Deferred lease liability includes amounts related to lease inducements and deferred rent liability for step-rent payments.

Lease inducements received and total rent payments 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 8(a)). The unamortized portion of lease inducements and deferred rent liability, being the difference between the straight-line rent expense and the actual rent payments paid, are reflected on the statement of financial position as deferred rent liability (note 6).

(f) Tangible capital assets:

Tangible capital assets are initially 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

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(f) Tangible capital assets (continued):

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 10).

(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 used for amortization.

3. Term deposits:

Term deposits comprised of Guaranteed Investment Certificates ("GIC's") totaled \$302,712 (2019 - \$605,416) as at March 31, 2020.

The GIC's have interest rates ranging from 1.74% to 1.95% (2019 - 1.60% to 1.95%) with maturities from July 2020 to January 2021. Accrued interest is included in the term deposits balance as at the fiscal year-end.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Deferred revenue:

Deferred revenue is comprised of the following as at March 31:

	2019	Amounts received	Amounts recognized as revenue	2020
Public Sector Employer's Council (a)	\$ 196,013	\$ 812,352	\$ (866,237)	\$ 142,128
2014 special levy fees (b)	120,822	-	(120,822)	-
2019 special levy fees (c)	161,539	-	(161,539)	-
Ministry of Advanced Education, Skills, and Training (d)	258,448	570,000	(353,448)	475,000
	\$ 736,822	\$ 1,382,352	\$ (1,502,046)	\$ 617,128

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

(b) Deferred 2014 special levy fees consist of receipts from members for services that had not yet been provided as at March 31, 2019. The remaining deferred amounts were recognized as revenue during the year ended March 31, 2020.

(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. The remaining deferred amounts were recognized as revenue during the year ended March 31, 2020.

(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 at year-end.

5. Deferred lease liability:

The deferred lease liability is comprised of the following, as at March 31:

	2020	2019
Lease inducements	\$ 132,496	\$ 142,688
Deferred rent liability for step-rent	9,408	-
	\$ 141,904	\$ 142,688

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

6. Tangible capital assets:

	Leasehold improvements	Computer hardware	Furniture and equipment	Website	2020 Total	2019 Total
Cost:						
Opening balance	\$ 241,656	\$ 145,158	\$ 123,530	\$ 133,417	\$ 643,761	\$ 628,052
Additions	32,368	6,243	5,325	-	43,936	19,580
Disposals	-	(2,762)	(509)	-	(3,271)	(3,871)
Closing balance	274,024	148,639	128,346	133,417	684,426	643,761
Accumulated amortization:						
Opening balance	15,405	133,211	115,626	124,274	388,516	367,303
Amortization	17,073	6,380	4,008	3,047	30,508	24,857
Disposals	-	(2,762)	(509)	-	(3,271)	(3,644)
Closing balance	32,478	136,829	119,125	127,321	415,753	388,516
Net book value	\$ 241,546	\$ 11,810	\$ 9,221	\$ 6,096	\$ 268,673	\$ 255,245

7. Accumulated surplus:

	2020	2019
Invested in tangible capital assets	\$ 268,673	\$ 255,245
Unappropriated	1,893,467	1,848,141
	\$ 2,162,140	\$ 2,103,386

8. 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 term of the original lease held by Health Employers' Association of British Columbia with the ultimate landlord. The term of the original lease is 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:

2021	\$ 101,677
2022	101,677
2023	101,677
2024	106,381
2025	106,381
Thereafter	874,568
	\$ 1,392,361

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Commitments (continued):

- (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 are as follows:

2021	\$	2,866
2022		2,866
2023		2,866
2024		2,866
2025		478
	\$	11,942

9. 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, 2018, the plan has about 205,000 active members and approximately 101,000 retired members.

The most recent actuarial valuation for the plan as at December 31, 2018, indicated a \$2,866 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, 2021, with results available in 2022.

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.

During the year ended March 31, 2020, the Association paid \$117,971 (2019 - \$100,291) for employer contributions to the plan for twelve (2019 - nine) active members in the plan from the Association.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Expenses by object:

	2020	2019
Amortization	\$ 30,508	\$ 24,857
Accounting, legal and other professional services	249,928	238,668
Conferences, membership and workshops	6,919	5,456
Meetings and travel	182,432	129,016
Office expenses and other	132,246	128,968
Salaries and benefits	1,781,698	1,278,070
	<u>\$ 2,383,731</u>	<u>\$ 1,805,035</u>

11. 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.

Government fundings are provided primarily by the Province of British Columbia (the "Province") and the Ministry of AEST. The Association is dependent on the fundings from these sources.

Payroll services are provided to the Association by the British Columbia Institute of Technology, one of the members of the Association, on a nil charge basis.

12. Budget reporting:

The budget information reported in the statement of operations and accumulated surplus and statement of changes in net financial assets was approved by the Board of Directors on March 20, 2019.

13. Disclosure of remuneration:

During the year ended March 31, 2020, the Association paid total remuneration of \$1,446,558 (2019 - \$912,638) to the top ten (2019 - six) highest paid employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.

In addition, the Association paid remuneration in the amount of \$19,987 (2019 - \$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.

POST-SECONDARY EMPLOYERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

14. Financial risks:

(a) Credit risk:

The Association has limited exposure to credit risk associated with its cash and cash equivalents, term deposits, and accounts receivable. The Association is not exposed to significant credit risk as the receivables are primarily due from governments. Cash and cash equivalents is held with a Canadian chartered bank and the Province of British Columbia's Central Deposit Program. The Association's maximum exposure to credit risk is limited to the carrying amount of these balances in the financial statements. There have been no changes to the credit risk from the prior year.

(b) 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. There have been no changes to the liquidity risk from the prior year.

(c) The Association is not subject to any significant interest rate or market risks related to its financial instruments other than its term deposits which bears fixed rates of interest. There have been no changes to these risks from the prior year.

15. Comparative information:

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