

**The University of Western Ontario
Faculty Association**

Financial Statements
Year ended October 31, 2017

The University of Western Ontario Faculty Association

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Independent Auditor's Report

To the Members of The University of Western Ontario Faculty Association

We have audited the accompanying financial statements of The University of Western Ontario Faculty Association, which comprise the statement of financial position as at October 31, 2017, and the statement of operations, statement of changes in net assets and statement of cash flows for the period then ended, 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 accounting standards for not-for-profit organizations, 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 company'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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report , continued

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The University of Western Ontario Faculty Association as at October 31, 2017, and the results of its operations and its cash flows for the period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Corporations Act of Canada, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

Other Matter

The financial statements of The University of Western Ontario Faculty Association for the period ended April 30, 2017, were audited by another accountant who expressed an unmodified opinion on those statements on October 4, 2017.

Chartered Professional Accountants
Licensed Public Accountants

London, Canada
March 21, 2018

The University of Western Ontario Faculty Association
Statement of Financial Position
As at October 31, 2017

	Operating Fund	Grievances & Collective Bargaining Fund	October, 2017 (6 months)	April, 2017 (12 months)
ASSETS				
Current assets				
Cash	\$ 317,491	\$ 69,292	\$ 386,783	\$ 379,704
Marketable securities	-	2,093,904	2,093,904	1,959,165
Accounts receivable	-	-	-	6,732
Interest receivable	-	80,765	80,765	37,473
Prepaid expenses	16,245	-	16,245	7,230
	<u>333,736</u>	<u>2,243,961</u>	<u>2,577,697</u>	<u>2,390,304</u>
Marketable securities	-	2,794,947	2,794,947	2,919,947
Capital assets	60,346	-	60,346	43,515
	<u>\$ 394,082</u>	<u>\$ 5,038,908</u>	<u>\$ 5,432,990</u>	<u>\$ 5,353,766</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	\$ 212,915	\$ -	\$ 212,915	\$ 279,836
Post retirement benefit obligation	201,300	-	201,300	201,300
	<u>414,215</u>	<u>-</u>	<u>414,215</u>	<u>481,136</u>
FUND BALANCES				
Fund Balances (Page 5)	(20,133)	5,038,908	5,018,775	4,872,630
	<u>\$ 394,082</u>	<u>\$ 5,038,908</u>	<u>\$ 5,432,990</u>	<u>\$ 5,353,766</u>

See accompanying Notes

Approved on behalf of the Board of Directors:

Director, *Steph Pital*

Director, *Michelle Lovelace*

The University of Western Ontario Faculty Association

Statement of Operations

Year ended October 31, 2017

	Operating Fund	Grievance & Collective Bargaining Fund	October, 2017 (6 months)	April, 2017 (12 months)
Revenue				
Membership dues	\$ 917,492	\$ -	\$ 917,492	\$ 1,809,161
Membership dues - scholarships	-	-	-	34,000
Dues for Canadian and Ontario Associations	(281,886)	-	(281,886)	(563,569)
Net membership dues	635,606	-	635,606	1,279,592
Interest income	237	53,387	53,624	105,536
	635,843	53,387	689,230	1,385,128
Expenses				
Employee wages	214,744	-	214,744	417,238
Legal fees	196,785	-	196,785	441,922
Administration and general	23,549	-	23,549	41,648
Travel	17,259	-	17,259	18,072
Academic Freedom Fund CAUT	15,000	-	15,000	15,000
Consulting fees - pay equity	11,397	-	11,397	6,987
SAR Program Donation	10,000	-	10,000	10,000
Audit fees	7,373	-	7,373	6,243
Occupancy costs	6,607	-	6,607	12,716
Release time	6,486	-	6,486	49,899
Grad club membership dues	5,929	-	5,929	18,182
Donations	4,173	-	4,173	4,250
Negotiations	2,773	-	2,773	-
Research and professional fund	2,453	-	2,453	-
Reception	-	-	-	5,081
Scholarships paid	-	-	-	34,000
Tom Murphy award	-	-	-	10,000
Post retirement benefit expense (Note 5)	-	-	-	46,500
Amortization	18,557	-	18,557	10,321
	543,085	-	543,085	1,148,059
Excess of revenues over expenditures for the year	\$ 92,758	\$ 53,387	\$ 146,145	\$ 237,069

See accompanying Notes

The University of Western Ontario Faculty Association

Statement of Changes in Net Assets

Year ended October 31, 2017

	Operating Fund	Grievances & Collective Bargaining Fund	October, 2017 (6 months)	April, 2017 (12 months)
Fund Balances, beginning of year	\$ (86,011)	\$ 4,958,641	\$ 4,872,630	\$ 4,635,561
Excess of revenues over expenditures	92,758	53,387	146,145	237,069
Interfund transfers (Note 8)	(26,880)	26,880	-	-
Fund Balances, end of year	\$ (20,133)	\$ 5,038,908	\$ 5,018,775	\$ 4,872,630

See accompanying Notes

The University of Western Ontario Faculty Association

Statement of Cash Flows

Year ended October 31, 2017

	October, 2017 (6 months)	April, 2017 (12 months)
Operating activities		
Excess of revenues over expenditures for the year	\$ 146,145	\$ 237,069
Adjustments for		
Amortization	18,557	10,321
	<u>164,702</u>	<u>247,390</u>
Change in non-cash working capital items		
Accounts receivable	6,732	(6,732)
Prepaid expenses	(9,015)	(2,974)
Interest receivable	(43,292)	263
Accounts payable and accrued liabilities	(66,921)	82,277
Increase (decrease) in post retirement benefit obligation	-	(148,700)
	<u>52,206</u>	<u>171,524</u>
Investing activities		
Purchase of property, plant and equipment	(35,388)	(38,143)
Purchase of marketable securities	(9,739)	(104,392)
Increase in cash	7,079	28,989
Cash, beginning of year	379,704	350,715
Cash, end of year	<u>\$ 386,783</u>	<u>\$ 379,704</u>
Cash consists of:		
Operating Fund	\$ 317,491	\$ 337,648
Collective Bargaining and Grievance Fund	69,292	42,056
	<u>\$ 386,783</u>	<u>\$ 379,704</u>

See accompanying Notes

The University of Western Ontario Faculty Association
Notes to the Financial Statements
October 31, 2017

1. Nature of operations

The University of Western Ontario Faculty Association ("the Association") is the certified bargaining agent for faculty teaching at least a half University degree credit course in each of two of the last three fiscal years and for librarians and archivists at The University of Western Ontario ("the University"). As a non-profit organization, the Association is not subject to income taxes on any earned income.

2. Significant accounting policies

The company follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

(a) Revenue recognition

The Association follows the deferral method of accounting for contributions and operating revenues. All membership fee revenue is recorded as revenue in the period to which it relates. Where a portion of revenue is related to a future period, it is deferred and recognized in the subsequent period.

Interest income is recognized as revenue when earned.

(b) Property plant and equipment

Property plant and equipment are recorded at cost. The company provides for amortization using the following methods at rates designed to amortize the cost of the property plant and equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

Furniture and fixtures	Declining balance	20%
Computer equipment	Straight-line	3 years
Computer software	Straight-line	3 years
Website development costs	Straight-line	3 years

(c) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically and adjustments are made to income in the year in which they become known. The accounts specifically affected by estimates in these financial statements are the useful life of property, plant and equipment and employee future benefits. Actual results may differ from these estimates.

2. Significant accounting policies, continued

(d) Employee future benefits

The Association provides medical, dental and life insurance benefits to eligible employees. This plan is managed by The University of Western Ontario. The Association accrues post retirement benefits for the eligible administrative staff, with the cost of these benefits being actuarially determined using the projected benefit method. Differences arising from plan amendments, changes in assumptions and actuarial gains and losses are recognized in income as they are incurred.

The Association sponsors pension plans for its administrative staff. The benefits provided under the plans are defined contribution.

(e) Financial instruments

(i) Measurement of financial instruments

The Association initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Association subsequently measures its financial assets and financial liabilities at amortized cost, except for equity securities quoted in an active market, which are subsequently measured at fair value.

Financial assets measured at amortized cost include cash, accounts receivable and interest receivable. Financial assets measured at fair value include marketable securities.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The University of Western Ontario Faculty Association

Notes to the Financial Statements

October 31, 2017

2. Significant accounting policies, continued

(e) Financial instruments, continued

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets;
- the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the event occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

3. Property, plant and equipment

	October, 2017		
	Cost	Accumulated Amortization	Net
Furniture and fixtures	\$ 40,168	\$ 29,708	\$ 10,460
Computer equipment	41,311	37,788	3,523
Computer software	26,812	11,074	15,738
Website development costs	67,590	36,965	30,625
	<u>\$ 175,881</u>	<u>\$ 115,535</u>	<u>\$ 60,346</u>

	April, 2017		
	Cost	Accumulated Amortization	Net
Furniture and fixtures	\$ 39,455	\$ 27,182	\$ 12,273
Computer equipment	38,978	36,627	2,351
Computer software	15,512	6,105	9,407
Website development costs	46,547	27,063	19,484
	<u>\$ 140,492</u>	<u>\$ 96,977</u>	<u>\$ 43,515</u>

The University of Western Ontario Faculty Association
Notes to the Financial Statements
October 31, 2017

4. Marketable securities

The grievance and collective bargaining fund held the following investment portfolios at year end:

	October, 2017	April, 2017
BMO Nesbitt Burns - GICs of multiple institutions	1,595,624	1,463,274
Libro GICs	498,280	495,891
Total short term investments	2,093,904	1,959,165
BMO Nesbitt Burns - GICs of multiple institutions	2,794,947	2,919,947
Total short and long term investments	4,888,851	4,879,112

Short-term marketable securities represent amounts with maturity dates due within a year of the year-end date. Long-term marketable securities represent amounts with maturity dates beyond one year of the year-end date.

5. Employee future benefits

The Association has a defined contribution pension plan for the administrative staff. During the year the Association's contributions to the pension plan were \$27,760 (April 2017 - \$27,760).

The accrued benefit liability relating to the post retirement benefits is \$201,300 (April 2017 - \$201,300). This liability has been recorded in the financial statements.

The most recent actuarial valuation was completed as of April 30, 2017.

	October, 2017 (6 months)	April, 2017 (12 months)
Current service costs	\$ -	\$ 27,600
Interest costs	-	14,000
Actuarial (gain) loss	-	(190,300)
Net benefit plan expense/loss	\$ -	\$ (148,700)

The significant actuarial assumptions adopted in measuring the Association's accrued benefit obligation expense are as follows:

	October, 2017 (6 months)	April, 2017 (12 months)
Discount rate - post-retirement	3.7%	3.7%
Discount rate - post-employment	2.7%	2.7%
Medical trend rate	6.0%	6.0%
Dental trend rate	2.75%	2.75%

The University of Western Ontario Faculty Association

Notes to the Financial Statements

October 31, 2017

6. Grievances and collective bargaining fund

This amount is internally restricted by the Membership of the Association for contingencies, for the payment of expenses associated with legal advice and arbitration arising from grievances and rights cases and/or expenses associated with collective bargaining in excess of budget and as a means of providing funds in the event of a strike.

7. Financial instruments

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant risks arising from financial instruments. There have been no changes in the Association's risk exposures from the prior year.

(a) Credit risk

The financial instruments that potentially subject the Association to a significant concentration of credit risk consist primarily of cash. The Association mitigates its exposure to credit loss by placing its cash with major financial institutions.

(b) Market risk

The Association is exposed to market rate risk through possible future changes in market rates for current marketable securities. The Association does not use financial instruments to reduce its risk exposure.

(c) Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet its obligations as they become due. The Association manages this risk by establishing budgets and funding plans and by levying sufficient membership dues to fund its expenses. Cash is held in an interest-bearing account which provides a rate of return as well as liquidity.

8. Interfund transfers

During the period, \$26,880 was transferred from the Operating Fund to the Grievances & Collective Bargaining Fund through four transfers of \$6,720 each. Nil was transferred from the Grievances & Collective Bargaining Fund to the Operating fund. These transfers were approved by the Board of Directors.