

**The University of Western Ontario
Faculty Association**

Financial Statements

Year ended October 31, 2018

The University of Western Ontario Faculty Association

Table of Contents

	Page
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

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, 2018, 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, 2018, 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.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

London, Canada
March 25, 2019

The University of Western Ontario Faculty Association
Statement of Financial Position
As at October 31, 2018

	Operating Fund	Grievances & Collective Bargaining Fund	2018 (12 months)	2017 (6 months)
ASSETS				
Current assets				
Cash	\$ 510,846	\$ 138,190	\$ 649,036	\$ 386,783
Marketable securities (Note 4)	-	3,563,627	3,563,627	2,093,904
Accounts receivable	6,095	-	6,095	-
Interest receivable	-	57,547	57,547	80,765
Prepaid expenses	17,532	-	17,532	16,245
	<u>534,473</u>	<u>3,759,364</u>	<u>4,293,837</u>	<u>2,577,697</u>
Marketable securities (Note 4)	-	1,443,000	1,443,000	2,794,947
Capital assets (Note 3)	48,709	-	48,709	60,346
	<u>\$ 583,182</u>	<u>\$ 5,202,364</u>	<u>\$ 5,785,546</u>	<u>\$ 5,432,990</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	\$ 165,519	\$ -	\$ 165,519	\$ 212,915
Post retirement benefit obligation	223,700	-	223,700	201,300
	<u>389,219</u>	<u>-</u>	<u>389,219</u>	<u>414,215</u>
FUND BALANCES				
Fund Balances (Page 5)	193,963	5,202,364	5,396,327	5,018,775
	<u>\$ 583,182</u>	<u>\$ 5,202,364</u>	<u>\$ 5,785,546</u>	<u>\$ 5,432,990</u>

See accompanying Notes

Approved on behalf of the Board of Directors:

Director, Michelle Loveland

Director, [Signature]

The University of Western Ontario Faculty Association
Statement of Operations
Year ended October 31, 2018

	Operating Fund	Grievance & Collective Bargaining Fund	2018 (12 months)	2017 (6 months)
Revenue				
Membership dues	\$ 1,842,021	\$ -	\$ 1,842,021	\$ 917,492
Dues for Canadian and Ontario Associations	(568,580)	-	(568,580)	(281,886)
Net membership dues	1,273,441	-	1,273,441	635,606
Interest income	1,354	96,136	97,490	53,624
	1,274,795	96,136	1,370,931	689,230
Expenses				
Employee wages	440,353	-	440,353	214,744
Legal fees	228,517	-	228,517	196,785
Release time	86,488	-	86,488	6,486
Administration and general	52,250	-	52,250	23,549
Scholarships paid	34,000	-	34,000	-
Post retirement benefit expense (Note 5)	22,400	-	22,400	-
Negotiations	21,593	-	21,593	2,773
Amortization	20,840	-	20,840	18,557
Grad club membership dues	18,859	-	18,859	5,929
Travel	16,825	-	16,825	17,259
Occupancy costs	13,196	-	13,196	6,607
Tom Murphy award	10,000	-	10,000	-
Audit fees	9,319	-	9,319	7,373
Reception	5,211	-	5,211	-
Research and professional fund	4,999	-	4,999	2,453
Consulting fees - pay equity	4,269	-	4,269	11,397
Donations	4,260	-	4,260	4,173
SAR Program Donation	-	-	-	10,000
Academic Freedom Fund CAUT	-	-	-	15,000
	993,379	-	993,379	543,085
Excess of revenues over expenditures for the year	\$ 281,416	\$ 96,136	\$ 377,552	\$ 146,145

See accompanying Notes

The University of Western Ontario Faculty Association
Statement of Changes in Net Assets
Year ended October 31, 2018

	Operating Fund	Grievances & Collective Bargaining Fund	2018 (12 months)	2017 (6 months)
Fund Balances, beginning of year	\$ (20,133)	\$ 5,038,908	\$ 5,018,775	\$ 4,872,630
Excess of revenues over expenditures	281,416	96,136	377,552	146,145
Interfund transfers (Note 8)	(67,320)	67,320	-	-
Fund Balances, end of year	\$ 193,963	\$ 5,202,364	\$ 5,396,327	\$ 5,018,775

See accompanying Notes

The University of Western Ontario Faculty Association
Statement of Cash Flows
Year ended October 31, 2018

	2018 (12 months)	2017 (6 months)
Operating activities		
Excess of revenues over expenditures for the year	\$ 377,552	\$ 146,145
Adjustments for		
Amortization	20,840	18,557
	<u>398,392</u>	<u>164,702</u>
Change in non-cash working capital items		
Accounts receivable	(6,095)	6,732
Prepaid expenses	(1,287)	(9,015)
Interest receivable	23,218	(43,292)
Accounts payable and accrued liabilities	(47,397)	(66,921)
Post retirement benefit obligation	22,400	-
	<u>389,231</u>	<u>52,206</u>
Investing activities		
Purchase of property, plant and equipment	(9,203)	(35,388)
Purchase of marketable securities	(117,775)	(9,739)
	<u>(126,978)</u>	<u>(45,127)</u>
Increase in cash	262,253	7,079
Cash, beginning of year	386,783	379,704
Cash, end of year	<u>\$ 649,036</u>	<u>\$ 386,783</u>
Cash consists of:		
Operating Fund	\$ 510,846	\$ 317,491
Collective Bargaining and Grievance Fund	138,190	69,292
	<u>\$ 649,036</u>	<u>\$ 386,783</u>

See accompanying Notes

The University of Western Ontario Faculty Association
Notes to the Financial Statements
October 31, 2018

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

Capital assets are amortized using the half-year rule in the year of addition.

The University of Western Ontario Faculty Association
Notes to the Financial Statements
October 31, 2018

2. Significant accounting policies, continued

(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.

(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, 2018

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:

- a. the present value of the cash flows expected to be generated by the asset or group of assets;
- b. the amount that could be realized by selling the assets or group of assets;
- c. 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

	2018		
	Cost	Accumulated Amortization	Net
Furniture and fixtures	\$ 47,073	\$ 32,490	\$ 14,583
Computer equipment	42,744	39,389	3,355
Computer software	26,812	16,830	9,982
Website development costs	68,454	47,665	20,789
	<u>\$ 185,083</u>	<u>\$ 136,374</u>	<u>\$ 48,709</u>

	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>

The University of Western Ontario Faculty Association
Notes to the Financial Statements
October 31, 2018

4. Marketable securities

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

	2018	2017
BMO Nesbitt Burns - GICs of multiple institutions	3,058,859	1,595,624
Libro GICs	504,768	498,280
Total short term investments	3,563,627	2,093,904
BMO Nesbitt Burns - GICs of multiple institutions	1,443,000	2,794,947
Total short and long term investments	5,006,627	4,888,851

Short-term marketable securities represent amounts with maturity dates due within a year of the year-end date. Interest rates on the short-term GICs range from 1.25% to 2.45% with maturity dates between November 27, 2018 and January 23, 2019. Long-term marketable securities represent amounts with maturity dates beyond one year of the year-end date. Interest rates on the long-term GICs range from 2.20% to 2.75% with maturity dates between November 27, 2019 and February 12, 2021.

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 \$29,801 (2017 - \$27,760). The fair value of plan assets for the year was \$Nil (2017 - Nil).

The accrued benefit liability relating to the post retirement benefits is \$223,700 (2017 - \$201,300). This liability has been recorded in the financial statements.

The most recent actuarial valuation was completed as of April 30, 2018.

	2018 (12 months)	2017 (6 months)
Current service costs	\$ 14,400	\$ -
Interest costs	8,000	-
Net benefit plan expense/loss	\$ 22,400	\$ -

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

	2018 (12 months)	2017 (6 months)
Discount rate - post-retirement	3.7%	3.7%
Discount rate - post-employment	3.4%	2.7%
Medical trend rate	6.75%	6.0%
Dental trend rate	2.75%	2.75%

The University of Western Ontario Faculty Association
Notes to the Financial Statements
October 31, 2018

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, \$67,320 was transferred from the Operating Fund to the Grievances & Collective Bargaining Fund through six transfers of \$6,720 each and six transfers of \$4,500 each. No amount was transferred from the Grievances & Collective Bargaining Fund to the Operating fund. These transfers were approved by the Board of Directors.