

**ASSOCIATION OF ADMINISTRATIVE AND
PROFESSIONAL STAFF OF THE UNIVERSITY
OF BRITISH COLUMBIA**

FINANCIAL STATEMENTS

June 30, 2019

Independent Auditor's Report

To the Members of the Association of Administrative and Professional Staff of The University of British Columbia,

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Association of Administrative and Professional Staff of The University of British Columbia (the "Association"), which comprise the statement of financial position as at June 30, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Association as at June 30, 2019, and results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for non-for-profit organizations.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our 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 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRS, 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.

Auditor's 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 auditor's 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 these 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 auditor's 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 auditor's 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.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, these accounting principles have been applied on a basis consistent with that of the preceding year.

The engagement partner on the audit resulting in this independent auditor's report is James Gray.



CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
October 2, 2019

**ASSOCIATION OF ADMINISTRATIVE AND
PROFESSIONAL STAFF OF THE UNIVERSITY OF BRITISH COLUMBIA
STATEMENTS OF FINANCIAL POSITION**

	As at June 30, 2019	As at June 30, 2018
ASSETS		
CURRENT		
Cash	\$ 155,255	130,917
Term deposits and accrued interest (Note 2)	507,650	803,392
Accounts receivable	143,048	124,654
	<u>805,953</u>	<u>1,058,963</u>
 CAPITAL ASSETS (Note 3)	 <u>119,263</u>	 <u>107,182</u>
	\$ <u>925,216</u>	<u>1,166,145</u>
 LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ <u>111,870</u>	<u>200,504</u>
 NET ASSETS		
General fund (deficit)	163,046	(17,359)
Contingency reserve fund (Note 4)	225,300	983,000
Litigation reserve fund (Note 5)	425,000	-
	<u>813,346</u>	<u>965,641</u>
	\$ <u>925,216</u>	<u>1,166,145</u>
 COMMITMENT (Note 7)		

Approved on behalf of the Board of Directors by:

"Joey Hansen"
Executive Director

**ASSOCIATION OF ADMINISTRATIVE AND
PROFESSIONAL STAFF OF THE UNIVERSITY OF BRITISH COLUMBIA
STATEMENTS OF OPERATIONS**

	Year ended June 30, 2019	Year ended June 30, 2018
REVENUE		
Member Dues	\$ 1,614,485	\$ 1,447,048
Interest Income	10,274	8,902
	<u>1,624,759</u>	<u>1,455,950</u>
EXPENDITURES		
Member Services:		
Advocacy – General Matters	69,228	43,096
Advocacy – Specific Matters	600,323	313,573
Bargaining	15,470	12,040
Communications	22,545	19,068
Compensation – Market Survey	6,300	-
Membership Engagement	22,280	21,526
Professional Development Program	131,270	172,517
Scholarships & Bursary	13,500	13,500
Staff	452,452	424,769
	<u>1,333,368</u>	<u>1,020,089</u>
Board/Governance:		
Advocacy Committee	4,595	3,289
Board of Directors	18,949	10,381
Finances	8,232	8,127
General Meetings	24,807	20,338
Staff	101,680	103,960
Volunteer Recognition	3,574	4,439
	<u>161,837</u>	<u>150,534</u>
Administration:		
Consulting	40	585
Operations	55,322	72,776
Rent	78,120	76,320
Staff	135,409	139,546
Unified Systems Software Support	12,958	-
	<u>281,849</u>	<u>289,227</u>
TOTAL EXPENDITURES	<u>1,777,054</u>	<u>1,459,850</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	<u>\$ (152,295)</u>	<u>\$ (3,900)</u>

**ASSOCIATION OF ADMINISTRATIVE AND
PROFESSIONAL STAFF OF THE UNIVERSITY OF BRITISH COLUMBIA
STATEMENTS OF CHANGES IN NET ASSETS**

	Contingency reserve fund	Litigation reserve fund	General fund (deficit)	Total	
				Year ended June 30, 2019	Year ended June 30, 2018
NET ASSETS, BEGINNING OF YEAR	\$ 983,000	\$ -	\$ (17,359)	\$ 965,641	\$969,541
Deficiency of expenditures over revenue	-	-	(152,295)	(152,295)	(3,900)
Inter-fund transfers	(757,700)	425,000	332,700	-	-
NET ASSETS, END OF YEAR	\$ 225,300	\$ 425,000	\$ 163,046	\$ 813,346	\$965,641

**ASSOCIATION OF ADMINISTRATIVE AND
PROFESSIONAL STAFF OF THE UNIVERSITY OF BRITISH COLUMBIA
STATEMENTS OF CASH FLOWS**

	Year ended June 30, 2019	Year ended June 30, 2018
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	\$ (152,295)	\$ (3,900)
Non-cash items included in operations:		
Amortization	28,625	5,641
Net changes in non-cash working capital items:		
Accounts receivable	(18,394)	(10,880)
Accounts payable and accrued liabilities	(88,634)	106,841
Interest income included in operations	(10,274)	(8,902)
Net cash received from (used in) operating activities	<u>(240,972)</u>	<u>88,800</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(40,706)	(99,215)
Interest income	6,016	8,902
Redemption of term deposits	300,000	-
Net cash received from (used in) investing activities	<u>265,310</u>	<u>(90,313)</u>
NET INCREASE (DECREASE) IN CASH DURING THE YEAR	24,338	(1,513)
CASH, beginning of year	<u>130,917</u>	<u>132,430</u>
CASH, end of year	\$ <u>155,255</u>	\$ <u>130,917</u>

**ASSOCIATION OF ADMINISTRATIVE AND
PROFESSIONAL STAFF OF THE UNIVERSITY OF BRITISH COLUMBIA**
Notes to the Financial Statements
June 30, 2019

1. NATURE AND CONTINUITY OF THE ORGANIZATION

The Association of Administrative and Professional Staff of The University of British Columbia (the "Association") exists to promote the welfare of its members employed by the University of British Columbia. In doing so, the Association acts as the bargaining agent of management and professional staff employed by the University of British Columbia and governs relations between the management and professional staff at the University through collective bargaining. The Association is incorporated under the Societies Act of B.C. (since October, 1977) and is considered a not-for-profit organization under the Income Tax Act, and as such is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations as included in Part III of the Chartered Professional Accountants ('CPA') Canada Handbook.

Fund accounting

The Association accounts for its operations and segregates equity claims on its net assets utilizing certain internally-restricted funds as described at Notes 4 and 5. However, the utilization of such net asset amounts is subject only to the policies and decisions adopted by the Association's board. None of the Association's net assets are subject to the control of entities that are external to it.

Revenue Recognition

The Association follows the deferral method of accounting for its member dues. All member dues are unrestricted in their use and are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized as revenue when earned using the accrual basis of accounting

Term Deposits and Accrued Interest

All term deposits held by the Association are non-redeemable and non-cashable, however all will mature within one year of the balance sheet date. Accordingly, the Association follows the policy of classifying this balance as a current asset. The carrying value of the term deposits is inclusive of provisions for accrued interest.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided at various rates designed to amortize the assets over their estimated useful lives. The amortization rates are as follows:

Computer equipment	3 years straight-line method
Furniture	10 years straight-line method
Software	5 years straight-line method
Office renovations	5 years straight-line method

Classification of Expenditures

Expenditures made by the Association are classified by activity on the statement of operations if they are directly attributable to such activities. Otherwise they are classified separately by object and program.

Donated Services

Volunteers assist the Association in carrying out its activities. Because of the difficulty in determining their fair market value, contributed services are not recognized in the financial statements.

**ASSOCIATION OF ADMINISTRATIVE AND
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Notes to the Financial Statements
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimation Uncertainty and Significant Judgements

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. For the year ended June 30, 2019, there were no key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next year.

However, adjustments of net assets for internally-restricted allocations have been based on estimates and are fundamentally discretionary in nature. Refer to Notes 4 and 5.

3. CAPITAL ASSETS

	2019			2018		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
	\$	\$	\$	\$	\$	\$
Computer equipment	41,641	37,499	4,142	40,220	36,045	4,175
Furniture	34,006	33,615	391	34,006	30,214	3,792
Software	105,698	20,491	85,207	99,215	-	99,215
Office renovations	32,802	3,279	29,523	-	-	-
	214,147	94,884	119,263	173,441	66,259	107,182

4. CONTINGENCY RESERVE FUND (“CRF”)

At June 30, 2019, the Board elected to reduce the internally-restricted CRF balance by \$757,700, to \$225,300 (2018 - \$983,000). The equity balance reclassified beyond the balance of the newly-established Litigation Reserve Fund (Note 5) has been allocated to the unrestricted general fund.

The CRF is intended to be used to meet the association’s financial obligations for a limited period of time should the University of British Columbia sever its contractual agreement with the association, which would eventually lead to its restructuring or dissolution.

5. LITIGATION RESERVE FUND

At June 30, 2019, the Board has reevaluated the amounts allocated to its internally-restricted funds and transferred \$425,000 of equity to a Litigation Reserve Fund. Provisions related to the future use and maintenance of this fund are still subject to determination.

**ASSOCIATION OF ADMINISTRATIVE AND
PROFESSIONAL STAFF OF THE UNIVERSITY OF BRITISH COLUMBIA**
Notes to the Financial Statements
June 30, 2019

6. ECONOMIC DEPENDENCE

The Association is exclusively made up of members that are employed by the University of British Columbia. The University of British Columbia has the option of terminating its agreement with the Association with six months' notice subject to other restrictions. This would result in the effective termination of the Association's current operations as it would lose all of its members, revenues and operating expenditures. As such the Association is economically dependent on the continuation of its contractual relationship with the University of British Columbia.

7. COMMITMENT

The Association has a lease until April 30, 2021 with respect to its premises. Future minimum payments are as follows:

<u>Years Ended June 30,</u>	
2020	81,195
2021	<u>67,663</u>
	<u>\$ 148,858</u>

8. FINANCIAL INSTRUMENTS

The Association is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors approve and monitor the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Fair Value

The carrying value of the Association's term deposits and accounts payable and accrued liabilities approximate their fair value due to the immediate or short-term maturity of these instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Association's primary exposure to credit risk is on its cash and term deposits and accrued interest held at a credit union. As all the Association's cash and term deposits and accrued interest is held by one credit union, there is a concentration of credit risk. This risk is managed by using a high credit quality financial institution. The Association's secondary exposure to risk is on its accounts receivables. This risk is minimal as accounts receivable consists primarily of member dues that are automatically deductible.

Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet its financial obligations, as they fall due. The Association has a planning and budgeting process in place to help determine the funds required to support the Association's normal operating requirements on an ongoing basis. The Association ensures that there are sufficient funds to meet its short-term operating requirements, taking into account its anticipated cash flows from operations and its holding of cash and term deposits and accrued interests.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk on its term deposits as they are exposed to interest rate fluctuations on renewal. Interest rate risk is considered to be minimal.