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**THE FACULTY ASSOCIATION OF
THE UNIVERSITY OF CALGARY**

Financial Statements

June 30, 2017

The Faculty Association of the University of Calgary
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For the year ended June 30, 2017

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MBD LLP

Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Faculty Association of The University of Calgary:

Report on the financial statements

We have audited the accompanying financial statements of The Faculty Association of The University of Calgary, which comprise the statement of financial position as at June 30, 2017 and the statements of operations, changes in net assets and cash flows for the year ended June 30, 2017 and a summary of significant accounting policies and other explanatory information.

Management's responsibility for 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 statement's 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 audits 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 entity'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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Faculty Association of The University of Calgary as at June 30, 2017 and the results of its operations and its cash flows for the years ended June 30, 2017 in accordance with the Canadian accounting standards for not-for-profit organizations.

February 6, 2018
Calgary, Alberta, Canada

MBD LLP
MBD LLP
Chartered Professional Accountants

The Faculty Association of the University of Calgary
Statements of Financial Position
As at June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 179,788	\$ 440,775
Investments in marketable securities (note 3)	2,341,450	2,075,674
Accounts receivable	145,098	139,889
Prepaid Expenses	9,108	9,441
	<u>2,675,444</u>	<u>2,665,779</u>
Property and equipment (note 4)	<u>40,222</u>	<u>55,942</u>
	<u>\$ 2,715,666</u>	<u>\$ 2,721,721</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	<u>\$ 129,462</u>	<u>\$ 102,818</u>
Net Assets:		
Invested in property and equipment	40,222	55,942
Internally restricted (note 5)	2,545,982	2,562,961
	<u>2,586,204</u>	<u>2,618,903</u>
	<u>\$ 2,715,666</u>	<u>\$ 2,721,721</u>

Approved on behalf of the Board:

Original signed - John Baker, Vice-President and Treasurer

Director:

Original signed - Sandra Hoenle, President

Director:

The Faculty Association of the University of Calgary
Statements of Operations
For the Years Ended June 30, 2017 and 2016

	2017	2016
Revenue		
Faculty dues	\$ 1,757,701	\$ 1,691,177
Employment insurance premium rebate	135,486	127,317
Release time recoveries	104,047	102,193
Investment income	95,470	100,804
Other income	1,624	2,011
	<u>2,094,328</u>	<u>2,023,502</u>
Expenses		
Personnel (Schedule 1)	1,290,338	1,235,606
Governance (Schedule 1)	544,421	518,373
Office (Schedule 1)	79,698	97,720
Professional fees (Schedule 1)	42,222	63,082
	<u>1,956,679</u>	<u>1,914,781</u>
Excess of revenue over expenses before the following	137,649	108,721
Other reserve expenses	(96,533)	(50,357)
Amortization	(47,298)	(46,603)
Change to record investments at fair market value (note 2)	<u>(26,517)</u>	<u>(79,139)</u>
Excess of expenses over revenues	<u>\$ (32,699)</u>	<u>\$ (67,378)</u>

The Faculty Association of the University of Calgary
Statements of Changes in Net Assets
For the Years Ended June 30, 2017 and 2016

	Invested in property and equipment	General (Note 5)	2017	2016
Net assets, beginning of the year	\$ 55,942	\$ 2,562,961	\$ 2,618,903	\$ 2,686,281
Excess of expenses over revenues	(47,298)	14,599	(32,699)	(67,378)
Acquisitions of property and equipment	31,578	(31,578)	-	-
Net assets, end of year	\$ 40,222	\$ 2,545,982	\$ 2,586,204	\$ 2,618,903

The Faculty Association of the University of Calgary
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING ACTIVITIES		
Cash received from dues and other revenue	\$ 1,993,649	\$ 1,918,616
Cash paid for programs, activities and administration	(751,989)	(694,629)
Cash paid with respect to personnel	(1,276,090)	(1,234,915)
Investment income received	95,470	100,804
	<u>61,040</u>	<u>89,876</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(31,578)	(27,111)
Acquisition of marketable securities	(1,058,978)	-
Proceeds from redemption of marketable securities	768,529	246,000
	<u>(322,027)</u>	<u>218,889</u>
Increase (decrease) in cash	(260,987)	308,765
Cash and cash equivalents, beginning of year	<u>440,775</u>	<u>132,010</u>
Cash and cash equivalents, end of year	\$ 179,788	\$ 440,775

The Faculty Association of the University of Calgary
Notes to the Financial Statements
For the Years Ended June 30, 2017 and 2016

1. PURPOSE OF ORGANIZATION

The Faculty Association of the University of Calgary (“the Association”) is an academic staff association that strives to promote the independence and freedom of teaching, of thought, and of research within the University and to promote the joint interests and welfare of academic staff associations through the Canadian Association of University Teachers. The Association is incorporated under the Post-Secondary Learning Act of Alberta. The Association is a not-for-profit organization under section 149 of the Income Tax Act and not subject to the payment of income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CICA Handbook*, and in management’s opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash and cash equivalents

The Association classifies the following as cash and cash equivalents: cash on deposit at banks or other financial institutions in these accounts.

b) Revenue Recognition

The Association follows the deferral method of accounting for contributions. Contributions are recognized as revenue in the period in which the related expenses are incurred.

Operating revenues are recognized as revenue, either in the period received or, when a portion of the revenue relates to a future period, it is deferred and recognized in the subsequent period.

c) Fund Accounting

The Association does not use fund accounting to record and report net assets, but refers to special funds as described in note 6.

d) Property and Equipment

Property and equipment is recorded at cost. Assets acquired over \$500 are capitalized to the appropriate accounts. Amortization of property and equipment is provided on a straight line basis over the assets’ estimated useful lives as follows:

Office improvements	5 years
Office furnishings and equipment	5 years
Computer equipment	3 years
Computer Software	3 years

The Faculty Association of the University of Calgary
Notes to the Financial Statements
For the Years Ended June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial Instruments

The Association initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in marketable securities that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized as unrealized gains or losses in the statement of operations.

The financial assets measured at amortized cost include cash and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities. The financial assets measured at fair value include marketable securities.

3. INVESTMENTS IN MARKETABLE SECURITIES

Fixed income securities, at fair market value	<u>2017</u>	<u>2016</u>
Interest rates range from 3.340% to 10.221%, callable between March 28, 2018 to June 30, 2019	<u>\$ 2,341,450</u>	<u>\$ 2,075,674</u>

Fixed income investments have been classified as marketable securities due to their cashable nature.

4. PROPERTY AND EQUIPMENT

	Accumulated Cost		Accumulated Amortization		Net Book Value	
	2017	2016	2017	2016	2017	2016
Office furnishings and equipment	\$ 59,343	\$ 44,781	\$ 40,391	\$ 28,523	\$ 18,952	\$ 16,258
Computer equipment	103,856	110,101	85,019	73,662	18,837	36,439
Office improvements	4,056	5,683	1,623	2,438	2,433	3,245
	<u>\$ 167,255</u>	<u>\$ 160,565</u>	<u>\$ 127,033</u>	<u>\$ 104,623</u>	<u>\$ 40,222</u>	<u>\$ 55,942</u>

Cost includes both the purchase price of the physical assets and other direct costs required to bring the asset into use.

The Faculty Association of the University of Calgary
Notes to the Financial Statements
For the Years Ended June 30, 2017 and 2016

5. INTERNALLY RESTRICTED NET ASSETS

The Association's Budget Policy provides for a category of net assets called Special Funds that are internally restricted to cover expenditures which go beyond the yearly budgetary cycle. Each of the three main special funds (General Reserve Fund; Capital Fund; Public Relations and Special Projects Fund) has a clearly defined set of guidelines for allocation of funds, a designated minimum funding formula, a specific set of spending thresholds and individual requirements for approving expenditures. A common set of guidelines govern investment of the funds, reporting requirements and signing authority.

The funds are invested in marketable securities and can be accessed following approval by the Board of Directors for the established purposes, within the limits prescribed, by the Executive Director, the Treasurer or the Board of Directors or the Personnel Committee. The General Reserve Fund also covers any operational shortfalls. Net asset fund balances are as follows:

	2017	2016
General reserve funds	\$ 2,341,100	\$ 2,379,531
Capital Fund	134,640	129,738
Staff benefit reserve funds	47,052	36,516
Special projects	23,190	17,176
	<u>\$ 2,545,982</u>	<u>\$ 2,562,961</u>

6. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash and cash equivalents, investments in marketable securities, accounts receivable, prepaid expenses, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments as they are held until maturity. Market risks are managed by the application of an approved investment policy that restricts the nature of investments held.

7. CONTINGENCY

Certain employees of the Association participate in the University Academic Pension Plan, which is not fully funded. Although, unlikely, this obligation to its employees, could ultimately result in an actual legal liability to the Association.

8. OTHER

The Government of Alberta passed legislation that would bring academic staff under the labour relations code, which will require changes to the Faculty Association's bylaws and policies as well as in the Collective agreement. The impact on dues paid by the Faculty on behalf of members has been established and are effective July 1, 2017.

The Faculty Association of the University of Calgary
Schedule 1
For the Years Ended June 30, 2017 and 2016

	2017	2016
Personnel		
Salaries	\$ 784,728	\$ 756,981
Academic release	268,850	245,627
Benefits	200,419	189,056
Temporary services salaries	28,166	40,643
Staff training	8,175	3,299
	<u>\$ 1,290,338</u>	<u>\$ 1,235,606</u>
Governance		
CAUT dues	\$ 335,714	\$ 321,561
CAFA dues	166,604	160,320
Travel, training and conferences	16,663	15,160
Meetings and coffee supplies	10,351	9,239
Election committee	6,638	1,216
Discretionary fund	1,870	1,694
President's discretionary fund	1,010	2,749
Pension committee	1,252	1,285
Policy support and other expenses	4,319	5,149
	<u>\$ 544,421</u>	<u>\$ 518,373</u>
Office		
Equipment maintenance and technical support	\$ 29,135	\$ 43,965
Printing and photocopying	15,988	16,504
Supplies and stationary	12,909	15,970
Insurance	7,975	7,651
Telephone and computer wireless	6,532	6,090
Offsite storage	5,325	5,617
Miscellaneous	1,834	1,923
	<u>\$ 79,698</u>	<u>\$ 97,720</u>
Professional fees		
Legal and consulting	\$ 23,467	\$ 42,448
Audit	13,860	13,877
Bookkeeping	4,895	6,757
	<u>\$ 42,222</u>	<u>\$ 63,082</u>