

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

Financial Statements

June 30, 2019

The Faculty Association of the University of Calgary
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For the year ended June 30, 2019

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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:

Opinion

We have audited the financial statements of **The Faculty Association of the University of Calgary** (the Association), which comprise the statement of financial position as at **June 30, 2019**, and the statement of operations, statement of changes in net assets and statement of 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 its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPOs).

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 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 ASNPOs, 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.

January 28, 2020
Calgary, Alberta, Canada

MBD LLP
Chartered Professional Accountants

The Faculty Association of the University of Calgary
Statements of Financial Position
As at June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 182,310	\$ 405,731
Investments in marketable securities (note 3)	2,298,203	1,946,196
Accounts receivable	186,998	183,772
Prepaid Expenses	18,778	15,235
	2,686,289	2,550,934
Strike Fund (note 6)	487,301	242,730
Property and equipment (note 4)	23,692	32,919
	\$ 3,197,282	\$ 2,826,583
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 101,290	\$ 130,053
Net Assets:		
Invested in property and equipment	23,692	32,919
Strike fund (note 6)	487,301	242,730
Internally restricted (note 5)	2,584,999	2,420,881
	3,095,992	2,696,530
	\$ 3,197,282	\$ 2,826,583

Approved on behalf of the Board:

Director: Original Signed by Paul Rogers

Director: Original Signed by Mary-Ellen Tyler

The Faculty Association of the University of Calgary
Statements of Operations
For the Years Ended June 30, 2019 and 2018

	2019	2018
Revenue		
Faculty dues	\$ 1,979,696	\$ 1,992,583
Employment insurance premium rebate	145,719	145,401
Release time recoveries	109,566	127,625
Investment income	149,692	74,721
Gain (loss) realized on sale of investment	(140,005)	143,909
Other income	-	1,446
	2,244,668	2,485,685
Expenses		
Personnel (schedule 1)	1,249,320	1,414,692
Governance (schedule 1)	713,022	752,848
Office (schedule 1)	103,964	86,662
Professional fees (schedule 1)	46,468	61,158
	2,112,774	2,315,360
Excess of revenue over expenses before the following	131,894	170,325
Other reserve expenses	(64,494)	(45,350)
Amortization	(23,678)	(30,988)
Change to record investments at fair market value	111,169	(226,391)
Excess of revenue over expenses	\$ 154,891	\$ (132,404)

The Faculty Association of the University of Calgary
Statements of Changes in Net Assets
For the Years Ended June 30, 2019 and 2018

	2019			2018	
	Invested in property and equipment	General (Note 5)	Strike Fund (Note 6)		
Net assets, beginning of the year	\$ 32,919	\$ 2,420,881	242,730	\$ 2,696,530	\$ 2,586,204
Strike Fund dues received	-	-	244,571	244,571	242,730
Excess of expenses over revenues	(23,678)	178,569	-	154,891	(132,404)
Acquisitions of property and equipment	14,451	(14,451)	-	-	-
Net assets, end of year	\$ 23,692	\$ 2,584,999	487,301	\$ 3,095,992	\$ 2,696,530

The Faculty Association of the University of Calgary
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING ACTIVITIES		
Cash received from dues and other revenue	\$ 2,476,330	\$ 2,471,111
Cash paid for programs, activities and administration	(959,963)	(942,014)
Cash paid with respect to personnel	(1,249,614)	(1,424,233)
Investment income received	149,692	74,721
	416,445	179,585
INVESTING ACTIVITIES		
Purchase of property and equipment	(14,451)	(23,685)
Acquisition of marketable securities	(1,095,482)	(867)
Proceeds from redemption of marketable securities	714,638	313,640
	(395,295)	289,088
Increase (decrease) in cash	21,150	468,673
Cash and cash equivalents, beginning of year	648,461	179,788
Cash and cash equivalents, end of year	\$ 669,611	\$ 648,461
Represented by		
Cash and cash equivalent	\$ 182,310	\$ 405,731
Cash and cash equivalent Strike Fund (note 6)	487,301	242,730
	\$ 669,611	\$ 648,461

The Faculty Association of the University of Calgary
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

1. PURPOSE OF ORGANIZATION

The Faculty Association (“the Association”) is a trade union under the Labour Relations Code and is an Academic Staff Association incorporated under the Post-Secondary Learning Act of Alberta. The Association’s primary functions are to negotiate the terms of employment for its members and to protect the interests of academic staff through the filing of grievances where appropriate. 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. Employment insurance premium rebates, release time recoveries, investment income, and other income is accrued and recognized in the year it is earned.

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 are 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, 2019 and 2018

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	2019	2018
Interest rates range from 2.57% to 9.976%, callable between July 2, 2019 to April 30, 2028	\$ 2,298,203	\$ 1,946,196

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	
	2019	2018	2019	2018	2019	2018
Office furnishings and equipment	\$ 43,025	\$ 65,974	\$ 35,477	\$ 50,903	\$ 7,548	\$ 15,071
Computer equipment and software	130,553	117,315	116,044	101,090	14,509	16,225
Office improvements	5,085	4,056	3,450	2,433	1,635	1,623
	\$ 178,663	\$ 187,345	\$ 154,971	\$ 154,426	\$ 23,692	\$ 32,919

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, 2019 and 2018

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 main special funds (General Reserve Fund; Capital Fund; Staff Benefit Reserve 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, the Board of Directors or the Personnel Committee. The General Reserve Fund also covers any operational shortfalls. Net asset fund balances are as follows:

	2019	2018
General reserve funds	\$ 2,362,300	\$ 2,213,548
Capital fund	126,679	129,982
Staff benefit reserve funds	67,964	54,282
Special projects	28,056	23,069
	\$ 2,584,999	\$ 2,420,881

6. STRIKE FUND

	2019	2018
Cash and cash equivalents: Strike Fund	60,230	242,730
Investments in marketable securities: Strike Fund	427,071	-
Fund, restricted	\$ 487,301	\$ 242,730

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

The amount in this fund represents a levy of 1 mils collected from the membership for use in the case of strike or lockout, supplementary to the benefits provided by the CAUT Defence Fund. These Funds are held by the Association, shown as a long-term asset, in view of the restrictions as to their utilization. These Funds are held in an investment account segregated from the other cash, cash equivalent and investment accounts of the Association.

7. DEFENCE FUND

Dues are collected for and remitted to the CAUT Defence Fund. The Association can access this funding for its members in the form of a paid grant or other in the event of a strike or lockout. Accordingly, these funds remitted are not reflected as an asset within the Association's financial statements, as their application is based as a collective action.

8. 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.

9. 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.

The Faculty Association of the University of Calgary
Schedule 1
For the Years Ended June 30, 2019 and 2018

	2019	2018
Personnel		
Salaries	\$ 812,740	\$ 908,854
Academic release	217,200	289,200
Benefits	201,955	190,249
Temporary services salaries	11,101	21,411
Staff training	6,324	4,978
	\$ 1,249,320	\$ 1,414,692
Governance		
CAUT dues	\$ 353,632	\$ 347,566
CAUT defence dues	147,896	197,955
CAFA dues	172,274	169,936
Travel, training and conferences	17,375	14,976
Meetings and coffee supplies	10,784	11,036
Election committee	1,516	3,129
Discretionary fund	1,531	4,358
President's discretionary fund	3,663	2,659
Pension committee	366	-
Policy support and other expenses	3,985	1,233
	\$ 713,022	\$ 752,848
Office		
Equipment maintenance and technical support	\$ 25,978	\$ 23,452
Printing and photocopying	25,872	17,667
Supplies and stationary	14,574	15,457
Insurance	9,208	8,332
Telephone and computer wireless	6,052	7,990
Offsite storage	5,956	5,448
Miscellaneous (i)	16,324	8,316
	\$ 103,964	\$ 86,662
Professional fees		
Legal and consulting	\$ 24,534	\$ 35,618
Audit	16,275	13,893
Bookkeeping	5,659	11,647
	\$ 46,468	\$ 61,158

(i) Consolidation of a number of accounts.