

UNION OF NATIONAL EMPLOYEES

FINANCIAL STATEMENTS

DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the National Executive and Members
of the Union of National Employees:

Opinion

I have audited the financial statements of the Union of National Employees (“the Union”), which comprise the balance sheet as at December 31, 2018 and the statements of revenue and expenses, 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 my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Union as at December 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 (ASNFPPO).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Union in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 ASNFPPO, 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 Union’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 Union or to cease operations (or has no realistic alternative but to do so).

Those charged with governance are responsible for overseeing the Union’s financial reporting process.

Ted R. Lupinski, B.Sc., M.B.A., C.P.A., C.A.*

2-137 Second Avenue, Ottawa, Ontario, Canada K1S 2H4 Tel: 613.233.7771 Fax: 613.233.3442 Email: tedlupinski@rogers.com

*operating as Ted R. Lupinski, C.P.A., C.A. Professional Corporation

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but it 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.



Ottawa, March 13, 2019

Ted R. Lupinski, C.P.A., C.A. Professional Corporation,
Authorized to practice public accounting by CPA Ontario

UNION OF NATIONAL EMPLOYEES

FINANCIAL STATEMENTS

DECEMBER 31, 2018

Statement of revenue and expenses	1
Statement of changes in net assets	2
Balance sheet	3
Statement of cash flows	4
Notes to the financial statements	5,6,7,8,9,10

UNION OF NATIONAL EMPLOYEES
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
REVENUE		
Dues	\$ 6,679,573	\$ 6,493,828
Interest and dividends	214,309	233,873
Gains/(Losses) on investments	<u>(192,386)</u>	<u>(94,372)</u>
TOTAL REVENUES	<u>\$ 6,701,496</u>	<u>\$ 6,633,329</u>
EXPENSES		
Staff Member Service		
Employee benefits	694,642	804,422
Provision for severance pay	51,987	37,908
Salaries	2,190,038	2,184,918
Staff recruitment and training	59,563	23,197
Staff travel and expenses	<u>70,396</u>	<u>30,450</u>
Total Staff Member Service	3,066,626	3,080,895
Membership Empowerment		
Collective bargaining	2,525	2,044
Conferences and seminars	383,259	147,012
Conventions and conferences - PSAC	113,653	105,767
Donations	5,000	3,950
Human rights committee and conference	98,697	76,188
Member representation	6,256	5,592
Member training	8,628	12,287
Non-recurring membership services	21,831	(227)
Promotional items	18,248	3,312
Provision for honours, awards and bursaries	15,000	39,996
Translation - written	64,839	54,790
UMC committees	<u>43,679</u>	<u>57,326</u>
Total Membership Empowerment	781,615	508,037
Leadership		
Executive expense - regional activities	271,989	296,153
Executive expense - national activities	23,704	38,309
Executive meetings	298,108	558,028
National President expense	198,846	246,514
National Executive Vice President expense	166,297	74,942
Provision for National Officers relocation	<u>15,000</u>	<u>-</u>
Total Leadership	973,944	1,213,946
Office Operations		
Depreciation expense	175,042	153,339
General office expenses	204,312	238,651
Insurance	25,438	29,469
Professional fees	71,335	52,911
Rent	<u>260,978</u>	<u>335,047</u>
Total Office Operations	737,105	809,417
Convention		
Triennial convention	<u>745,000</u>	<u>658,333</u>
Total Convention	<u>745,000</u>	<u>658,333</u>
TOTAL EXPENSES	<u>6,304,290</u>	<u>6,270,628</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 397,206</u>	<u>\$ 362,701</u>

UNION OF NATIONAL EMPLOYEES

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Unrestricted</u>	<u>Invested in capital assets</u>	<u>Restricted</u>	<u>2018</u>	<u>2017</u>
BALANCE, BEGINNING OF YEAR	\$ 5,559,268	\$ 211,033	\$ 3,135,315	\$ 8,905,616	\$ 8,536,946
Excess of revenue over expenses	397,206	-	-	397,206	362,701
Depreciation of capital assets	175,042	(175,042)	-	-	-
Transfers during year	(64,451)	-	16,830	(47,621)	5,969
Acquisition of capital assets	<u>(119,685)</u>	<u>119,685</u>	-	-	-
BALANCE, END OF YEAR	<u>\$ 5,947,380</u>	<u>\$ 155,676</u>	<u>\$ 3,152,145</u>	<u>\$ 9,255,201</u>	<u>\$ 8,905,616</u>

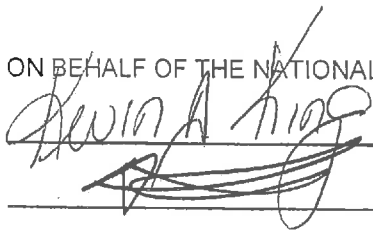
UNION OF NATIONAL EMPLOYEES

BALANCE SHEET

DECEMBER 31, 2018

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 1,120,414	\$ 566,881
Accrued interest receivable	20,222	18,003
Dues receivable - PSAC	525,436	562,881
Officers' standing advances	2,400	7,400
Sundry accounts receivable	5,980	6,225
Inventory	54,261	62,353
Prepaid expenses	135,530	56,542
	<u>1,864,243</u>	<u>1,280,285</u>
INVESTMENTS (notes 1 and 11)	9,946,112	8,941,552
CAPITAL ASSETS (note 3)	<u>155,676</u>	<u>211,033</u>
	<u>\$ 11,966,031</u>	<u>\$ 10,432,870</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued charges	\$ 632,114	\$ 300,966
Payroll and withholding taxes	57,921	46,118
Rebates payable to locals	154,970	102,994
	<u>845,005</u>	<u>450,078</u>
PROVISIONS (note 1)		
Severance pay (note 2)	564,663	512,676
Accessibility	15,036	15,036
Triennial convention (note 4)	1,011,328	275,099
Scholarships (note 5)	87,531	93,125
Overtime and accumulated vacation leave (note 6)	127,249	107,795
National Officers relocation (note 7)	60,018	73,445
	<u>1,865,825</u>	<u>1,077,176</u>
	<u>2,710,830</u>	<u>1,527,254</u>
NET ASSETS (note 1)		
Unrestricted	5,947,380	5,559,268
Invested in capital assets	155,676	211,033
Restricted	3,152,145	3,135,315
	<u>9,255,201</u>	<u>8,905,616</u>
	<u>\$ 11,966,031</u>	<u>\$ 10,432,870</u>

ON BEHALF OF THE NATIONAL EXECUTIVE



President

National Executive Vice-President

UNION OF NATIONAL EMPLOYEES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 397,206	\$ 362,701
Adjustments to determine net cash provided by (used in) operations		
Depreciation expense	175,042	153,339
Transfers	(47,621)	5,969
	<u>524,627</u>	<u>522,009</u>
Net change in non-cash working capital items	<u>364,502</u>	<u>(140,645)</u>
	<u>889,129</u>	<u>381,364</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(119,685)	(110,749)
(Increase) Decrease in investments	(1,004,560)	861,774
	<u>(1,124,245)</u>	<u>751,025</u>
FINANCING ACTIVITIES		
Increase (Decrease) in provisions	<u>788,649</u>	<u>(1,057,779)</u>
NET CHANGE IN CASH	553,533	74,610
CASH, BEGINNING OF YEAR	<u>566,881</u>	<u>492,271</u>
CASH, END OF YEAR	<u>\$ 1,120,414</u>	<u>\$ 566,881</u>

UNION OF NATIONAL EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

DESCRIPTION OF ORGANIZATION

The mission of the Union of National Employees, a progressive and democratic component of the Public Service Alliance of Canada, is to ensure members, elected officials and staff:

- Work in solidarity to represent a diverse membership;
- Support and empower locals and members;
- Protect, promote and advance workers rights and human rights.

It is exempt from income tax under paragraph 149(6) of the Income Tax Act.

1. SUMMARY OF CANADIAN SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

A. INVENTORY

Inventory, which consists of promotional items, is valued at the lower of cost and current replacement value.

B. INVESTMENTS

The investments are recorded at fair value. Fair values are determined by published price quotations in an active market at year-end.

C. CAPITAL ASSETS

Purchases of capital assets are recorded at cost and are depreciated on the straight-line basis over the following periods:

Equipment	3 years
Furniture	4 years
Cabinets	5 years
Fixtures and equipment	10 years

Items under \$500 and computer software are completely depreciated in the year of acquisition.

UNION OF NATIONAL EMPLOYEES
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

D. PROVISIONS

Amounts shown as expenditures for severance pay, accessibility, triennial convention, scholarships, overtime and accumulated vacation leave and national officers relocation contain charges not yet incurred, but which have been included in the annual budget. The total of these charges is included in the provisions liability section of the balance sheet.

E. NET ASSETS

Unrestricted net assets are maintained at a level of at least ten percent of operating expenses while the restricted net assets are maintained at a level of fifty percent of operating expenses.

F. RECOGNITION OF REVENUE

The component records membership dues and investment income on an accrual basis.

Investment income comprises interest from cash, interest from fixed income investments, dividends and realized and unrealized gains and losses on the sale of investments.

G. LOCALS

The financial statements do not include the accounts of the locals.

H. ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts recorded in the financial statements. These estimates are based on management's best knowledge of current events and actions that the Union may undertake in the future. Actual results may differ from these estimates.

2. PROVISION FOR SEVERANCE PAY

The provision for severance pay is funded by an amount included in the investments (\$478,684).

UNION OF NATIONAL EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

3. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>2018</u>	<u>2017</u>
Equipment	\$ 196,084	\$ 83,865	\$ 112,219	\$ 97,847
Furniture	19,124	9,656	9,468	7,412
Cabinets	44,192	41,246	2,946	11,814
Fixtures and equipment	397,558	366,515	31,043	93,960
	<u>\$ 656,958</u>	<u>\$ 501,282</u>	<u>\$ 155,676</u>	<u>\$ 211,033</u>

During the year, \$119,685 (2017 - \$110,749) was spent on additions to capital assets.

4. PROVISION FOR TRIENNIAL CONVENTION

	<u>2018</u>	<u>2017</u>
Balance - beginning	\$ 275,099	\$ 1,291,454
Current provision	745,000	658,333
Expenses incurred	(8,771)	(1,674,688)
Balance - ending	<u>\$ 1,011,328</u>	<u>\$ 275,099</u>

5. PROVISION FOR SCHOLARSHIPS

	<u>2018</u>	<u>2017</u>
Balance - beginning	\$ 93,125	\$ 74,933
Current provision	15,000	39,996
Expenses incurred	(20,594)	(21,804)
Balance - ending	<u>\$ 87,531</u>	<u>\$ 93,125</u>

UNION OF NATIONAL EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

6. PROVISION FOR OVERTIME AND ACCUMULATED VACATION LEAVE

	<u>2018</u>	<u>2017</u>
Balance - beginning	\$ 107,795	\$ 113,764
Transfer from (to) unrestricted net assets	<u>19,454</u>	<u>(5,969)</u>
Balance - ending	<u>\$ 127,249</u>	<u>\$ 107,795</u>

7. PROVISION FOR NATIONAL OFFICERS RELOCATION

	<u>2018</u>	<u>2017</u>
Balance - beginning	\$ 73,445	\$ 165,000
Current provision	15,000	-
Expenses incurred	<u>(28,427)</u>	<u>(91,555)</u>
Balance - ending	<u>\$ 60,018</u>	<u>\$ 73,445</u>

8. RELATED PARTIES TRANSACTIONS

The Union has concluded transactions with some of its members, with the Public Service Alliance of Canada and with its locals. These transactions have occurred in the current course of business.

9. PENSION PLAN

The Union participates in a defined benefit multi-employer pension plan. It recognizes as expenses for current services the amount of its contribution in a given year.

10. FINANCIAL INSTRUMENTS

Cash, dues receivable, accrued interest receivable, other receivables, creditors and accrued liabilities and rebates payable to locals are financial instruments with a market value presumed to be equal to their book value because of their short-term nature. It is management's opinion that the Union is not exposed to significant interest rate, currency, liquidity or credit risks arising from these financial instruments.

UNION OF NATIONAL EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

11. INVESTMENTS

Concentration of risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political and other conditions.

Management believes that the concentrations described above do not represent excessive risk.

12. LEASE OBLIGATION

The Union has renewed its lease for office space for a further ten year period, which expires on June 30, 2026. The minimum commitment on an annual basis is \$327,503.

UNION OF NATIONAL EMPLOYEES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

13. COMPARISON OF ACTUAL REVENUE AND EXPENSES TO BUDGETED AMOUNTS

	<u>Actual</u>	<u>Budget</u>	<u>Variance (Under)</u>
REVENUE			
Dues	\$ 6,679,573	\$ 6,807,000	\$ (127,427)
Interest and dividends	214,309	200,000	14,309
Gains/(Losses) on investments	(192,386)	-	(192,386)
TOTAL REVENUES	<u>\$ 6,701,496</u>	<u>\$ 7,007,000</u>	<u>\$ (305,504)</u>
EXPENSES			
Staff Member Service			
Employee benefits	694,642	920,000	(225,358)
Provision for severance pay	51,987	55,000	(3,013)
Salaries	2,190,038	2,300,000	(109,962)
Staff recruitment and training	59,563	60,000	(437)
Staff travel and expenses	70,396	65,000	5,396
Total Staff Member Service	<u>3,066,626</u>	<u>3,400,000</u>	<u>(333,374)</u>
Membership Empowerment			
Collective bargaining	2,525	10,000	(7,475)
Conferences and seminars	383,259	585,000	(201,741)
Conventions and conferences - PSAC	113,653	75,000	38,653
Donations	5,000	5,000	-
Human rights committee and conference	98,697	274,000	(175,303)
Member representation	6,256	30,000	(23,744)
Member training	8,628	11,000	(2,372)
Non-recurring membership services	21,831	15,000	6,831
Promotional items	18,248	10,000	8,248
Provision for honours, awards and bursaries	15,000	15,000	-
Translation - written	64,839	55,000	9,839
UMC committees	43,679	35,000	8,679
Total Membership Empowerment	<u>781,615</u>	<u>1,120,000</u>	<u>(338,385)</u>
Leadership			
Executive expense - regional activities	271,989	350,000	(78,011)
Executive expense - national activities	23,704	30,000	(6,296)
Executive meetings	298,108	340,000	(41,892)
National President expense	198,846	215,000	(16,154)
National Executive Vice President expense	166,297	195,000	(28,703)
Provision for National Officers relocation	15,000	15,000	-
Total Leadership	<u>973,944</u>	<u>1,145,000</u>	<u>(171,056)</u>
Office Operations			
Depreciation expense	175,042	102,000	73,042
General office expenses	204,312	190,000	14,312
Insurance	25,438	35,000	(9,562)
Professional fees	71,335	60,000	11,335
Rent	260,978	360,000	(99,022)
Total Office Operations	<u>737,105</u>	<u>747,000</u>	<u>(9,895)</u>
Convention			
Triennial convention	745,000	745,000	-
Total Convention	<u>745,000</u>	<u>745,000</u>	<u>-</u>
TOTAL EXPENSES	<u>6,304,290</u>	<u>7,157,000</u>	<u>(852,710)</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 397,206</u>	<u>\$ (150,000)</u>	<u>\$ 547,206</u>

