

UNION OF NATIONAL EMPLOYEES

FINANCIAL STATEMENTS

DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the Union of National Employees which comprise the balance sheet as at December 31, 2017 and the statements of revenue and expenses, changes in net assets and cash flows for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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

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Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Union of National Employees as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Ottawa, March 19, 2018

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, 2017

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UNION OF NATIONAL EMPLOYEES
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>	
REVENUE			
Dues	\$ 6,493,828	\$ 6,694,350	
Interest and dividends	233,873	238,757	
Gains/(Losses) on investments	<u>(94,372)</u>	<u>(10,932)</u>	
TOTAL REVENUES	<u>\$ 6,633,329</u>	<u>\$ 6,922,175</u>	
EXPENSES			
Staff Member Service			
Employee benefits	804,422	739,487	
Provision for severance pay	37,908	55,785	
Salaries	2,184,918	2,083,393	
Staff recruitment and training	23,197	55,831	
Staff travel and expenses	<u>30,450</u>	<u>45,124</u>	
Total Staff Member Service	3,080,895	2,979,620	
Membership Empowerment			
Collective bargaining	2,044	310	
Conferences and seminars	147,012	674,932	
Conventions and conferences - PSAC	105,767	20,132	
Donations	3,950	3,250	
Human rights committee and conference	76,188	452,698	
Member representation	5,592	28,857	
Member training	12,287	7,648	
Non-recurring membership services	(227)	24,084	
Promotional items	3,312	8,730	
Provision for honours, awards and bursaries	39,996	39,996	
Translation - written	54,790	39,722	
UMC committees	<u>57,326</u>	<u>35,339</u>	
Total Membership Empowerment	508,037	1,335,698	
Leadership			
Executive expense - regional activities	296,153	297,428	
Executive expense - national activities	113,251	80,788	
Executive meetings	558,028	193,726	
National President expense	246,514	189,202	
Provision for President relocation expense	<u>-</u>	<u>-</u>	
Total Leadership	1,213,946	761,144	
Office Operations			
Depreciation expense	153,339	124,005	
General office expenses	238,651	180,623	
Insurance	29,469	27,061	
Professional fees	52,911	39,282	
Rent	<u>335,047</u>	<u>283,981</u>	
Total Office Operations	809,417	654,952	
Convention			
Triennial convention	<u>658,333</u>	<u>658,333</u>	
Total Convention	<u>658,333</u>	<u>658,333</u>	
TOTAL EXPENSES	<u>6,270,628</u>	<u>6,389,747</u>	
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 362,701</u>	<u>\$ 532,428</u>	

UNION OF NATIONAL EMPLOYEES

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Invested in capital assets</u>	<u>Restricted</u>	<u>2017</u>	<u>2016</u>
BALANCE, BEGINNING OF YEAR	\$ 5,088,449	\$ 253,623	\$ 3,194,874	\$ 8,536,946	\$ 7,999,765
Excess of revenue over expenses	362,701	-	-	362,701	532,428
Depreciation of capital assets	153,339	(153,339)	-	-	-
Transfers during year	65,528	-	(59,559)	5,969	4,753
Acquisition of capital assets	<u>(110,749)</u>	<u>110,749</u>	<u>-</u>	<u>-</u>	<u>-</u>
BALANCE, END OF YEAR	<u>\$ 5,559,268</u>	<u>\$ 211,033</u>	<u>\$ 3,135,315</u>	<u>\$ 8,905,616</u>	<u>\$ 8,536,946</u>

UNION OF NATIONAL EMPLOYEES

BALANCE SHEET

DECEMBER 31, 2017

ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 566,881	\$ 492,271
Accrued interest receivable	18,003	22,330
Dues receivable - PSAC	562,881	574,109
Officers' standing advances	7,400	7,750
Sundry accounts receivable	6,225	472
Inventory	62,353	37,356
Prepaid expenses	56,542	78,438
	<u>1,280,285</u>	<u>1,212,726</u>
INVESTMENTS (notes 1 and 11)	8,941,552	9,803,326
CAPITAL ASSETS (note 3)	<u>211,033</u>	<u>253,623</u>
	<u>\$ 10,432,870</u>	<u>\$ 11,269,675</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued charges	\$ 300,966	\$ 411,570
Payroll and withholding taxes	46,118	39,136
Rebates payable to locals	102,994	147,068
	<u>450,078</u>	<u>597,774</u>
PROVISIONS (note 1)		
Severance pay (note 2)	512,676	474,768
Accessibility	15,036	15,036
Triennial convention (note 4)	275,099	1,291,454
Scholarships (note 5)	93,125	74,933
Overtime and accumulated vacation leave (note 6)	107,795	113,764
National President relocation (note 7)	73,445	165,000
	<u>1,077,176</u>	<u>2,134,955</u>
	<u>1,527,254</u>	<u>2,732,729</u>
NET ASSETS (note 1)		
Unrestricted	5,559,268	5,088,449
Invested in capital assets	211,033	253,623
Restricted	3,135,315	3,194,874
	<u>8,905,616</u>	<u>8,536,946</u>
	<u>\$ 10,432,870</u>	<u>\$ 11,269,675</u>

ON BEHALF OF THE NATIONAL EXECUTIVE

Kevin A. Kopp President

[Signature] National Executive Vice-President

UNION OF NATIONAL EMPLOYEES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 362,701	\$ 532,428
Adjustments to determine net cash provided by (used in) operations		
Depreciation expense	153,339	124,005
Transfers	5,969	4,753
	<u>522,009</u>	<u>661,186</u>
Net change in non-cash working capital items	<u>(140,645)</u>	<u>180,543</u>
	<u>381,364</u>	<u>841,729</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(110,749)	(69,615)
(Increase) Decrease in investments	861,774	(1,469,904)
	<u>751,025</u>	<u>(1,539,519)</u>
FINANCING ACTIVITIES		
Increase (Decrease) in provisions	<u>(1,057,779)</u>	<u>711,731</u>
NET CHANGE IN CASH	74,610	13,941
CASH, BEGINNING OF YEAR	<u>492,271</u>	<u>478,330</u>
CASH, END OF YEAR	<u>\$ 566,881</u>	<u>\$ 492,271</u>

UNION OF NATIONAL EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017

D. PROVISIONS

Amounts shown as expenditures for severance pay, accessibility, triennial convention, scholarships, overtime and accumulated vacation leave and National President 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 (\$474,932).

UNION OF NATIONAL EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

3. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>2017</u>	<u>2016</u>
Equipment	\$ 149,209	\$ 51,362	\$ 97,847	\$ 64,746
Furniture	14,740	7,328	7,412	8,766
Cabinets	44,784	32,970	11,814	20,771
Fixtures and equipment	<u>656,195</u>	<u>562,235</u>	<u>93,960</u>	<u>159,340</u>
	<u>\$ 864,928</u>	<u>\$ 653,895</u>	<u>\$ 211,033</u>	<u>\$ 253,623</u>

During the year, \$110,749 (2016 - \$69,615) was spent on additions to capital assets.

4. PROVISION FOR TRIENNIAL CONVENTION

	<u>2017</u>	<u>2016</u>
Balance - beginning	\$ 1,291,454	\$ 658,333
Current provision	658,333	658,333
Expenses incurred	<u>(1,674,688)</u>	<u>(25,212)</u>
Balance - ending	<u>\$ 275,099</u>	<u>\$ 1,291,454</u>

5. PROVISION FOR SCHOLARSHIPS

	<u>2017</u>	<u>2016</u>
Balance - beginning	\$ 74,933	\$ 47,355
Current provision	39,996	39,996
Expenses incurred	<u>(21,804)</u>	<u>(12,418)</u>
Balance - ending	<u>\$ 93,125</u>	<u>\$ 74,933</u>

UNION OF NATIONAL EMPLOYEES
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

6. PROVISION FOR OVERTIME AND ACCUMULATED VACATION LEAVE

	<u>2017</u>	<u>2016</u>
Balance - beginning	\$ 113,764	\$ 118,517
Transfer from (to) unrestricted net assets	<u>(5,969)</u>	<u>(4,753)</u>
Balance - ending	<u>\$ 107,795</u>	<u>\$ 113,764</u>

7. PROVISION FOR NATIONAL PRESIDENT RELOCATION

	<u>2017</u>	<u>2016</u>
Balance - beginning	\$ 165,000	\$ 165,000
Current provision	-	-
Expenses incurred	<u>(91,555)</u>	<u>-</u>
Balance - ending	<u>\$ 73,445</u>	<u>\$ 165,000</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, 2017

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
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

13. COMPARISON OF ACTUAL REVENUE AND EXPENSES TO BUDGETED AMOUNTS

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>(Under)</u>
REVENUE			
Dues	\$ 6,493,828	\$ 6,682,393	\$ (188,565)
Interest and dividends	233,873	150,000	83,873
Gains/(Losses) on investments	(94,372)	-	(94,372)
TOTAL REVENUES	<u>\$ 6,633,329</u>	<u>\$ 6,832,393</u>	<u>\$ (199,064)</u>
EXPENSES			
Staff Member Service			
Employee benefits	804,422	814,955	(10,533)
Provision for severance pay	37,908	55,000	(17,092)
Salaries	2,184,918	2,139,256	45,662
Staff recruitment and training	23,197	65,000	(41,803)
Staff travel and expenses	30,450	75,000	(44,550)
Total Staff Member Service	3,080,895	3,149,211	(68,316)
Membership Empowerment			
Collective bargaining	2,044	10,000	(7,956)
Conferences and seminars	147,012	501,667	(354,655)
Conventions and conferences - PSAC	105,767	100,000	5,767
Donations	3,950	6,667	(2,717)
Human rights committee and conference	76,188	250,000	(173,812)
Member representation	5,592	35,000	(29,408)
Member training	12,287	20,000	(7,713)
Non-recurring membership services	(227)	15,000	(15,227)
Promotional items	3,312	10,000	(6,688)
Provision for honours, awards and bursaries	39,996	40,000	(4)
Translation - written	54,790	70,000	(15,210)
UMC committees	57,326	50,000	7,326
Total Membership Empowerment	508,037	1,108,334	(600,297)
Leadership			
Executive expense - regional activities	296,153	396,515	(100,362)
Executive expense - national activities	113,251	110,000	3,251
Executive meetings	558,028	350,000	208,028
National President expense	246,514	215,000	31,514
Provision for President relocation expense	-	-	-
Total Leadership	1,213,946	1,071,515	142,431
Office Operations			
Depreciation expense	153,339	200,000	(46,661)
General office expenses	238,651	190,000	48,651
Insurance	29,469	35,000	(5,531)
Professional fees	52,911	70,000	(17,089)
Rent	335,047	365,000	(29,953)
Total Office Operations	809,417	860,000	(50,583)
Convention			
Triennial convention	658,333	658,333	-
Total Convention	658,333	658,333	-
TOTAL EXPENSES	<u>6,270,628</u>	<u>6,847,393</u>	<u>(576,765)</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 362,701</u>	<u>\$ (15,000)</u>	<u>\$ 377,701</u>