

UNION OF NATIONAL EMPLOYEES

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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, 2019 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, 2019 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. *

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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, February 20, 2020

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, 2019

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UNION OF NATIONAL EMPLOYEES
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
REVENUE		
Dues	\$ 7,126,794	\$ 6,679,573
Interest and dividends	228,598	214,309
Gains/(Losses) on investments	<u>282,922</u>	<u>(192,386)</u>
TOTAL REVENUES	<u>\$ 7,638,314</u>	<u>\$ 6,701,496</u>
EXPENSES		
Staff Member Service		
Employee benefits	695,146	694,642
Provision for severance pay	60,432	51,987
Salaries	2,532,624	2,190,038
Staff recruitment and training	109,493	59,563
Staff travel and expenses	<u>124,089</u>	<u>70,396</u>
Total Staff Member Service	3,521,784	3,066,626
Membership Empowerment		
Collective bargaining	56,339	2,525
Conferences and seminars	1,391,061	383,259
Conventions and conferences - PSAC	10,525	113,653
Donations	5,500	5,000
Human rights committee and conference	534,322	98,697
Member representation	20,868	6,256
Member training	2,644	8,628
Non-recurring membership services	111,542	21,831
Promotional items	7,428	18,248
Provision for honours, awards and bursaries	15,000	15,000
Translation - written	55,479	64,839
UMC committees	<u>47,296</u>	<u>43,679</u>
Total Membership Empowerment	2,258,004	781,615
Leadership		
Executive expense - regional activities	346,611	271,989
Executive expense - national activities	31,316	23,704
Executive meetings	366,548	298,108
National President expense	226,862	198,846
National Executive Vice President expense	175,807	166,297
Provision for National Officers relocation	<u>15,000</u>	<u>15,000</u>
Total Leadership	1,162,144	973,944
Office Operations		
Depreciation expense	158,697	175,042
General office expenses	183,885	204,312
Insurance	21,280	25,438
Professional fees	102,779	71,335
Rent	<u>327,016</u>	<u>260,978</u>
Total Office Operations	793,657	737,105
Convention		
Triennial convention	<u>745,000</u>	<u>745,000</u>
Total Convention	<u>745,000</u>	<u>745,000</u>
TOTAL EXPENSES	<u>8,480,589</u>	<u>6,304,290</u>
EXCESS OF (EXPENDITURES OVER REVENUE)		
REVENUE OVER EXPENDITURES	<u>\$ (842,275)</u>	<u>\$ 397,206</u>

UNION OF NATIONAL EMPLOYEES

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Unrestricted</u>	<u>Invested in capital assets</u>	<u>Restricted</u>	<u>2019</u>	<u>2018</u>
BALANCE, BEGINNING OF YEAR	\$ 5,947,380	\$ 155,676	\$ 3,152,145	\$ 9,255,201	\$ 8,905,616
Excess of (expenditures over revenue) revenue over expenditures	(842,275)	-	-	(842,275)	397,206
Depreciation of capital assets	158,697	(158,697)	-	-	-
Transfers during year	(1,102,953)	-	1,088,150	(14,803)	(47,621)
Acquisition of capital assets	<u>(108,380)</u>	<u>108,380</u>	<u>-</u>	<u>-</u>	<u>-</u>
BALANCE, END OF YEAR	<u>\$ 4,052,469</u>	<u>\$ 105,359</u>	<u>\$ 4,240,295</u>	<u>\$ 8,398,123</u>	<u>\$ 9,255,201</u>

UNION OF NATIONAL EMPLOYEES

BALANCE SHEET


DECEMBER 31, 2019

ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash	\$ 829,107	\$ 1,120,414
Accrued interest receivable	28,231	20,222
Dues receivable - PSAC	713,061	525,436
Officers' standing advances	2,000	2,400
Sundry accounts receivable	5,373	5,980
Inventory	51,788	54,261
Prepaid expenses	<u>188,108</u>	<u>135,530</u>
	1,817,668	1,864,243
INVESTMENTS (notes 1 and 11)	10,426,227	9,946,112
CAPITAL ASSETS (note 3)	<u>105,359</u>	<u>155,676</u>
	<u>\$ 12,349,254</u>	<u>\$ 11,966,031</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued charges	\$ 1,133,758	\$ 632,114
Payroll and withholding taxes	-	57,921
Rebates payable to locals	<u>159,795</u>	<u>154,970</u>
	1,293,553	845,005
PROVISIONS (note 1)		
Severance pay (note 2)	642,660	564,663
Accessibility	15,036	15,036
Triennial convention (note 4)	1,699,757	1,011,328
Scholarships (note 5)	83,055	87,531
Overtime and accumulated vacation leave (note 6)	142,052	127,249
National Officers relocation (note 7)	<u>75,018</u>	<u>60,018</u>
	2,657,578	1,865,825
	<u>3,951,131</u>	<u>2,710,830</u>
NET ASSETS (note 1)		
Unrestricted	4,052,469	5,947,380
Invested in capital assets	105,359	155,676
Restricted	<u>4,240,295</u>	<u>3,152,145</u>
	8,398,123	9,255,201
	<u>\$ 12,349,254</u>	<u>\$ 11,966,031</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, 2019

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Excess of (expenditures over revenue) revenue over expenditures	\$ (842,275)	\$ 397,206
Adjustments to determine net cash provided by (used in) operations		
Depreciation expense	158,697	175,042
Transfers	(14,803)	(47,621)
	<u>(698,381)</u>	<u>524,627</u>
Net change in non-cash working capital items	<u>203,816</u>	<u>364,502</u>
	<u>(494,565)</u>	<u>889,129</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(108,380)	(119,685)
(Increase) Decrease in investments	(480,115)	(1,004,560)
	<u>(588,495)</u>	<u>(1,124,245)</u>
FINANCING ACTIVITIES		
Increase (Decrease) in provisions	<u>791,753</u>	<u>788,649</u>
NET CHANGE IN CASH	(291,307)	553,533
CASH, BEGINNING OF YEAR	<u>1,120,414</u>	<u>566,881</u>
CASH, END OF YEAR	<u>\$ 829,107</u>	<u>\$ 1,120,414</u>

UNION OF NATIONAL EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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, 2019

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 (\$506,320).

UNION OF NATIONAL EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

3. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>2019</u>	<u>2018</u>
Equipment	\$ 182,125	\$ 99,136	\$ 82,989	\$ 112,219
Furniture	16,342	10,262	6,080	9,468
Cabinets	-	-	-	2,946
Fixtures and equipment	<u>111,104</u>	<u>94,814</u>	<u>16,290</u>	<u>31,043</u>
	<u>\$ 309,571</u>	<u>\$ 204,212</u>	<u>\$ 105,359</u>	<u>\$ 155,676</u>

During the year, \$108,380 (2018 - \$119,685) was spent on additions to capital assets.

4. PROVISION FOR TRIENNIAL CONVENTION

	<u>2019</u>	<u>2018</u>
Balance - beginning	\$ 1,011,328	\$ 275,099
Current provision	745,000	745,000
Expenses incurred	<u>(56,571)</u>	<u>(8,771)</u>
Balance - ending	<u>\$ 1,699,757</u>	<u>\$ 1,011,328</u>

5. PROVISION FOR SCHOLARSHIPS

	<u>2019</u>	<u>2018</u>
Balance - beginning	\$ 87,531	\$ 93,125
Current provision	15,000	15,000
Expenses incurred	<u>(19,476)</u>	<u>(20,594)</u>
Balance - ending	<u>\$ 83,055</u>	<u>\$ 87,531</u>

UNION OF NATIONAL EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

6. PROVISION FOR OVERTIME AND ACCUMULATED VACATION LEAVE

	<u>2019</u>	<u>2018</u>
Balance - beginning	\$ 127,249	\$ 107,795
Transfer from (to) unrestricted net assets	<u>14,803</u>	<u>19,454</u>
Balance - ending	<u>\$ 142,052</u>	<u>\$ 127,249</u>

7. PROVISION FOR NATIONAL OFFICERS RELOCATION

	<u>2019</u>	<u>2018</u>
Balance - beginning	\$ 60,018	\$ 73,445
Current provision	15,000	15,000
Expenses incurred	<u>-</u>	<u>(28,427)</u>
Balance - ending	<u>\$ 75,018</u>	<u>\$ 60,018</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, 2019

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, 2019

13. COMPARISON OF ACTUAL REVENUE AND EXPENSES TO BUDGETED AMOUNTS

REVENUE	<u>Actual</u>	<u>Budget</u>	<u>Variance (Under)</u>	
Dues	\$ 7,126,794	\$ 6,807,000	\$ 319,794	
Interest and dividends	228,598	200,000	28,598	
Gains/(Losses) on investments	282,922	-	282,922	
TOTAL REVENUES	<u>\$ 7,638,314</u>	<u>\$ 7,007,000</u>		<u>\$ 631,314</u>
EXPENSES				
Staff Member Service				
Employee benefits	695,146	920,000	(224,854)	
Provision for severance pay	60,432	55,000	5,432	
Salaries	2,532,624	2,300,000	232,624	
Staff recruitment and training	109,493	60,000	49,493	
Staff travel and expenses	124,089	65,000	59,089	
Total Staff Member Service	3,521,784	3,400,000		121,784
Membership Empowerment				
Collective bargaining	56,339	10,000	46,339	
Conferences and seminars	1,391,061	585,000	806,061	
Conventions and conferences - PSAC	10,525	75,000	(64,475)	
Donations	5,500	5,000	500	
Human rights committee and conference	534,322	274,000	260,322	
Member representation	20,868	30,000	(9,132)	
Member training	2,644	11,000	(8,356)	
Non-recurring membership services	111,542	15,000	96,542	
Promotional items	7,428	10,000	(2,572)	
Provision for honours, awards and bursaries	15,000	15,000	-	
Translation - written	55,479	55,000	479	
UMC committees	47,296	35,000	12,296	
Total Membership Empowerment	2,258,004	1,120,000		1,138,004
Leadership				
Executive expense - regional activities	346,611	350,000	(3,389)	
Executive expense - national activities	31,316	30,000	1,316	
Executive meetings	366,548	340,000	26,548	
National President expense	226,862	215,000	11,862	
National Executive Vice President expense	175,807	195,000	(19,193)	
Provision for National Officers relocation	15,000	15,000	-	
Total Leadership	1,162,144	1,145,000		17,144
Office Operations				
Depreciation expense	158,697	102,000	56,697	
General office expenses	183,885	190,000	(6,115)	
Insurance	21,280	35,000	(13,720)	
Professional fees	102,779	60,000	42,779	
Rent	327,016	360,000	(32,984)	
Total Office Operations	793,657	747,000		46,657
Convention				
Triennial convention	745,000	745,000	-	
Total Convention	745,000	745,000		-
TOTAL EXPENSES	<u>8,480,589</u>	<u>7,157,000</u>		<u>1,323,589</u>
EXCESS OF (EXPENDITURES OVER REVENUE)	<u>\$ (842,275)</u>	<u>\$ (150,000)</u>		<u>\$ (692,275)</u>