

AIR CANADA COMPONENT OF C.U.P.E.
FINANCIAL STATEMENTS
JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AIR CANADA COMPONENT OF C.U.P.E.

Qualified Opinion

We have audited the financial statements of Air Canada Component of C.U.P.E. (the "Component"), which comprise the statement of financial position as at June 30, 2016 and June 30, 2015, the statement of operations, the statement of net assets, and the statement of cash flows for the year then ended, and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Component as at June 30, 2016 and June 30, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Basis for Qualified Opinion

The scope of our audit did not extend to an examination of the payroll records of the contributing employer. Accordingly, our verification of contribution revenue was limited to a comparison, on a test basis, of the amounts recorded in the records of Air Canada Component of C.U.P.E. with the employer's contribution reports and we were not able to determine whether any adjustments might be necessary to dues income, excess of revenues over expenses, assets and net assets.

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 Air Canada Component of C.U.P.E. in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our 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 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.

In preparing the financial statements, management is responsible for assessing the Air Canada Component of C.U.P.E.'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 Air Canada Component of C.U.P.E. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Air Canada Component of C.U.P.E.'s financial reporting process.

INDEPENDENT AUDITOR'S REPORT (Cont'd)

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 Air Canada Component of C.U.P.E.'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 Air Canada Component of C.U.P.E.'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 Air Canada Component of C.U.P.E. 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Air Canada Component of C.U.P.E. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

Resnick Partnership LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Concord, Ontario
February 26, 2020



AIR CANADA COMPONENT OF C.U.P.E.**STATEMENT OF FINANCIAL POSITION**

JUNE 30, 2016

	2016	2015
	\$	\$
ASSETS		
CURRENT		
Cash	1,719,385	467,379
Accounts receivable (Note 3)	1,947,510	1,617,604
Membership dues receivable	489,534	450,869
Government remittances receivable	2,257	-
Prepaid and sundry	38,785	51,902
	4,197,471	2,587,754
INVESTMENTS (Note 4)	1,687,679	1,674,491
CAPITAL ASSETS (Note 5)	949,007	941,126
	6,834,157	5,203,371
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	2,630,326	1,923,752
Current portion of mortgage payable (Note 7)	24,996	24,996
	2,655,322	1,948,748
MORTGAGE PAYABLE (Note 7)	227,127	252,123
	2,882,449	2,200,871
NET ASSETS		
NET ASSETS INVESTED IN CAPITAL ASSETS	696,885	664,008
UNRESTRICTED NET ASSETS	3,254,823	2,338,492
	3,951,708	3,002,500
	6,834,157	5,203,371

APPROVED ON BEHALF OF THE AIR CANADA COMPONENT:

President



Secretary Treasurer

Lease commitments (Note 11)

See Accompanying Notes

AIR CANADA COMPONENT OF C.U.P.E.

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2016

	Invested in Capital Assets	Unrestricted	2016 Total	2015 Total
	\$	\$	\$	\$
Balance, beginning of year	664,008	2,338,492	3,002,500	2,571,609
Excess (deficiency) of revenue over expenses	(41,152)	990,360	949,208	430,891
Mortgage payments	24,996	(24,996)	-	-
Investment in capital assets	49,033	(49,033)	-	-
Balance, end of year	696,885	3,254,823	3,951,708	3,002,500

See Accompanying Notes

AIR CANADA COMPONENT OF C.U.P.E.

STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, 2016

	2016	2015
	\$	\$
REVENUE		
Dues income (Note 8)	5,113,614	4,535,871
Administration recovery	49,008	49,000
Other income (Note 9)	<u>23,938</u>	<u>27,807</u>
	5,186,560	4,612,678
EXPENSES		
Accommodation	168,154	118,501
Accounting and audit	22,905	16,610
Amortization	41,152	33,219
Automobile expenses	51,870	51,403
Bank charges and interest (Note 6)	5,608	7,067
Bulletins and translation	12,864	45,043
Campaign expense	10,833	-
Computer repairs and maintenance	18,493	20,404
Consulting fees	30,589	53,950
Copy service charges	6,447	13,599
Courier and postage	8,950	8,988
Donations	30,000	722
Dues to locals	821,853	743,334
Election expenses	4,231	-
Equipment rental	10,928	6,827
Legal and arbitration	326,435	252,794
Meals and entertainment	137,889	109,136
Meeting rooms	28,446	36,635
Office and general	49,886	67,059
Office maintenance costs (Note 10)	75,235	84,939
Payloss	306,260	459,617
Per capita - C.U.P.E.	1,404,812	1,373,252
Printing	16,079	69,708
Registration fees	(3,739)	15,922
Rent	10,302	6,720
Salaries and benefits	551,984	506,390
Telephone and fax	67,924	63,383
Travel	8,976	5,232
Trustee expenses	<u>11,986</u>	<u>11,333</u>
	4,237,352	4,181,787
EXCESS OF REVENUE OVER EXPENSES	949,208	430,891

See Accompanying Notes

AIR CANADA COMPONENT OF C.U.P.E.**STATEMENT OF CASH FLOWS****YEAR ENDED JUNE 30, 2016**

	2016	2015
	\$	\$
CASH GENERATED (USED) BY:		
OPERATING ACTIVITIES		
Excess of revenue over expenses	949,208	430,891
Non-cash expenses		
Amortization	<u>41,152</u>	<u>33,219</u>
	<u>990,360</u>	<u>464,110</u>
Change in non-cash working capital items:		
Accounts receivable	(329,906)	(475,527)
Membership dues receivable	(38,666)	316,950
Prepaid and sundry	13,117	(29,876)
Accounts payable and accrued liabilities	706,982	(167,699)
Government remittances payable	<u>(2,663)</u>	<u>-</u>
	<u>348,864</u>	<u>(356,152)</u>
	<u>1,339,224</u>	<u>107,958</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	(49,033)	(12,377)
Decrease in investments	(13,189)	(19,250)
Decrease in mortgage payable	<u>(24,996)</u>	<u>(24,995)</u>
	<u>(87,218)</u>	<u>(56,622)</u>
INCREASE IN CASH	1,252,006	51,336
CASH, BEGINNING OF YEAR	467,379	416,043
CASH, END OF YEAR	<u>1,719,385</u>	<u>467,379</u>

See Accompanying Notes

AIR CANADA COMPONENT OF C.U.P.E.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. NATURE OF OPERATIONS

Air Canada Component of C.U.P.E. (the "Component") is a part of the Canadian Union of Public Employees (C.U.P.E.). Together with its national and local affiliates, it represents the flight attendants of Air Canada with the objective to advance the social, economic and working conditions of their members.

The Component is exempt from income taxes under paragraph 149(1)(k) of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation:

These financial statements have been prepared in accordance with the Canadian generally accepted accounting standards for not-for profit organizations in Part III of CPA Canada Handbook - Accounting using the deferral method of accounting.

These financial statements show only the assets and liabilities under the control of the Component and the changes therein. All revenues and expenses are recorded on the accrual basis.

(b) Revenue recognition:

The membership dues are recognized on the basis of contributions received until July 31, 2016, relating to hours worked to June 30, 2016.

Investment income and all other income is recorded in the period in which it is earned.

(c) Investments:

Investments of the Component are stated at fair value.

The fair value of cash and short-term investments approximates cost plus accrued interest due to their short-term nature. The fair value of all other investments is based on closing quoted market prices.

Dividend income is recognized based on the ex-dividend date, and interest income is recognized on the accrual basis as earned.

AIR CANADA COMPONENT OF C.U.P.E.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Capital assets:

Capital assets are recorded at cost. Amortization is provided at rates designed to write off the original costs over their estimated useful lives as follows:

Building	- 4% declining balance
Computer equipment	- 2 years straight line
Computer software	- 2 years straight line
Office equipment	- 5 years straight line

(e) Impairment of long lived assets:

The Component monitors the recoverability of long-lived assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Component reviews factors such as current market value, future asset utilization and business climate and, when such indicators exist, compares the carrying value of the asset to the future undiscounted cash flows expected to result from the use of the related asset. If such cash flows are less than the carrying value, the impairment charge to be recognized equals the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair value is generally measured as equal to the estimated future discounted net cash flows from the assets. At the statement of financial position date, the Component has determined that no impairment in the carrying value of these assets exists.

(f) Financial instruments:

Measurement of financial instruments

The Component initially measures its financial assets and financial liabilities at fair value. The Component subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the Statement of Operations.

Financial assets measured at amortized cost include cash, accounts receivable and membership dues receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and mortgage payable.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the Statement of Operations. Any previously recognized impairment loss may be reversed to a maximum of the cumulative amount previously written down. The amount of the reversal is recognized in the Statement of Operations.

AIR CANADA COMPONENT OF C.U.P.E.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Use of estimates

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenue and expenses. Significant estimates used in preparation of these financial statements include accounts payable and accrued liabilities and the estimated useful lives of capital assets. The actual results are likely to differ from the judgments, estimates, and assumption made by management, and will seldom equal the estimated results.

3. ACCOUNTS RECEIVABLE

As at June 30, 2016, the carrying amount of impaired receivables totaled \$NIL (2015 - \$NIL). The Component evaluates its accounts receivable at year end and writes off any impaired amount to bad debts. The allowance for doubtful accounts is \$NIL (2015 - \$NIL).

4. INVESTMENTS

(a) Summary of investments:

Investments are held through RBC Dominion Securities, and consist of the following:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
	\$	\$	\$	\$
RBC Mutual funds				
- Investment savings account				
Series A (2010)	<u>1,687,679</u>	<u>1,687,679</u>	<u>1,674,491</u>	<u>1,674,491</u>

(b) Reconciliation between opening and ending market values are as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Net book and market value, beginning of year	<u>1,674,491</u>	1,655,240
Contributions (withdrawals) during the year	-	(1,226)
Interest and dividend income	<u>13,188</u>	<u>20,477</u>
Net book and market value of fund, end of year	<u><u>1,687,679</u></u>	<u><u>1,674,491</u></u>

AIR CANADA COMPONENT OF C.U.P.E.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

5. CAPITAL ASSETS	2016		2015	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
	\$	\$	\$	\$
Land	359,660	-	359,660	-
Building	808,853	271,953	808,853	249,603
Computer equipment	36,828	18,811	34,703	23,837
Computer software	3,204	3,204	3,204	3,204
Office equipment	<u>57,945</u>	<u>23,515</u>	<u>33,094</u>	<u>21,744</u>
	<u>1,266,490</u>	<u>317,483</u>	<u>1,239,514</u>	<u>298,388</u>
Cost less accumulated amortization	<u>\$ 949,007</u>		<u>\$ 941,126</u>	

6. RELATED PARTY TRANSACTIONS

The Component has related party transactions with the Airline Division Defence Fund ("Defence Fund"), a related entity under common control. The Component has a mortgage with the Defence Fund as described in Note 7. The Component has paid mortgage interest totalling \$3,213 (2015 - \$4,253), which is included in the Statement of Operations. The outstanding accounts payable balance as of June 30, 2016 is \$9,246 (2015 - \$9,846) and accounts receivable for \$NIL (2015 - \$3,083).

These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. MORTGAGE PAYABLE

The Component has taken out a mortgage from the Defence Fund on August 31, 2006 to purchase the property at 25 Belfield Road, Etobicoke, Ontario. The principal amount of the mortgage is \$500,000, extended over a 20 year term. Interest will be calculated based on the remaining principle amount owed and is set at 0.5% above the bank rate paid by the Defence Fund's general bank account over the course of the previous month. Principal payments are due as follows:

AIR CANADA COMPONENT OF C.U.P.E.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

7. MORTGAGE PAYABLE (Cont'd)	2016
	\$
2017	24,996
2018	24,996
2019	24,996
2020	24,996
2021	24,996
Balance thereafter	<u>127,143</u>
	252,124
Less: Current portion	<u>(24,996)</u>
	<u><u>227,127</u></u>

8. DUES INCOME

Dues income is received directly by the Component which in turn distributes a portion of the dues to the various Locals and to the National Office.

9. OTHER INCOME	2016	2015
	\$	\$
Bank interest	9,557	5,572
Investment income	13,188	20,477
Miscellaneous income	<u>1,193</u>	<u>1,758</u>
	<u><u>23,938</u></u>	<u><u>27,807</u></u>

10. OFFICE MAINTENANCE COSTS	2016	2015
The office maintenance costs consist of the following:	\$	\$
Janitorial	12,294	12,853
Office maintenance	19,857	27,841
Property tax	23,955	24,269
Utilities	17,246	18,650
Waste pickup	<u>1,883</u>	<u>1,326</u>
	<u><u>75,235</u></u>	<u><u>84,939</u></u>

AIR CANADA COMPONENT OF C.U.P.E.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

11. LEASE COMMITMENTS

The Component leases its postage meter and appliances under operating leases. Future minimum payments for the rental premises and operating leases are as follows:

	\$
2017	6,827
2018	820
2019	<u>615</u>
	<u><u>8,262</u></u>

12. ECONOMIC DEPENDENCE

The Component is 100% dependent on dues received from employees of Air Canada.

13. FINANCIAL INSTRUMENTS

The Component is subject to market risk, credit risk, and liquidity risks that could affect its cash flows, financial position and income. The most significant financial risks to which the Component is exposed are described below.

(i) Market risk:

The Component is exposed to market risk through its use of financial instruments and specifically interest rate risk.

Interest rate risk:

Interest rate risk is the risk that the market value of the Component's financial instruments will fluctuate due to changes in market interest rates. It arises from the potential variations in the timing and amount of cash flow related to the Component's assets and liabilities.

The value of the Component's interest income and related receivables from cash balances held at financial institutions are affected by short-term changes in nominal interest rates. In the opinion of management, the interest rate risk to the Component is low and is unchanged from prior year.

(ii) Credit risk:

Credit risk is the risk of loss should the counter-party to a transaction default or otherwise fail to perform under the terms of the contract. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness and the respective concentration risk.

AIR CANADA COMPONENT OF C.U.P.E.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

13. FINANCIAL INSTRUMENTS (Cont'd)

Financial instruments which potentially subject the Component to credit risk consist primarily of cash and accounts receivable. The Component's cash is maintained at a major financial institutions. Accounts receivable are closely monitored and management will create an allowance for bad debts when applicable. Therefore, the Component considers the risk of non-performance of these instruments to be remote.

Credit risk is mitigated by establishing limits on exposure to individual counterparties. At present, there are no assets that are past their maturity or impaired due to credit risk-related defaults. In the opinion of management, the credit risk to the Component is low and is unchanged from prior year.

(iii) Liquidity risk:

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they become due. It stems from the possibility of a delay in realizing the fair value of financial instruments.

The Component manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

Trade accounts payable and accrued liabilities are generally repaid within 30 days. In the opinion of management, the liquidity risk to the Component is low and is unchanged from prior year.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. There was no effect on excess of revenue over expenses previously reported for the year.