

*Financial Statements of*

**RESEARCH COUNCIL  
EMPLOYEES' ASSOCIATION**

*June 30, 2011*

## Independent Auditor's Report

To the Members of the  
Research Council Employees' Association

We have audited the accompanying financial statements of the Research Council Employees' Association (the "Association"), which comprise the balance sheet as at June 30, 2011 and the statements of operations, 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 generally accepted accounting principles, 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*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 judgement, 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.

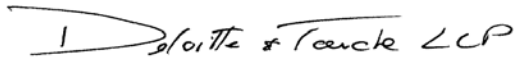
## **Independent Auditor's Report (Continued)**

### *Auditor's Responsibility (Continued)*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at June 30, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive style with a large, stylized 'D' at the beginning.

Chartered Accountants  
Licensed Public Accountants

September 13, 2011

**RESEARCH COUNCIL EMPLOYEES' ASSOCIATION**  
**Financial Statements**  
**June 30, 2011**

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	<u>PAGE</u>
Statement of Operations	1
Balance Sheet	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 10
Schedule of Meeting Expenses and Other Wage Costs	11

# RESEARCH COUNCIL EMPLOYEES' ASSOCIATION

## Statement of Operations

year ended June 30, 2011

	<u>2011</u>	<u>2010</u>
Revenue		
Memberships dues	\$ 678,241	\$ 643,812
Associate memberships dues	1,187	1,304
Realized gain on disposal of investments	10,181	-
Interest	10,658	20,129
	<hr/> <b>700,267</b>	<hr/> 665,245
Expenses		
General		
Meeting (Schedule)	64,599	55,598
Honoraria	2,400	2,500
Audit and consulting	24,639	26,547
Legal	12,958	23,991
	<hr/> <b>104,596</b>	<hr/> 108,636
Office		
Salaries	348,567	334,262
Severance and vacation pay	2,612	7,917
Rent	33,283	22,361
Office	16,978	16,952
Amortization of capital assets	1,563	5,249
Telephone and Internet	11,893	11,185
Postage and mail service	2,971	2,418
Other wage costs (Schedule)	94,731	81,152
Periodicals and publications	1,646	2,066
Insurance	2,939	2,319
Translation	8,926	6,593
Miscellaneous	2,742	3,126
	<hr/> <b>528,851</b>	<hr/> 495,600
	<hr/> <b>633,447</b>	<hr/> 604,236
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<hr/> <b>\$ 66,820</b>	<hr/> <b>\$ 61,009</b>

# RESEARCH COUNCIL EMPLOYEES' ASSOCIATION

## Balance Sheet

as at June 30, 2011

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash	\$ 215,775	\$ 172,884
Accounts receivable	59,862	53,031
Prepaid expenses	4,615	5,315
Short-term investments (Note 4)	179,718	355,050
	<b>459,970</b>	586,280
INVESTMENTS (Note 4)	450,293	254,326
CAPITAL ASSETS (Note 5)	8,946	7,952
	<b>\$ 919,209</b>	<b>\$ 848,558</b>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 79,745	\$ 80,131
Premiums and dues received in advance	5,419	5,304
	<b>85,164</b>	85,435
PROVISION FOR POST- RETIREMENT BENEFITS (Note 9)	13,687	-
PROVISION FOR SEVERANCE PAY - LONG-TERM (Note 10)	78,994	88,376
	<b>177,845</b>	173,811
NET ASSETS		
Invested in capital assets	8,946	7,952
Unrestricted	732,418	666,795
	<b>741,364</b>	674,747
	<b>\$ 919,209</b>	<b>\$ 848,558</b>

APPROVED BY THE ASSOCIATION



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President

**RESEARCH COUNCIL EMPLOYEES' ASSOCIATION**  
**Statement of Changes in Net Assets**  
year ended June 30, 2011

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	Invested in <u>Capital Assets</u>	<u>Unrestricted</u>	Total	
			<u>2011</u>	<u>2010</u>
BALANCE, BEGINNING OF YEAR	\$ 7,952	\$ 666,795	\$ 674,747	\$ 613,581
Excess of revenue over expenses	-	66,820	66,820	61,009
Increase (decrease) in unrealized gains on available-for-sale financial assets	-	(203)	(203)	157
Changes in net assets invested in capital assets <sup>(1)</sup>	994	(994)	-	-
<b>BALANCE, END OF YEAR</b>	<b>\$ 8,946</b>	<b>\$ 732,418</b>	<b>\$ 741,364</b>	<b>\$ 674,747</b>
Accumulated unrealized gains on available-for-sale financial assets	\$ -	\$ 61	\$ 61	\$ 264

<sup>(1)</sup> Comprised of:

Plus: Additions of capital assets	\$ 2,557
Less: Amortization of capital assets	<u>(1,563)</u>
	<u>\$ 994</u>

# RESEARCH COUNCIL EMPLOYEE'S ASSOCIATION

## Statement of Cash Flows

year ended June 30, 2011

	<u>2011</u>	<u>2010</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 66,820	\$ 61,009
Item not affecting cash		
Amortization of capital assets	1,563	5,249
	<b>68,383</b>	66,258
Changes in non-cash operating working capital items (Note 8)	1,741	24,212
	<b>70,124</b>	90,470
INVESTING		
Acquisition of capital assets	(2,557)	(3,244)
Acquisition of investments	(323,937)	(191,310)
Disposal of investments	299,261	191,787
	<b>(27,233)</b>	(2,767)
NET CASH INFLOW	42,891	87,703
CASH, BEGINNING OF YEAR	172,884	85,181
CASH, END OF YEAR	\$ 215,775	\$ 172,884

# RESEARCH COUNCIL EMPLOYEES' ASSOCIATION

## Notes to the Financial Statements

year ended June 30, 2011

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### 1. DESCRIPTION OF BUSINESS

The Research Council Employees' Association (the "Association") operates as a union for National Research Council Employees, and is not subject to income taxes as it is a not-for-profit organization.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the following significant accounting policies:

#### *Revenue recognition*

The Association follows the deferral method of accounting. Unrestricted revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Premiums and dues received in advance that pertain to subsequent years are deferred and recognized as revenue in the period to which they relate.

#### *Financial instruments*

All financial assets are required to be classified as either held-for-trading, held-to-maturity investments, loans and receivables, or as available-for-sale. All financial liabilities are required to be classified as held-for-trading or as other liabilities.

The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Association's designation of said instruments and is determined at the time of initial recognition. Settlement date accounting is used and transaction costs related to investments are expensed as incurred. Interest is calculated using the effective interest rate method.

Classification:

Cash and cash equivalents	Held-for-trading	Fair value
Short-term investments	Available-for-sale	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long-term investments	Available-for-sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

# RESEARCH COUNCIL EMPLOYEES' ASSOCIATION

## Notes to the Financial Statements

year ended June 30, 2011

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Held-for-trading

These financial instruments are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in interest revenue.

#### Available-for-sale

Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated unrealized gains and losses in the statement of changes in net assets until realized when the cumulative gain (loss) is transferred to investment revenue.

#### Loans and receivables

These financial assets are measured at amortized cost using the effective interest rate method, less any impairment.

#### Other liabilities

These financial liabilities are recorded at amortized cost using the effective interest rate method.

#### *Investments*

Transaction costs related to investments are expensed as incurred. Unrealized gains and losses on available-for-sale financial assets are recorded directly in net assets until realized when the cumulative gain or loss is transferred to interest and other income.

#### *Capital assets*

Capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives, which are:

Furniture and equipment	5 years
Computer hardware	3 years
Computer software	2 years

# RESEARCH COUNCIL EMPLOYEES' ASSOCIATION

## Notes to the Financial Statements

year ended June 30, 2011

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Use of estimates*

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts of revenues and expenses reported in the financial statements. Actual results could differ from those estimates. The estimated useful life of capital assets, the accrued liabilities the provision for post-retirement benefits and the provision for severance pay are the most significant items where estimates are used.

#### *Future accounting changes*

In 2010, the Canadian Institute of Chartered Accountants (CICA) issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations may adopt either International Financial Reporting Standards or GAAP for not-for-profit organizations. The Association currently plans to adopt GAAP for not-for-profit organizations effective July 1, 2012.

### 3. CAPITAL MANAGEMENT

The Association's objectives when managing capital are to safeguard its ability to continue as a not-for-profit organization in an effort to carry out its mission while keeping membership dues to a minimum. Capital consists of net assets. The Association manages membership dues with external restrictions that specify the conditions for using these financial resources.

Restrictions on the use of the monies are set forth in the constitution of the Association which can be found on its website. These restrictions include the level of authorization needed for various expenses. All monies received by the Association are to be deposited with a bank or financial institution that is insured by the federal or a provincial government of Canada. The Association invests any excessive money in accordance with its investing policies which are to avoid undue risk. The investments held by the Association are described in Note 4. Interest generated on the Association's investments belongs to the members and is subject to the same restrictions as the membership dues.

There have been no changes to the Association's capital requirements and its overall strategy to manage capital remains unchanged from the prior year. The Association has complied with the restrictions set forth on the membership dues.

**RESEARCH COUNCIL EMPLOYEES' ASSOCIATION**  
**Notes to the Financial Statements**  
year ended June 30, 2011

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**4. INVESTMENTS**

Investments are summarized as follows:

	2011			2010		
	Carrying and Fair Value	Cost	Unrealized Gain	Carrying and Fair Value	Cost	Unrealized Gain
Short-term						
Accrued interest	\$ 11,705	\$ 11,705	\$ -	\$ 15,541	\$ 15,541	\$ -
Bonds	168,013	168,000	13	339,509	339,263	246
	<b>179,718</b>	<b>179,705</b>	<b>13</b>	<b>355,050</b>	<b>354,804</b>	<b>246</b>
Long-term						
Bonds	450,293	450,245	48	254,326	254,308	18
Total	<b>\$ 630,011</b>	<b>\$ 629,950</b>	<b>\$ 61</b>	<b>\$ 609,376</b>	<b>\$ 609,112</b>	<b>\$ 264</b>

Bonds are comprised of debt obligations of governments and financial institutions paying interest at rates appropriate to the market at their date of purchase. Bonds will mature over the next five years and have effective interest rates to maturity ranging from 1.90% to 3.50%.

*Investment risk*

Investment in financial instruments renders the Association subject to investment risks. These include the risks arising from changes in interest rates and risks arising from the failure of a party to a financial instrument to discharge an obligation when it is due.

The Association has adopted investment policies to control the amount of risk to which it is exposed. The investment practices of the Association are designed to avoid undue risk of loss or impairment of assets and to provide a reasonable expectation of fair return given the nature of the investments. The maximum investment risk to the Association is represented by the carrying value of the investments.

**RESEARCH COUNCIL EMPLOYEES' ASSOCIATION**  
**Notes to the Financial Statements**  
year ended June 30, 2011

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**4. INVESTMENTS (Continued)**

*Concentration risk*

Concentrations of risk exist when a significant proportion of the portfolio is invested in securities with similar characteristics and/or subject to similar economic, political and other conditions that may prevail. Management believes that the concentrations described in financial institutions' bonds do not represent excessive risk.

**5. CAPITAL ASSETS**

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 21,824	\$ 15,788	\$ 6,036	\$ 4,983
Computer hardware	12,154	9,800	2,354	2,268
Computer software	5,927	5,371	556	701
	<b>\$ 39,905</b>	<b>\$ 30,959</b>	<b>\$ 8,946</b>	<b>\$ 7,952</b>

In accordance with the capitalization policy of the Association, the following expenses relating to capital asset were incurred: Computer supplies for \$96 (2010 - \$154), computer software for \$580 (2010 - \$422), and computer system maintenance for \$3,361 (2010 - \$3,833). The following purchases were capitalized during the year: Furniture and equipment for \$1,940 (2010 - \$647), computer hardware for \$579 (2010 - \$1,767) and computer software for \$38 (2010 - \$830).

**6. CONTINGENCY**

In the ordinary course of business activities, the Association becomes involved in various legal actions. While the ultimate effect of such actions cannot be ascertained at this time, management believes that their resolution will not have a material adverse effect on the financial statements.

# RESEARCH COUNCIL EMPLOYEES' ASSOCIATION

## Notes to the Financial Statements

year ended June 30, 2011

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### 7. LEASE COMMITMENTS

The Association is committed under an operating lease for office premises for the next four years and also for a photocopier for the next two years. The future minimum lease payments under the terms of the lease are as follows:

2012	\$ 49,357
2013	56,897
2014	66,358
2015	68,722
	<hr/>
	\$ 241,334

### 8. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	<u>2011</u>	<u>2010</u>
Accounts receivable	\$ (6,831)	\$ 4,341
Accrued interest on short-term investments (Note 4)	3,838	(5,681)
Prepaid expenses	700	12,236
Accounts payable and accrued liabilities	(386)	6,033
Premiums and dues received in advance	115	(634)
Provision for post-retirement benefits	13,687	-
Provision for severance pay - long-term	(9,382)	7,917
	<hr/>	<hr/>
	\$ 1,741	\$ 24,212

### 9. PROVISION FOR POST-RETIREMENT BENEFITS

The Association has committed to cover 50% of health insurance premiums for three of their employees from the beginning of retirement until they reach the age of 70. The provision for each employee will be recorded over the remainder of their active employment.

### 10. PROVISION FOR SEVERANCE PAY

The Association has committed to pay a week of salary for each year of service to its employees on their retirement. The provision for each employee will be recorded in the period in which the services are rendered.

**RESEARCH COUNCIL EMPLOYEES' ASSOCIATION****Meeting Expenses**

year ended June 30, 2011

	<u>2011</u>	<u>2010</u>
Annual general meeting, conference and training	\$ 33,261	\$ 36,373
Transportation	5,861	4,739
Executive secretary	855	1,040
National Joint Council affiliation fee	1,800	3,150
Travel to regional laboratories	22,822	10,296
	<u>\$ 64,599</u>	<u>\$ 55,598</u>

**Other Wage Costs**

year ended June 30, 2011

	<u>2011</u>	<u>2010</u>
Canada Pension Plan	\$ 8,887	\$ 8,132
Pension and Health Insurance	65,507	67,192
Employment Insurance	4,552	3,949
Post-retirement benefits	13,687	-
Workers' Compensation	2,098	1,879
	<u>\$ 94,731</u>	<u>\$ 81,152</u>