

Unifor Local 2002
Disability Trust Fund
Financial Statements
For the year ended May 31, 2018

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Independent Auditor's Report

To the Trustees of Unifor Local 2002 Disability Trust Fund

We have audited the accompanying financial statements of Unifor Local 2002 Disability Trust Fund (the "Fund"), which comprise the statement of financial position as at May 31, 2018, and the statement of changes in net assets available for benefits 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 pension plans, 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 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 Fund'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 Fund'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.

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

Basis for Qualified Opinion

The scope of our audit did not extend to an examination of the payroll records of the contributing employers. Accordingly, our verification of contribution revenue was limited to the amounts recorded in the records of the Fund and we were not able to determine whether any adjustments might be necessary to contribution revenue and increase in net assets for the years ended May 31, 2018 and 2017, assets as at May 31, 2018 and 2017, and net assets available for benefits as at June 1 and May 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended May 31, 2017, was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Fund as at May 31, 2018, and changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Burlington, Ontario
October 24, 2018

**Unifor Local 2002 Disability Trust Fund
Statement of Financial Position**

May 31 2018 2017

Assets


Cash	\$ 545,179	\$ 668,080
Investments (Note 2)	4,198,815	3,678,245
Contributions receivable	197,636	174,500
HST receivable	20,776	21,288
Prepaid deposit and expenses	5,940	-
	<u>4,968,346</u>	<u>4,542,113</u>

Liabilities

Accounts payable and accrued liabilities	32,529	35,546
Premiums payable	716,288	652,529
	<u>748,817</u>	<u>688,075</u>

Net Assets Available for Benefits **\$ 4,219,529** **\$ 3,854,038**

On behalf of the Board:


_____ Trustee


_____ Trustee

Unifor Local 2002 Disability Trust Fund Statement of Changes in Net Assets Available for Benefits

For the year ended May 31	2018	2017
Increase in assets		
Contributions (Note 6)	\$ 7,249,679	\$ 7,006,653
Investment income (Note 3)	120,570	229,863
	<u>7,370,249</u>	<u>7,236,516</u>
Decrease in assets		
Premium costs	<u>6,364,232</u>	<u>6,026,393</u>
Expenses		
Administration (Note 6)	571,574	555,432
Audit and tax (Note 6)	12,577	13,109
HST recovery	(7,675)	(8,507)
Legal (Note 6)	-	7,763
Meetings and lost time	57,439	76,725
Printing, stationery and general	671	4,115
Trustee bonding	<u>5,940</u>	<u>5,940</u>
Total expenses	<u>640,526</u>	<u>654,577</u>
	<u>7,004,758</u>	<u>6,680,970</u>
Increase in net assets	365,491	555,546
Net assets available for benefits, beginning of year	<u>3,854,038</u>	<u>3,298,492</u>
Net assets available for benefits, end of year	<u>\$ 4,219,529</u>	<u>\$ 3,854,038</u>

The accompanying notes are an integral part of these financial statements.

Unifor Local 2002 Disability Trust Fund Notes to Financial Statements

May 31, 2018

1. Significant Accounting Policies

Purpose of the Fund

The Fund provides short-term and long-term disability benefits to eligible members of Unifor Local 2002.

Basis of Presentation

These financial statements are prepared using Canadian accounting standards for pension plans, which are applicable to all benefit plan financial statements. For accounting policies that do not relate to the Fund's investment portfolio, the Fund has elected to apply Canadian accounting standards for private enterprises.

Contributions

Contributions are recognized on an accrual basis in the accounts on the basis of earnings as reported by the employers. Members pay 100% of the contributions reported.

Investments

Investments are stated at fair value. The fair value of cash and cash equivalents 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.

The fair value adjustments include both realized gains on sale of investments and unrealized gains on investment.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires the Trustees to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from their best estimates, as additional information becomes available in the future.

Income Tax Status

The Fund is a trust recognized administratively by Canada Revenue Agency. The net investment income earned by the Fund is subject to income tax to the extent investment income exceeds allowable expenses. Generally, there are sufficient deductions to result in no taxable income.

Unifor Local 2002 Disability Trust Fund Notes to Financial Statements

May 31, 2018

2. Investments

	2018	2017
CIBC Wood Gundy		
Cash	\$ 135,342	\$ -
Common stock	1,747,325	1,061,003
Fixed income	2,009,347	2,156,039
Mutual funds	287,561	443,689
Accrued interest and dividends	19,240	17,514
	\$ 4,198,815	\$ 3,678,245

3. Investment Income

	2018	2017
CIBC Wood Gundy		
Interest and dividends	\$ 54,897	\$ 58,026
Fair value adjustments	65,673	171,837
	\$ 120,570	\$ 229,863

4. Financial Instrument Risks

The Fund may be exposed to a variety of financial risks including credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). These risks have not changed from the prior year.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation that is entered into with the Fund. The risk of default on transactions in listed securities is considered minimal, as the trade will fail if either party to the transaction does not meet its obligation. The Fund also has credit risk to the extent that contributions receivable are not collectible. The Fund manages this risk by closely monitoring delinquent contributors and ensuring late contributions and deviations are pursued.

Liquidity Risk

The Fund is also exposed to *liquidity risk* in the event that investments must be sold quickly. The Fund's assets are invested in securities that are traded in an active market and can be readily disposed of as liquidity needs arise, assuming orderly markets.

Unifor Local 2002 Disability Trust Fund Notes to Financial Statements

May 31, 2018

4. Financial Instrument Risks - (Continued)

Market Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of financial instruments. It arises when the Fund invests in interest-sensitive investments such as bonds and other fixed-income investments.

As at May 31, 2018, had prevailing interest rates increased or decreased by 1% with respect to interest-bearing investments with all other variables held constant, net assets available for benefits would have decreased or increased, respectively by approximately \$67,000 (2017 - \$49,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currencies.

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

The Fund manages market risk by diversifying investments in accordance with the Fund's Statement of Investment Policies and Procedures, which is approved by the Trustees. If market prices had increased or decreased by 5% on May 31, 2018, the net assets available for benefits of the Fund would have increased or decreased, respectively, by approximately \$126,000 (2017 - \$75,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Unifor Local 2002 Disability Trust Fund Notes to Financial Statements

May 31, 2018

4. Financial Instrument Risk (Continued)

Financial Instruments Fair Value Hierarchy

Disclosure of a three-level hierarchy for fair value measurements is based upon transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1:

For securities valued based on unadjusted quoted prices in active markets for identical assets.

Level 2:

For securities valued based on inputs, other than quoted prices included in Level 1, that are observable for the asset, either directly or indirectly.

Level 3:

For securities valued based on inputs that are based on unobservable market data.

As at May 31, 2018, the following table represents a summary of investments held by level:

	<u>2018</u>	<u>2017</u>
Level 1 - Common stock, mutual funds and accrued interest and dividends	\$ 2,189,468	\$ 1,522,206
Level 2 - Fixed income	<u>2,009,347</u>	<u>2,156,039</u>
	<u>\$ 4,198,815</u>	<u>\$ 3,678,245</u>

There were no transfers between levels during the year.

5. Capital Management

The Fund considers its capital to be its net assets available for benefits. The Fund's objective when managing its capital is to safeguard its ability to continue to provide benefits to its eligible members. The Trustees monitor the Fund's financial position to ensure its objective is met.

There have been no changes in what the Fund considers to be its capital and there have been no significant changes to the Fund's capital management objectives, policies and processes in the year.

Unifor Local 2002 Disability Trust Fund Notes to Financial Statements

May 31, 2018

6. Fund Information

(a) Description of Fund Benefits

Actual benefits, including conditions and limitations thereto, are governed by the provisions of the Fund and reference should be made to the Fund for more detailed information.

The following is a brief summary of the Fund benefits:

Permanent full-time and part-time employees who are under the Unifor Local 2002 Collective Agreement are covered from their first day of employment. The eligible members listing is updated monthly as advised by the employers.

(b) Administration and Professional Fees

Recipients of administration and professional fees were as follows:

	2018	2017
Administration		
Canadian Benefits Consulting Group Ltd.	\$ 571,574	\$ 555,432
Audit and tax		
BDO Canada LLP	\$ 12,577	\$ 13,109
Legal		
Koskie Minsky LLP	\$ -	\$ 7,763

(c) List of Contributions by Employers

	2018	2017
AIMIA	\$ 860,746	\$ 824,479
Air Canada	6,077,288	5,899,631
CLS Catering	287,703	254,659
Union Office	21,149	21,114
Deposit Supplements	2,793	6,770
	\$ 7,249,679	\$ 7,006,653