

**C.A.W. Local 2002
Disability Trust Fund
Financial Statements
For the years ended May 31, 2013 and 2012**

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Independent Auditor's Report

To the Trustees of C.A.W. Local 2002 Disability Trust Fund

We have audited the accompanying financial statements of C.A.W. Local 2002 Disability Trust Fund (the "Fund"), which comprise the statements of financial position as at May 31, 2013 and May 31, 2012, and the statements of changes in net assets available for benefits for the years 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The scope of our audits 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, 2013 and May 31, 2012 and net assets available for benefits as at June 1 and May 31 for both the 2013 and 2012 years.

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, 2013 and May 31, 2012, and changes in its net assets available for benefits for the years then ended in accordance with Canadian accounting standards for pension plans.

BDO CANADA LLP

Chartered Accountants, Licensed Public Accountants
Burlington, Ontario
October 24, 2013

**C.A.W. Local 2002 Disability Trust Fund
Statements of Financial Position**

May 31 **2013** **2012**

Assets

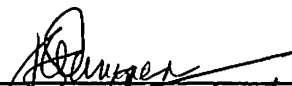
Cash	\$ 476,870	\$ 333,861
Investments (Note 3)	1,424,123	962,048
Contributions receivable	358,698	371,784
Prepaid deposit and expenses	5,940	5,940
	<u>2,265,631</u>	<u>1,673,633</u>

Liabilities


Accounts payable and accrued liabilities	26,828	26,237
Premiums payable	446,799	458,269
	<u>473,627</u>	<u>484,506</u>

Net Assets Available for Benefits **\$ 1,792,004** **\$ 1,189,127**

On behalf of the Board:



Trustee



Trustee

**C.A.W. Local 2002 Disability Trust Fund
Statements of Changes in Net Assets Available for Benefits**

For the years ended May 31	2013	2012
Increase in assets		
Contributions (Note 6)	\$ 6,931,816	\$ 7,049,382
Investment income	<u>62,074</u>	<u>27,927</u>
	6,993,890	7,077,309
Decrease in assets		
Premium costs	<u>5,919,401</u>	<u>5,884,119</u>
Expenses		
Administration (Note 6)	431,026	433,371
Audit (Note 6)	15,930	10,925
HST expense (recovery)	(29,649)	-
Legal (Note 6)	2,225	331
Meetings and lost time	45,519	52,413
Printing, stationery and general	621	4,302
Trustee bonding	<u>5,940</u>	<u>5,940</u>
Total expenses	<u>471,612</u>	<u>507,282</u>
	6,391,013	6,391,401
Increase in net assets	602,877	685,908
Net assets available for benefits, beginning of year	<u>1,189,127</u>	<u>503,219</u>
Net assets available for benefits, end of year	<u>\$ 1,792,004</u>	<u>\$ 1,189,127</u>

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

C.A.W. Local 2002 Disability Trust Fund Notes to Financial Statements

May 31, 2013 and 2012

1. Significant Accounting Policies

Purpose of the Fund

The Fund provides short-term and long-term disability benefits to eligible members of the CAW 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

Revenue Recognition

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. The Fund has early adopted *International Financial Reporting Standards (IFRS) 13* with respect to the fair value measurement of its investments and there was no effect of this change.

The investment income (loss) recognized is the increase or decrease in the value of the pooled funds as well as realized and unrealized gains (losses) on sale of other investments. Dividends and interest are reinvested within the pooled funds.

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.

C.A.W. Local 2002 Disability Trust Fund Notes to Financial Statements

May 31, 2013 and 2012

2. Change in Accounting Standards

On June 1, 2012, the Fund retrospectively adopted *Section 4600 – Pension Plans* in *Part IV - Accounting Standards for Pension Plans* of the Canadian Institute of Chartered Accountants (CICA) Handbook. These standards establish the requirements for the measurement, presentation and disclosure of information in benefit plan financial statements.

The adoption of these standards has resulted in the amended presentation and disclosure of information in the Fund's financial statements, however did not impact the Fund's changes in net assets available for benefits or the Fund's financial position. For accounting policies that do not relate to the Fund's investment portfolio, the Fund has elected to apply *Part II - Accounting Standards for Private Enterprises* of the CICA Handbook, as further described in the significant accounting policies of the Fund (Note 1).

3. Investments

	2013	2012
CIBC Wood Gundy		
Cash	\$ 56	\$ -
Common stock	651,440	514,860
Fixed income	761,510	418,463
Mutual funds	1,043	22,903
Accrued interest and dividends	10,074	5,822
	<u>\$ 1,424,123</u>	<u>\$ 962,048</u>

4. Financial Instrument Risk

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 Fund 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.

C.A.W. Local 2002 Disability Trust Fund Notes to Financial Statements

May 31, 2013 and 2012

4. Financial Instrument Risk (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, 2013, had prevailing interest rates increased or decreased by 1% with respect to interest-bearing investments other than the underlying holdings of the pooled funds, with all other variables held constant, net assets available for benefits would have decreased or increased, respectively by approximately \$37,000 (2012 - \$21,000). 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, 2013, the net assets available for benefits of the Fund would have increased or decreased, respectively, by approximately \$41,000 (2012 - \$21,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

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, 2013 and 2012 the following table represents a summary of investments held by level:

	2013	2012
Level 1 - Stocks and mutual funds	\$ 662,613	\$ 543,585
Level 2 - Fixed income	761,510	418,463
	\$ 1,424,123	\$ 962,048

There were no transfers between levels during the years.

C.A.W. Local 2002 Disability Trust Fund Notes to Financial Statements

May 31, 2013 and 2012

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.

6. Statutory Information

(a) Description of Fund Benefits

The following is a brief summary of the Fund benefits:

Permanent full-time and part-time employees who are under the CAW 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:

	2013	2012
Administration		
Canadian Benefits Consulting Group Ltd.	\$ 431,026	\$ 433,371
Audit		
BDO Canada LLP	\$ 15,930	\$ 10,925
Legal		
Davies Howe LLP	\$ 2,225	\$ -
Koskie Minsky LLP	-	331
	\$ 2,225	\$ 331

**C.A.W. Local 2002 Disability Trust Fund
Notes to Financial Statements**

May 31, 2013 and 2012

6. Statutory Information - (Continued)

(c) List of Contributions by Employers

	<u>2013</u>	<u>2012</u>
Aeroplan	\$ 1,182,745	\$ 1,188,364
Air Canada	5,500,571	5,640,022
CLS Catering	222,202	203,693
Union Office	20,442	16,797
Deposit Supplements	5,856	506
	<u>\$ 6,931,816</u>	<u>\$ 7,049,382</u>