

**C.A.W. Local 2002 Health and
Welfare Trust Fund**

Financial Statements

For the years ended May 31, 2013 and 2012

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Financial Statements
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Independent Auditor's Report

To the Trustees of C.A.W. Local 2002 Health and Welfare Trust Fund

We have audited the accompanying financial statements of C.A.W. Local 2002 Health and Welfare 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 audit opinion.

Opinion

In our opinion, 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 Health and Welfare Trust Fund
Statements of Financial Position**

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

Assets


Cash	\$ 104,137	\$ 56,515
Investments (Note 3)	674,034	788,936
HST receivable	5,188	-
Prepaid expenses	8,025	9,358
	<hr/>	<hr/>
	791,384	854,809

Liabilities

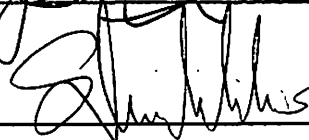
Accounts payable and accrued liabilities	22,808	41,621
Deferred contributions	94,407	97,183
	<hr/>	<hr/>
	117,215	138,804

Net Assets Available for Benefits **\$ 674,169** **\$ 716,005**

On behalf of the Board:



Trustee



Trustee

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

For the years ended May 31	2013	2012
Increase in assets		
Contributions		
- Air Canada	\$ 135,878	\$ 151,120
- Aeroplan	28,738	29,025
Investment income	35,098	11,780
	<u>199,714</u>	<u>191,925</u>
Decrease in assets		
Member health benefits	380	217,548
Administration (Note 6)	15,090	36,367
Audit (Note 6)	6,235	4,781
Banking charges	140	1,594
Claims processing fees (Note 6)	198,900	128,142
HST Paid	20,805	-
	<u>241,550</u>	<u>388,432</u>
Decrease in net assets	(41,836)	(196,507)
Net assets available for benefits, beginning of year	<u>716,005</u>	<u>912,512</u>
Net assets available for benefits, end of year	\$ 674,169	\$ 716,005

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

C.A.W. Local 2002 Health and Welfare Trust Fund Notes to Financial Statements

May 31, 2013 and 2012

1. Significant Accounting Policies

Purpose of the Fund

The purpose of the Fund is to provide benefits to members upon eligibility.

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

The lump sum contributions received are recognized evenly throughout the year on a monthly basis. Deferred contributions are recognized as revenue in the year in which the related expenses are incurred.

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 expenses 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 Health and Welfare 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

	<u>2013</u>	<u>2012</u>
CIBC Wood Gundy		
Cash	\$ 713	\$ 808
Common stocks	181,249	165,800
Fixed income	176,035	487,673
Mutual funds	312,621	129,318
Accrued interest and dividends	3,416	5,337
	<u>\$ 674,034</u>	<u>\$ 788,936</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 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 Health and Welfare 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 \$3,000 (2012 - \$10,000). 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 \$9,000 (2012 - \$24,000). 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:

	<u>2013</u>	<u>2012</u>
Level 1 - Stock and mutual funds	\$ 497,999	\$ 301,263
Level 2 - Fixed income	176,035	487,673
	<u>\$ 674,034</u>	<u>\$ 788,936</u>

There were no transfers between levels during the years.

C.A.W. Local 2002 Health and Welfare 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. Fund Information

(a) Description of Fund Benefits

The following is a brief summary of the Fund benefits:

The Fund provides member and family assistance benefits to eligible members of the CAW Local 2002.

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.

Each full-time and part-time employee was eligible for reimbursement of eligible medical costs of \$200 and \$100 respectively effective September 1, 2010. Coverage for this program ended August 31, 2011.

(b) Administration and Professional Fees

Recipients of administration and professional fees were as follows:

	<u>2013</u>	<u>2012</u>
Administration		
Canadian Benefits Consulting Group Ltd.	<u>\$ 15,090</u>	<u>\$ 36,367</u>
Audit		
BDO Canada LLP	<u>\$ 6,235</u>	<u>\$ 4,781</u>
Claims Processing Fees		
Organizational Health Inc.	<u>\$ 198,900</u>	<u>\$ 128,142</u>
(This amount represents 2/3 of the total fees with the remaining 1/3 being paid by Canadian Benefits Consulting Group Ltd. This processing function started in October 2011.)		