

HEALTH SCIENCES ASSOCIATION OF ALBERTA
Financial Statements
Year Ended February 28, 2023

HEALTH SCIENCES ASSOCIATION OF ALBERTA
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Year Ended February 28, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of Health Sciences Association of Alberta

Qualified Opinion

We have audited the financial statements of Health Sciences Association of Alberta (the Union), which comprise the statement of financial position as at February 28, 2023, and the statements of operations, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible 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 Union as at February 28, 2023, and the results of its operations and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Union derives revenue from members in the form of monthly dues, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Union and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, and cash flows from operations for the years ended February 28, 2023 and 2022, current assets as at February 28, 2023 and 2022, and net assets as at March 1, 2022 and 2021 and February 28, 2023 and 2022. Our audit opinion on the financial statements for the year ended February 28, 2022 was modified accordingly because of the possible effects of this limitation of scope.

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 Union in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 qualified audit 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 Union'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 Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Union's financial reporting process.

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Independent Auditor's Report to the Members of Health Sciences Association of Alberta (*continued*)

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 Union'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 Union'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 Union 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.

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.

HEALTH SCIENCES ASSOCIATION OF ALBERTA

Statement of Operations Year Ended February 28, 2023

	2023	2022
REVENUE		
Member dues	\$ 28,445,721	\$ 28,388,665
Investment income & expenses (<i>Schedule 1</i>)	(39,460)	421,389
Interest income	156,733	23,834
Other revenue	11,808	100,270
	28,574,802	28,934,158
EXPENSES		
Staffing	13,274,334	12,411,895
Governance	1,836,070	1,273,774
Affiliation	1,720,509	1,841,011
Communications	1,527,382	3,499,431
Facilities	1,079,293	1,013,851
Member Services	972,612	902,103
Convention	931,356	539,742
Labour Relations Conferences	771,525	274,904
Bargaining	523,966	232,419
Public Relations	489,225	754,658
Information Technology	449,892	398,958
Member Education	353,989	110,138
Arbitration and Hearings	240,911	420,633
Administration	237,723	180,803
Outreach	141,911	98,915
Professional Fees	103,639	321,502
Interest	-	42,639
	24,654,337	24,317,376
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	3,920,465	4,616,782
OTHER INCOME (EXPENSES)		
Project expenses	(1,391,661)	(417,667)
Amortization	(697,371)	(742,147)
Loss on disposal of property and equipment	(45,484)	(43,476)
	(2,134,516)	(1,203,290)
EXCESS OF REVENUE OVER EXPENSES	\$ 1,785,949	\$ 3,413,492

HEALTH SCIENCES ASSOCIATION OF ALBERTA

Statement of Changes in Net Assets

Year Ended February 28, 2023

	2022 Balance	Excess of revenue over expenses	Purchase of Property and Equipment	Transfers (Note 8)	2023 Balance
UNRESTRICTED	\$ 1,304,681	\$ 3,920,465	\$ (10,147)	\$ (4,444,500)	\$ 770,499
INVESTED IN PROPERTY AND EQUIPMENT	12,458,449	(742,855)	2,266,283	-	13,981,877
INTERNALLY RESTRICTED					
Defence	1,000,000	-	-	500,000	1,500,000
Building Reserve	4,441,818	(9,996)	(2,109,863)	1,500,000	3,821,959
Operations	845,501	(167,660)	(146,273)	944,500	1,476,068
Humanitarian/Social Justice	16,182	-	-	(16,182)	-
Strike	6,500,000	-	-	500,000	7,000,000
Disaster Relief	165,930	-	-	16,182	182,112
Member Engagement	3,487,013	(1,214,005)	-	1,000,000	3,273,008
	16,456,444	(1,391,661)	(2,256,136)	4,444,500	17,253,147
	\$ 30,219,574	\$ 1,785,949	\$ -	\$ -	\$ 32,005,523

	2021 Balance	Excess of revenue over expenses	Purchase of Property and Equipment	Transfers (Note 8)	2022 Balance
UNRESTRICTED	\$ 4,747,036	\$ 4,616,782	\$ (307,101)	\$ (7,752,036)	\$ 1,304,681
INVESTED IN PROPERTY AND EQUIPMENT	5,432,096	(785,623)	7,811,976	-	12,458,449
INTERNALLY RESTRICTED					
Defence	731,169	-	-	268,831	1,000,000
Building Maintenance & Improvements	48,592	-	-	(48,592)	-
Furniture & Equipment	188,964	-	-	(188,964)	-
Building Reserve	7,340,103	(15,725)	(7,360,765)	4,478,205	4,441,818
Operations	116,010	(263,955)	(144,110)	1,137,556	845,501
Humanitarian/Social Justice	11,182	-	-	5,000	16,182
Strike	6,500,000	-	-	-	6,500,000
Disaster Relief	165,930	-	-	-	165,930
Member Engagement	1,525,000	(137,987)	-	2,100,000	3,487,013
	16,626,950	(417,667)	(7,504,875)	7,752,036	16,456,444
	\$ 26,806,082	\$ 3,413,492	\$ -	\$ -	\$ 30,219,574

HEALTH SCIENCES ASSOCIATION OF ALBERTA
Statement of Financial Position
February 28, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 4,915,188	\$ 11,484,683
Guaranteed investment certificates (Note 3)	8,000,000	-
Accounts receivable	20,044	24,144
Prepaid expenses	244,585	256,832
	13,179,817	11,765,659
PROPERTY AND EQUIPMENT (Note 4)	13,981,875	12,458,449
LONG TERM INVESTMENTS (Note 5)	8,474,136	8,513,596
SECURITY DEPOSITS	92,794	92,794
	\$ 35,728,622	\$ 32,830,498
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accruals	\$ 1,870,797	\$ 913,481
Accrued salaries and benefits	1,726,572	1,545,241
	3,597,369	2,458,722
DEFERRED LEASE INDUCEMENT	125,730	152,202
	3,723,099	2,610,924
NET ASSETS		
Unrestricted	770,499	1,304,681
Invested in Property and Equipment	13,981,877	12,458,449
Internally restricted	17,253,147	16,456,444
	32,005,523	30,219,574
	\$ 35,728,622	\$ 32,830,498

COMMITMENTS (Note 7)

ON BEHALF OF THE BOARD

_____ *President*

_____ *Vice President*

HEALTH SCIENCES ASSOCIATION OF ALBERTA

Statement of Cash Flow

Year Ended February 28, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 1,785,949	\$ 3,413,492
Items not affecting cash:		
Amortization of property and equipment	697,371	742,147
Loss on disposal of property and equipment	45,484	43,476
	2,528,804	4,199,115
Changes in non-cash working capital:		
Accounts receivable	4,100	33,214
Accounts payable and accruals	957,318	(220,858)
Prepaid expenses	12,247	(150,904)
Accrued salaries and benefits	181,331	(15,589)
	1,154,996	(354,137)
Cash flow from operating activities	3,683,800	3,844,978
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,266,283)	(470,683)
Proceeds on disposal of property and equipment	-	28,849
Purchase of guaranteed investment certificates	(8,000,000)	-
Change in long term investments - net	39,460	(421,389)
Change in deferred lease inducements	(26,472)	(26,472)
Cash flow used by investing activities	(10,253,295)	(889,695)
FINANCING ACTIVITIES		
Repayment of long term debt	-	(7,360,765)
Repayment of obligations under capital lease	-	(9,376)
Cash flow used by financing activities	-	(7,370,141)
DECREASE IN CASH FLOW	(6,569,495)	(4,414,858)
Cash - beginning of year	11,484,683	15,899,541
CASH - END OF YEAR	\$ 4,915,188	\$ 11,484,683

HEALTH SCIENCES ASSOCIATION OF ALBERTA

Notes to Financial Statements

Year Ended February 28, 2023

1. NATURE OF ORGANIZATION

Health Sciences Association of Alberta (the "Union") is composed of two legal entities being a Society (the Society) incorporated under the Societies Act (Alberta) as a non-profit organization, and a certified Trade Union (the Union) incorporated under the Labour Relations Code (Alberta). The Union's primary function is to represent members in all labour relations and collective bargaining matters with their respective employers/management organizations. The Union is exempt from income tax as a labour organization under the Income Tax Act (Canada). The Society exists primarily for the purpose of holding any real or other property purchased for the benefit of the Union. The Society is exempt from income tax as a non-profit organization under the Income Tax Act (Canada). These financial statements include both Society and Union activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

Fund accounting

Health Sciences Association of Alberta follows the restricted fund method of accounting for contributions. The following funds have been established by the Board of Directors for the purposes stated below.

The Unrestricted Fund accounts for the Union's operation and administrative activities. This fund reports all unrestricted operations.

The Invested in Property and Equipment Fund reports amounts the Union has invested in capital assets.

The Defence Fund may be used in the defence of the members, Union, and/or the labour movement.

The Building Reserve Fund is to be used for major capital building projects and/or mortgage payout.

The Humanitarian/Social Justice Fund may be used for emergent disaster assistance or to foster social justice and trade union solidarity efforts, domestic or international. This Fund is now closed.

The Strike Fund is to be used in the event of a legal strike action or lockout.

The Disaster Relief Fund is to be used to support members who may be displaced from their residences due to a natural disaster including but not limited to wildfires, floods and tornados.

The Operations Fund may be used to enhance the Union's building, systems and equipment.

The Member Engagement Fund may be used for initiatives or projects that promote and enhance member engagement.

Revenue recognition

Revenue is principally derived from members' dues and fees. Member dues are collected and remitted by external organizations that employ the members. In this regard, the Union is dependant on outside organizations to advise of amounts collected from members. Consequently, the Union recognizes revenue only when it is received from outside organizations.

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HEALTH SCIENCES ASSOCIATION OF ALBERTA
Notes to Financial Statements
Year Ended February 28, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment

Property and equipment is recorded at cost. The Union provides amortization on its property and equipment at the following methods and rates

Buildings	4%	Diminishing balance method
Office furniture	20%	Diminishing balance method
Office equipment	20%	Diminishing balance method
Computer equipment	3 years	Straight-line method
Equipment under capital lease	20%	Diminishing balance method

The Union regularly reviews its property and equipment to eliminate obsolete items.

Amortization begins in the month that the asset is put into use. Amortization ends in the month of asset disposal.

Long term investments

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of net income.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates included in these financial statements are the estimated useful life of property and equipment for the purpose of calculating amortization and accrued liabilities. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments

The Union initially measures its financial assets and liabilities at fair value. Subsequent measurement is at amortized cost.

Financial assets measured at amortized cost consist of cash, accounts receivable and long term investments.

Financial liabilities measured at amortized cost include accounts payable and accruals, and accrued salaries and benefits.

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HEALTH SCIENCES ASSOCIATION OF ALBERTA

Notes to Financial Statements

Year Ended February 28, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of write-down is recognized in net income. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount of impairment recognized previously. The amount of the reversal is recognized in net income.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

3. Guaranteed Investment Certificates

	2023	2022
Three 182 day \$1,000,000 non-cashable GIC's with a stated interest rates of 5.12%, maturing on August 28, 2023.	\$ 3,000,000	\$ -
Five one year \$1,000,000 cashable GIC's with a variable interest rate based on prime. Current interest rate is 4.70%, maturing on February 27, 2024.	8,000,000	-
	\$ 11,000,000	\$ -

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	\$ 2,800,980	\$ -	\$ 2,800,980	\$ 2,800,980
Buildings	13,047,615	2,758,342	10,289,273	8,523,765
Office furniture	1,173,695	830,505	343,190	395,893
Office equipment	813,041	423,583	389,458	508,000
Computer equipment	743,342	584,368	158,974	229,811
	\$ 18,578,673	\$ 4,596,798	\$ 13,981,875	\$ 12,458,449

Amortization in the current year totaled \$697,371 (2022 - \$742,147).

5. LONG TERM INVESTMENTS

Long term investments consist of a diversified portfolio of Canadian and US marketable securities. The investments are recorded on the statement of financial position at their fair market value as at the year end date. Changes to the fair market value can and will occur daily and would affect the balance in this account. The fair market value in US dollar based securities that are subject to exchange rate risk is \$1,104,598 in US dollars converted to \$1,503,247 Canadian dollars. The total Canadian dollar cost of all the securities for the year ended was \$8,202,795 (2022 - \$7,832,509).

HEALTH SCIENCES ASSOCIATION OF ALBERTA
Notes to Financial Statements
Year Ended February 28, 2023

6. CREDIT FACILITY

The Union has access to a credit facility with a maximum borrowing amount of \$3,000,000 at an interest rate of prime. This credit facility is secured by the long term investment portfolio as described in Note 5.

As at year end, no amount was drawn against the credit facility. As well, no draws were made during fiscal 2023 and no interest charges were incurred.

7. COMMITMENTS

The Union has committed to a construction contract to expand the Edmonton building at an approximate cost of \$3,850,000. Construction began in fiscal 2023. Costs incurred to date total \$2,109,863 and are included with total building costs in Note 4. The project will be completed in fiscal 2024.

The Union is committed to a 10 year space lease agreement for the Calgary location, that began in September 2018, which includes basic rent and operating costs. The lease will expire in August 2028. The lease agreement includes a provision for a nine month free rent period, the value of which is being amortized over the life of the lease.

Space lease payment schedule including estimated operating costs:

2024	\$	598,332
2025		619,606
2026		619,606
2027		619,606
2028		619,606
Thereafter		309,803
		<hr/>
	\$	<u>3,386,559</u>

HEALTH SCIENCES ASSOCIATION OF ALBERTA
Notes to Financial Statements
Year Ended February 28, 2023

8. TRANSFERS AND RESTRICTIONS

During the year, the Union approved the following inter-fund transfers:

	2023	2022
Defence Fund		
From Unrestricted Fund	\$ 500,000	\$ 268,831
Building Maintenance & Improvements Fund		
To Operations Fund	-	(48,592)
Furniture & Equipment Fund		
To Operations Fund	-	(188,964)
Building Reserve Fund		
From Unrestricted Fund	1,500,000	4,478,205
Humanitarian/Social Justice Fund		
From Unrestricted Fund	-	5,000
To Disaster Relief Fund	(16,182)	-
Strike Fund		
From Unrestricted Fund	500,000	-
Disaster Relief Fund		
From Humanitarian Fund	16,182	-
Members Engagement Fund		
From Unrestricted Fund	1,000,000	2,100,000
Operations Fund		
From Unrestricted Fund	944,500	900,000
From Furniture and Equipment Fund	-	188,964
From Building Maintenance & Improvements Fund	-	48,592
	944,500	1,137,556
	\$ 4,444,500	\$ 7,752,036

The transfers from unrestricted net assets to restricted funds are not available for general purposes without the approval of the Board.

9. FINANCIAL INSTRUMENTS

The Union is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Union's risk exposure and concentration as of February 28, 2023.

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Union is exposed to this risk mainly in respect of its accounts payable and accruals. Prudent liquidity risk management implies that the Union maintains sufficient cash and available funding through an adequate amount of committed credit facilities. The Union considers that it has sufficient credit facilities to ensure that funds are available to meet its current and long-term financial needs, at a reasonable cost.

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HEALTH SCIENCES ASSOCIATION OF ALBERTA
Notes to Financial Statements
Year Ended February 28, 2023

9. FINANCIAL INSTRUMENTS *(continued)*

(b) Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Union is exposed to foreign currency exchange risk on its investments held in U.S. dollars. The Union does not use derivative instruments to reduce its exposure to foreign currency risk.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Union is exposed to interest rate risk primarily through its investment in fixed income investments because the fair value will fluctuate due to changes in market interest rates.

10. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

HEALTH SCIENCES ASSOCIATION OF ALBERTA**Investment income & expenses****(Schedule 1)****Year Ended February 28, 2023**

	2023	2022
INCOME		
Realized gains on disposal of investments	\$ 173,112	\$ 136,759
Interest income	110,132	68,192
Dividend income	87,612	83,014
Unrealized gains (losses)	(345,218)	199,634
	25,638	487,599
EXPENSES		
Investment management fees	65,098	66,210
NET INVESTMENT INCOME	\$ (39,460)	\$ 421,389