

**Unifor Local 2002 Health and
Welfare Trust Fund (formerly
C.A.W. Local 2002 Health and
Welfare Trust Fund)
Financial Statements
For the year ended May 31, 2014**

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(formerly C.A.W. Local 2002 Health
and Welfare Trust Fund)
Financial Statements
For the year ended May 31, 2014**

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Changes in Net Assets Available for Benefits	4
Notes to Financial Statements	5



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Independent Auditor's Report

To the Trustees of Unifor Local 2002 Health and Welfare Trust Fund

We have audited the accompanying financial statements of Unifor Local 2002 Health and Welfare Trust Fund (formerly C.A.W. Local 2002 Health and Welfare Trust Fund) (the "Fund"), which comprise the statement of financial position as at May 31, 2014, 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 in our audit 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, 2014, 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 Accountants, Licensed Public Accountants

Burlington, Ontario

October 22, 2014

**Unifor Local 2002 Health and Welfare Trust Fund
(formerly C.A.W. Local 2002 Health and Welfare Trust Fund)
Statement of Financial Position**

May 31 **2014** **2013**

Assets

Cash	\$ 123,552	\$ 104,137
Investments (Note 2)	605,641	674,034
HST receivable	8,852	5,188
Prepaid expenses	7,779	8,025
	745,824	791,384

Liabilities

Accounts payable and accrued liabilities	26,942	22,808
Deferred contributions	91,513	94,407
	118,455	117,215

Net Assets Available for Benefits **\$ 627,369** **\$ 674,169**

On behalf of the Board:


_____ Trustee


_____ Trustee

**Unifor Local 2002 Health and Welfare Trust Fund
(formerly C.A.W. Local 2002 Health and Welfare Trust Fund)
Statement of Changes in Net Assets Available for Benefits**

For the year ended May 31	2014	2013
Increase in assets		
Contributions		
- Air Canada	\$ 132,627	\$ 135,878
- Aeroplan	27,147	28,738
Investment income	31,607	35,098
	<u>191,381</u>	<u>199,714</u>
Decrease in assets		
Member health benefits	-	380
Administration (Note 5)	13,581	15,090
Audit (Note 5)	6,400	6,235
Legal (Note 5)	1,586	-
Banking charges	167	140
Claims processing fees (Note 5)	192,600	198,900
HST Paid	23,847	20,805
	<u>238,181</u>	<u>241,550</u>
Decrease in net assets	(46,800)	(41,836)
Net assets available for benefits, beginning of year	674,169	716,005
Net assets available for benefits, end of year	\$ 627,369	\$ 674,169

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

**Unifor Local 2002 Health and Welfare Trust Fund
(formerly C.A.W. Local 2002 Health and Welfare Trust Fund)
Notes to Financial Statements**

May 31, 2014

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 recognized is the increase or decrease in the value of the pooled funds as well as realized and unrealized gains 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.

**Unifor Local 2002 Health and Welfare Trust Fund
(formerly C.A.W. Local 2002 Health and Welfare Trust Fund)
Notes to Financial Statements**

May 31, 2014

2. Investments

	2014	2013
CIBC Wood Gundy		
Common stocks	\$ 142,038	\$ 181,249
Fixed income	311,644	176,035
Mutual funds	147,566	312,621
Accrued interest and dividends	4,393	4,129
	\$ 605,641	\$ 674,034

3. 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 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.

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, 2014, 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 \$4,000 (2013 - \$3,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

**Unifor Local 2002 Health and Welfare Trust Fund
(formerly C.A.W. Local 2002 Health and Welfare Trust Fund)
Notes to Financial Statements**

May 31, 2014

3. Financial Instrument Risk (Continued)

Market Risk (continued)

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, 2014, the net assets available for benefits of the Fund would have increased or decreased, respectively, by approximately \$30,000 (2013 - \$34,000). 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, 2014, the following table represents a summary of investments held by level:

	2014	2013
Level 1 - Common stocks and Mutual funds	\$ 293,997	\$ 497,999
Level 2 - Fixed income	311,644	176,035
	\$ 605,641	\$ 674,034

There were no transfers between levels during the year.

**Unifor Local 2002 Health and Welfare Trust Fund
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Notes to Financial Statements**

May 31, 2014

4. 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.

5. Fund Information

(a) Description of Fund Benefits

The following is a brief summary of the Fund benefits:

The Fund provides disability benefits to eligible members of Unifor Local 2002.

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.

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:

	2014	2013
Administration		
Canadian Benefits Consulting Group Ltd.	\$ 13,581	\$ 15,090
Audit		
BDO Canada LLP	\$ 6,400	\$ 6,235
Legal		
Koskie Minsky LLP	\$ 1,586	\$ -
Claims Processing Fees		
Organizational Health Inc.	\$ 192,600	\$ 198,900
(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.)		