MANITOBA ASSOCIATION OF HEALTH CARE PROFESSIONALS

FINANCIAL STATEMENTS

JUNE 30, 2023

INDEPENDENT AUDITOR'S REPORT

To the Executive Council of Manitoba Association of Health Care Professionals:

Qualified Opinion
We have audited the financial statements of Manitoba Association of Health Care Professionals (the Association), which comprise the statement of financial position as at June 30, 2023, and the statement of operations, statement of changes in net assets and statement of cash flows 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 Association as at June 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion
Because an independent valuation was not performed on the accrued pre-retirement obligations and post-employment benefits obligations as at June 30, 2023, we are unable to confirm or verify by alternative means the balance included in the financial statements totaling $334,747. Therefore, we were not able to determine whether any adjustments might be necessary to accrued pre-retirement obligations and post-employment benefits obligations as at June 30, 2023, the corresponding employee future benefits expense and difference between revenues and expenses for the year ended June 30, 2023, and net assets as at June 30, 2023.

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 Association in accordance with the 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 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

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 Association’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 Association’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 Association 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.

Scarrow & Donald LLP

Chartered Professional Accountants
September 13, 2023
Winnipeg, Canada

MANITOBA ASSOCIATION OF HEALTH CARE PROFESSIONALS

STATEMENT OF FINANCIAL POSITION

	June 30 2023	June 30 2022
ASSETS		
Current assets:		
Cash (Note 3)	$ 647,236	$ 1,387,435
Accounts receivable	216,466	214,735
Prepaid expenses	31,610	44,690
	895,312	1,646,860
Restricted investments (Note 4)	3,417,464	3,386,809
Capital assets (Note 5)	115,546	90,300
	$ 4,428,322	$ 5,123,969
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 579,977	$ 456,492
Accrued pre-retirement obligations (Note 6(ii))	334,747	279,669
	914,724	736,161
Net assets:		
Unrestricted	(19,412)	910,699
Invested in capital assets	115,546	90,300
Internally restricted for defense fund (Note 4)	3,211,487	2,871,440
Internally restricted for reserve fund (Note 4)	205,977	515,369
	3,513,598	4,387,808
	$ 4,428,322	$ 5,123,969

APPROVED BY THE EXECUTIVE COUNCIL:

______________________________**Director**

______________________________**Director**

MANITOBA ASSOCIATION OF HEALTH CARE PROFESSIONALS

STATEMENT OF OPERATIONS

	Year ended June 30	
	2023	**2022**
Revenues:		
Membership dues	$ 5,466,940	$ 5,373,346
Investment income	113,488	33,694
Other	3,269	1,410
	5,583,697	5,408,450
Expenses:		
Advertising	656,885	400,682
Amortization	32,548	20,349
Bank fees	232	145
Computer	67,705	45,328
Donations	4,951	4,402
Education and other	117,694	127,374
Employee future benefits	55,078	43,917
Grievance investigator	17,500	42,000
Honoraria	31,918	35,177
Insurance	17,896	14,067
Meetings	483,523	322,709
Membership dues	203,738	2,630
Negotiations and travel	209,313	38,363
Office equipment	110,158	75,972
Occupancy	194,247	187,992
Payroll tax	37,609	28,082
Printing, postage and stationary	95,770	82,555
Professional fees	270,889	138,335
Salaries, wages and benefits	3,822,000	3,341,581
Telephone	28,253	18,685
	6,457,907	4,970,345
Difference between revenues and expenses	$ (874,210)	$ 438,105

MANITOBA ASSOCIATION OF HEALTH CARE PROFESSIONALS

STATEMENT OF CHANGES IN NET ASSETS

	2023					2022
	Unrestricted	**Invested in Capital Assets**	**Internally Restricted for Defense Fund** (Note 4)	**Internally Restricted for Reserve Fund** (Note 4)	**Total**	**Total**
Balance, beginning of year	$ 910,699	$ 90,300	$ 2,871,440	$ 515,369	$ 4,387,808	$ 3,949,703
Difference between revenues and expenses	(947,317)	(32,548)	90,047	15,608	(874,210)	438,105
Purchase of capital assets	(57,794)	57,794	-	-	-	-
Interfund transfer (Note 4)	75,000	-	250,000	(325,000)	-	-
Balance, end of year	$ (19,412)	$ 115,546	$ 3,211,487	$ 205,977	$ 3,513,598	$ 4,387,808

MANITOBA ASSOCIATION OF HEALTH CARE PROFESSIONALS

STATEMENT OF CASH FLOWS

		Year ended June 30	
		2023	**2022**
Cash flow from operating activities:			
Cash receipts from members and other		$ 5,468,478	$ 5,205,973
Cash paid to suppliers and employees		(6,233,716)	(4,730,538)
Investment income		113,488	33,694
		(651,750)	509,129
Cash flow from investing activites:			
Purchase of capital assets		(57,794)	(65,790)
Change in restricted investments		(30,655)	(780,373)
		(88,449)	(846,163)
Net change in cash for the year		(740,199)	(337,034)
Cash, beginning of year		1,387,435	1,724,469
Cash, end of year		$ 647,236	$ 1,387,435

1. Nature and purpose of organization:

The Manitoba Association of Health Care Professionals ("Association") is dedicated to protecting, advocating for and advancing the rights of its members in Manitoba through labour relation activities. The Association acts as a collective bargaining agent on behalf of certified bargaining units comprised of eligible employees in the health care field.

The Association is unincorporated and is exempt from income taxes under Section 149 of *The Income Tax Act*.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

a) Critical accounting estimates and judgments-

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

b) Financial instruments-

Except for certain related party transactions, financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in net income for the period incurred.

2. **Accounting policies** (continued):

b) Financial instruments (continued)-

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs that may incur on sale or other disposal. The Association may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment. The Association measures all financial instruments at amortized cost.

The Association assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest of principal payments in determining whether objective evidence of impairment exists. Impairment is included in current earnings.

c) Employee future pre-retirement benefits-

The cost of the Association's employee future pre-retirement benefits is accrued as earned based on an estimation. The estimation of the employee future pre-retirement benefits payable was performed as at June 30, 2023 using the projected benefit method prorated on years of service and based on best estimate assumptions.

d) Capital assets-

Capital assets are recorded at cost and amortized over their estimated useful lives, except for contributed assets which are recorded at fair market value at the date of contribution plus all costs directly attributable to the acquisition. This requires estimation of the useful life of the asset and its salvage and residual value. When conditions indicate a capital asset is impaired, the excess of its net carrying amount over the asset's fair value or replacement cost is recognized as an expense. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

Capital assets are amortized over the estimated useful life of the asset using the straight-line method as follows:

Computer equipment	3 years
Equipment	5 years
Leasehold improvements	10 years

e) Revenue recognition-

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses occur. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned. Membership dues and other are recognized in the period to which they relate.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

3. Cash:

The Association has an authorized line of credit of $100,000 (2022 - $100,000), bearing interest at prime plus 0.5% with effective rate of 7.45% (2022 - prime plus 0.5% with effective rate of 4.20%). The line of credit is secured by an assignment of deposits and a general security agreement and is subject to annual renewal by the lender. The line of credit was unutilized as at June 30, 2023 and 2022.

4. Net assets internally restricted for defense fund & internally restricted for reserve fund:

The Executive Council has established a defense fund to fund defense of the Association as approved by the Executive Council and a reserve fund to fund unexpected future financial expenditures of the Association as approved by the Executive Council. These internally restricted amounts are not available for other purposes without approval of the Executive Council.

The Association holds restricted investments in a distinct account and investment income earned is transferred to the internally restricted net assets. The restricted investments consist of high rate saving accounts with an interest rate at 3.50% (2022 - 1.6%).

During the year ended June 30, 2023, $250,000 has been transferred from the reserve fund to the defense fund and $75,000 has been transferred from the reserve fund to unrestricted net assets (2022 - $250,000 transferred from unrestricted net assets to the reserve fund and $500,000 transferred from unrestricted net assets to the defense fund).

5. Capital assets:

	June 30			
	2023		2022	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	$ 207,508	$ 154,535	$ 159,441	$ 134,700
Equipment	222,409	204,893	218,414	199,169
Leasehold improvements	202,903	157,846	197,171	150,857
	$ 632,820	$ 517,274	$ 575,026	$ 484,726
Net book value	$ 115,546		$ 90,300	

6. Employee future benefits:

(i) Defined contribution pension plan-

Substantially all of the employees of the Association participate in the Unifor Multi-Employer Pension Plan (the Plan), which is a multi-employer defined contribution pension plan. The contributions are held in trust by the plan administrator and are not presented as assets or liabilities in these financial statements. The Association matches employee contributions at a rate of 18% of the employee's salary.

Contributions to the Plan made during the year by the Association on behalf of its employees amounted to $473,041 (2022 - $410,844) and are included in salaries and benefits expenses in the statement of operations. The Association has no contingent liability or obligation for future contributions to fund future benefits to plan members.

(ii) Accrued pre-retirement obligations-

The Association's contractual commitment for the pre-retirement entitlement is five days of salary per year of service to employees under the collective bargaining agreement with the Unifor Local 191 upon retirement. This plan is unfunded and the assumptions adopted in measuring the Association's retirement entitlement include actual periods of service. As at June 30, 2023 and 2022, the Association's unfunded future employee benefit liability is as follows:

	June 30	
	2023	**2022**
Future employee benefit, beginning of year	$ 279,669	$ 235,752
Benefit additions expensed during the year	55,078	43,917
Future employee benefit, end of year	$ 334,747	$ 279,669

(iii) Post-employment benefits obligations-

Employees enrolled in the extended health benefit plan provided by the Association who retire from the Association and commence drawing a pension benefit from Unifor Multi-Employer Pension Plan shall be entitled to the agreed to retiree dental, extended health and/or Vision Care benefit including spousal coverage, subject to specific conditions. This plan is unfunded and the assumptions adopted in measuring the Association's retirement entitlement include actual periods of service on a discounted basis. The estimated liability is not significant and a liability has not been recorded in these financial statements.

7. Lease commitments:

The Association has an operating lease for its premises with annual payments of $166,972 expiring in January 2030. The Association also has operating leases for equipment expiring from November 2024 to August 2025 (2022 - November 2024 to August 2025).

The minimum annual lease payments for the next five years are as follows:

2024	$	214,686
2025		210,373
2026		204,267
2027		203,013
2028		203,013

8. Risk management:

Management's risk management policies are typically performed as a part of the overall management of Association's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Association is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the Association, management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them include the following:

Liquidity risk-
Liquidity risk is the risk that the Association cannot meet its financial obligations associated with financial liabilities in full. The Association's main sources of liquidity are its operations and external contributions. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Association's financial obligations associated with financial liabilities.

Credit risk-
Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Association has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Association also may review credit history before establishing credit and review credit performance. No allowance for doubtful accounts has been recorded for accounts receivable for 2023 or 2022.

Interest rate risk-
Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. Obtaining restricted investments with short-term variable interest rates minimizes price risk.