



2018-2019 ANNUAL REPORT

AIR CANADA PILOTS ASSOCIATION



ADVANCING PILOTS' CAREERS, COMPENSATION & SAFETY

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ACPA is proud to showcase member-submitted photos that appeared in past issues of the *ACPA Digest* in this year's *Annual Report*. See page 31 for photo credits for front and back cover photos.

Who We Are

Canada's **largest** single group of professional pilots.
4,300 members strong and growing.

What We Do

We **represent** our members through the bargaining process and on individual issues.

We **engage** our members through regular interactions with their elected representatives.

We **advocate** on critical industry and aviation issues with all levels of government.

Our Values

Safety & Security

We are committed to the safety and security of our passengers, aircraft, and the public.

Integrity & Respect

We strive each day to uphold high standards of integrity and respect accorded to our profession.

Professionalism & Career Development

We are committed to advancing our profession, working conditions, compensation, and benefits.

2019 Budget Forecast

- Membership Dues** Continue to increase member services without increasing dues rates.
- Operating Expenses** Prudently manage operating expenses.
- Operational Reserve Fund & Contingency Fund** Strive to increase reserve balance year-over-year.

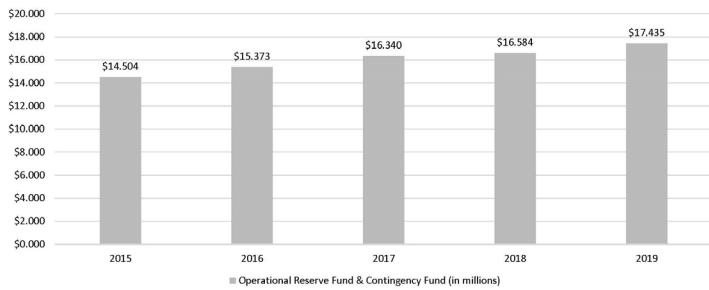
2019 Results

The current dues rate of 1.37% has remained unchanged since 2016.

Revenue exceeded expenditures by \$211,907 before additional investment income of \$639,079, resulting in an overall operating surplus of \$850,986.

Year-over-year increase from \$16.5 million to \$17.4 million.

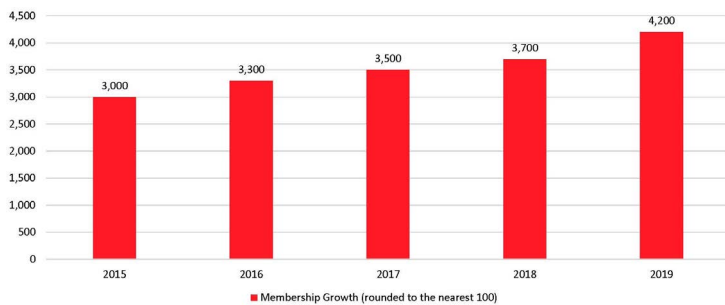
Operational Reserve Fund & Contingency Fund



Operational Reserve and Contingency Funds represent the financial resources of the Association. Over a five-year period, from 2015-2019, assets have grown by \$3 million.

Refer to page 9 for more information about reserve funds and how they are managed.

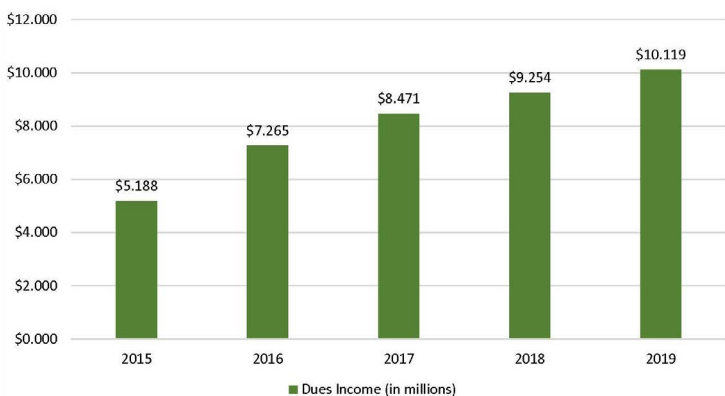
Membership Growth



The number of members serviced by the Association grew by **more than 40%** over the last five years.

For more information about how ACPA manages member dues, please see page 8.

ACPA Dues Income



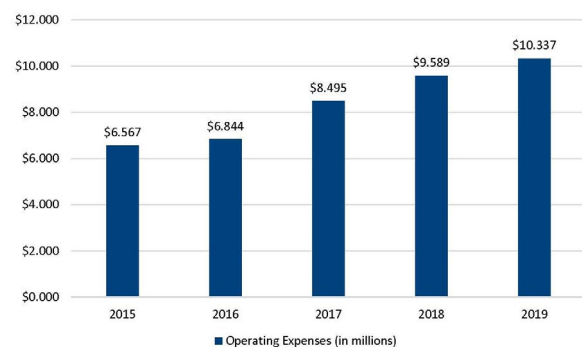
ACPA's dues rate has been unchanged since 2016, at 1.37%, slightly below the 10-year average of 1.4%.

Details on how ACPA manages Association income are available on page 8.



Photo courtesy of First Officer Dean Serrao

Operating Expenses



Despite a 40% growth in total membership over the past five years, operating expenses to service ACPA members grew by only **12.3%**.

Additional background on how ACPA manages the Association's operating expenses is found on pages 10-11.



Fellow pilots,

As an Association, we are accountable to the members we serve and who have entrusted us to represent your interests and our profession. We understand that our performance is not measured solely by our financial results, but also through the decisions we make and the outcomes we achieve on your behalf.

At our core, your MEC and our many volunteers work together for our members – as advocates and problem solvers in increasingly complex areas of collective bargaining, contract enforcement, regulations, and risk management. Along with a newly appointed CEO, your MEC is striving for greater efficiency and effectiveness.

In a recent survey, we asked for your insights into the areas that matter to you. You gave us a high degree of clarity: members and your MEC are very clearly unified on our two most important priorities: collective bargaining and contract enforcement. These shared interests will help ensure that we continue to place the greatest priority in these areas.

It is for this reason that our Association must endeavour to preserve our strong financial position so we are well equipped to advocate on behalf of our members, given the significant challenges that lie immediately ahead – including bargaining under the 10-year framework, a potential airline merger, and the Company's implementation of the new fatigue regulations.

As we head into 2020, your MEC is committed to maintaining our focus on what is important – the pursuit of improvements for our members while dedicating ourselves to strong governance and prudent financial management – each and every day.

In solidarity,

A handwritten signature in black ink, which appears to read "Michael McKay". The signature is fluid and cursive, written over a white background.

Captain Michael McKay
MEC Chair

February 2020

MESSAGE FROM THE CEO



Dear ACPA members,

In my first few months with the Air Canada Pilots Association, I have been fortunate to meet with many members embarking on their career with Air Canada, those retiring after years of esteemed service, and a significant number who are between these two milestones.

For those familiar with the many hats I have previously worn – Air Canada line pilot, CALPA member and volunteer, and aviation executive – I am often asked why I joined ACPA. The answer is simple: as a lifelong pilot, I thought I could be helpful to your Association and to the advancement of our shared profession. I am pleased to report that I am fully engaged in my efforts to make a positive contribution – and I look forward to continuing to do so in the months ahead.

To be effective in my role, it is essential for me to understand how members feel about ACPA. In addition to the feedback I receive from you in one-on-one conversations, emails, telephone calls, and local membership meetings, your MEC and I recently conducted a series of membership surveys that clarified for me what members feel we are doing well and where we need to do better. Your input has never been more important, and I would like to thank those of you who shared your perspective.

One of the key messages I heard is that we need to provide you with greater transparency on Association finances. I hope this annual report will demonstrate that ACPA has its financial house in order – with a strong balance sheet and well-funded reserves. But even more importantly, this report aims to provide members with a deeper understanding of how the Association operates, including the checks and balances in place to ensure we safeguard your resources.

Moving forward, in partnership with the MEC, we will execute on shared objectives that are driven by member input. We also have the support of dedicated, professional staff who recognize the importance of financial prudence and continuous improvement.

My strategy for ACPA can be summed up in four Rs: responsible, respected, reliable, and relevant. These four Rs guide each and every initiative we undertake on your behalf.

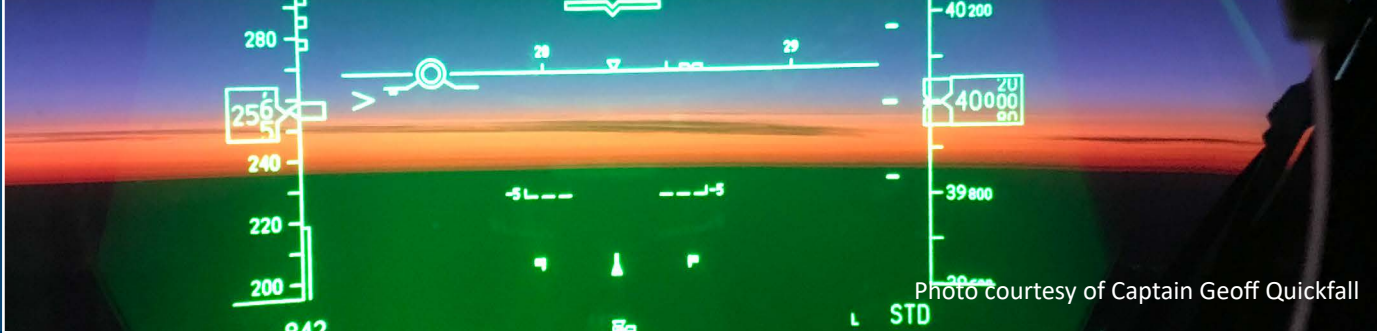
I am pleased to support your MEC in their efforts to fight for you and your fellow members. As we enter a new chapter in ACPA's history, I look forward to seeing what we can accomplish together.

Sincerely,

A handwritten signature in black ink that reads "Rob Giguere". The signature is written in a cursive, flowing style.

Rob Giguere
Chief Executive Officer

February 2020



The MEC works closely with the CEO to ensure financial oversight and risk management, as well as leadership of Local Elected Councils (LECs) and MEC Committees.

The CEO is responsible for ACPA’s business operations, including its headquarters in Mississauga and three regional offices in Montreal, Winnipeg, and Vancouver.

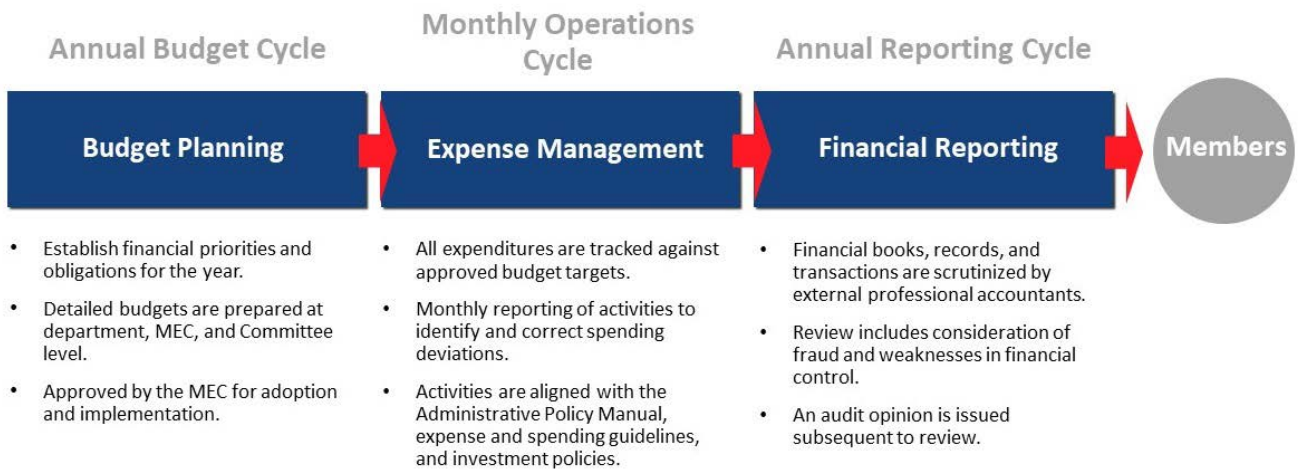
ACPA’s Finance Department, on behalf of the CEO, is responsible for the design, oversight, and administration of the Association’s finances. This includes tracking the expenses of the MEC, related Committees, and professional staff.

The MEC also appoints a group of experienced volunteers to the Finance, Audit & Investment Committee.

ACPA’s Finance, Audit & Investment Committee provides oversight of the Association’s accounting and financial reporting practices, monitors investment policies and practices, maintains its internal financial controls, and oversees compliance with sound business practices.

Using external, independent auditors, the Committee oversees annual audits of ACPA’s financial statements and those of its Benefits and Welfare Trust. The Finance, Audit & Investment Committee also ensures the independence and rigour of ACPA’s external auditors. See box below for Committee members.

How ACPA Prepares Its Budget



Finance, Audit & Investment Committee

2018-2019 Members

First Officer J.F. Brunet (Chair)
 First Officer Rowan Massey
 First Officer Tom Sheridan

Once an annual budget is reviewed by the Finance, Audit & Investment Committee, and ultimately approved by the MEC, only authorized staff and ACPA representatives can undertake or authorize financial transactions.

This authority is set out in the Administrative Policy Manual (Section 3.02-3.03). The financial activities are tracked and reported monthly.

As mentioned, an independent review of ACPA’s financial results is conducted by a third-party audit firm. The Association’s *2018-2019 Audited Financial Report* is available on pages 12-27.

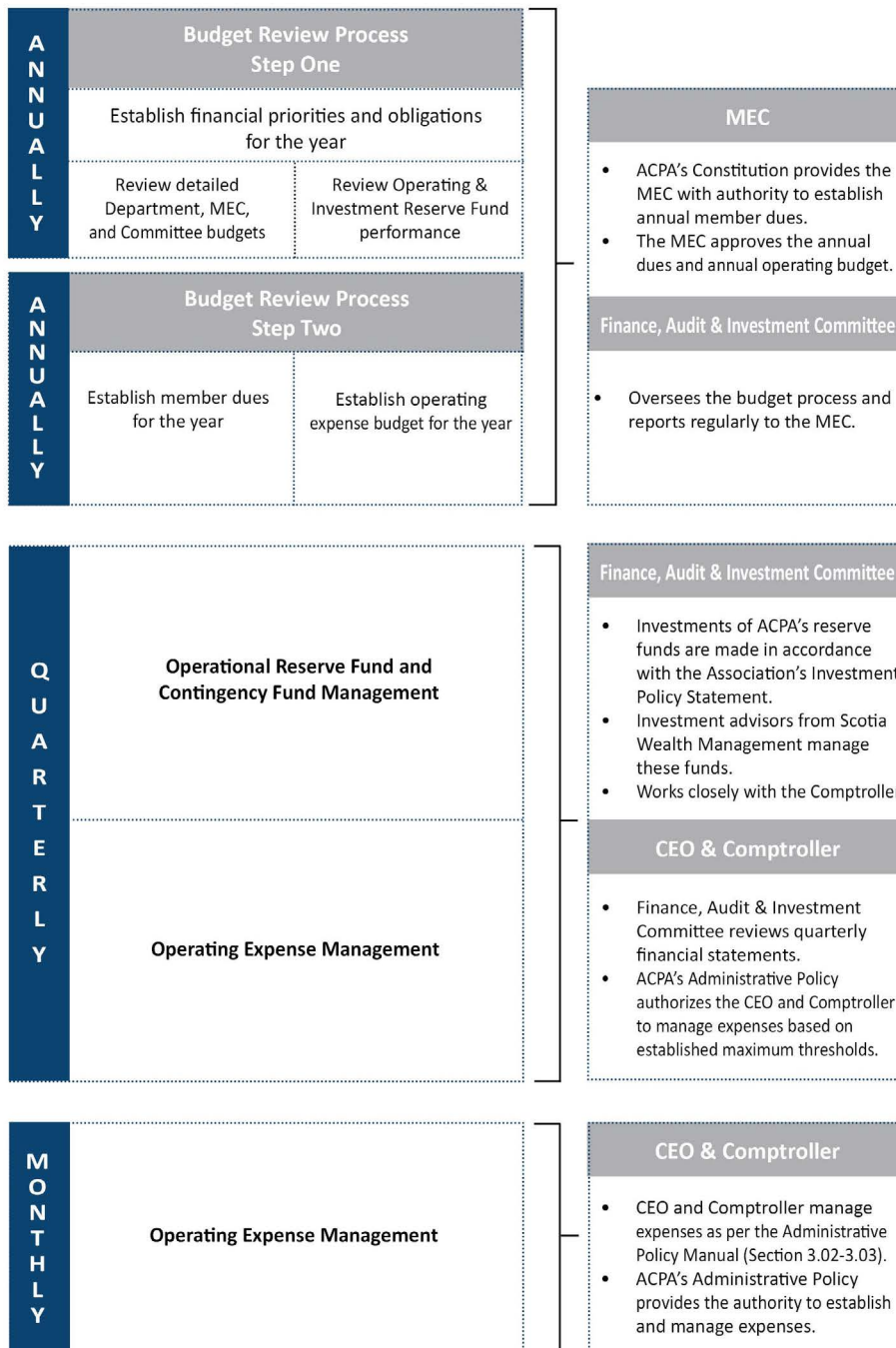
Financial Management of Dues and Expenditures

ACPA's Administrative Policy Manual (APM) defines the following areas relating to the financial management of dues and expenditures:

- Spending limits and signing authority
- Expense guidelines and volunteer reimbursement matrix
- Investment Policy Statement
- Financial reporting requirements
- Establishment of reserve funds
- Pilot displacement guidelines

ACPA's Constitution defines dues rates. Refer to page 8 for details.

Budget & Accounting Cycle



As per ACPA’s Constitution, member dues are calculated:

- as a percentage of gross income,
- within a range of 0.50% to 2.10%, and
- as determined by the MEC.

The MEC has established the current dues rate —1.37% — which has remained unchanged since 2016. Looking back a decade, ACPA’s dues have fluctuated over the years, including a period of significant volatility for Association members.

ACPA has maintained its current dues rate over the last five fiscal years – a period during which the Association also undertook significant enhancements to ensure longer-term benefits for its pilot group. These include upgrading or modernizing facilities, overhauling its IT infrastructure, and increasing professional staff to better serve members.

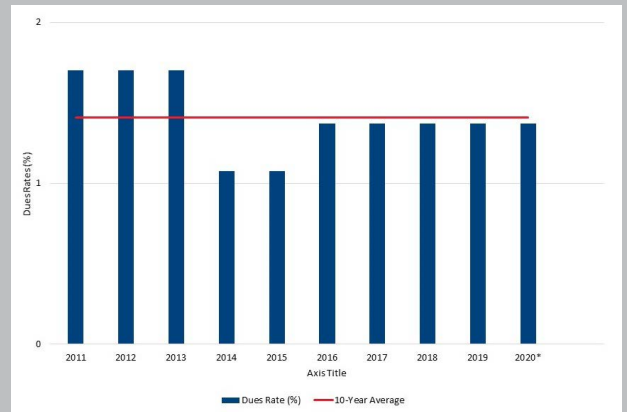
A stable dues rate results from ACPA’s ability to forecast with accuracy, manage its operating budget responsibly, and eliminates the need to borrow money or financially leverage the Association. This financial rigour has ensured that ACPA has operated within its means - **without drawing down any money from reserves.**

When there are operating surpluses, funds are automatically transferred into the reserve and reinvested (see Reserve Funds & Investments on page 9).

How does a stable dues rate help ACPA and its members?

- Allows accurate forecasting in carrying out planned services.
- Ensures operating budget can be managed responsibly.
- Eliminates the need to borrow money or financially leverage the Association in any way.

Member Dues Rate: 2011-2020



* When approving the budget for the 2020 fiscal year (July 1, 2019 - June 30, 2020), the MEC set the dues rate at 1.37%.

Member Dues Revenue: 2015-2019

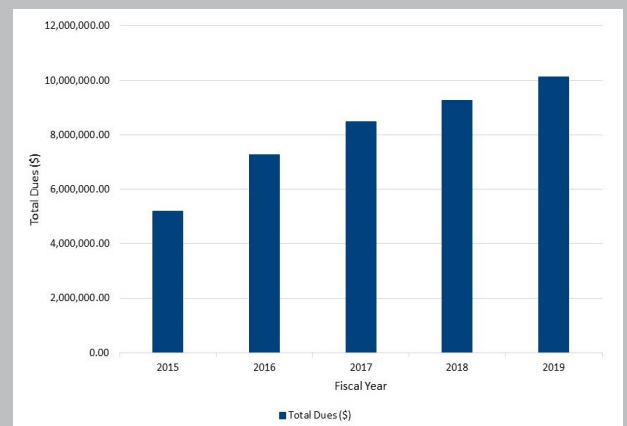


Photo courtesy of Captain Maureen Garvey

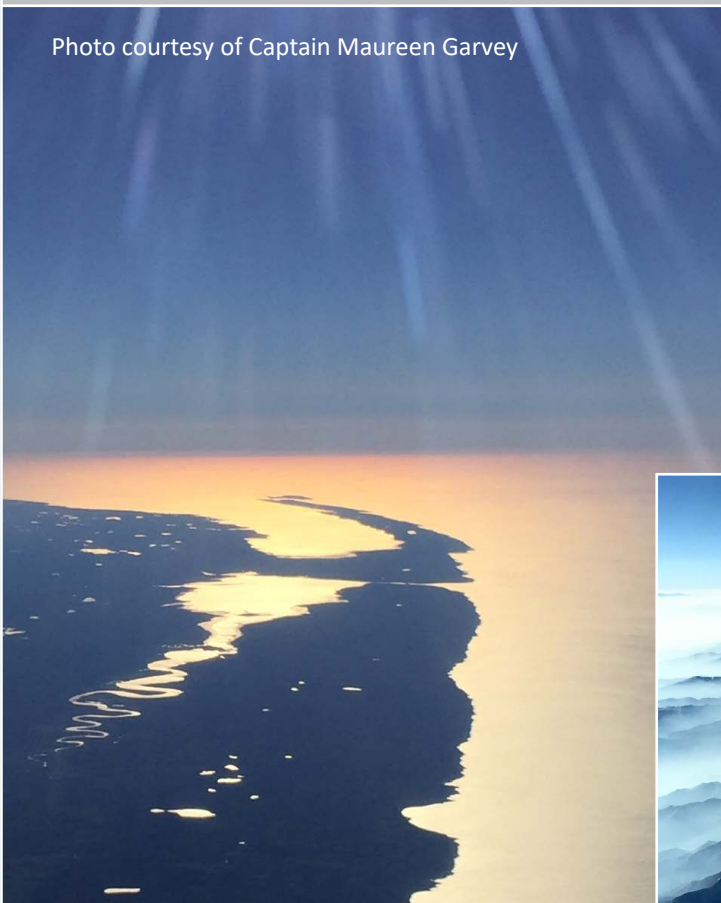


Photo courtesy of First Officer Martin Toumbev



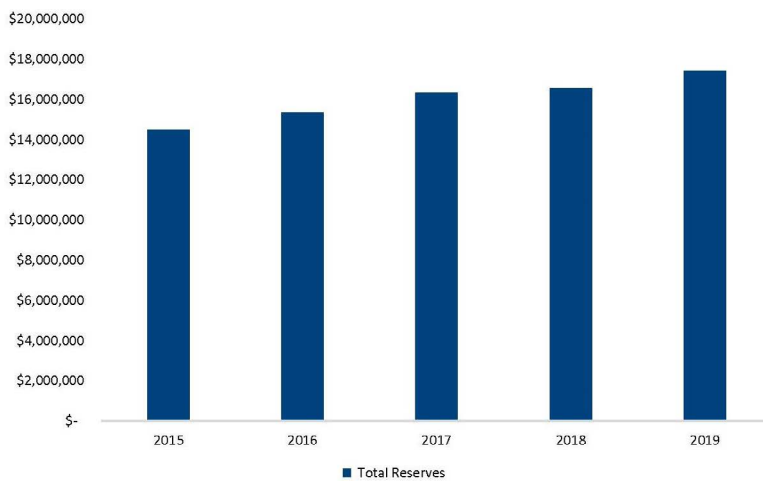
The net assets of the Association are held in the Operational Reserve and Contingency Funds.

When the Association spends less than it brings in, it generates an operating surplus. These surplus funds are redirected to ACPA's reserve funds.

By active and conservative financial management, ACPA has generated an operating surplus over the past four years. Prudent fiscal management, including spending within its means, has enabled ACPA to maintain a stable dues rate over time, despite planned activities like bargaining, or unplanned activities such as a potential airline merger.

ACPA's reserve funds and investments represent a stable financial base – an essential foundation that will help the Association meet the growing needs of its members and strengthen its financial future.

Operational Reserve Fund & Contingency Funds



What do these funds represent?

These Operational Reserve and Contingency Funds represent the financial resources of the Association. Over a five-year period, from 2015 to 2019, these assets have grown by \$3 million to \$17 million.

With more than \$17 million in assets in 2019, one of ACPA's most important guiding principles is to grow the assets in its reserves in a prudent manner over time. This ensures the Association has a high degree of financial liquidity to weather any significant events that might require cash resources.

The Finance, Audit & Investment Committee supports the MEC in overseeing the Association's financial assets and funds in accordance with ACPA's *Statement of Investment Policy*. This statement sets out financial objectives and elaborates on investment policies to support Association goals that will allow it to achieve meaningful returns. See Financial Oversight & Management on page 6.

Finance, Audit & Investment Committee members and ACPA professional staff meet with Scotia Wealth Management advisors on a quarterly basis to review the status of the financial returns, assess risk tolerance levels, and set financial goals. The group reports regularly to the MEC and to Association members via the audited financial statements posted on the ACPA members-only website.

Photo courtesy of First Officer Andre Cormier



Photo courtesy of Captain Oliver Goudreau



2018-2019 OPERATING EXPENSES

Should ACPA regularly generate a surplus?

ACPA is incorporated as a not-for-profit association, and does not pay taxes. Not-for-profits are typically not intended to generate consistent surpluses from operations.

The Association budgets extremely conservatively, and often plans for a deficit – but also provides extensive oversight on day-to-day operations and spending. In 2019, ACPA was able to achieve a surplus.

When there is a surplus, it is deposited in the Operational Reserve and Contingency Funds and reinvested to strengthen the financial position of the Association.

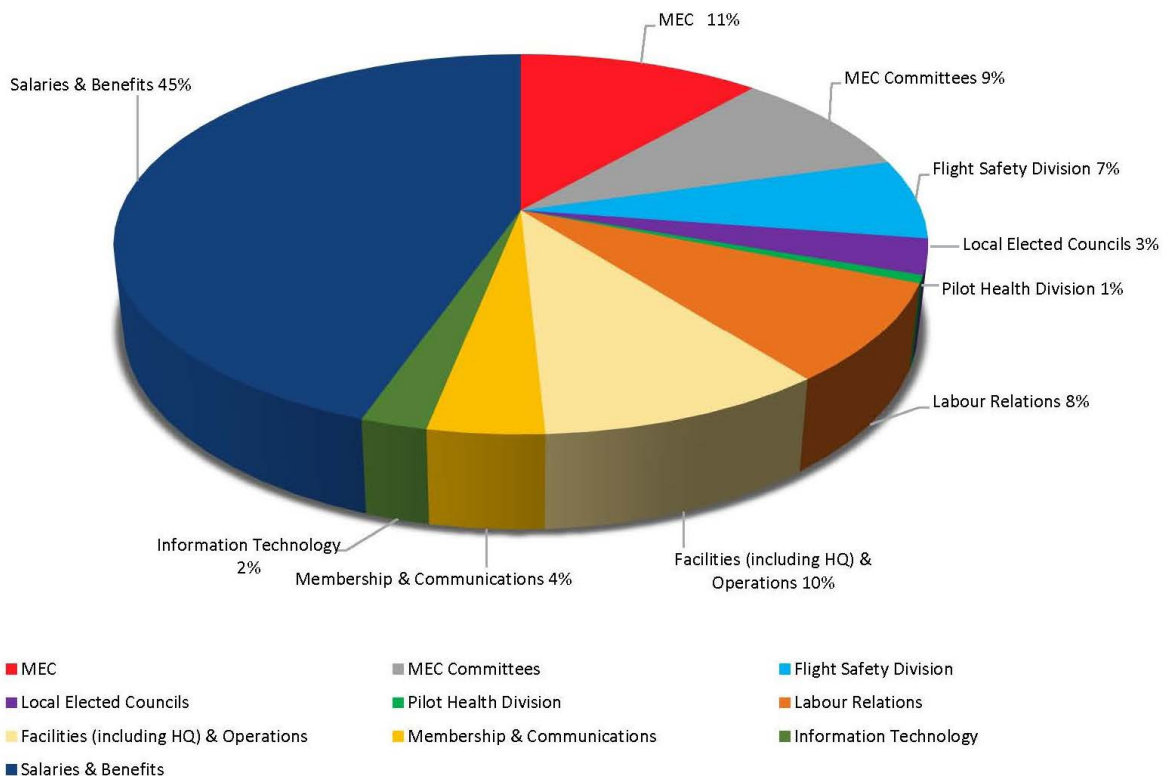
In the 2018-2019 fiscal year, ACPA budgeted \$10.5 million for operating expenses but \$10.3 million was actually spent. Consequently, the Association ended the year with an operating surplus of more than \$200,000, compared to a deficit the previous year.

No surplus or investment assets were used during the 2018-2019 fiscal year to fund ACPA operations, despite a significant increase in membership growth.

Salaries & Benefits includes skilled professional staff employed in labour relations, finance, member communications and government relations, information technology, human resources, and administration.

Specialized external resources are hired to supplement the Association’s internal professional staff resources in supporting members on grievances, arbitrations, contract enforcement, collective bargaining, and government relations.

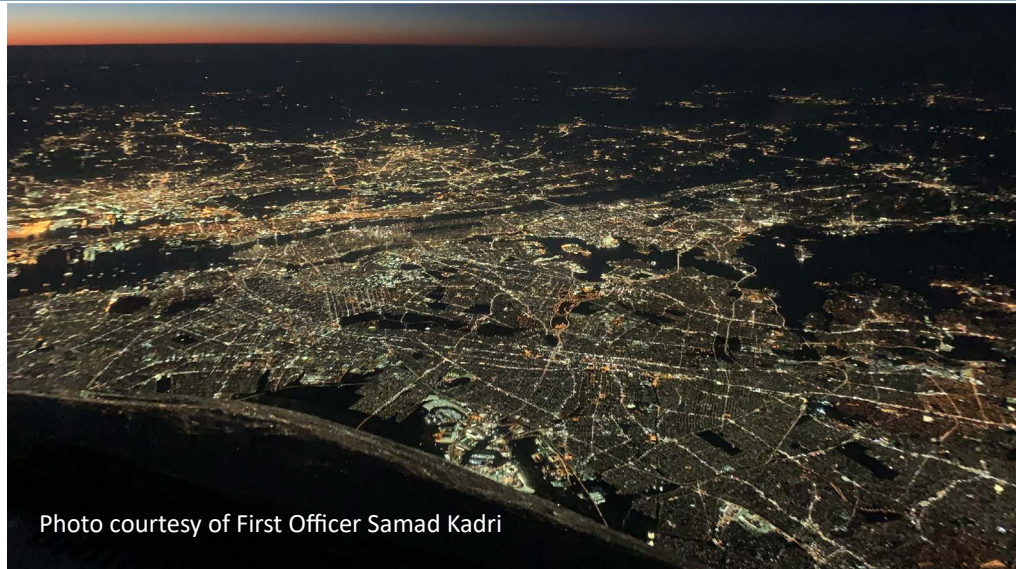
How ACPA Spends Membership Dues



Committees regularly update the MEC on their activities through a formal reporting process.

Committee expenses are managed through a budgeting process, which is overseen by ACPA's Finance Department.

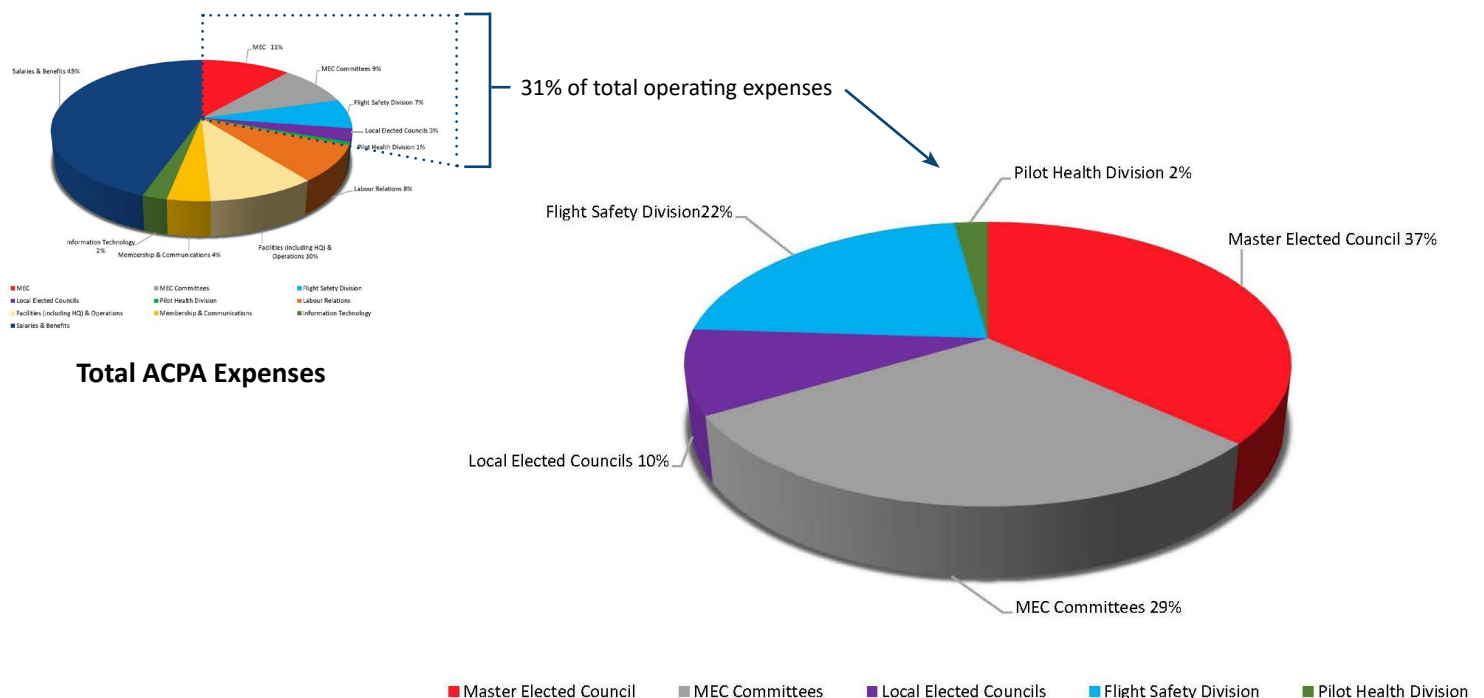
Expenses are monitored monthly and reviewed by staff and the Association's Finance, Audit & Investment Committee. For more information, please refer to pages 6 and 7.



In Focus: Operating Costs of MEC and Pilot-Led Committees

The financial operation of the Committee structure accounted for approximately 31% of the Association's total \$10.3 million operating expenses for the 2018-2019 fiscal year. Total Committee expenses, as illustrated in the chart below, were \$3.2 million.

MEC Committees encompass those that are very active on members' behalf, including: Scheduling and Pay Claims, Preferential Bidding System (PBS), Meals and Accommodations Standards (MASC), and Member Services.



MEC and Pilot-Led Committee Expenses

Air Canada Pilots Association
Financial Statements
For the year ended June 30, 2019

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Independent Auditor's Report

To the Members of Air Canada Pilots Association

Qualified Opinion

We have audited the financial statements of Air Canada Pilots Association ("ACPA" or the "Association"), which comprise the statement of financial position as at June 30, 2019, and the statements of operations, changes in net assets and 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 matters 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, 2019, and the results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

The Association records revenues from members' active dues only to the extent those active dues are reported to the Association. The scope of our audit did not extend to an examination of the payroll records of the contributing organization. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Association. Therefore, we were not able to determine whether any adjustments might be necessary to member active dues, excess of revenues over expenses, and cash flows from operations for the years ended June 30, 2019 and 2018, current assets as at June 30, 2019 and 2018, and net assets as at June 30 and July 1 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended June 30, 2019 was modified accordingly because of the possible effects of this limitation in 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 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 these 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 qualified 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.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 qualified 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
November 27, 2019

Air Canada Pilots Association
Statement of Financial Position

June 30 **2019** **2018**

Assets

Current

| | | |
|---|--------------|------------|
| Cash | \$ 1,873,932 | \$ 811,541 |
| Restricted cash (Note 2) | 517,792 | 463,870 |
| Investments - operational reserves (Note 3) | 11,799,277 | 12,347,713 |
| Investments - contingency trust fund (Note 4) | 4,018,697 | 3,873,697 |
| Accounts receivable | 2,961 | 19,215 |
| Prepaid expenses | 125,597 | 125,597 |
| Due from Air Canada (Note 5) | 1,143,968 | 1,067,115 |

19,482,224 **18,708,748**

Capital assets (Note 6)

1,523,481 **1,573,430**

\$ 21,005,705 **\$ 20,282,178**

Liabilities and Net Assets

Current

| | | |
|---|--------------|--------------|
| Accounts payable and accrued liabilities (Note 16) | \$ 1,879,846 | \$ 1,975,359 |
| Due to ACPA Benefits and Welfare Plan Trust Fund (Note 7) | 312,503 | 291,574 |

2,192,349 **2,266,933**

Leasehold inducement

923,742 **997,561**

Deferred contributions (Note 15)

454,267 **433,323**

3,570,358 **3,697,817**


Net assets

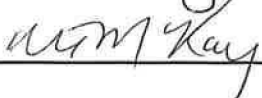
| | | |
|----------------------------------|------------|------------|
| Operational reserve fund | 11,341,888 | 10,614,566 |
| Internally restricted | 4,569,978 | 4,396,365 |
| Funds invested in capital assets | 1,523,481 | 1,573,430 |

17,435,347 **16,584,361**

\$ 21,005,705 **\$ 20,282,178**

On behalf of the Board:





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

Air Canada Pilots Association Statement of Operations

| For the year ended June 30 | 2019 | 2018 |
|--|-------------------|-------------------|
| Revenue | | |
| Member active dues | \$ 10,118,985 | \$ 9,254,385 |
| Pilot to pilot contributions (Note 15) | 260,275 | 147,594 |
| Other income | 170,064 | 2,694 |
| | 10,549,324 | 9,404,673 |
| Expenditures | | |
| Salaries and benefits | 4,615,567 | 4,258,614 |
| Master Elected Council (Note 13) | 1,180,987 | 786,986 |
| Headquarters | 1,003,724 | 844,313 |
| Committees | 948,771 | 987,604 |
| Labour relations (Note 11) | 873,839 | 1,062,140 |
| Flight safety division | 700,448 | 344,833 |
| Membership and communications | 404,253 | 561,126 |
| Local Executive Council | 309,650 | 315,793 |
| Information technology | 232,053 | 365,412 |
| Pilot health division | 68,125 | 62,614 |
| | 10,337,417 | 9,589,435 |
| Excess (deficiency) of revenue over expenditures for the year from operations | 211,907 | (184,762) |
| Investment income (Note 12) | 639,079 | 428,342 |
| Excess of revenue over expenditures for the year | \$ 850,986 | \$ 243,580 |

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

Air Canada Pilots Association Statement of Changes in Net Assets

For the year ended June 30

| | Operational Reserve Fund | Contingency Fund | Social Fund | Total Internally Restricted | Funds Invested in Capital Assets | Total 2019 | Total 2018 |
|------------------------------------|--------------------------------|---------------------|-----------------|-----------------------------------|---|---------------------|---------------|
| Balance , beginning of year | \$10,614,566 | \$4,338,923 | \$57,442 | \$4,396,365 | \$1,573,430 | \$16,584,361 | \$16,340,781 |
| Excess (deficiency) of | | | | | | | |
| revenue over expenditures | 1,099,191 | - | - | - | (248,205) | 850,986 | 243,580 |
| Purchase of capital assets | (198,256) | - | - | - | 198,256 | - | - |
| Interfund transfers (Note 14) | (173,613) | 185,677 | (12,064) | 173,613 | - | - | - |
| Balance , end of year | \$11,341,888 | \$4,524,600 | \$45,378 | \$4,569,978 | \$1,523,481 | \$17,435,347 | \$16,584,361 |

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

Air Canada Pilots Association Statement of Cash Flows

| For the year ended June 30 | 2019 | 2018 |
|--|---------------------|--------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess of revenue over expenditures for the year | \$ 850,986 | \$ 243,580 |
| Adjustments to reconcile excess of revenue over expenses for the year to net cash provided by operating activities | | |
| Amortization | 248,205 | 218,094 |
| Unrealized losses (gains) on investments (Note 12) | 62,580 | 24,906 |
| Amortization of leasehold inducement | (95,669) | (15,944) |
| Changes in non-cash working capital balances | | |
| Accounts receivable | 16,254 | (3,470) |
| Due from Air Canada | (76,853) | (129,706) |
| Accounts payable and accrued liabilities | (95,513) | 892,704 |
| Leasehold inducement | 21,850 | 941,843 |
| Deferred contributions | 20,944 | 104,413 |
| Due to ACPA Benefits and Welfare Plan Trust Fund | 20,929 | 30,196 |
| | 973,713 | 2,306,616 |
| Investing activities | | |
| Purchases of investments | (7,359,577) | (6,626,584) |
| Proceeds from sale of investments | 7,700,433 | 5,382,251 |
| Purchase of capital assets | (198,256) | (919,593) |
| Increase in restricted cash | (53,922) | (87,983) |
| | 88,678 | (2,251,909) |
| Increase in cash during the year | 1,062,391 | 54,707 |
| Cash, beginning of year | 811,541 | 756,834 |
| Cash, end of year | \$ 1,873,932 | \$ 811,541 |

Air Canada Pilots Association

Notes to the Financial Statements

June 30, 2019

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Organization

The Air Canada Pilots Association was established in May 1995. It was established as a non-profit organization to further the best interests of the Air Canada Pilots. The Association is organized and directed by the membership, for the benefit of the membership, and is founded on the principle of providing each member, to the maximum extent practical, an opportunity to direct the Association's leadership in the conduct of its affairs. Accordingly, the Association is dedicated to ensuring an equal voice for all Air Canada Pilots in the management of the relationship with employers and the regulatory bodies, and in the continued efforts to promote the well-being of the membership and their families.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Use of Estimates

The preparation of the Association's financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates made.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, investments are reported at fair value, with unrealized gains and losses reported in operations. All other financial instruments are subsequently reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Air Canada Pilots Association

Notes to the Financial Statements

June 30, 2019

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Leasehold Inducement

The leasehold inducement represents a free-rent period, a tenant inducement and rent escalation on premises leases. The total lease costs are recorded on a straight-line basis over the term of the lease.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization, based on the estimated useful life of the assets, is calculated at the following annual rates:

| | |
|------------------------|----------------------------|
| Computer equipment | 30% declining balance |
| Computer software | 5 - year straight line |
| Furniture and fixtures | 20% declining balance |
| Leasehold improvements | over the term of the lease |
| Telephone equipment | 20% declining balance |

Revenue Recognition and Funds

The Association follows the deferral method of accounting for revenue. Unrestricted contributions are recognized as revenue when received, while restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Member Active Dues

Member active dues are withheld from members' pay by Air Canada on behalf of ACPA. Revenue is recorded as earned in the period when the underlying services are provided by the employee to Air Canada.

Investment Income

Investment income includes interest and dividends earned on bonds and Canadian equity instruments, in addition to realized gains and losses and unrealized mark to market gains and losses.

Air Canada Pilots Association

Notes to the Financial Statements

June 30, 2019

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Pilot to Pilot Program

The Pilot to pilot program is funded through employment insurance rebates received by Air Canada and transferred to the ACPA to fund certain specific employee assistance programs. Contributions are recorded when the amounts are received as it is not possible to estimate the ultimate amounts that will eventually be collected. As the use of the funds is restricted by agreement with Air Canada, restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Operational Reserve Fund

The Operational Reserve Fund is used to account for operating expenditures of the Association and the unrestricted revenues financing those operations. It is financed by the Members' Active Dues as determined by the Master Elected Council.

Contingency Fund

The fund was established to assist in financing the investigation of an aircraft accident, in the event of future industrial actions or for extraordinary purposes as approved by a vote of the membership. The fund's purpose has been internally restricted, and as such is segregated in a separate fund.

Social Fund

The Social fund was established to assist in financing various social activities and other expenditures made for the benefit of Local Council Members. The fund's purpose has been internally restricted, and as such is segregated in a separate fund.

Air Canada Pilots Association Notes to the Financial Statements

June 30, 2019

2. Restricted cash

| | 2019 | 2018 |
|---------------------|-------------------|------------|
| Pilot to Pilot fund | \$ 489,727 | \$ 429,767 |
| Social fund | 28,065 | 34,103 |
| | \$ 517,792 | \$ 463,870 |

3. Investments - Operational Reserves

| | 2019 | 2018 |
|--------------------|----------------------|---------------|
| Cash | \$ 540,823 | \$ 1,456,392 |
| Bonds | 6,028,884 | 6,125,576 |
| Equity instruments | 5,229,570 | 4,765,745 |
| | \$ 11,799,277 | \$ 12,347,713 |

The bonds have interest rates ranging from 2.540% to 6.500% (2018 - 2.100% to 6.500%) with maturity dates ranging from September 2021 to December 2108 (2018 - December 2020 to June 2037).

4. Investments - Contingency Trust Fund

| | 2019 | 2018 |
|--------------------|---------------------|--------------|
| Cash | \$ 215,617 | \$ 195,158 |
| Bonds | 2,044,420 | 2,061,839 |
| Equity instruments | 1,758,660 | 1,616,700 |
| | \$ 4,018,697 | \$ 3,873,697 |

The bonds have interest rates ranging from 2.540% to 6.500% (2018 - 2.100% to 6.500%) with maturity dates ranging from September 2021 to December 2108 (2018 - December 2020 to June 2037).

Air Canada Pilots Association Notes to the Financial Statements

June 30, 2019

5. Due from Air Canada

The amount due from Air Canada is non-interest bearing, unsecured and was received subsequent to year-end.

6. Capital Assets

| | 2019 | | 2018 | |
|---------------------------|---------------------|-----------------------------|--------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Computer equipment | \$ 98,158 | \$ 46,834 | \$ 61,328 | \$ 32,729 |
| Computer software | 103,192 | 7,946 | 79,461 | - |
| Furniture and fixtures | 504,444 | 237,673 | 449,778 | 171,159 |
| Leasehold improvements | 1,374,042 | 284,721 | 1,291,013 | 130,286 |
| Telephone equipment | 108,748 | 87,929 | 108,748 | 82,724 |
| | \$ 2,188,584 | \$ 665,103 | \$ 1,990,328 | \$ 416,898 |
| Net Book Value | | \$ 1,523,481 | | \$ 1,573,430 |

7. Due to ACPA Benefits and Welfare Plan Trust Fund

The amount is due to a trust which was established for the purpose of providing benefits to eligible members and their beneficiaries of the Air Canada Pilots Association Benefits and Welfare Trust. The amount is non-interest bearing with no set terms of repayment and is collected from Air Canada on behalf of the trust.

Air Canada Pilots Association Notes to the Financial Statements

June 30, 2019

8. Financial Instrument Risk

Credit risk

Credit risk is the risk of financial loss to the Association if a debtor fails to make payments of interest and principal when due. The Association is subject to credit risk on its debt holdings in its investment portfolio and the balance due from Air Canada. Management believes this risk is mitigated through diversification of the investment portfolio.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include two types of risk: interest rate risk and equity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to this risk through its bond portfolio. Management believes this risk is minimized through diversification of the investment portfolio.

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Association is exposed to this risk through its equity holdings. Management believes this risk is minimized through diversification of the investment portfolio.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Air Canada Pilots Association Notes to the Financial Statements

June 30, 2019

9. Lease Commitments

The Association leases property in Vancouver, Winnipeg, Montreal and Toronto. The future minimum total annual payments under these leases as well as additional operating leases are as follows:

| | |
|------------|---------------------|
| 2020 | \$ 338,961 |
| 2021 | 339,937 |
| 2022 | 312,350 |
| 2023 | 331,410 |
| 2024 | 314,146 |
| Thereafter | <u>850,266</u> |
| | <u>\$ 2,487,070</u> |

10. Contingencies

The Association is involved in legal claims, the outcomes of which are not within the Association's complete control and may not be known for prolonged periods of time. The Association records a liability in the financial statements when the loss is known or considered likely and the amount can be reasonably estimated. Should any loss result from the resolution of these claims, such loss would be charged against income in the year the claim is determined.

11. Labour Relations Expenses

Included in labour relations expense are the following:

| | <u>2019</u> | 2018 |
|-----------------------------------|--------------------------|---------------------|
| Collective agreement negotiations | \$ 122,156 | \$ 535,760 |
| Other labour relations expenses | 751,683 | 526,380 |
| | <u>\$ 873,839</u> | <u>\$ 1,062,140</u> |

Air Canada Pilots Association
Notes to the Financial Statements

June 30, 2019

12. Investment Income

Investment income is comprised of the following:

| | 2019 | 2018 |
|-------------------|-------------------|------------|
| Dividends | \$ 412,815 | \$ 170,797 |
| Interest | 164,076 | 131,690 |
| Realized gains | 124,768 | 150,761 |
| Unrealized losses | (62,580) | (24,906) |
| | \$ 639,079 | \$ 428,342 |

13. Master Elected Council Expenses

Included in master elected council expenses are the following:

| | 2019 | 2018 |
|--|---------------------|------------|
| Categories of expenses equal to or greater than \$100,000: | | |
| General meetings | \$ 172,912 | \$ 136,517 |
| Consultants - governance and policies | 152,059 | 141,163 |
| Contingency | 56,355 | 113,580 |
| Other master elected council expenses less than \$100,000 | 799,661 | 395,726 |
| | \$ 1,180,987 | \$ 786,986 |

14. Interfund Transfers

During the year, the Master Elected Council internally restricted investment income amounting to \$185,677 to be maintained for contingency fund purposes. In addition, \$12,064 was transferred from the social fund to the operational reserve fund to repay amounts expended from general operations on behalf of the social fund. The resulting net transfer amount from the operational reserve fund was \$173,613.

Air Canada Pilots Association Notes to the Financial Statements

June 30, 2019

15. Deferred Contributions

Deferred contributions represent unspent funds related to the pilot to pilot program for future member enhancements and services. The activity in the deferred contribution balance in the year is as follows:

| | <u>2019</u> | 2018 |
|---------------------------------------|-------------------|------------|
| Balance, beginning of year | \$ 433,323 | \$ 328,910 |
| Pilot to pilot contributions received | 281,219 | 252,007 |
| Pilot to pilot employee assistance | (260,275) | (147,594) |
| | <hr/> | |
| Balance, end of year | \$ 454,267 | \$ 433,323 |

Pilot to pilot employee assistance is recorded in the statement of operations under committees expenses.

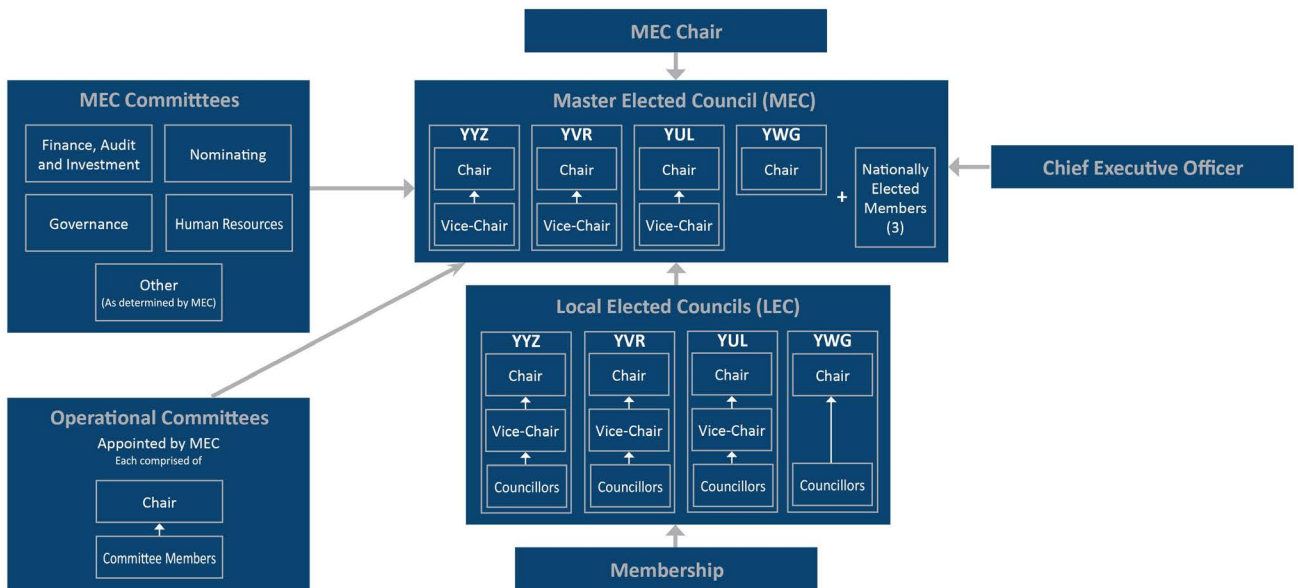
16. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is an accrual owing to Air Canada for displacement fees in the amount of \$511,217 (2018 - \$1,036,563). The Association is charged these fees on a monthly basis to reimburse Air Canada for time spent by pilots attending Master Elected Council meetings and other committee meetings.



ACPA’s Master Elected Council (MEC) and CEO (November 2019). **Bottom row (L to R):** First Officer Cameron Soderberg, First Officer Quinn Jones, Captain Philippe Gauthier, Captain Michael McKay, First Officer Tony Ledsham. **Top row (L to R):** Captain Mark Guilfoyle, CEO Rob Giguere, Captain Rob Weiser, Captain Blake Murphy, Captain Mark Jobling, Captain Andre Soucy, Captain Mike Dorey.

Organizational Structure: Elected Representatives and Committees



More than 4,300 Association members elect representatives to act on their behalf. Any active ACPA member in good standing is eligible to submit their name as part of the nomination process. As set out in the Constitution, elections are held on a rotating basis.

ACPA is organized to provide both day-to-day and long-term support to our members, through elected representatives who work within a structure of Councils and Committees.

The Master Elected Council (MEC) is the Association’s highest governing body. They volunteer to advance the interests of their fellow pilots. The MEC sets priorities for ACPA based on a review and analysis, member input, and the expertise of the CEO and professional staff.

ACPA’s leadership, in turn, allocates time, resources, and expertise to best pursue these priorities. An important focus of the MEC is to ensure that the CEO and professional staff deliver on the Association’s objectives.

ACPA must be viewed as relevant to its members – whose collective voices, and contribution through member dues, provide the strength and backing of the organization. In all its interactions, the Association must also be seen as relevant and respected by the Company and the industry as a whole.

Labour unions like ACPA advocate for their members in the areas of collective bargaining, grievances, representation, and health and safety. ACPA’s Labour Relations Department includes lawyers and labour relations professionals who work on behalf of its members.



ACPA Is

- 4,300 members
- 250 pilot volunteers
- 27 elected pilot representatives
- 11 Master Elected Council members
- 30 professional staff



60th Annual ACPA Las Vegas Golf Tournament

How We Interact

- New Hire orientations and dinners
- Member surveys
- Member events
- MEC/Local Membership Meetings and roadshows
- MEC, CEO, Base, and committee newsletters
- *ACPA Digest* (every Wednesday)
- Member and New Hire webinars
- ACPA website



42nd Annual Doug Vann Hockey Tournament

In Our Community

ACPA promoted our profession with support to:

- Dave Edward/Tom Jerrard Scholarship
- Elsie MacGill Northern Lights Awards Gala
- BC Aviation Council Silver Wings Awards
- Webster Memorial Trophy
- Air Cadets
- Math in Motion...Girls in Gear!



IFALPA PilotSki

Here For Our Members

Pilot Health

70+ pilot-to-pilot (p2p) volunteers

Morneau-Shepell Employee & Family Assistance Program (EFAP)

1-844-880-9142 (English) or 1-844-880-9143 (French)

Flight Safety — 24-hour support

Canada/US: 1-800-634-0944 / Outside Canada/US: 1-905-678-9008

Follow prompts if calling after office hours

Scheduling Hotline

sahotline@acpa.ca

Include name, rank, aircraft type, and employee number

ACPA Duty Pilot

1-866-944-9297

Monitored 24/7 by LEC representatives



Elsie MacGill Northern Lights Awards Gala



Math in Motion...Girls in Gear!

Elected Representatives

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Photo Credits:

ACPA thanks members who contributed photos to the *ACPA Digest* over the past year, and is proud to feature a selection of submissions in this report.

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(Clockwise from top left)

Captain Steve Green
First Officer Luc Martineau
First Officer Louis-Olivier Perrot
Captain Gary Russell
First Officer Fred Albonico
Centre photo: ACPA/Greig Reekie

Back Cover:

First Officer Julian White

Photo courtesy of First Officer Glen Zarbatany



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