

Consolidated financial statements of

**B.C. Government and
Service Employees' Union**

December 31, 2017

B.C. Government and Service Employees' Union

December 31, 2017

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF B.C. GOVERNMENT AND SERVICE EMPLOYEES' UNION

We have audited the accompanying consolidated financial statements of B.C. Government and Service Employees' Union, which comprise the consolidated balance sheet as at December 31, 2017 and the consolidated statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of B.C. Government and Service Employees' Union as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 22, 2018

B.C. Government and Service Employees' Union

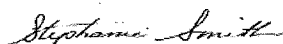
Consolidated balance sheet

As at December 31

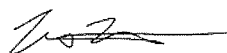
	Consolidated 2017	Consolidated 2016
	\$	\$
Assets		
Current assets		
Cash	5,210,066	4,910,224
Accounts receivable	6,153,453	5,661,652
Due from components (Note 4)	36,507	-
Prepaid expenses	573,703	724,130
Marketable securities (Note 5)	95,815,425	85,124,465
	107,789,154	96,420,471
Investments (Note 6)	15,251	15,251
Amounts held in trust (Note 7)	2,580,006	2,751,765
Deposits (Note 8)	1,726,585	3,530,566
Equipment under capital lease (Note 9)	757,649	426,231
Property and equipment (Notes 10 and 18)	32,873,854	27,776,460
	145,742,499	130,920,744
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	4,155,007	3,776,333
Due to components (Note 4)	-	266,886
Current portion of capital lease obligations (Note 12)	233,157	158,456
	4,388,164	4,201,675
Capital lease obligations (Note 12)	540,477	279,212
Amounts held in trust (Note 7)	2,580,006	2,751,765
Supplemental leave benefits liability (Note 13)	6,947,531	8,910,433
	14,456,178	16,143,085
Fund balances		
Invested in property and equipment	32,857,869	27,765,023
Unrestricted	5,297,531	500,000
Internally restricted (Note 14)		
Fightback and campaign reserve	2,827,136	2,827,136
Area office, land and building reserve	4,109,922	8,550,358
Bargaining reserve	500,000	500,000
Contingency reserve	500,000	-
Convention reserve	-	1,200,000
Restricted – Defence Fund	85,193,863	73,435,142
	131,286,321	114,777,659
	145,742,499	130,920,744

Commitments (Note 15)

Approved on behalf of the Provincial Executive



President



Treasurer

B.C. Government and Service Employees' Union

Consolidated statement of revenues and expenses

Year ended December 31

	Operations (General Fund and Solidarity Holdings Ltd.)	Defence Fund	Consolidated 2017	Consolidated 2016
	\$	\$	\$	\$
Revenues				
Members' dues	59,057,631	-	59,057,631	55,559,378
Less:				
Allocations to components, January to June 6.2% and July to December 6.50% of dues revenue (2016 - 6.20%)	(3,753,864)	-	(3,753,864)	(3,444,681)
	55,303,767	-	55,303,767	52,114,697
Investment income, net	2,185,095	11,771,449	13,956,544	6,036,761
Rent	92,680	-	92,680	98,424
Affiliation remittances and other	413,433	-	413,433	497,612
	57,994,975	11,771,449	69,766,424	58,747,494
Expenses				
Salaries and employee benefits (Note 16)	30,834,521	-	30,834,521	28,815,825
Building and administration (Schedule)	8,806,466	-	8,806,466	7,702,357
Conventions and conferences	2,723,998	-	2,723,998	858,061
Affiliation fees	2,478,189	-	2,478,189	2,319,892
Campaigns, strategic partnerships, communications and donations (Note 19 and Schedule)	1,849,343	-	1,849,343	1,810,528
Travel and relocation	1,221,656	-	1,221,656	872,362
Education	1,125,329	-	1,125,329	1,442,041
Provincial executive and committees	1,055,391	-	1,055,391	1,044,011
Bargaining	1,023,221	-	1,023,221	618,888
Hearings, arbitration and legal Other member services (Note 17 and Schedule)	845,818	-	845,818	723,272
	840,306	-	840,306	798,068
Automobile	532,192	-	532,192	459,526
Supplemental leave benefits (Note 13)	264,825	-	264,825	286,119
Professional fees	207,485	-	207,485	450,254
Joint committee meetings	199,364	-	199,364	235,948
Strike expenses	-	12,728	12,728	6,447
	54,008,104	12,728	54,020,832	48,443,599
Excess of revenues over expenses	3,986,871	11,758,721	15,745,592	10,303,895

B.C. Government and Service Employees' Union

Consolidated statement of changes in fund balances

Year ended December 31

	Operations (General Fund and Solidarity Holdings Ltd.)				Consolidated 2017	Consolidated 2016
	Invested in property and equipment	Unrestricted	Internally restricted	Restricted Defence Fund		
	\$	\$	\$	\$	\$	\$
			(Note 14)			
Fund balances, beginning of year	27,765,023	500,000	13,077,494	73,435,142	114,777,659	104,515,484
Prior year adjustment as a result of change in accounting policies (Note 3)	-	-	-	-	-	(41,720)
Excess of revenues over expenses	-	3,986,871	-	11,758,721	15,745,592	10,303,895
Actuarial gain (Note 13)	-	763,070	-	-	763,070	-
Amortization of property and equipment	(2,587,428)	2,587,428	-	-	-	-
Purchase of property and equipment	7,438,078	(1,816,217)	(5,621,861)	-	-	-
Principal repayments, capital lease obligations	242,196	(242,196)	-	-	-	-
2017 Operating budget	-	(1,681,425)	1,681,425	-	-	-
Operating expenditures	-	1,200,000	(1,200,000)	-	-	-
Fund balances, end of year	32,857,869	5,297,531	7,937,058	85,193,863	131,286,321	114,777,659

B.C. Government and Service Employees' Union

Consolidated statement of cash flows

Year ended December 31

	Consolidated 2017	Consolidated 2016
	\$	\$
Operating activities		
Excess of revenues over expenses	15,745,592	10,303,895
Items not involving the outlay of funds		
Amortization	2,587,428	2,363,588
Supplemental leave benefits expense (Note 13)	264,825	286,119
Unrealized gain on investments	(11,999,789)	(4,238,793)
	6,598,056	8,714,809
Net changes in operating working capital		
Accounts receivable	(491,801)	(414,905)
Prepaid expenses	150,427	(174,378)
Accounts payable and accrued liabilities	378,674	(518,085)
Due (from) to components	(303,393)	97,277
Supplemental leave benefits paid	(1,464,657)	(1,332,281)
	4,867,306	6,372,437
Investing activities		
Deposits paid on purchase of land and building (Note 8)	(1,526,585)	(3,330,566)
Proceeds on sale (purchase) of marketable securities	1,308,828	(1,934,406)
Purchase of property and equipment	(4,107,511)	(1,481,831)
	(4,325,268)	(6,746,803)
Financing activity		
Principal repayments, capital lease obligations	(242,196)	(242,368)
Net cash inflow (outflow)	299,842	(616,734)
Cash position, beginning of year	4,910,224	5,526,958
Cash position, end of year	5,210,066	4,910,224
Supplemental cash flow information		
Purchase of property and equipment by capital lease	578,162	309,203
Interest paid on capital lease obligations	33,532	18,786

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2017

1. Nature of organization

The B.C. Government and Service Employees' Union (the "Union") is a democratic union providing services to its members who work for the government of the Province of British Columbia, or its boards, agencies, commissions and Crown corporations, or in the broader public and private sectors. B.C. government workers formed a precursor organization in 1919. The Union was founded in 1942 and gained full bargaining rights under the *Labour Relations Code* of British Columbia in 1974. As a labour organization, the Union is exempt from income taxes under section 149(1)(k) of the *Income Tax Act*.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and reflect the following significant accounting policies.

(a) Principles of consolidation

These consolidated financial statements include the accounts of the General and Defence Funds of the Union and the Union's wholly owned company, Solidarity Holdings Ltd. and its wholly owned subsidiary, Northern Workers United Holding Corp. All transactions and balances between the Union, Solidarity Holdings Ltd. and Northern Workers United Holding Corp. have been eliminated.

These consolidated financial statements do not include the assets, liabilities, revenues and expenses of the components and locals.

(b) Fund accounting

The Union prepares its consolidated financial statements using the concept of fund accounting. A description of each fund is as follows:

The Operations Fund reports the Union's unrestricted resources, the balances and transactions of the Union's General Fund, Solidarity Holdings Ltd. and Northern Workers United Holding Corp., and the following internally restricted reserves:

- Fightback and campaign reserve – for contingencies
- Area office, land and building reserve – for the purchase of area office land and buildings
- Bargaining reserve – for renegotiating sectoral collective agreements
- Contingency reserve
- Convention reserve – for triennial constitutional conventions, next one scheduled for 2020

The Defence Fund reports restricted resources to be used in the event of job action.

(c) Investments

Investments where the Union exerts significant influence are accounted for using the cost method.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2017

2. Significant accounting policies (continued)

(d) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is calculated at the following annual rates:

Buildings	Declining-balance basis	5%
Furniture and equipment	Straight-line basis	7 years
Computer equipment	Straight-line basis	3 years
Parking lot and road	Declining-balance basis	4%
Vehicle	Declining-balance basis	30%

Equipment under capital lease is amortized on the straight-line basis over a term of three to five years.

Leasehold improvements are amortized on the straight-line basis over the initial term of the lease (five years) and one renewal period (five years).

(e) Impairment of long-lived assets

The Union reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable as compared to expected undiscounted future cash flows.

The Union records an impairment loss in the period when it is determined that the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset. Any impairment loss is measured as the difference between the carrying amount and estimated fair value of the asset.

(f) Revenue recognition

Members' dues are recognized in the period to which they relate and are treated as unrestricted revenue.

Restricted contributions are recognized as revenue in the same year in which the related expenses are recognized. 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.

Interest and investment income is recognized in the period earned. Realized gains and losses on the sale of investments are included in the determination of investment income.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2017

2. Significant accounting policies (continued)

(g) *Supplemental leave benefits*

The Union provides supplemental leave benefits under a defined benefit plan and accrues its liability under the plan. The plan is unfunded and actuarial valuations are prepared for accounting purposes. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in the consolidated balance sheet in the period incurred. The last actuarial valuation prepared by the actuary was at December 31, 2017. Actuarial valuations are performed every three years with an accounting update annually.

(h) *Multi-employer pension plan*

The Union accounts for its participation in the Public Service Pension Plan, a multiemployer contributory defined benefit plan, as if it was a defined contribution plan. This is due to the fact that the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

(i) *Income taxes*

As a not-for-profit organization, the Union is not subject to income taxes under section 149(1)(k) of the *Income Tax Act*. However, its wholly owned company follows the taxes payable method of accounting for income taxes. Under this method, current income taxes are recognized as incurred and payable in the current year.

(j) *Measurement uncertainty*

The preparation of consolidated financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reported period. Areas requiring the use of estimates include the recoverability of accounts receivable, the estimated useful lives of property and equipment, net recoverable amount of property and equipment, valuation of investments, accrued liabilities and supplemental leave benefits liability. The Union believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2017

3. Impact of the change in the basis of accounting

During the year, the Union's wholly-owned company changed its accounting policy for amortization of furniture and equipment to be in line with the Union. Previously, furniture and equipment were amortized using the declining-balance method at a rate of 20% per annum. The Company changed its amortization method to straight-line over seven years. The Company also increased its capitalization threshold from \$500 to \$1,000.

The changes in accounting policies for amortization of furniture and equipment and capitalization threshold were accounted for retrospectively with restatements to comparative figures as follows:

- The January 1, 2016 net assets decreased by \$41,720 and property and equipment decreased by the same amount;
- For the year ended December 31, 2016, amortization expense, net loss and deficit decreased by \$6,966; and
- The net effect on property and equipment and net assets for the year ended December 31, 2016 was a decrease of \$34,754.

4. Due from (to) components

	2017	2016
	\$	\$
Dues allocations payable	(417,093)	(895,695)
Advances to cover expenses, non-interest-bearing	453,600	628,809
	36,507	(266,886)

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2017

5. Marketable securities

The Union's investments are comprised of equity and debt securities, and are carried at their fair value based on the quoted market prices of the securities at December 31, 2016. The composition of marketable securities, classified as current assets, is as follows:

	2017		2016	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Short-term investments	698,791	699,521	484,438	484,520
Fixed income funds	24,256,573	24,695,815	28,743,550	28,956,625
Equity funds	70,214,960	43,882,150	55,896,477	41,144,523
Foreign currency hedge (Note 20(e))	645,101	-	-	-
	95,815,425	69,277,486	85,124,465	70,585,668
Represented by				
General Fund	10,857,365	6,382,872	13,860,883	11,305,793
Defence Fund	84,958,060	62,894,614	71,263,582	59,279,875
	95,815,425	69,277,486	85,124,465	70,585,668

For the year ended December 31, 2017, the total realized gain on the sale of marketable securities was \$1,379,440 (2016 - \$647,365).

6. Investments

The investments noted below do not have quoted market prices in an active market and are recorded at cost.

	2017	2016
	\$	\$
Working Enterprises Ltd. (14.3%)	1	1
West Kootenay Labour Centre Holding Society (37.5%)	15,250	15,250
	15,251	15,251

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2017

7. Amounts held in trust

	2017	2016
	\$	\$
Health Science Professionals Professional Development Fund For professional development of members covered by the Health Sciences Professionals collective agreement	11,834	11,834
Deferred Salary Leave Plan To afford employees the opportunity of taking a one-year leave of absence with partial pay by deferring salary for four years and taking leave in the fifth year	66,208	114,353
Joint Community Social Services Retraining Fund For retraining and providing professional development support for laid-off employees	114,104	373,872
Vancouver Talmud Torah Association Trust To subsidize BCGEU union dues payable by and for the benefit of the instructors at the Vancouver Talmud Torah Association	208,993	-
Joint Community Health Retraining Fund For retraining members of the labour organizations consisting of the Community Bargaining Association, of which the Union is a member	2,178,867	2,251,706
	2,580,006	2,751,765

Assets held in trust are liquid assets held with Canadian financial institutions.

8. Deposits

- (a) In 2017, the Union entered into a contract to purchase land and building in Burnaby, British Columbia, for \$10,200,000 with a completion date of February 21, 2018. As at December 31, 2017, a total of \$100,000 was included as a deposit towards the purchase of the land and building. An additional deposit of \$400,000 was paid on January 19, 2018.
- (b) In 2016, the Union entered into a contract to purchase land and a building under development in Terrace, British Columbia, for \$3,812,000 plus taxes with advance payments required as listed below. As at December 31, 2017, a total of \$1,626,585 was included as a deposit towards construction of this building.

	\$
Initial deposit, paid May 25, 2016	200,000
Due upon 10% completion, paid February 8, 2017	380,000
Due upon 25% completion, paid November 21, 2017	953,000
Due upon 50% completion, paid February 28, 2018	953,000
Due upon 75% completion	953,000
Due upon possession date	373,000
Total	3,812,000

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2017

8. Deposits (continued)

(c) In 2015, the Union entered into a contract to purchase land and building under construction in Fort St. John, British Columbia. As at December 31, 2016, a total of \$3,330,566 deposit was paid and was included as deposit towards construction of this building. Construction of the building was completed during the year ended December 31, 2017 and the deposit paid was reclassified to property and equipment in the consolidated balance sheet.

9. Equipment under capital lease

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Equipment under capital lease	1,090,105	332,456	757,649	426,231

10. Property and equipment

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	7,942,718	-	7,942,718	6,158,864
Buildings	29,027,495	10,117,847	18,909,648	15,965,885
Furniture and equipment	8,723,532	6,605,233	2,118,299	2,155,046
Computer equipment	2,480,012	1,734,414	745,598	399,036
Parking lot and road	383,805	73,758	310,047	242,836
Vehicle	167,657	97,828	69,829	99,756
Leasehold improvements	8,320,586	5,542,871	2,777,715	2,755,037
	57,045,805	24,171,951	32,873,854	27,776,460

No impairment losses have been identified by the Union for the year ended December 31, 2017 and 2016.

11. Government remittances

Included in accounts payable are government remittances payable of \$23,308 (2016 – \$30,225).

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2017

12. Capital lease obligations

Future minimum lease payments on capital lease obligations are as follows:

	\$
2018	267,264
2019	230,885
2020	226,595
2021	106,809
2022	14,960
Total minimum lease payments	846,513
Imputed interest at 5.0%	72,879
	773,634
Current obligation	233,157
Long-term obligation	540,477

Interest of \$33,532 (2016 - \$18,786) on account of capital leases was recognized during the year and is included in office expense. The Union's capital lease obligations have maturity dates ranging from April 2018 to November 2022.

13. Supplemental leave benefits liability

The Union is committed to provide certain supplemental leave benefits under a defined benefit plan. The benefits are based on length of service and final earnings.

An actuarial report prepared in May 2018 provided the Union with a valuation of the total benefits liability at December 31, 2017 including a \$763,070 actuarial gain (2016 - \$nil), which is recognized as a separate component within the consolidated statement of changes in fund balances.

The Plan is unfunded, as no assets have been allocated to the plan. As a result, the Plan's obligation of \$6,947,531 (2016 - \$8,910,433) is also the Plan's deficit.

The valuation and projection were based on the following assumptions regarding discount rates and employees' compensation levels during their active period of employment:

	2017	2016
	%	%
Discount rate	3.10	2.15
Rate of compensation and benefits increase	1.40	2.00
	2017	2016
	\$	\$
Supplemental leave benefits expense consists of the following:		
Current service cost	86,171	84,482
Interest cost on accrued benefit obligation	178,654	201,637
Supplemental leave benefits expense	264,825	286,119

Benefits paid in the year were \$1,464,657 (2016 - \$1,332,281).

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2017

14. Internally restricted fund balances

						2017	2016
	Fightback and campaign reserve	Area office, land and building reserve	Bargaining reserve	Convention reserve	Contingency reserve	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Fund balance, beginning of year	2,827,136	8,550,358	500,000	1,200,000	-	13,077,494	2,937,802
Purchase of property and equipment	-	(5,621,861)	-	-	-	(5,621,861)	-
Operating expenditures	-	-	-	(1,200,000)	-	(1,200,000)	(10,666)
Transfers:							
2015 unrestricted fund balance	-	-	-	-	-	-	6,000,000
2017 operating budget	-	1,181,425	-	-	500,000	1,681,425	600,000
2016 unrestricted fund balance	-	-	-	-	-	-	3,550,358
Fund balance, end of year	2,827,136	4,109,922	500,000	-	500,000	7,937,058	13,077,494

15. Commitments

Premise Leases

The Union is committed to operating lease payments for premises and office equipment over the next three years as follows:

	\$
2018	538,589
2019	347,049
2020	301
	885,939

The leases have maturity dates of up to February 2020.

16. Multi-employer pension plan

Employees of the Union are members of the Public Service Pension Plan, a multi-employer contributory defined benefit plan. The regular employer contribution for 2017 was \$2,296,102 (2016 - \$2,152,000) and is included in salaries and employee benefits expense.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The most recent actuarial valuation for the Plan at March 31, 2017 indicated a surplus of approximately \$1.895 billion. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 57,000 active employees, of which approximately 280 are employees of the Union.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2017

17. BCGEU Diane L. Wood International Solidarity and Humanity Fund

The Union committed \$211,722 (2016 - \$176,160) to its BCGEU Diane L. Wood International Solidarity and Humanity Fund for international solidarity and development projects. As at December 31, 2017, \$59,498 (2016 - \$701) of committed funds have yet to be spent.

18. Credit facility

The Union has an available credit facility up to a maximum of \$8,500,000 with interest per annum charged at prime. When drawn, security for this facility is provided by way of a charge over certain of the Union's land and buildings. As at December 31, 2017, the amount outstanding was \$nil (2016 - \$nil).

19. Political action contributions

The Union makes both in-kind and cash political action contributions as noted below:

	Consolidated 2017	Consolidated 2016
	\$	\$
In-kind contributions		
Salaries and employee benefits	101,752	-
Office	8,335	-
Information technology	1,034	-
	111,121	-
Cash contributions		
Campaigns, coalitions and communications	306,505	175,890
Direct payments to vendors of campaigns	43,272	-
	460,898	175,890

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2017

20. Financial instruments

(a) *Liquidity risk*

Liquidity risk is the risk that the Union will encounter difficulty in meeting obligations associated with financial liabilities. The Union is exposed to liquidity risk with respect to its accounts payable and supplemental leave benefits liability. The Union's cash on hand and cash flow from operations provides a substantial portion of the Union's cash requirements. Additional cash requirements can be met with the sale of marketable securities, if required.

(b) *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Union's exposure to credit risk with respect to its cash and marketable securities is minimized since these items are held at well-capitalized Canadian financial institutions. In addition, the government of the Province of British Columbia, with its *Financial Institutions Act*, has, through the Credit Union Deposit Insurance Corporation, guaranteed the full value of the Union's cash, all of which is held at credit unions in British Columbia.

The Union's exposure to credit risk with respect to accounts receivable is minimal since over 89% of the accounts receivable as at December 31, 2017 (2016 - 89%) are receivable from well-established employers for members' dues deducted from members' wages. Members' dues are received from employers on a regular basis.

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Union. The value of fixed income securities will generally rise when interest rates fall and decrease when market rates rise.

(d) *Market risk*

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Union to a risk of loss. The Union mitigates this risk through controls to monitor and limit concentration levels.

(e) *Foreign currency risk*

As of December 31, 2017, 31% (2016 - 30%) of the marketable securities are invested in U.S. equities with an additional 13% (2016 - 9%) invested in other non-Canadian equities. Foreign currency risk arises due to changes in foreign currency exchange rates on the Union's foreign securities. Effective January 20, 2017, the Union implemented a hedging strategy to reduce its exposure to foreign currency gains and losses with respect to its holdings of U.S. equities.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2017

21. Income taxes

The Union's wholly owned company has non-capital losses of \$6,243,820 that may be applied to reduce taxable income in future years. The potential income tax benefit of these losses has not been recorded in these consolidated financial statements. The non-capital losses expire as follows:

	\$
2031	292,825
2032	842,626
2033	703,239
2034	842,337
2035	1,220,883
2036	1,182,708
2037	1,159,202
	<hr/> 6,243,820 <hr/>

B.C. Government and Service Employees' Union

Consolidated schedule of expenses

Year ended December 31

	Consolidated 2017	Consolidated 2016
	\$	\$
Building and administration		
Office	1,758,945	1,261,560
Building	1,610,465	1,570,203
Telephone and utilities	958,595	917,153
Information technology	940,642	497,720
Rent	735,370	734,363
Postage	219,901	357,770
Amortization of property and equipment	2,335,803	2,135,129
Amortization of property and equipment under capital lease	246,745	228,459
	8,806,466	7,702,357
Campaigns, strategic partnerships, communications and donations		
Campaigns, strategic partnerships and charitable donations (Note 19)	1,054,167	1,173,199
Internal and external communications	445,399	461,439
Political action contributions	349,777	175,890
	1,849,343	1,810,528
Other member services		
Activist recognition events	247,379	183,803
BCGEU Diane L. Wood International Solidarity and Humanity Fund (Note 17)	147,650	209,724
Workplace leadership	123,806	120,817
Membership activities	105,009	75,192
Cross component committees	94,830	94,036
Scholarships and welfare	79,150	87,957
Union observers	44,050	34,272
NUPGE Social Justice Solidarity Fund	7,574	7,340
Hospitality workers' health and welfare benefits plan (recovery)	(9,142)	(15,073)
	840,306	798,068