

Consolidated financial statements of

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

December 31, 2018

Table of contents

Independent auditors' report	1
Consolidated balance sheet	3
Consolidated statement of revenues and expenses	4
Consolidated statement of changes in fund balances	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements.....	7-16
Schedule: Consolidated schedule of rent revenue, net and expenses	17

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of B.C. Government and Service Employees' Union (the "Union"), which comprise the consolidated balance sheet as at December 31, 2018, and the consolidated statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Union as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Union in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Union or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Union's audit. We remain solely responsible for our audit opinion.

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.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 8, 2019

B.C. Government and Service Employees' Union

Consolidated balance sheet

As at December 31

	Consolidated 2018	Consolidated 2017
	\$	\$
Assets		
Current assets		
Cash	1,708,515	5,210,066
Accounts receivable	6,916,775	6,153,453
Due from components (Note 3)	-	36,507
Prepaid expenses	775,243	573,703
Marketable securities (Note 4)	80,366,961	95,815,425
	89,767,494	107,789,154
Investment (Note 5)	15,250	15,251
Investment property (Note 6)	10,487,557	-
Amounts held in trust (Note 7)	2,891,337	2,580,006
Deposits (Note 8)	-	1,726,585
Equipment under capital lease (Note 9)	870,920	757,649
Property and equipment (Notes 10 and 18)	37,273,169	32,873,854
	141,305,727	145,742,499
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	4,656,454	4,155,007
Due to components (Note 3)	271,869	-
Current portion of capital lease obligations (Note 12)	290,493	233,157
	5,218,816	4,388,164
Capital lease obligations (Note 12)	611,594	540,477
Amounts held in trust (Note 7)	2,891,337	2,580,006
Supplemental leave benefits liability (Note 13)	5,950,630	6,947,531
	14,672,377	14,456,178
Fund balances		
Invested in property and equipment	37,242,002	32,857,869
Unrestricted	4,019,948	5,297,531
Internally restricted (Note 14)		
Fightback and campaign reserve	2,827,136	2,827,136
Area office, land and building reserve	1,016,832	4,109,922
Bargaining reserve	400,000	500,000
Contingency reserve	2,800,000	500,000
Convention reserve	700,000	-
Restricted – Defence Fund	77,627,432	85,193,863
	126,633,350	131,286,321
	141,305,727	145,742,499

Commitments (Note 15); Contingencies (Note 16)

Approved on behalf of the Provincial Executive

Stéphane Smith

President

[Signature]

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.)	Restricted Defence Fund	Consolidated 2018	Consolidated 2017
	\$	\$	\$	\$
Revenues				
Members' dues	63,200,192	-	63,200,192	59,057,631
Less:				
Allocations to components, 6.50% (2017 - January to June 6.20% and July to December 6.50%, of dues revenue)	(4,108,013)	-	(4,108,013)	(3,753,864)
	59,092,179	-	59,092,179	55,303,767
Investment income, net	12,364	104,674	117,038	13,956,544
Rent, net (Schedule)	525,444	-	525,444	92,680
Affiliation remittances and other	582,367	-	582,367	413,433
Gain on donation of property	31,682	-	31,682	-
	60,244,036	104,674	60,348,710	69,766,424
Expenses				
Salaries and employee benefits (Note 16)	33,363,576	-	33,363,576	30,834,521
Building and administration (Schedule)	9,076,450	144,439	9,220,889	8,806,466
Strike expenses	-	7,526,666	7,526,666	12,728
Bargaining	2,659,277	-	2,659,277	1,023,221
Affiliation fees	2,492,202	-	2,492,202	2,478,189
Campaigns, strategic partnerships, communications and donations (Schedule)	1,980,886	-	1,980,886	1,849,343
Education	1,767,081	-	1,767,081	1,125,329
Travel and relocation	1,361,782	-	1,361,782	1,221,656
Other member services (Note 17 and Schedule)	966,197	-	966,197	840,306
Hearings, arbitration and legal	913,502	-	913,502	845,818
Provincial executive and committees	904,622	-	904,622	1,055,391
Automobile	628,154	-	628,154	532,192
Conventions and conferences	568,697	-	568,697	2,723,998
Joint committee meetings	284,936	-	284,936	199,364
Supplemental leave benefits (Note 13)	229,275	-	229,275	264,825
Professional fees	218,938	-	218,938	207,485
	57,415,575	7,671,105	65,086,680	54,020,832
Excess (Deficiency) of revenues over expenses	2,828,461	(7,566,431)	(4,737,970)	15,745,592

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 2018	Consolidated 2017
	Invested in property and equipment	Unrestricted	Internally restricted	Restricted Defence Fund		
	\$	\$	\$	\$	\$	\$
			(Note 14)			
Fund balances, beginning of year	32,857,869	5,297,531	7,937,058	85,193,863	131,286,321	114,777,659
Excess (deficiency) of revenues over expenses	-	2,828,461	-	(7,566,431)	(4,737,970)	15,745,592
Actuarial gain (Note 13)	-	84,999	-	-	84,999	763,070
Amortization of property and equipment	(2,921,481)	2,921,481	-	-	-	-
Purchase of property and equipment	7,095,152	(2,106,056)	(4,989,096)	-	-	-
Donation of property	(80,318)	80,318	-	-	-	-
Principal repayments, capital lease obligations	290,780	(290,780)	-	-	-	-
Interfund transfers (Note 14)						
2018 Operating budget	-	(2,596,006)	2,596,006	-	-	-
2017 Unrestricted fund balance	-	(3,000,000)	3,000,000	-	-	-
Operating expenditures	-	800,000	(800,000)	-	-	-
Fund balances, end of year	37,242,002	4,019,948	7,743,968	77,627,432	126,633,350	131,286,321

B.C. Government and Service Employees' Union

Consolidated statement of cash flows

Year ended December 31

	Consolidated 2018	Consolidated 2017
	\$	\$
Operating activities		
Excess (deficiency) of revenues over expenses	(4,737,970)	15,745,592
Items not involving the outlay of funds		
Amortization	3,065,495	2,587,428
Supplemental leave benefits expense (Note 13)	229,275	264,825
Donation of property	112,000	-
Gain on donation of property	(31,682)	-
Unrealized loss (gain) on investments	2,569,893	(11,999,789)
	1,207,011	6,598,056
Net changes in operating working capital		
Accounts receivable	(763,322)	(491,801)
Prepaid expenses	(201,540)	150,427
Accounts payable and accrued liabilities	501,449	378,674
Due to (from) to components	308,376	(303,393)
Supplemental leave benefits paid	(1,141,177)	(1,464,657)
	(89,203)	4,867,306
Investing activities		
Deposits paid on purchase of land and building (Note 8)	-	(1,526,585)
Proceeds on sale of marketable securities	12,878,570	1,308,828
Purchase of land and building	(10,631,571)	-
Purchase of property and equipment	(5,368,567)	(4,107,511)
	(3,121,568)	(4,325,268)
Financing activity		
Principal repayments, capital lease obligations	(290,780)	(242,196)
Net cash inflow (outflow)	(3,501,551)	299,842
Cash position, beginning of year	5,210,066	4,910,224
Cash position, end of year	1,708,515	5,210,066
Supplemental cash flow information		
Purchase of property and equipment by capital lease	419,233	578,162
Interest paid on capital lease obligations	56,887	33,532

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2018

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 subsidiaries, Northern Workers United Holding Corp. and Workers' Capital (Terrace) Holding Corp. All transactions and balances between the Union, Solidarity Holdings Ltd. and its subsidiaries 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;
- Area office, land and building reserve – for the purchase of area office land and buildings;
- Bargaining reserve – for renegotiating sectoral collective agreements;
- Contingency reserve – for contingencies; and
- 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 and holds investments for future appreciation.

(c) Investments

Investments where the Union exerts significant influence and other investment property are accounted for using the cost method.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2018

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, based on the terms of the lease.

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.

The Union follows the deferral method and 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.

Rent, 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.

(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 statement of changes in fund balances 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.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2018

2. Significant accounting policies (continued)

(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 date 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.

(k) *Financial instruments*

The Union initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Union subsequently measures all its financial assets and liabilities at amortized cost, except for any investment in equity instruments and fixed income investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the consolidated statement of revenues and expenses.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of changes in net assets available for benefits. In the event a previously recognized impairment loss should be reversed, the amount of the reversal is recognized in the statement of changes in net assets available for benefits provided it is not greater than the original amount prior to write-down.

For any financial instrument that is measured at amortized cost, the instrument's cost is adjusted by the transaction costs that are directly attributable to their origination. These transaction costs are amortized into the consolidated statement of changes in revenue and expenses on a straight-line method over the term of the instrument. All other transaction costs are recognized in the consolidated statement of changes in revenue and expenses in the period incurred.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2018

3. Due from (to) components

	2018	2017
	\$	\$
Dues allocations payable	(991,193)	(417,093)
Advances to cover expenses, non-interest-bearing	719,324	453,600
	(271,869)	36,507

4. 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, 2018. The composition of marketable securities, classified as current assets, is as follows:

	2018		2017	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Short-term investments	587,766	589,059	698,791	699,521
Fixed income funds	13,519,722	13,812,886	24,256,573	24,695,815
Equity funds	66,844,528	41,997,612	70,214,960	43,882,150
Foreign currency hedge (Note 19(e))	(585,055)	-	645,101	-
	80,366,961	56,399,557	95,815,425	69,277,486
Represented by				
General Fund	11,051,655	6,478,795	10,857,365	6,382,872
Defence Fund	69,315,306	49,920,762	84,958,060	62,894,614
	80,366,961	56,399,557	95,815,425	69,277,486

For the year ended December 31, 2018, the total realized gain on the sale of marketable securities was \$2,367,988 (2017 - \$1,379,440).

5. Investments

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

	2018	2017
	\$	\$
Investments with Significant Influence		
West Kootenay Labour Centre Holding Society (37.5%)	15,250	15,250
Working Enterprises Ltd. (14.3%)	-	1
	15,250	15,251

During the year, the Union sold its investment in Working Enterprises Ltd. at cost.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2018

6. Investment property

	2018	2017
	\$	\$
Investment in Property – Defence Fund		
Norland Avenue Property Cost	10,631,571	-
Norland Avenue Property Accumulated Amortization	(144,014)	-
	10,487,557	-

7. Amounts held in trust

	2018	2017
	\$	\$
Health Science Professionals Professional Development Fund For professional development of members covered by the Health Sciences Professionals collective agreement.	330,577	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.	154,877	66,208
Joint Community Social Services Retraining Fund For retraining and providing professional development support for laid-off employees.	73,786	114,104
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.	203,381	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.	2,128,716	2,178,867
	2,891,337	2,580,006

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

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2018

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. The deposit paid was reclassified to investment property in the consolidated balance sheet.
- (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. Advance payments were made during 2016, 2017 and up to completion in the year ended December 31, 2018 when the deposit and advances were reclassified to property and equipment in the consolidated balance sheet.

9. Equipment under capital lease

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Equipment under capital lease	1,393,640	522,720	870,920	757,649

10. Property and equipment

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	9,047,188	-	9,047,188	7,942,718
Buildings	32,831,804	11,158,438	21,673,366	18,909,648
Furniture and equipment	9,077,772	7,156,861	1,920,911	2,118,299
Computer equipment	2,922,369	2,138,175	784,194	745,598
Parking lot and road	396,506	86,414	310,092	310,047
Vehicle	167,657	118,777	48,880	69,829
Leasehold improvements	9,432,023	5,943,485	3,488,538	2,777,715
	63,875,319	26,602,150	37,273,169	32,873,854

No impairment losses have been identified by the Union for the years ended December 31, 2018 and 2017.

11. Government remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$22,868 (2017 - \$23,308).

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2018

12. Capital lease obligations

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

	\$
2019	338,879
2020	334,589
2021	214,804
2022	95,801
2023	18,541
Total minimum lease payments	1,002,614
Imputed interest at 5.3%	100,527
	902,087
Current obligation	290,493
Long-term obligation	611,594

Interest of \$56,887 (2017 - \$33,532) on account of capital leases was recognized during the year and is included in office expense (Schedule). The Union's capital lease obligations have maturity dates ranging from January 2019 to June 2023.

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 and a projection of the current service costs for 2018 and total benefits obligation as at December 31, 2018.

In February 2019, the actuaries revised their projection of the December 31, 2018 obligation to reflect a discount rate of 3.50%, as compared to the rate of 3.10% used in their earlier report. The resulting actuarial gain of \$84,999 (2017 - \$763,070) 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 \$5,950,630 (2017 - \$6,947,531) 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:

	2018	2017
	%	%
Discount rate	3.50	3.10
Rate of compensation and benefits increase	1.40	1.40
	2018	2017
	\$	\$
Supplemental leave benefits expense consists of the following:		
Current service cost	35,811	86,171
Interest cost on accrued benefit obligation	193,464	178,654
Supplemental leave benefits expense	229,275	264,825

Benefits paid in the year were \$1,131,184 (2017 - \$1,464,657).

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2018

14. Internally restricted fund balances

	2018					2017	
	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	4,109,922	500,000	-	500,000	7,937,058	13,077,494
Purchase of property and equipment	-	(4,989,096)	-	-	-	(4,989,096)	(5,621,861)
Operating expenditures	-	-	(800,000)	-	-	(800,000)	(1,200,000)
Transfers:							
2018 operating budget	-	1,896,006	-	700,000	-	2,596,006	1,681,425
2017 unrestricted fund balance	-	-	700,000	-	2,300,000	3,000,000	-
Fund balance, end of year	2,827,136	1,016,832	400,000	700,000	2,800,000	7,743,968	7,937,058

15. Commitments

Premise Leases

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

	\$
2019	488,053
2020	459,622
2021	414,762
2022	434,591
2023 and thereafter	786,560
	2,583,588

The leases have maturity dates up to September 2024.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2018

16. Multi-employer pension plan and contingencies

Employees of the Union are members of the Public Service Pension Plan ("PSPP"), a multi-employer contributory defined benefit plan. The regular employer contribution for 2018 was \$2,415,635 (2017 - \$2,296,102) 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.

The Union has identified that it may have PSPP contribution arrears for certain temporary staff. The Union has notified the PSPP and anticipates asking the PSPP Board to rule on whether or not there are contribution arrears, and if so, the magnitude of the arrears. Until the PSPP Board rules on this issue, it is not possible to determine if the Union is liable for contribution arrears or to estimate the amount of any arrears payable.

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

The Union committed \$237,525 (2017 - \$211,722) to its BCGEU Diane L. Wood International Solidarity and Humanity Fund for international solidarity and development projects. As at December 31, 2018, \$50,864 (2017 - \$59,498) 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, with a carrying value of \$37,273,169 (2017 - \$32,873,854). As at December 31, 2018, the amount outstanding was \$nil (2017 - \$nil).

19. 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, or use of the available credit facility, 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, 2018 (2017 - 89%) are receivable from well-established employers for members' dues deducted from members' wages. Members' dues are received from employers on a regular basis.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2018

19. Financial instruments (continued)

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows 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 and accrued supplemental leave payable. 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, 2018, 32% (2017 – 31%) of the marketable securities are invested in U.S. equities with an additional 16% (2017 – 13%) 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.

20. Income taxes

The Union's wholly owned company has non-capital losses of \$7,699,805 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
2038	1,455,985
	<hr/> 7,699,805 <hr/>

B.C. Government and Service Employees' Union

Consolidated schedule of rent revenue, net and expenses

Year ended December 31, 2018

Schedule

	General Fund \$	Solidarity Holdings Ltd. \$	Consolidated 2018 \$	Consolidated 2017 \$
Rent	696,830	87,570	784,400	92,680
Expenses				
Repairs and maintenance	96,286	-	96,286	-
Utilities	71,270	-	71,270	-
Property taxes	61,927	-	61,927	-
Management fees	29,473	-	29,473	-
	258,956	-	258,956	-
Rent, net	437,874	87,570	525,444	92,680
			Consolidated 2018	Consolidated 2017
			\$	\$
Building and administration				
Building			1,877,082	1,610,465
Office (Note 12)			1,599,808	1,758,945
Telephone and utilities			924,788	958,595
Information technology			729,923	940,642
Rent			677,249	735,370
Postage			346,544	219,901
Amortization of property and equipment			2,615,519	2,335,803
Amortization of property and equipment under capital lease			305,962	246,745
Amortization of investment property			144,014	-
			9,220,889	8,806,466
Campaigns, strategic partnerships, communications and donations				
Campaigns, strategic partnerships and charitable donations			1,529,628	1,054,167
Internal and external communications			451,258	445,399
Political action contributions			-	349,777
			1,980,886	1,849,343
Other member services				
Activist recognition events			253,511	247,379
BCGEU Diane L. Wood International Solidarity and Humanity Fund (Note 17)			244,210	147,650
Workplace leadership			144,377	123,806
Membership activities			137,620	105,009
Scholarships and welfare			105,625	79,150
Cross component committees			94,215	94,830
Union observers			47,755	44,050
NUPGE Social Justice Solidarity Fund			-	7,574
Hospitality workers' health and welfare benefits plan (recovery)			(61,116)	(9,142)
			966,197	840,306