

Consolidated financial statements of

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

December 31, 2020

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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, 2020;
- the consolidated statement of revenues and expenses for the year then ended;
- the consolidated statement of changes in fund balances for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the 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, 2020, and its consolidated results of operations and its consolidated 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 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.

In preparing the consolidated 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 consolidated 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 auditors' 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 auditors' 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 financial information of the entities or business activities within the Union to express an opinion on the consolidated 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 13, 2021

B.C. Government and Service Employees' Union


Consolidated balance sheet

As at December 31

	Consolidated 2020	Consolidated 2019
	\$	\$
Assets		
Current assets		
Cash	9,564,809	8,185,370
Accounts receivable	7,213,023	6,641,863
Prepaid expenses	883,062	820,737
Marketable securities (Note 3)	96,730,349	98,427,338
Deposits (Note 4)	-	302,950
	114,391,243	114,378,258
Investment (Note 5)	15,250	15,250
Investment property (Note 6)	32,204,478	10,206,729
Development costs (Note 7)	120,049	29,718
Amounts held in trust (Note 8)	2,483,583	2,636,020
Equipment under capital lease (Note 9)	351,239	663,814
Property and equipment (Notes 10 and 21)	34,419,243	35,815,805
	183,985,085	163,745,594
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	5,416,590	6,095,721
CH EDMP funding held in trust (Note 12)	275,942	204,000
Due to components (Note 13)	669,228	371,099
Current portion of capital lease obligations (Note 14)	230,262	329,942
	6,592,022	7,000,762
Capital lease obligations (Note 14)	151,387	373,165
Amounts held in trust (Note 8)	2,483,583	2,636,020
Supplemental leave benefits liability (Note 15)	4,896,211	5,452,942
	14,123,203	15,462,889
Fund balances		
Invested in property and equipment	34,388,834	35,776,512
Unrestricted	500,000	500,000
Internally restricted (Note 16)		
Fightback and campaign reserve	6,000,000	5,835,721
Area office, land and building reserve	20,785,039	6,046,877
Bargaining reserve	4,000,000	3,408,585
Contingency reserve	3,415,370	3,382,811
Convention reserve	1,400,000	1,400,000
Restricted – Defence Fund	99,372,639	91,932,199
	169,861,882	148,282,705
	183,985,085	163,745,594

Commitments (Note 17); Contingencies (Note 18 and 19); Subsequent event (Note 25)

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.)	Restricted Defence Fund	Consolidated 2020	Consolidated 2019
	\$	\$	\$	\$
Revenues				
Members' dues	70,967,732	-	70,967,732	67,382,027
Less:				
Allocations to components, 6.50% of dues revenue	(4,612,903)	-	(4,612,903)	(4,379,832)
	66,354,829	-	66,354,829	63,002,195
Investment income, net	2,763,766	7,707,070	10,470,836	17,700,628
Rent, net (Schedule)	406,670	-	406,670	542,155
Affiliation remittances and other	101,702	157	101,859	139,631
	69,626,967	7,707,227	77,334,194	81,384,609
Expenses				
Salaries and employee benefits (Note 15)	37,281,165	-	37,281,165	35,854,420
Building and administration (Schedule)	9,553,097	266,787	9,819,884	9,735,954
Affiliation fees	2,509,929	-	2,509,929	2,439,060
Campaigns, strategic partnerships, communications and donations (Schedule)	1,643,997	-	1,643,997	1,502,532
Hearings, arbitration and legal	971,477	-	971,477	1,214,164
Provincial executive and committees	682,226	-	682,226	1,179,563
Other member services (Note 20 and Schedule)	677,674	-	677,674	1,037,832
Education	577,717	-	577,717	1,805,659
Bargaining	526,841	-	526,841	1,337,836
Automobile	444,276	-	444,276	623,103
Travel and relocation	401,407	-	401,407	1,390,867
Conventions and conferences	211,701	-	211,701	685,738
Supplemental leave benefits (Note 15)	177,896	-	177,896	217,965
Professional fees	191,174	-	191,174	302,841
Joint committee meetings	100,072	-	100,072	286,559
Strike expenses	-	-	-	24,509
	55,950,649	266,787	56,217,436	59,638,602
Excess of revenues over expenses	13,676,318	7,440,440	21,116,758	21,746,007

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 2020	Consolidated 2019
	Invested in property and equipment	Unrestricted	Internally restricted	Restricted Defence Fund		
	\$	\$	\$	\$	\$	\$
			(Note 16)			
Fund balances, beginning of year	35,776,512	500,000	20,073,994	91,932,199	148,282,705	126,633,350
Excess of revenues over expenses	-	13,676,318	-	7,440,440	21,116,758	21,746,007
Actuarial gain (loss) (Note 15)	-	462,419	-	-	462,419	(96,652)
Amortization of property and equipment	(2,877,395)	2,877,395	-	-	-	-
Purchase of property and equipment	1,158,082	(582,377)	(575,705)	-	-	-
Principal repayments, capital lease obligations	331,635	(331,635)	-	-	-	-
Interfund transfers (Note 16)						-
2020 Operating budget	-	(4,890,003)	4,890,003	-	-	-
2020 Unrestricted fund balance	-	(11,212,117)	11,212,117	-	-	-
Fund balances, end of year	34,388,834	500,000	35,600,409	99,372,639	169,861,882	148,282,705

B.C. Government and Service Employees' Union

Consolidated statement of cash flows

Year ended December 31

	Consolidated 2020	Consolidated 2019
	\$	\$
Operating activities		
Excess of revenues over expenses	21,116,758	21,746,007
Items not involving the outlay of funds		
Amortization	3,144,182	3,284,828
Supplemental leave benefits expense (Note 15)	177,896	217,965
Donation of property	-	-
Gain on donation of property	-	-
Unrealized loss (gain) on investments	(7,569,634)	(16,817,658)
	16,869,202	8,431,142
Net changes in operating working capital		
Accounts receivable	(571,160)	274,912
Prepaid expenses	(62,325)	(45,494)
Accounts payable and accrued liabilities	(679,131)	1,439,267
CH EDMP funding held in trust (Note 12)	71,942	204,000
Due to components	298,129	99,230
Supplemental leave benefits paid	(272,208)	(812,305)
	15,654,449	9,590,752
Investing activities		
Deposits paid on purchase of land and building	302,950	(302,950)
Development costs	(90,331)	(29,718)
Proceeds on sale (purchase) of marketable securities	9,266,623	(1,242,719)
Purchase of investment property	(22,264,536)	-
Purchase of property and equipment	(1,158,081)	(1,227,250)
	(13,943,375)	(2,802,637)
Financing activity		
Principal repayments, capital lease obligations	(331,635)	(311,260)
Net cash inflow	1,379,439	6,476,855
Cash position, beginning of year	8,185,370	1,708,515
Cash position, end of year	9,564,809	8,185,370
Supplemental cash flow information		
Purchase of equipment by capital lease	10,177	112,280
Interest paid on capital lease obligations	37,592	53,706

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2020

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* (Canada).

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 companies, Solidarity Holdings Ltd., Workers' Capital (LMAO) Holding Corp., Workers Capital (Norland) Holding Corp., Workers' Capital (Terrace) Holding Corp., Workers' Capital (Williams Lake) Holding Corp., and Solidarity's subsidiary, Northern Workers United Holding Corp. All transactions and balances between the Union, Solidarity Holdings Ltd. and the 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., Workers' Capital (LMAO) Holding Corp., Workers Capital (Norland) Holding Corp., Workers' Capital (Terrace) Holding Corp., Workers' Capital (Williams Lake) Holding Corp., 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 June 2021, postponed from June 2020 as a result of the COVID-19 pandemic (Note 24).

The Defence Fund reports restricted resources to be used in the event of job action and holds investments for future appreciation.

(c) Investment

The investment where the Union exerts significant influence is accounted for using the cost method.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2020

2. Significant accounting policies (continued)

(d) *Investment property*

The investment property is recorded at cost less accumulated amortization using the declining balance basis at 5% per annum for the building. No amortization is taken for investment property under development.

(e) *Development costs*

Development costs includes costs directly attributable to development activities. Revenue earned and expenses incurred prior to completion of development are recorded in development costs. No amortization is taken until development is complete and the property is available for use.

(f) *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).

(g) *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 the sum of expected undiscounted future cash flows resulting from its use and eventual disposition.

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.

(h) *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 are 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, 2020

2. Significant accounting policies (continued)

(i) *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, 2020. Actuarial valuations are performed every three years and an extrapolation of the results is done on an annual basis.

(j) *Multi-employer pension plan*

The Union accounts for its participation in the Public Service Pension Plan, a multi-employer 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.

(k) *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* (Canada). 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.

(l) *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.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2020

2. Significant accounting policies (continued)

(m) 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 investments 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 consolidated statement of changes in fund balances. In the event a previously recognized impairment loss should be reversed, the amount of the reversal is recognized in the consolidated statement of changes in fund balances 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 revenues and expenses on a straight-line method over the term of the instrument. All other transaction costs are recognized in the consolidated statement of revenues and expenses in the period incurred.

3. 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, 2020. The composition of marketable securities, classified as current assets, is as follows:

	2020		2019	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Short-term investments	524,854	524,955	777,574	778,361
Fixed income funds	10,818,804	10,283,063	17,528,479	16,907,725
Equity funds	84,328,967	37,566,113	79,421,026	39,955,609
Foreign currency hedge (Note 22(e))	1,057,724	-	700,259	-
	96,730,349	48,374,131	98,427,338	57,641,695
Represented by				
General Fund	29,399,938	19,805,797	16,573,745	9,527,646
Defence Fund	67,330,411	28,568,334	81,853,593	48,114,049
	96,730,349	48,374,131	98,427,338	57,641,695

For the year ended December 31, 2020, the total realized gain on the sale of marketable securities was \$2,397,859 (2019 - \$511,813).

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2020

4. Deposits

In 2019, the Union entered into a contract to purchase land and a building in Burnaby, British Columbia, for \$4,800,000 plus taxes which completed on January 13, 2020. The deposit paid and other related acquisition costs were reclassified to investment property in the consolidated balance sheet.

5. Investment

The investment noted below does not have a quoted market price in an active market and is recorded at cost.

	2020	2019
	\$	\$
Investment with Significant Influence		
West Kootenay Labour Centre Holding Society (37.5%)	15,250	15,250

6. Investment property

	2020	2019
	\$	\$
Investment Property – Defence Fund		
Cost		
Palm Avenue Properties – Land	22,264,536	-
Norland Avenue Property – Land	4,870,994	4,870,994
Norland Avenue Property – Building	5,760,577	5,760,577
	32,896,107	10,631,571
Accumulated Amortization		
Norland Avenue Property - Building	(691,629)	(424,842)
	32,204,478	10,206,729

7. Development costs

The Union plans to develop its Palm Avenue, Burnaby properties (see Note 6) into office space for the Union and affordable housing. The Union has applied to the City of Burnaby to have the properties rezoned and has entered into contracts with a number of firms to assist with the development of the properties (see Notes 17 and 25). On October 9, 2020, the Union created Affordable BC Housing Society (the "Society"), a not-for-profit entity, which will take over the Union's development costs and continue the development after the City of Burnaby rezones the properties and issues a building permit, and after the Society negotiates financing for the development.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2020

8. Amounts held in trust

	2020	2019
	\$	\$
Health Science Professionals Professional Development Funds		
For professional development of members covered by the Health Sciences Professionals collective agreement.	72,908	103,491
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.	230,007	260,358
Joint Community Social Services Retraining Fund		
For retraining and providing professional development support for laid-off employees.	30,415	30,510
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.	173,859	191,272
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.	1,976,394	2,050,389
	2,483,583	2,636,020

Assets held in trust are liquid assets held with a Canadian financial institution.

9. Equipment under capital lease

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Equipment under capital lease	1,429,055	1,077,816	351,239	663,814

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2020

10. Property and equipment

	2020			2019
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	9,140,159	-	9,140,159	9,047,188
Buildings	33,349,626	13,283,660	20,065,966	20,589,697
Furniture and equipment	8,873,706	7,786,709	1,086,997	1,440,955
Computer equipment	3,466,061	2,926,525	539,536	681,302
Parking lot and road	415,228	111,742	303,486	313,761
Vehicle	167,657	143,706	23,951	34,216
Leasehold improvements	10,298,424	7,039,276	3,259,148	3,708,686
	65,710,861	31,291,618	34,419,243	35,815,805

No impairment losses have been identified by the Union for the years ended December 31, 2020 and 2019.

11. Government remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$347,149 (2019 - \$137,417).

12. Community Health Enhanced Disability Management Program (CH EDMP) funding held in trust

The Union administers the Community Health Enhanced Disability Management Program (CH EDMP) on behalf of the Community Bargaining Association and the employers of community health members covered under the Health Services and Support Community Subsector collective agreement. Jointly developed, and administered by the Union, the purpose of the program is to facilitate an employee-centred, proactive, appropriate and customized disability management program for members with occupational and non-occupational illness or injury.

CH EDMP is fully funded by the employers through the Health Employers Association of British Columbia (HEABC). Program expenditures for 2020 and 2019 are documented in the following table.

	Consolidated 2020	Consolidated 2019
	\$	\$
Expenditures		
Membership advocate activities	567,223	815,338
Salaries and benefits	388,820	391,506
Building and administration	12,467	18,952
Office and equipment expenses	10,536	17,646
Staff travel and auto	4,188	15,234
	983,234	1,258,676

Total remaining funding received from HEABC for CH EDMP amounts to \$275,942 (2019 - \$204,000) recorded as funding held in trust and is held as cash as at year-end.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2020

13. Due to components

	2020	2019
	\$	\$
Dues allocations payable	(1,145,292)	(624,101)
Advances to cover expenses, non-interest-bearing	476,064	253,002
	(669,228)	(371,099)

14. Capital lease obligations

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

	\$
2021	249,442
2022	130,439
2023	27,092
2024	2,544
Total minimum lease payments	409,517
Imputed interest at 5.75%	27,868
	381,649
Current obligation	230,262
Long-term obligation	151,387

Interest of \$37,592 (2019 - \$53,706) 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 April 2021 to November 2024.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2020

15. 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 2021 provided the Union with a valuation of the total benefits liability at December 31, 2020 including a \$462,219 actuarial gain (2019 - \$96,652 actuarial loss), 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 \$4,896,211 (2019 - \$5,452,942) 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:

	2020	2019
	%	%
Discount rate	2.20	3.00
Rate of compensation and benefits increase	2.00	2.00
	2020	2019
	\$	\$
Supplemental leave benefits expense consists of the following:		
Current service cost	38,411	34,979
Interest cost on accrued benefit obligation	139,485	182,986
Supplemental leave benefits expense	177,896	217,965

Total benefits paid in the year were \$272,208 (2019 - \$812,305).

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2020

16. Internally restricted fund balances

						2020	2019
	Fightback and campaign reserve	Area office, land and building reserve	Bargaining reserve	Contingency reserve	Convention reserve	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Fund balance, beginning of year	5,835,721	6,046,877	3,408,585	3,382,811	1,400,000	20,073,994	7,743,968
Purchase of property and equipment	-	(575,705)	-	-	-	(575,705)	-
Transfers: 2020 operating budget	-	4,890,003	-	-	-	4,890,003	2,721,460
2020 unrestricted fund balance	164,279	10,423,864	591,415	32,559	-	11,212,117	9,608,566
Fund balance, end of year	6,000,000	20,785,039	4,000,000	3,415,370	1,400,000	35,600,409	20,073,994

In 2020, the Provincial Executive approved transferring all but \$500,000 of what would otherwise be the Union's unrestricted fund balance as of December 31, 2020 to make the contingency reserve equal to 5% of 2021 budgeted members' dues revenue, to bring the bargaining reserve up to \$4 million, the fightback reserve up to \$6 million and the remainder to be put into the area office land and building reserve.

17. Commitments

- (a) The Union is committed to operating lease payments for premises and office equipment over the next four years as follows

	\$
2021	497,717
2022	517,546
2023	532,418
2024	368,871
	1,916,553

The leases have maturity dates up to September 2024.

- (b) On April 14, 2020, the Union entered into a \$1,620,000 contract with an architectural firm to design the buildings for the Palm Avenue development.

B.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2020

18. 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 2020 was \$2,710,521 (2019 - \$2,543,034) 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, 2020 indicated a surplus of approximately \$2.667 billion. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 62,000 active employees, of which approximately 280 are employees of the Union.

The Union has identified that it has PSPP contribution arrears for certain temporary staff and that it may have PSPP contribution arrears for certain other temporary staff. The Union has notified the PSPP and has provided it with earnings data for both groups of temporary staff so that it can determine contribution arrears. Until the PSPP makes its determination it is not possible to estimate the amount of the arrears payable.

19. Contingencies

There are human rights complaints that have been filed jointly against certain employers and the Union. As the Union's share of any potential liability cannot be estimated at this time, no amounts have been recorded in these financial statements.

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

The Union committed \$251,000 (2019 - \$241,869) to its BCGEU Diane L. Wood International Solidarity and Humanity Fund for international solidarity and development projects. As at December 31, 2020, \$51,508 (2019 - \$53,133) of committed funds have yet to be spent.

21. Credit facility

The Union has an available credit facility up to a maximum of \$8,500,000 with interest per annum charged at prime rate of 2.45% (2019 - 3.95%) as at December 31, 2020. 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 \$6,271,295 (2019 - \$6,516,899). As at December 31, 2020, the amount outstanding was \$nil (2019 - \$nil).

22. 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.C. Government and Service Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2020

22. Financial instruments (continued)

(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 accounts receivable is minimal since over 97% of the accounts receivable as at December 31, 2020 (2019 - 97%) are receivable from well-established employers for members' dues deducted from members' wages. Members' dues are received from employers on a regular basis.

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.

(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) *Other price risk*

Other price 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, 2020, 45% (2019 - 33%) of the marketable securities are invested in U.S. equities with an additional 10% (2019 - 12%) 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, 2020

23. Income taxes

The Union's wholly owned company has non-capital losses of \$11,013,785 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
2039	1,810,553
2040	1,503,427
	<hr/> 11,013,785 <hr/>

24. Impact of COVID-19

On March 11, 2020, the World Health Organization categorized the novel strain of coronavirus, specifically identified as "COVID-19" as a pandemic. The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally. Global equity markets have experienced significant volatility. The duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Union in future periods.

25. Subsequent event

The Union expects to enter into a \$1,173,000 contract with a firm to supervise and manage the Palm Avenue development.

26. Comparative balances

Certain comparative balances have been reclassified to conform to the presentation used in the current year. The changes do not affect prior year excess of revenues over expenses.

B.C. Government and Service Employees' Union

Consolidated schedule of rent revenue, net and expenses

Year ended December 31, 2020

Schedule

	General Fund \$	Solidarity Holdings Ltd. \$	Consolidated 2020 \$	Consolidated 2019 \$
Rent	668,947	88,261	757,208	902,129
Expenses				
Repairs and maintenance	163,641	-	163,641	147,379
Utilities	79,375	-	79,375	76,596
Property taxes	56,161	-	56,161	69,756
Management fees	51,361	-	51,361	39,822
Leasing commissions	-	-	-	26,421
	350,538	-	350,538	359,974
Rent, net	318,409	88,261	406,670	542,155
			Consolidated 2020 \$	Consolidated 2019 \$
Building and administration				
Building			2,069,781	2,062,510
Office (Note 14)			1,694,675	1,534,109
Information technology			1,241,317	994,201
Telephone and utilities			880,540	924,242
Rent			590,095	617,121
Postage			199,294	318,943
Amortization of property and equipment			2,554,644	2,684,614
Amortization of property and equipment under capital lease			322,751	319,387
Amortization of investment property			266,787	280,827
			9,819,884	9,735,954
Campaigns, strategic partnerships, communications and donations				
Campaigns, strategic partnerships and charitable donations			1,320,801	1,193,294
Internal and external communications			323,196	309,238
			1,643,997	1,502,532
Other member services				
BCGEU Diane L. Wood International Solidarity and Humanity Fund (Note 20)			252,625	239,600
Scholarships and welfare			127,775	106,056
Cross component committees			112,625	117,489
Workplace leadership			63,793	150,390
Pandemic member expenses			45,014	-
Union observers			35,340	54,154
Hospitality workers' health and welfare benefits plan (recovery)			17,469	(18,132)
Membership activities			16,991	109,994
Activist recognition events			6,042	278,281
			677,674	1,037,832