

Consolidated Financial Statements of

B.C. General Employees' Union

December 31, 2021

Table of contents

Independent auditors' report	1-2
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.....	7-19
Schedule: Consolidated schedule of rent revenue, net and expenses	20

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF B.C. GENERAL EMPLOYEES' UNION

Opinion

We have audited the consolidated financial statements of B.C. General Employees' Union (the "Union"), which comprise:

- ♦ the consolidated balance sheet as at December 31, 2021;
- ♦ 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, 2021, 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.

Vancouver

1700 - 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley

600 - 19933 88 Ave
Langley, BC V2Y 4K5
T: 604 282 3600
F: 604 357 1376

Nanaimo

201 - 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

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
June 7, 2022

B.C. General Employees' Union

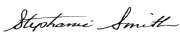
Consolidated balance sheet

As at December 31


	Consolidated 2021	Consolidated 2020
	\$	\$
Assets		
Current assets		
Cash	16,186,473	9,288,867
Accounts receivable	6,640,986	7,213,023
Prepaid expenses	655,104	883,062
Marketable securities (Note 3)	125,805,156	96,730,349
Deposit (Note 4)	10,000	-
	149,297,719	114,115,301
Investment (Note 5)	15,250	15,250
Investment properties (Note 6)	31,951,030	32,204,478
Development costs (Note 7)	452,340	120,049
Amounts held in trust (Note 8)	442,281	403,866
Equipment under capital lease (Note 9)	135,240	351,239
Property and equipment (Notes 10 and 20)	32,319,358	34,419,243
	214,613,218	181,629,426
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	7,209,789	5,416,590
Due to components (Note 12)	781,459	669,228
Current portion of capital lease obligations (Note 13)	122,769	230,262
	8,114,017	6,316,080
Capital lease obligations (Note 13)	28,618	151,387
Amounts held in trust (Note 8)	442,281	403,866
Supplemental leave benefits liability (Note 14)	4,666,792	4,896,211
	13,251,708	11,767,544
Fund balances		
Invested in property and equipment	32,303,210	34,388,834
Unrestricted	500,000	500,000
Internally restricted (Note 15)		
Fightback and campaign reserve	10,000,000	6,000,000
Area office, land and building reserve	38,464,229	20,785,039
Bargaining reserve	4,000,000	4,000,000
Contingency reserve	4,000,000	3,415,370
Convention reserve	-	1,400,000
Restricted – Defence Fund	112,094,071	99,372,639
	201,361,510	169,861,882
	214,613,218	181,629,426

Amounts held in trust (Note 8); Commitments (Note 16); Contingencies (Notes 17 and 18); Subsequent events (Note 24)

Approved on behalf of the Provincial Executive



President



Treasurer

B.C. General Employees' Union

Consolidated statement of revenues and expenses

Year ended December 31

	Operations (General Fund and Solidarity Holdings Ltd.)	Restricted Defence Fund	Consolidated 2021	Consolidated 2020
	\$	\$	\$	\$
Revenues				
Members' dues	76,913,185	-	76,913,185	70,967,732
Less:				
Allocations to components, 6.50% of dues revenue	(4,999,358)	-	(4,999,358)	(4,612,903)
	71,913,827	-	71,913,827	66,354,829
Investment income, net	5,882,094	12,975,452	18,857,546	10,470,836
Rent, net (Schedule)	386,704	-	386,704	406,670
Affiliation remittances and other	83,104	-	83,104	101,859
	78,265,729	12,975,452	91,241,181	77,334,194
Expenses				
Salaries and employee benefits (Note 14)	39,475,931	-	39,475,931	37,281,165
Building and administration (Schedule)	8,497,377	253,447	8,750,824	9,819,884
Affiliation fees	2,643,318	-	2,643,318	2,509,929
Campaigns, strategic partnerships, communications and donations (Schedule)	2,203,165	-	2,203,165	1,643,997
Conventions and conferences	1,582,453	-	1,582,453	211,701
Hearings, arbitration and legal	1,268,559	-	1,268,559	971,477
Bargaining	849,413	-	849,413	526,841
Provincial executive and committees	813,247	-	813,247	682,226
Other member services (Note 19 and Schedule)	645,532	-	645,532	677,674
Automobile	535,745	-	535,745	444,276
Education	361,303	-	361,303	577,717
Travel and relocation	325,033	-	325,033	401,407
Professional fees	170,248	-	170,248	191,174
Supplemental leave benefits (Note 14)	131,079	-	131,079	177,896
Joint committee meetings	49,462	-	49,462	100,072
Strike expenses	-	573	573	-
	59,551,865	254,020	59,805,885	56,217,436
Excess of revenues over expenses	18,713,864	12,721,432	31,435,296	21,116,758

B.C. General Service Employees' Union

Consolidated statement of changes in fund balances

Year ended December 31

	Operations (General Fund and Solidarity Holdings Ltd.)			Restricted Defence Fund (Note 6)	Consolidated 2021	Consolidated 2020
	Invested in property and equipment	Unrestricted	Internally Restricted (Note 15)			
	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	34,388,834	500,000	35,600,409	99,372,639	169,861,882	148,282,705
Excess of revenues over expenses	-	18,713,864	-	12,721,432	31,435,296	21,116,758
Actuarial gain (Note 14)	-	64,332	-	-	64,332	462,419
Amortization of property and equipment	(2,550,955)	2,550,955	-	-	-	-
Purchase of property and equipment	235,069	(207,320)	(27,749)	-	-	-
Principal repayments, capital lease obligations	230,262	(230,262)	-	-	-	-
Interfund transfers						
2021 Operating expenditures	-	1,400,000	(1,400,000)	-	-	-
2021 Operating budget	-	(8,177,980)	8,177,980	-	-	-
2021 Unrestricted fund balance	-	(14,113,589)	14,113,589	-	-	-
Fund balances, end of year	32,303,210	500,000	56,464,229	112,094,071	201,361,510	169,861,882

B.C. General Employees' Union

Consolidated statement of cash flows

Year ended December 31

	Consolidated 2021	Consolidated 2020
	\$	\$
Operating activities		
Excess of revenues over expenses	31,435,296	21,116,758
Items not involving the outlay of funds		
Amortization	2,804,401	3,144,182
Supplemental leave benefits expense (Note 14)	131,079	177,896
Unrealized gain on investments	(15,764,294)	(7,569,634)
	18,606,482	16,869,202
Net changes in operating working capital		
Accounts receivable	572,037	(571,160)
Prepaid expenses	227,958	(62,325)
Accounts payable and accrued liabilities	1,793,199	(679,131)
Due to components	112,231	298,129
Supplemental leave benefits paid	(296,166)	(272,208)
	21,015,741	15,582,507
Investing activities		
Deposits paid on purchase of land and building	(10,000)	302,950
Development costs	(332,291)	(90,331)
Proceeds on sale (purchase) of marketable securities	(13,310,513)	9,266,623
Purchase of investment properties	-	(22,264,536)
Purchase of property and equipment	(235,069)	(1,158,081)
	(13,887,873)	(13,943,375)
Financing activity		
Principal repayments, capital lease obligations	(230,262)	(331,635)
Net cash inflow	6,897,606	1,307,497
Cash position, beginning of year	9,288,867	7,981,370
Cash position, end of year	16,186,473	9,288,867
Supplemental cash flow information		
Purchase of equipment by capital lease	-	10,177
Interest paid on capital lease obligations	19,180	37,592

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2021

1. Nature of organization

The B.C. General 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 Holding Corp., Workers' Capital (LMAO) Holding Corp., Workers Capital (Norland) Holding Corp., Workers' Capital (Terrace) Holding Corp., Workers' Capital (Williams Lake) Holding Corp., Royal Oak Affordable Housing Corp., Affordable BC Housing Society, 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. The shares of the wholly owned companies are held in trust for the Union.

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 Holding Corp., Workers' Capital (LMAO) Holding Corp., Workers Capital (Norland) Holding Corp., Workers' Capital (Terrace) Holding Corp., Workers' Capital (Williams Lake) Holding Corp., Royal Oak Affordable Housing Corp., Affordable BC Housing Society, 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 2024.

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. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2021

2. Significant accounting policies (continued)

(d) *Investment properties*

The investment properties are recorded at cost less accumulated amortization using the declining balance basis at 5% per annum for the building.

(e) *Development costs*

Development costs include 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%
Building improvements	Straight-line basis	10 to 15 years
Furniture and equipment	Straight-line basis	7 years
Computer equipment	Straight-line basis	3 years
Parking lot and road	Declining-balance basis	4%
Vehicles	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 and unrealized gains and losses are included in the determination of investment income.

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2021

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, estimated useful lives of investment properties, net recoverable amount of property and equipment, net recoverable amount of investment properties, 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. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2021

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 financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, due to components, capital lease obligations and supplemental leave benefits liability.

The Union has designated its marketable securities to be measured at fair value.

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, 2021. The composition of marketable securities, classified as current assets, is as follows:

	2021		2020	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Short-term investments	599,766	599,766	524,854	524,955
Fixed income funds	14,636,214	14,698,683	10,818,804	10,283,063
Equity funds	111,382,569	46,386,092	84,328,967	37,566,113
Foreign currency hedge (Note 21(e))	(813,393)	-	1,057,724	-
	125,805,156	61,684,541	96,730,349	48,374,131
Represented by				
General Fund	46,969,764	32,631,281	29,399,938	19,805,797
Defence Fund	78,835,392	29,053,260	67,330,411	28,568,334
	125,805,156	61,684,541	96,730,349	48,374,131

For the year ended December 31, 2021, the total realized gain on the sale of marketable securities was \$2,902,601 (2020 - \$2,397,859).

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2021

4. Deposit

In 2021, the Union entered into a contract to purchase land and a building in Nelson, British Columbia, for \$1,350,000 plus taxes, which was completed in early April 2022. As at December 31, 2021, a deposit of \$10,000 was paid and included in Deposit 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.

	2021	2020
	\$	\$
Investment with Significant Influence		
West Kootenay Labour Centre Holding Society	15,250	15,250

6. Investment properties

	2021	2020
	\$	\$
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
	10,631,571	32,896,107
Accumulated Amortization		
Norland Avenue Property – Building	(945,077)	(691,629)
	9,686,494	32,204,478
Investment Properties – General Fund		
Cost		
Palm Avenue Properties – Land	22,264,536	-
	31,951,030	32,204,478

During the year, the Provincial Executive approved the transfer of Palm Avenue Properties – Land from the Defence Fund to the General Fund.

7. Development costs

The Union plans to develop its Palm Avenue, Burnaby properties (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 (Notes 16 and 24). On October 9, 2020, the Union incorporated 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.

On June 29, 2021 the Union incorporated "Royal Oak Affordable Housing Corp.", a taxable corporation with the Society as its sole shareholder.

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2021

8. Amounts held in trust

The following amounts are included in the Union's consolidated balance sheet:

	2021	2020
	\$	\$
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.	286,770	230,007
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.	155,511	173,859
	442,281	403,866

As follows, certain other amounts held in trust have not been included in the balance sheet of the Union as they are jointly governed funds:

	2021	2020
	\$	\$
Health Science Professionals Professional Development Funds For professional development of members covered by the Health Sciences Professionals collective agreement.	409,210	72,908
Joint Community Social Services Retraining Fund For retraining and providing professional development support for laid-off employees.	366,890	30,415
For development of training initiatives identified by the Joint Training committee.	584,295	-
Joint Community Health Retraining Fund For retraining members of certain of the labour organizations which make up the Community Bargaining Association, of which the Union is a member.	1,909,172	1,976,394
Community Health Enhanced Disability Management Program Fund To facilitate an employee-centered, proactive, appropriate and customized disability management program for members with occupational and non-occupational illness or injury.	389,799	275,972
	3,659,366	2,355,689

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

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2021

9. Equipment under capital lease

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Equipment under capital lease	1,429,055	1,293,815	135,240	351,239

10. Property and equipment

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	9,144,624	-	9,144,624	9,140,159
Buildings	33,337,822	14,285,785	19,052,037	20,065,966
Furniture and equipment	8,885,030	8,217,462	667,568	1,086,997
Parking lot and road	443,518	124,447	319,071	303,486
Computer equipment	3,526,020	3,240,241	285,779	539,536
Building improvements	107,345	8,639	98,706	-
Vehicles	167,657	150,891	16,766	23,951
Leasehold improvements	10,317,374	7,582,567	2,734,807	3,259,148
	65,929,390	33,610,032	32,319,358	34,419,243

No indicators of impairment have been identified by the Union for the years ended December 31, 2021 and 2020.

11. Government remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$167,334 (2020 - \$347,149).

12. Due to components

	2021	2020
	\$	\$
Dues allocations payable	(1,243,363)	(1,145,292)
Advances to cover expenses, non-interest-bearing	461,904	476,064
	(781,459)	(669,228)

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2021

13. Capital lease obligations

Future minimum payments under capital lease obligations are as follows:

	\$
2022	130,439
2023	27,092
2024	2,544
Total minimum lease payments	160,075
Imputed interest at 5.75%	(8,688)
	151,387
Current obligation	122,769
Long-term obligation	28,618

Interest of \$19,180 (2020 - \$37,592) 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 2022 to November 2024.

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2021

14. 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 and a projection of the current service costs for 2021 and a total benefits liability obligation as at December 31, 2021.

In March 2022, the actuaries revised their projection of the December 31, 2021 obligation to reflect a discount rate of 2.7%, as compared to the rate of 2.2% used in their earlier report. The resulting actuarial gain of \$64,332 (2020 - \$462,419) 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 \$4,666,792 (2020 - \$4,896,211) 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:

	2021	2020
	%	%
Discount rate	2.70	2.20
Rate of compensation and benefits increase	2.00	2.00
	2021	2020
	\$	\$
Supplemental leave benefits expense consists of the following:		
Current service cost	43,605	38,411
Interest cost on accrued benefit obligation	87,474	139,485
Supplemental leave benefits expense	131,079	177,896

Total benefits paid in the year were \$296,166 (2020 - \$272,208).

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2021

15. Internally restricted fund balances

						2021	2020
	Fightback and campaign reserve	Area office, land and building reserve	Bargaining reserve	Contingency reserve	Convention reserve	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Fund balance, beginning of year	6,000,000	20,785,039	4,000,000	3,415,370	1,400,000	35,600,409	20,073,994
Purchase of property and equipment	-	(27,749)	-	-	-	(27,749)	(575,705)
Transfers:							
2021 operating expenditures	-	-	-	-	(1,400,000)	(1,400,000)	-
2021 operating budget	-	8,177,980	-	-	-	8,177,980	4,890,003
2021 unrestricted fund balance	4,000,000	9,528,959	-	584,630	-	14,113,589	11,212,117
Fund balance, end of year	10,000,000	38,464,229	4,000,000	4,000,000	-	56,464,229	35,600,409

In 2021, the Provincial Executive approved transferring all but \$500,000 of what would otherwise be the Union's unrestricted fund balance as of December 31, 2021 to make the contingency reserve equal to 5% of 2022 budgeted members' dues revenue, to bring the fightback reserve up to \$10 million and the remainder to be put into the area office land and building reserve.

16. Commitments

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

	\$
2022	520,560
2023	537,309
2024	370,712
	1,428,581

The leases have maturity dates up to December 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. At December 31, 2021, this contract remains in place.
- (c) On May 19, 2021, the Union entered into a \$1,173,000 contract with a firm to supervise and manage the Palm Avenue development. At December 31, 2021, this contract remains in place.

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2021

17. 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 2021 was \$2,811,507 (2020 - \$2,710,521) 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.

18. 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.

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

The Union committed \$243,000 (2020 - \$251,000) to its BCGEU Diane L. Wood International Solidarity and Humanity Fund for international solidarity and development projects. As at December 31, 2021, \$54,708 (2020 - \$51,508) of committed funds have yet to be spent.

20. 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% (2020 - 2.45%). 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 \$6,037,971 (2020 - \$6,271,295). As at December 31, 2021, the amount outstanding was \$nil (2020 - \$nil).

21. 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, due to components 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. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2021

21. 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 95% of the accounts receivable as at December 31, 2021 (2020 - 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. 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, 2021, 38% (2020 - 45%) of the marketable securities are invested in U.S. equities with an additional 12% (2020 - 10%) 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.

Subsequent to the year-end, the Union decided to exit its hedging strategy effective June 30, 2022.

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2021

22. Income taxes

The Union's wholly owned company has non-capital losses of \$12,140,571 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
2041	1,126,786
	<hr/>
	12,140,571

23. Impact of COVID-19

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. This resulted in economic effects on global markets due to the ongoing disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing).

The Union adapted its operations to mitigate the financial impact of COVID-19; however, the impact of the pandemic on the Union's future operations cannot be reliably estimated at this time.

24. Subsequent events

- (a) Subsequent to the year-end, the Union decided to exit its hedge strategy effective June 30, 2022.
- (b) Subsequent to the end of year, the Union approved the transfer of beneficial ownership of all real property registered in the name of Solidarity Holdings Ltd. to the Union, effective January 1, 2022, and the transfer of legal and registered title of all real property from Solidarity Holdings Ltd. and one of the real properties from Northern Workers United Holding Corp. to individual bare trust companies wholly owned by Workers' Capital Holding Corp. The Union also approved winding up and dissolving Solidarity Holdings Ltd. upon completion of the transactions described above.
- (c) Subsequent to the year-end, the Union completed the purchase of 561 Josephine Street, Nelson, British Columbia for \$1,350,000 plus taxes.

25. 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, 2021

Schedule

	General Fund \$	Solidarity Holdings Ltd. \$	Consolidated 2021 \$	Consolidated 2020 \$
Rent	579,073	88,801	667,874	757,208
Expenses				
Repairs and maintenance	86,398	-	86,398	163,641
Property taxes	75,868	-	75,868	56,161
Utilities	71,301	-	71,301	79,375
Management fees	47,603	-	47,603	51,361
	281,170	-	281,170	350,538
Rent, net	297,903	88,801	386,704	406,670
			Consolidated 2021	Consolidated 2020
			\$	\$
Building and administration				
Building			1,940,192	2,069,781
Information technology			1,289,645	1,241,317
Office (Note 13)			1,011,846	1,694,675
Telephone and utilities			917,879	880,540
Rent			559,662	590,095
Postage			227,199	199,294
Amortization of property and equipment			2,334,954	2,554,644
Amortization of investment properties			253,447	266,787
Amortization of property and equipment under capital lease			216,000	322,751
			8,750,824	9,819,884
Campaigns, strategic partnerships, communications and donations				
Campaigns, strategic partnerships and charitable donations			1,700,142	1,320,801
Internal and external communications			503,023	323,196
			2,203,165	1,643,997
Other member services				
BCGEU Diane L. Wood International Solidarity and Humanity Fund (Note 19)			239,800	252,625
Scholarships and welfare			202,650	127,775
Activist recognition events			71,721	6,042
Workplace leadership			70,994	63,793
Steward duties			61,041	-
Union observers			45,714	35,340
Cross component committees			10,923	112,625
Membership activities			9,220	16,991
Pandemic member expenses			-	45,014
Hospitality workers' health and welfare benefits plan (recovery)			(66,531)	17,469
			645,532	677,674