

Consolidated Financial Statements of

B.C. General Employees' Union

December 31, 2022

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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, 2022;
- 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, 2022, 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.

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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 6, 2023

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B.C. General Employees' Union

Consolidated balance sheet

As at December 31

	Consolidated 2022	Consolidated 2021
	\$	\$
Assets		
Current assets		
Cash	14,176,138	16,186,473
Accounts receivable	8,303,876	6,640,986
Prepaid expenses	880,144	655,104
Marketable securities (Note 3)	111,022,221	125,805,156
Deposit (Note 4)	-	10,000
	134,382,379	149,297,719
Investment (Note 5)	15,250	15,250
Investment properties (Note 6)	21,234,036	31,951,030
Development costs (Note 7)	1,613,085	452,340
Amounts held in trust (Note 8)	278,744	442,281
Equipment under capital lease (Note 9)	26,210	135,240
Property and equipment (Notes 10 and 20)	41,840,047	32,319,358
	199,389,751	214,613,218
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Notes 11 and 17)	12,042,808	7,209,789
Due to components (Note 12)	1,739,148	781,459
Current portion of capital lease obligations (Note 13)	26,210	122,769
	13,808,166	8,114,017
Capital lease obligations (Note 13)	2,409	28,618
Amounts held in trust (Note 8)	278,744	442,281
Supplemental leave benefits liability (Note 14)	4,457,115	4,666,792
	18,546,434	13,251,708
Fund balances		
Invested in property and equipment	41,837,638	32,303,210
Unrestricted	1,284,561	500,000
Internally restricted (Note 15)		
Fightback and campaign reserve	5,990,474	10,000,000
Area office, land and building reserve	27,329,592	38,464,229
Bargaining reserve	1,022,000	4,000,000
Contingency reserve	4,375,000	4,000,000
Convention reserve	800,000	-
Restricted – Defence Fund	98,204,052	112,094,071
	180,843,317	201,361,510
	199,389,751	214,613,218

Amounts held in trust (Note 8); Commitments (Note 16); Contingencies (Note 18)

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 Fund (Note 2(b))	Restricted Defence Fund	Consolidated 2022	Consolidated 2021
	\$	\$	\$	\$
Revenues				
Members' dues	80,662,634	-	80,662,634	76,913,185
Less:				
Allocations to components, 6.50% of dues revenue	(5,243,071)	-	(5,243,071)	(4,999,358)
	75,419,563	-	75,419,563	71,913,827
Investment income, net (Note 3)	(4,291,054)	(12,543,673)	(16,834,727)	18,857,546
Rent, net	536,445	-	536,445	386,704
Affiliation remittances and other	376,331	-	376,331	83,104
	72,041,285	(12,543,673)	59,497,612	91,241,181
Expenses				
Salaries and employee benefits (Note 17)	44,760,748	-	44,760,748	39,475,931
Building and administration (Schedule)	12,685,568	-	12,685,568	8,750,824
Bargaining	7,864,006	-	7,864,006	849,413
Affiliation fees	2,725,258	-	2,725,258	2,643,318
Campaigns, strategic partnerships, communications and donations (Schedule)	1,869,739	-	1,869,739	2,203,165
Hearings, arbitration and legal	1,759,496	193,589	1,953,085	1,268,559
Conventions and conferences	1,486,404	-	1,486,404	1,582,453
Education	1,473,843	-	1,473,843	361,303
Provincial executive and committees	1,241,670	-	1,241,670	813,247
Travel and relocation	1,194,236	-	1,194,236	325,033
Other member services (Note 19 and Schedule)	784,739	-	784,739	645,532
Automobile	569,692	-	569,692	535,745
Professional fees	277,696	-	277,696	170,248
Supplemental leave benefits (Note 14)	161,471	-	161,471	131,079
Joint committee meetings	60,769	-	60,769	49,462
Strike expenses	-	1,152,757	1,152,757	573
	78,915,335	1,346,346	80,261,681	59,805,885
Excess (Deficiency) of revenues over expenses	(6,874,050)	(13,890,019)	(20,764,069)	31,435,296

B.C. General Service Employees' Union

Consolidated statement of changes in fund balances

Year ended December 31

	Operations Fund (Note 2(b))			Restricted Defence Fund (Note 6)	Consolidated 2022	Consolidated 2021
	Invested in property and equipment	Unrestricted	Internally Restricted (Note 15)			
	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	32,303,210	500,000	56,464,229	112,094,071	201,361,510	169,861,882
Excess (deficiency) of revenues over expenses	-	(6,874,050)	-	(13,890,019)	(20,764,069)	31,435,296
Actuarial gain (Note 14)	-	245,876	-	-	245,876	64,332
Amortization of property and equipment	(2,434,027)	2,434,027	-	-	-	-
Purchase of property and equipment	2,159,192	(711,049)	(1,448,143)	-	-	-
Transfer of property (Note 6)	9,686,494	-	(9,686,494)	-	-	-
Principal repayments, capital lease obligations	122,769	(122,769)	-	-	-	-
Interfund transfers						
2022 Operating expenditures	-	7,447,526	(7,447,526)	-	-	-
2022 Operating budget	-	(800,000)	800,000	-	-	-
2022 Unrestricted fund balance	-	(835,000)	835,000	-	-	-
Fund balances, end of year	41,837,638	1,284,561	39,517,066	98,204,052	180,843,317	201,361,510

B.C. General Employees' Union

Consolidated statement of cash flows

Year ended December 31

	Consolidated 2022	Consolidated 2021
	\$	\$
Operating activities		
Excess (deficiency) of revenues over expenses	(20,764,069)	31,435,296
Items not involving the outlay of funds		
Amortization	2,434,027	2,804,401
Supplemental leave benefits expense (Note 14)	161,471	131,079
Unrealized loss (gain) on investments	16,218,911	(15,764,294)
	(1,949,660)	18,606,482
Net changes in operating working capital		
Accounts receivable	(1,662,890)	572,037
Prepaid expenses	(225,040)	227,958
Accounts payable and accrued liabilities	4,833,019	1,793,199
Due to components	957,689	112,231
Supplemental leave benefits paid	(125,272)	(296,166)
	1,827,846	21,015,741
Investing activities		
Deposits paid on purchase of land and building	10,000	(10,000)
Development costs	(1,160,745)	(332,291)
Purchase of marketable securities, net	(1,435,975)	(13,310,513)
Recovery of GST on investment properties	1,030,500	-
Purchase of property and equipment	(2,159,192)	(235,069)
	(3,715,412)	(13,887,873)
Financing activity		
Principal repayments, capital lease obligations	(122,769)	(230,262)
Net cash inflow (outflow)	(2,010,335)	6,897,606
Cash position, beginning of year	16,186,473	9,288,867
Cash position, end of year	14,176,138	16,186,473
Supplemental cash flow information		
Interest paid on capital lease obligations	7,670	19,180

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2022

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 following entities:

- i) General and Defence Funds of the Union
- ii) The Union's wholly owned companies:
 - Solidarity Holdings Ltd.
 - Workers' Capital Holding Corp., and its individual bare trusts for each of the Union's real estate properties.
- iii) Affordable BC Housing Society, of which the Union is the sole member, and the Society's wholly owned company:
 - Royal Oak Affordable Housing Corp.

All transactions and balances between the above entities 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, the entities listed above in Note 2 (a), and the following internally restricted reserves:

- Fightback and campaign reserve – for fightback and campaign reserves;
- 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 May/June 2024.

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

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2022

2. Significant accounting policies (continued)

(c) *Investment*

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

(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.

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2022

2. Significant accounting policies (continued)

(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 of accounting. 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.

(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 companies follow 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, 2022

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, 2022. The composition of marketable securities, classified as current assets, is as follows:

	2022		2021	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Short-term investments	966,784	966,784	599,766	599,766
Fixed income funds	12,869,509	15,144,031	14,636,214	14,698,683
Equity funds	97,185,928	47,009,702	111,382,569	46,386,092
Foreign currency hedge (Note 21(e))	-	-	(813,393)	-
	111,022,221	63,120,517	125,805,156	61,684,541
Represented by				
General Fund	42,964,265	33,051,099	46,969,764	32,631,281
Defence Fund	68,057,956	30,069,418	78,835,392	29,053,260
	111,022,221	63,120,517	125,805,156	61,684,541

For the year ended December 31, 2022, the total realized loss (2021 - gain) on the sale of marketable securities was \$1,829,720 (2021 - \$2,902,601) and total unrealized loss (2021 - gain) on fair market value changes was \$16,218,911 (2021 - \$15,764,294).

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2022

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. The deposit paid was reclassified to property and equipment in the consolidated balance sheet.

5. Investment

	2022	2021
	\$	\$
Investment with Significant Influence		
West Kootenay Labour Centre Holding Society	15,250	15,250

The Union is a member of the Society through its contribution of \$15,250 towards the purchase and upkeep of the Society's property and holds a 37.5% interest in the Society.

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

6. Investment properties

	2022	2021
	\$	\$
Investment Properties – Operations Fund		
Cost		
Palm Avenue Properties – Land	21,234,036	22,264,536
Investment Property – Defence Fund		
Cost		
Norland Avenue Property – Land	-	4,870,994
Norland Avenue Property – Building	-	5,760,577
	-	10,631,571
Accumulated Amortization		
Norland Avenue Property – Building	-	(945,077)
	-	9,686,494
	21,234,036	31,951,030

During the year, the Provincial Executive approved the transfer of the Norland Avenue property from the Defence Fund, as an investment property, to the General Fund, as property and equipment (Note 10) at the property's December 31, 2021, net book value of \$9,686,494. To reflect this decision, \$9,686,494 was transferred from the internally restricted area office, land and building reserve, to the invested in property and equipment fund balance.

The cost of the Palm Avenue properties was reduced by \$1,030,500 in 2022 to reflect the recovery of GST paid when the land was purchased.

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2022

7. Development costs

The Union is developing 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).

8. Amounts held in trust

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

	2022	2021
	\$	\$
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.	139,359	286,770
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.	139,385	155,511
	278,744	442,281

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:

	2022	2021
	\$	\$
Health Science Professionals Professional Development Funds For professional development of members covered by the Health Sciences Professionals collective agreement.	558,159	409,210
Joint Community Social Services Retraining Fund For retraining and providing professional development support for laid-off employees.	324,594	366,890
For development of training initiatives identified by the Joint Training committee.	579,849	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.	1,858,493	1,909,172
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.	630,639	389,799
	3,951,734	3,659,366

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, 2022

9. Equipment under capital lease

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Equipment under capital lease	1,429,055	1,402,845	26,210	135,240

10. Property and equipment

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	15,463,761	-	15,463,761	9,144,624
Buildings	39,098,400	16,424,239	22,674,161	19,052,037
Furniture and equipment	9,227,453	8,499,760	727,693	667,568
Parking lot and road	443,518	137,210	306,308	319,071
Computer equipment	3,629,389	3,314,827	314,562	285,779
Building improvements	104,317	17,231	87,086	98,706
Vehicles	167,657	155,921	11,736	16,766
Leasehold improvements	10,335,250	8,080,510	2,254,740	2,734,807
	78,469,745	38,629,698	41,840,047	32,319,358

No indicators of impairment have been identified by the Union for the year ended December 31, 2022.

11. Government remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$228,691 (2021 - \$167,334).

12. Due to components

	2022	2021
	\$	\$
Dues allocations payable	2,388,987	1,243,363
Less: Advances to cover expenses, non-interest-bearing	649,839	461,904
	1,739,148	781,459

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2022

13. Capital lease obligations

Future minimum payments under capital lease obligations are as follows:

	\$
2023	27,092
2024	2,544
Total minimum lease payments	29,636
Imputed interest at 5.75%	(1,017)
	28,619
Current obligation	26,210
Long-term obligation	2,409

Interest of \$7,670 (2021 - \$19,180) on account of capital leases was paid during the year and is included in office expense (Schedule). The Union's capital lease obligations have maturity dates ranging from April 2023 to November 2024.

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2022

14. Supplemental leave benefits liability

The Union is committed to providing 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 in 2021 was recognized as a separate component within the consolidated statement of changes in fund balances.

In March 2023, the actuaries further revised their projection of the December 31, 2022 obligation to reflect a discount rate of 5.1%, as compared to the rate of 2.7% used in their earlier report. The resulting actuarial gain of \$245,876 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 \$4,457,115 (2021 - \$4,666,792) 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:

	2022	2021
	%	%
Discount rate	5.10	2.70
Rate of compensation and benefits increase	2.00	2.00
	2022	2021
	\$	\$
Supplemental leave benefits expense consists of the following:		
Current service cost	41,133	43,605
Interest cost on accrued benefit obligation	120,338	87,474
Supplemental leave benefits expense	161,471	131,079

Total benefits paid in the year were \$125,272 (2021 - \$296,166).

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2022

15. Internally restricted fund balances

	2022					2021	
	Fightback and campaign reserve	Area office, land and building reserve	Bargaining reserve	Contingency reserve	Convention reserve	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Fund balance, beginning of year	10,000,000	38,464,229	4,000,000	4,000,000	-	56,464,229	35,600,409
Purchase of property and equipment	-	(1,448,143)	-	-	-	(1,448,143)	(27,749)
Transfer of property	-	(9,686,494)	-	-	-	(9,686,494)	-
Transfers:							
2022 operating expenditures	(4,009,526)	-	(2,978,000)	(460,000)	-	(7,447,526)	(1,400,000)
2022 operating budget	-	-	-	-	800,000	800,000	8,177,980
2022 unrestricted fund balance	-	-	-	835,000	-	835,000	14,113,589
Fund balance, end of year	5,990,474	27,329,592	1,022,000	4,375,000	800,000	39,517,066	56,464,229

The Union's unrestricted fund balance as of December 31, 2022 has been reduced to make the contingency reserve equal to 5% of 2023 budgeted members' dues revenue.

16. Commitments

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

	\$
2023	537,309
2024	370,712
	908,021

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, 2022, 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, 2022, this contract remains in place.

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2022

17. Multi-employer pension plan

Employees of the Union are members of the Public Service Pension Plan ("PSPP" or the "Plan"), a multi-employer contributory defined benefit plan. The regular employer contribution for 2022 was \$2,943,719 (2021 - \$2,811,507) 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 68,000 active employees, of which approximately 323 are employees of the Union.

The Union 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 notified the PSPP and provided it with earnings data for both groups of temporary staff so that it can determine contribution arrears. In May 2023, the PSPP provided an estimate of \$870,000 of arrears payable. This estimate is included in accounts payable and accrued liabilities and in salaries and employee benefits expense for 2022 (2021 - \$nil).

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 \$265,000 (2021 - \$243,000) to its BCGEU Diane L. Wood International Solidarity and Humanity Fund for international solidarity and development projects. As at December 31, 2022, \$92,708 (2021 - \$54,708) 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 6.45% (2021 - 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 \$5,816,314 (2021 - \$6,037,971). As at December 31, 2022, the amount outstanding was \$nil (2021 - \$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, 2022

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 96% of the accounts receivable as at December 31, 2022 (2021 - 95%) 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, 2022, 32% (2021 - 38%) of the marketable securities are invested in U.S. equities with an additional 13% (2021 - 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 and effective June 30, 2022, the Union decided to exit its hedging strategy.

B.C. General Employees' Union

Notes to the consolidated financial statements

Year ended December 31, 2022

22. Income taxes

The Union's wholly owned company has non-capital losses of \$3,049,997 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:

	\$
2039	419,783
2040	1,503,427
2041	1,126,786
	<hr/> 3,049,996 <hr/>

B.C. Government and Service Employees' Union

Consolidated schedule of rent revenue, net and expenses

Year ended December 31, 2022

Schedule

	Consolidated 2022	Consolidated 2021
	\$	\$
Building and administration		
Building	4,831,484	1,940,192
Office (Note 13)	1,926,931	1,011,846
Information technology	1,596,775	1,289,645
Telephone and utilities	1,034,157	917,879
Rent	562,339	559,662
Postage	299,855	227,199
Amortization of property and equipment	2,324,997	2,334,954
Amortization of investment properties	-	253,447
Amortization of property and equipment under capital lease	109,030	216,000
	12,685,568	8,750,824
Campaigns, strategic partnerships, communications and donations		
Campaigns, strategic partnerships and charitable donations	1,349,680	1,700,142
Internal and external communications	520,059	503,023
	1,869,739	2,203,165
Other member services		
Activist recognition events	228,856	71,721
BCGEU Diane L. Wood International Solidarity and Humanity Fund (Note 19)	227,000	239,800
Scholarships and welfare	152,901	202,650
Cross component committees	95,239	10,923
Workplace leadership	78,360	70,994
Membership activities	73,340	9,220
Union observers	28,661	45,714
Steward duties	-	61,041
Hospitality workers' health and welfare benefits plan (recovery)	(99,618)	(66,531)
	784,739	645,532