



HOSPITAL EMPLOYEES' UNION

**Financial Statements
December 31, 2022**

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HOSPITAL EMPLOYEES' UNION

Opinion

We have audited the financial statements of Hospital Employees' Union (the "Union"), which comprise:

- ♦ the statement of financial position as at December 31, 2022;
- ♦ the statement of operations and fund balances for the year then ended;
- ♦ the statement of changes in fund balances for the year then ended;
- ♦ the statement of cash flows for the year then ended; and
- ♦ the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Union as at December 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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 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 Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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,

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individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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
September 26, 2023

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HOSPITAL EMPLOYEES' UNION

Statement of Financial Position

December 31

	2022	2021
Assets		
Current		
Cash and cash equivalents	\$ 23,705,657	\$ 15,026,290
Dues and other amounts receivable	6,204,583	4,974,506
Due from CUPE	418,294	418,161
Inventories	98,176	108,048
Prepaid expenses and deposits	363,074	364,483
	30,789,784	20,891,488
Term deposits (note 4)	38,989,912	42,781,192
Property and Equipment (note 5)	11,242,336	11,475,925
	\$ 81,022,032	\$ 75,148,605
Liabilities		
Current		
Accounts payable and accrued liabilities (note 6)	\$ 12,398,691	\$ 11,083,906
Fund Balances		
Invested in Capital Assets	11,242,336	11,475,925
Internally Restricted	57,306,294	52,539,919
Unrestricted	74,711	48,855
	68,623,341	64,064,699
	\$ 81,022,032	\$ 75,148,605

Commitments (note 9)

Contingencies (note 10)

Approved on behalf of the Provincial Executive:

.....
Barb Nederpel, President

.....
Betty Valenzuela, Financial Secretary

HOSPITAL EMPLOYEES' UNION
Statement of Operations and Fund Balances
Year Ended December 31

	General Fund	Strike Fund	Convention Fund	Pre-Bargaining Fund	Fightback Campaign / Political Action Fund	Building / Capital Fund	2022 Total	2021 Total
Revenues								
Dues and initiation fees	\$50,504,187	\$-	\$-	\$-	\$-	\$-	\$50,504,187	\$50,694,900
Recovery from CUPE	400,000	-	-	-	-	-	400,000	400,000
Interest and other	806,929	271,467	-	-	-	-	1,078,396	752,145
	51,711,116	271,467	-	-	-	-	51,982,583	51,847,045
Expenses								
Administration and other (note 5)	2,519,078	-	-	-	-	-	2,519,078	2,536,671
Bargaining support	1,213,899	-	-	-	-	-	1,213,899	1,045,706
Campaigns	1,431,793	-	-	-	-	-	1,431,793	1,111,712
Communications	161,357	-	-	-	-	-	161,357	178,962
Conferences and conventions	3,490,876	-	-	-	-	-	3,490,876	1,460,353
Donations	316,773	-	-	-	-	-	316,773	337,960
Education and equity	445,942	-	-	-	-	-	445,942	437,867
Guardian	219,636	-	-	-	-	-	219,636	277,344
Human resources	264,645	-	-	-	-	-	264,645	364,507
Information technology	1,100,700	-	-	-	-	-	1,100,700	941,564
Legal and library	622,343	-	-	-	-	-	622,343	597,393
OH&S and benefits advocacy	433,640	-	-	-	-	-	433,640	492,815
Membership services	1,757,213	-	-	1,757,213	-	-	1,757,213	1,904,003
Organizing	7,368	-	-	-	-	-	7,368	4,760
Per capita dues and assessments	6,138,499	-	-	-	-	-	6,138,499	5,822,490
Provincial Executive	402,664	-	-	-	-	-	402,664	220,057
Provincial Executive sub-committees	24,313	-	-	-	-	-	24,313	41,076
Regional caucus	(16,165)	-	-	-	-	-	(16,165)	50,773
Research	72,579	-	-	-	-	-	72,579	62,450
Salaries, benefits and travel	26,707,398	-	-	-	-	-	26,707,398	23,909,678
Strike and ratification costs	-	109,390	-	-	-	-	109,390	(1,738)
	47,314,551	109,390	-	-	-	-	47,423,941	41,796,403
Excess of Revenues over Expenses for the Year								
	4,396,565	162,077	-	-	-	-	4,558,642	10,050,642
Fund Balances, Beginning of Year	11,524,780	15,618,758	5,000,000	5,300,000	5,855,435	20,765,726	64,064,699	54,014,057
Interfund Transfers								
Dues assessments to Strike Fund	(504,298)	504,298	-	-	-	-	-	-
Transfer to Strike Fund	(1,000,000)	1,000,000	-	-	-	-	-	-
Transfer to Convention Fund	(500,000)	-	500,000	-	-	-	-	-
Transfer to Pre-Bargaining Fund	(500,000)	-	-	500,000	-	-	-	-
Transfer to Fightback Campaign/Political Action Fund	(500,000)	-	-	-	500,000	-	-	-
Transfer to Building/Capital Fund	(1,600,000)	-	-	-	-	1,600,000	-	-
Fund Balances, End of Year	\$11,317,047	\$17,285,133	\$5,500,000	\$5,800,000	\$6,355,435	\$22,365,726	\$68,623,341	\$64,064,699
General Fund Consists of:								
Invested in capital assets	\$11,242,336	-	-	-	-	-	-	-
Unrestricted General Fund	74,711	-	-	-	-	-	-	-
	\$11,317,047	-	-	-	-	-	-	-

HOSPITAL EMPLOYEES' UNION
Statement of Changes in Fund Balances
Year Ended December 31

	Invested in Capital Assets	Unrestricted General Fund	Internally Restricted				Building / Capital Fund	2022 Total	2021 Total
			Strike Fund	Convention Fund	Pre- Bargaining Fund	Fightback Campaign / Political Action Fund			
Balance, beginning of year	\$11,475,925	\$48,855	\$15,618,758	\$5,000,000	\$5,300,000	\$5,855,435	\$20,765,726	\$64,064,699	\$54,014,057
Excess of revenues over expenses	-	4,396,565	162,077	-	-	-	-	4,558,642	10,050,642
Interfund transfers	-	(4,604,298)	1,504,298	500,000	500,000	500,000	1,600,000	-	-
Amortization	(826,768)	826,768	-	-	-	-	-	-	-
Purchase of capital assets	593,179	(593,179)	-	-	-	-	-	-	-
Balance, end of year	\$11,242,336	\$74,711	\$17,285,133	\$5,500,000	\$5,800,000	\$6,355,435	\$22,365,726	\$68,623,341	\$64,064,699

HOSPITAL EMPLOYEES' UNION

Statement of Cash Flows

Year Ended December 31

	2022	2021
Operating Activities		
Excess of revenues over expenses	\$ 4,558,642	\$ 10,050,642
Item not involving cash		
Amortization	826,768	780,622
	5,385,410	10,831,264
Changes in non-cash working capital		
Dues and other amounts receivable	(1,230,077)	(291,242)
Due from CUPE	(133)	(13,310)
Inventories	9,872	17,744
Prepaid expenses and deposits	1,409	(161,827)
Accounts payable and accrued liabilities	1,314,785	1,590,344
	95,856	1,141,709
Cash Provided by Operating Activities	5,481,266	11,972,973
Investing Activities		
Proceeds (purchase) from matured (of) term deposits	3,791,280	(11,728,342)
Purchase of property and equipment	(593,179)	(1,252,037)
Cash Provided by (Used in) Investing Activities	3,198,101	(12,980,379)
Inflow of Cash and Cash Equivalents	8,679,367	(1,007,406)
Cash and Cash Equivalents, Beginning of Year	15,026,290	16,033,696
Cash and Cash Equivalents, End of Year	\$ 23,705,657	\$ 15,026,290
Represented by		
Cash	\$ 526,077	\$ 2,125,381
Cash equivalents	23,179,580	12,900,909
	\$ 23,705,657	\$ 15,026,290

HOSPITAL EMPLOYEES' UNION

Notes to Financial Statements

Year Ended December 31, 2022

1. NATURE OF ORGANIZATION

The Hospital Employees' Union (the "Union" or "HEU") is a trade union providing services on behalf of members in the health care profession in British Columbia. 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

The financial statements of the Union were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

(a) General

These financial statements include the accounts of the Union's General Fund, Capital Asset Fund, Strike Fund, Convention Fund, Pre-Bargaining Fund, Fightback Campaign/Political Action Fund, and Building/Capital Fund.

- The General Fund accounts for the Union's unrestricted resources.
- The Invested in Capital Assets Fund represents resources invested in property and equipment, and therefore, is not available for other purposes.

The following internally restricted funds are generally reserves established by the Union with the related expenditures charged to the Unrestricted General Fund. In the event such expenditures exceed the resources of the General Fund, such expenditures are expected to be funded through the respective reserve funds.

- The Strike Fund was established to fund all pre-strike/job action and strike/job action related activities, including mobilization around ratification votes. The Fund is allocated 1% of dues on a yearly basis.
- The Convention Fund was established to fund future conventions that are required to be held as part of the Union's Articles and Constitution.
- The Pre-Bargaining Fund was established to fund outreach to all occupational groups and to further improve member records to enhance communication with members.
- The Fightback Campaign/Political Action Fund was established to fund any future political actions and campaigns on behalf of members.
- The Building/Capital Fund was established to fund the purchase, improvement, and major maintenance projects of the Union's capital assets.

(b) Cash and cash equivalents

Cash and cash equivalents include term deposits that are highly liquid and temporary investments that are cashable on demand.

HOSPITAL EMPLOYEES' UNION

Notes to Financial Statements

Year Ended December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Amortization

Amortization of property and equipment is calculated on the following bases and annual rates:

Buildings	- 5% declining balance
Computer equipment	- 3 years straight-line
Computer software	- 3 years straight-line
Furniture and fixtures	- 10 years straight-line
Office equipment	- 5 years straight-line
Vehicle	- 5 years straight-line
Leasehold improvements	- Straight-line over the initial lease term

(d) Impairment of long-lived assets

The Union compares the carrying value of long-lived assets to either the estimated undiscounted future cash flows that may be generated from future use and/or eventual disposition of those assets whenever events or changes in circumstances indicate that its carrying value may not be recoverable. 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.

(e) Inventories

Inventories of apparel, pins, and boutique items are valued at the lower of cost and net realizable value. Cost includes price of purchase and related taxes and is determined on the first-in, first-out basis.

(f) Revenue recognition

The Union follows the restricted fund method of accounting.

Dues and initiation fees are recognized in the period to which they relate. All dues and initiation fees are treated as unrestricted revenue.

Recoveries from the Canadian Union of Public Employees ("CUPE") are recognized in the period to which they relate and are either shown as unrestricted or restricted revenue dependent on the specific details of the project financed.

Interest is recognized as revenue when received or earned based on the terms of the instrument.

HOSPITAL EMPLOYEES' UNION

Notes to Financial Statements

Year Ended December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates include the recoverability of amounts receivable, estimated useful lives of property and equipment, net recoverable amount of property and equipment and accrued liabilities. The Union believes the estimates used are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

(h) Financial instruments

The Union initially measures its financial assets and liabilities at fair value. The Union subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down would be recognized in the statement of operations. In the event a previously recognized impairment loss should be reversed, the amount of the reversal is recognized in the statement of operations 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, issuance, or assumption. These transaction costs are amortized into operations on a straight-line basis over the term of the instrument. All other transaction costs are recognized in operations in the period incurred.

Financial assets measured at amortized cost include cash and cash equivalents, dues and other amounts receivable and amount due from CUPE.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Union has not designated any financial assets or liabilities to be measured at fair value.

HOSPITAL EMPLOYEES' UNION

Notes to Financial Statements

Year Ended December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Pension plan

The Union and its employees contribute to a multi-employer defined benefit pension plan. Under the terms of the plan, each employee who is under 35 pensionable years of service or below 71 years old is required to make contributions based on a percentage of eligible employees' wages. The actuary does not attribute the net assets or unfunded liability of the plan to individual employers. As a result, the Union does not record an asset or liability associated with its participation in the pension plan. All contributions to the pension plan are expensed when due.

The Union contributes to a defined contribution plan for all employees after the first year of permanent employment. The Union contributes at varying rates of salary depending on length of service.

(j) Employee future benefits

The Union accrues benefits for the payout of unused sick leave credits upon termination and for an early retirement option.

3. FINANCIAL INSTRUMENTS

The Union's risk exposure and the impact on the Union's financial instruments are summarized below:

(a) Liquidity risk

Liquidity risk is the risk that the Union will encounter difficulty meeting obligations associated with financial liabilities. The Union may be exposed to liquidity risk with respect to its short-term accounts payable. The Union manages its risk by forecasting cash flows from operations and anticipated investing activities. The Union has sufficient cash, callable term deposits and accounts receivable at December 31, 2022 in the amount of \$30,328,534 (2021 - \$20,418,957) in order to meet its short-term accrued liabilities of \$12,398,691 (2021 - \$11,083,906).

HOSPITAL EMPLOYEES' UNION

Notes to Financial Statements

Year Ended December 31, 2022

3. FINANCIAL INSTRUMENTS (Continued)

(b) 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 consists of two components:

- i. To the extent that payments made or received on the Union's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Union is exposed to interest rate cash flow risk.
- ii. To the extent that changes in prevailing market interest rates differ from the interest rates on the Union's monetary assets and liabilities, the Union is exposed to interest rate price risk.

The Union is not exposed to significant interest rate risk due to the short term to maturity of its financial instruments.

(c) Credit risk

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

The Union's exposure to credit risk with respect to its cash and cash equivalents is minimized since these instruments 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 and cash equivalents, all of which are held at credit unions in British Columbia.

The Union's exposure to credit risk with respect to accounts receivable is minimal since the majority of amounts are receivable from government funded health employers and another union.

HOSPITAL EMPLOYEES' UNION

Notes to Financial Statements

Year Ended December 31, 2022

4. TERM DEPOSITS

The Union has term deposits with Community Saving Credit Union, with interest rate ranging from 1.10% to 4.50% (2021 - 0.50% to 2.45%), with maturity dates from December 29, 2022 to October 27, 2025 (2021 - January 31, 2022 to December 29, 2022).

5. PROPERTY AND EQUIPMENT

	2022		2021	
	Cost	Accumulated Amortization	Net	Net
Land	\$ 4,205,282	\$ -	\$ 4,205,282	\$ 4,205,282
Buildings	11,682,517	6,513,330	5,169,187	5,435,999
Computer equipment	1,986,091	1,658,674	327,417	245,402
Computer software	579,386	578,640	746	821
Furniture and fixtures	1,948,594	978,114	970,480	934,363
Office equipment	281,193	168,716	112,477	168,716
Leasehold improvements	999,586	542,839	456,747	485,342
	\$ 21,682,649	\$ 10,440,313	\$ 11,242,336	\$ 11,475,925

The title of the Union's land and buildings remains in Oneight Holdings Ltd., which holds it in trust for the Union.

Included in administration and other expenses of the General Fund is amortization expense of \$826,768 (2021 - \$780,622).

6. GOVERNMENT REMITTANCES

Included in accounts payable are government remittances payable of \$374,770 (2021 - \$342,045).

7. EMPLOYEE PENSION PLAN

The Union participates in a defined benefit pension plan for the Union's employees that is governed by a Joint Trust Agreement between the plan sponsors: Government of British Columbia, Union of British Columbia Municipalities, and the Municipal Employees' Pension Committee. The Union is responsible to make contributions to the pension plan equivalent to a certain percentage of employees' salaries. These contributions immediately vest to the employee.

Every three years an actuarial valuation is performed to assess the financial position of the pension plan and the adequacy of funding. The most recent actuarial valuation for the pension plan at December 31, 2021 indicated a surplus of \$3,761 million. The next valuation will be as at December 31, 2024 with results available in fall 2025.

The actuary does not attribute portions of the surplus to individual employers.

During the year ended December 31, 2022, the Union contributed \$1,528,116 (2021 - \$1,392,341) to the plan. The plan covers approximately 241,000 (2021 - 227,000) active employees, of which approximately 210 (2021 - 185) are employees of the Union.

HOSPITAL EMPLOYEES' UNION

Notes to Financial Statements

Year Ended December 31, 2022

8. EMPLOYEE RETIREMENT BENEFITS

The Union has established a defined contribution retirement compensation arrangement ("RCA"), as defined in the federal *Income Tax Act* (Canada), for all its employees. Under the plan, the Union makes annual contributions to an RCA trust. The contributions are based on the employees' gross salaries at rates ranging from 2.5% to 5% depending on the length of service starting after the first year of permanent employment.

As at December 31, 2022, RCA refundable tax on hand balance with Canada Revenue Agency ("CRA") amounts to \$2,596,038 (2021 - \$2,487,502) plus \$159,616 (2021- \$230,640) refundable to the RCA trust account of the Union.

As at December 31, 2022, the balance of the RCA trust accounts held by the Union is \$2,476,422 (2021 - \$2,283,484).

The RCA Trust includes 163 (2021 - 146) current employees. Pension expense for the year amounted to \$655,386 (2021 - \$586,201).

9. COMMITMENTS

(a) The Union is committed to rental payments under its equipment leases totaling \$174,662, which expire between 2023 and 2028. The commitments are as follows:

2023	\$	63,004
2024	\$	35,351
2025	\$	27,560
2026	\$	26,314
2027 and thereafter	\$	22,433

(b) The Union is committed to rental payments under its premise leases totaling \$2,179,319, which expire between 2023 and 2031. The commitments are as follows:

2023	\$	386,257
2024	\$	386,257
2025	\$	388,353
2026	\$	171,778
2027 and thereafter	\$	846,674

10. CONTINGENCIES

There are judicial reviews that may occasionally be found against, and in favor of, the Union. There are no costs payable or receivable that can be estimated at this time. Accordingly, no amounts have been recorded in these financial statements.