

**Public Service Alliance of Canada**  
**Financial Statements**  
**December 31, 2008**

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# Raymond Chabot Grant Thornton

## Auditors' Report

**Raymond Chabot Grant Thornton**  
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To the Administrators and Members of  
Public Service Alliance of Canada

We have audited the statement of financial position of Public Service Alliance of Canada as at December 31, 2008 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Public Service Alliance of Canada's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Public Service Alliance of Canada as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Raymond Chabot Grant Thornton LLP*

Chartered Accountants,  
Licensed Public Accountants

Ottawa, Canada,  
January 27, 2009

# Public Service Alliance of Canada

## Operations

Year ended December 31, 2008

	General Fund		Strike Fund	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>REVENUE</b>				
Membership dues (Note 4)	73,153,667	69,162,347	1,309,931	875,007
Special Strike Fund levy (Note 5)			2,778,477	5,301,624
Net investment income				
Interest income	2,050,842	2,201,803	1,118,587	939,368
Net gain realized on disposal of available-for-sale investments	834,556	2,321		410,982
Share in loss of wholly-owned subsidiary PSAC Holdings Ltd. - PSAC Placements Ltée (Note 13)	(776,612)	(901,158)		
Gain on disposal of capital assets	3,964	9,660		
Other revenue	778,397	963,202		
	<b>76,044,814</b>	<b>71,438,175</b>	<b>5,206,995</b>	<b>7,526,981</b>
<b>EXPENSES</b>				
Salaries and benefits	39,851,329	36,731,710		
Other operating expenses	8,667,413	7,841,954		
Members' expenses	18,806,763	19,331,782		
Rent	4,537,012	3,704,315		
Amortization of capital assets	1,574,319	1,406,259		
Miscellaneous (expenses not budgeted for see Note 6)	62,589	44,886		
Strike benefits (Note 26)	436,133		2,080,916	75,663
Strike administration			107,003	33,436
	<b>73,935,558</b>	<b>69,060,906</b>	<b>2,187,919</b>	<b>109,099</b>
Excess of revenue over expenses before other items	2,109,256	2,377,269	3,019,076	7,417,882
<b>OTHER ITEMS</b>				
National Hardship Fund Income (Note 7)		7,235		
Unapproved Strike Fund Administration Expenses (Note 8)			(1,895,256)	(104,225)
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>2,109,256</b>	<b>2,384,504</b>	<b>1,123,820</b>	<b>7,313,657</b>

The accompanying notes are an integral part of the financial statements.

# Public Service Alliance of Canada Changes in Fund Balances

Year ended December 31, 2008

	General Fund 2008				Total General Fund 2008	Strike Fund 2008	Total 2008	Total 2007
	Unrestricted Fund	Capital Assets Fund	Internally Restricted Funds					
Balance, beginning of year	\$ 29,880,655	\$ 4,820,944	\$ 9,141,666	\$ 43,843,265	\$ 24,470,319	\$ 68,313,584	\$ 58,615,423	
Acquisition of capital assets	(2,673,500)	2,673,500						
Amortization of capital assets	1,574,319	(1,574,319)						
Excess (deficiency) of revenue over expenses	2,869,822		(760,566)	2,109,256	1,123,820	3,233,076	9,698,161	
Fund balance transfers (Note 9)	(25,005,019)		21,917,843	(3,087,176)	3,087,176			
Strike excess surplus reallocation	436,133		(436,133)					
	7,092,410	5,920,125	29,862,810	42,865,345	28,681,315	71,546,660	68,313,584	
Accumulated gains and losses included directly in fund balances								
Balance, beginning of year	582,715		414,815	997,530	165,975	1,163,505		
Unrealized gains and losses on available-for-sale financial assets arising prior to January 1, 2007							1,633,310	
Reclassification adjustment for gains and losses included in excess of revenues over expenses	(543,849)		(290,707)	(834,556)		(834,556)	(413,303)	
	531,189		266,933	798,122	993,888	1,792,010	(56,502)	
Variation in unrealized gains and losses on available-for-sale financial assets during the period	570,055		391,041	961,096	1,159,863	2,120,959	1,163,505	
Balance, end of year	7,652,465	5,920,125	30,253,851	43,826,441	29,841,178	73,667,619	69,477,089	

The accompanying notes are an integral part of the financial statements.

# Public Service Alliance of Canada

## Cash Flows

Year ended December 31, 2008

	2008			2007		
	General Fund	Strike Fund	Total	General Fund	Strike Fund	Total
	\$	\$	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>						
Excess of revenue over expenses	2,109,256	1,123,820	3,233,076	2,384,504	7,313,657	9,698,161
Changes in non-cash working capital items						
Accounts receivable and accrued interest	(226,402)	(52,363)	(278,765)	321,634	(3,620)	318,014
Advances to members, officers and employees	(77,835)		(77,835)	(35,110)		(35,110)
Prepaid expenses	(769,809)		(769,809)	191,853		191,853
Accounts payable and accrued liabilities	(3,525,943)	135,324	(3,390,619)	750,762		750,762
Due to a related entity						
Interfund transfers	(3,091,008)	3,091,008		2,818,330	(2,818,330)	
Items not affecting cash						
Amortization of capital assets	1,574,319		1,574,319	1,406,259		1,406,259
Share in loss of wholly-owned subsidiary - PSAC Holdings Ltd. - PSAC						
Placements Ltée	776,612		776,612	901,158		901,158
Gain on disposal of capital assets	(3,964)		(3,964)	(9,660)		(9,660)
Net gain realized on disposal of available-for-sale investments	(834,556)		(834,556)	(2,321)	(410,982)	(413,303)
Provision for National Triennial Convention	1,047,975		1,047,975	1,100,000		1,100,000
Cash flows from operating activities	(3,021,355)	4,297,789	1,276,434	9,827,409	4,080,725	13,908,134
<b>INVESTING ACTIVITIES</b>						
Due from a related entity	(407,709)		(407,709)	(74,947)		(74,947)
Decrease (increase) in long-term investments	7,443,826	(5,098,654)	2,345,172	(12,881,972)	(5,761,720)	(18,643,692)
Decrease (increase) in long-term notes receivable	(3,135,525)		(3,135,525)	(3,122,826)	279,203	(2,843,623)
Acquisition of capital assets	(2,673,500)		(2,673,500)	(1,792,764)		(1,792,764)
Disposal of capital assets	3,964		3,964	9,660		9,660
Cash flows from investing activities	1,231,056	(5,098,654)	(3,867,598)	(17,862,849)	(5,482,517)	(23,345,366)
<b>FINANCING ACTIVITIES</b>						
Increase in long-term liabilities	1,226,129		1,226,129	429,838		429,838
Cash flows from financing activities	1,226,129		1,226,129	429,838		429,838
<b>Net decrease in cash</b>	(564,170)	(800,865)	(1,365,035)	(7,605,602)	(1,401,792)	(9,007,394)
Cash, beginning of year	15,356,949	2,052,688	17,409,637	22,962,551	3,454,480	26,417,031
Cash, end of year	14,792,779	1,251,823	16,044,602	15,356,949	2,052,688	17,409,637

The accompanying notes are an integral part of the financial statements.

# Public Service Alliance of Canada

## Financial Position

December 31, 2008

	General Fund	Strike Fund	Total 2008	Total 2007
	\$	\$	\$	\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash - Operations	14,792,779	1,251,823	16,044,602	17,409,637
Accounts receivable and accrued interest	2,917,853	234,832	3,152,685	2,873,920
Interfund balances	(3,208,763)	3,208,763		
Advances to members, officers and employees	371,050		371,050	293,215
Prepaid expenses	939,562		939,562	169,753
Current portion of long-term investments	1,548,765	2,306,348	3,855,113	4,232,679
Current portion of long-term investments - Membership asset fund	1,019,130		1,019,130	2,121,692
Current portion of long-term notes receivable - Membership asset fund	667,490		667,490	430,684
	<u>19,047,866</u>	<u>7,001,766</u>	<u>26,049,632</u>	<u>27,531,580</u>
Due from a related entity (Note 10)	674,919		674,919	267,210
Long-term investments (Note 11)	16,083,338	22,974,736	39,058,074	39,488,078
Long-term investments - Membership asset fund (Note 12)	9,058,715		9,058,715	7,701,746
Long-term investment - PSAC Holdings Ltd. - PSAC Placements Ltée (Note 13)	1,678,733		1,678,733	2,455,346
Long-term notes receivable - Membership asset fund (Note 14)	12,410,731		12,410,731	9,512,011
Capital assets (Note 15)	5,920,125		5,920,125	4,820,944
	<u>64,874,427</u>	<u>29,976,502</u>	<u>94,850,929</u>	<u>91,776,915</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	7,337,937	135,324	7,473,261	10,863,881
Long-term liabilities (Note 17)	11,562,074		11,562,074	10,335,945
Provision for National Triennial Convention	2,147,975		2,147,975	1,100,000
	<u>21,047,986</u>	<u>135,324</u>	<u>21,183,310</u>	<u>22,299,826</u>
<b>FUND BALANCES</b>				
Unrestricted	7,652,465		7,652,465	30,463,370
Invested in capital assets	5,920,125		5,920,125	4,820,944
Restricted				
Internally	30,253,851		30,253,851	9,556,481
Externally		29,841,178	29,841,178	24,636,294
	<u>43,826,441</u>	<u>29,841,178</u>	<u>73,667,619</u>	<u>69,477,089</u>
	<u>64,874,427</u>	<u>29,976,502</u>	<u>94,850,929</u>	<u>91,776,915</u>

The accompanying notes are an integral part of the financial statements.

On behalf of the Alliance Executive Committee,

Regional Executive Vice President - Québec Region

# Public Service Alliance of Canada

## Notes to Financial Statements

December 31, 2008

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### **1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION**

Public Service Alliance of Canada (PSAC) is a union that represents its members as their bargaining agent in negotiating collective agreements. PSAC is an organization exempt from income tax. The operations of the Components are not reflected in these financial statements, as each Component is subject to separate control.

### **2 - CHANGES IN ACCOUNTING POLICIES**

On January 1, 2008, in accordance with the applicable transitional provisions, the Alliance applied the new recommendations of Section 1400, "General Standards of Financial Statement Presentation", dealing with the going concern assumption. The new recommendations, which are effective for fiscal years beginning on or after January 1, 2008, require management to make an assessment of the Alliance's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. The new requirements only address disclosures and have no impact on the Alliance's financial results.

On January 1, 2008, in accordance with the applicable transitional provisions, the Alliance applied the recommendations of Section 1535, "Capital Disclosures", of the Canadian Institute of Chartered Accountants' Handbook. This new section, effective for fiscal years beginning on or after October 1, 2008, establishes standards for disclosing information about the Organization's capital and how it is managed. The new accounting standard only addresses disclosures and has no impact on the Alliance's financial results.

### **3 - ACCOUNTING POLICIES**

#### **Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that PSAC may undertake in the future. Actual results may differ from these estimates.

# Public Service Alliance of Canada

## Notes to Financial Statements

December 31, 2008

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### 3 - ACCOUNTING POLICIES (Continued)

#### Fund accounting

PSAC follows the restricted fund method of accounting for contributions.

The General Fund comprises the Unrestricted Fund, the Capital Assets Fund, and the Internally Restricted Funds.

The Unrestricted Fund accounts for PSAC's members and administrative activities.

The Capital Assets Fund reports the activities relating to the purchases, disposals and amortization expense related to capital assets.

The Internally Restricted Funds account for restricted revenues that benefit and support a number of specific needs and include the following:

- The Membership Asset Fund;
- The National Hardship Fund;
- The Members' Expenses Reserve Fund;
- The PSAC Holdings Reserve Fund;
- The Succession Planning Program Fund;
- The Representation Fund;
- The PSAC Social Justice Fund.
- The Special Legal Cases Fund

The Strike Fund reports the restricted dues that are used for the payment of strike benefits and strike expenses.

#### Revenue recognition

Restricted contributions related to members' activities are recognized as revenues of the General Fund in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenues of the General Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income earned on General Fund resources is recognized as revenue of the General Fund when it is earned.

Contributions restricted for strike activities are recognized in the Strike Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Investment income earned on Strike Fund resources is recognized as revenue of the Strike Fund when it is earned.



# Public Service Alliance of Canada

## Notes to Financial Statements

December 31, 2008

### 3 - ACCOUNTING POLICIES (Continued)

#### Capital assets

Capital assets are recorded at cost. Assets with a cost of less than \$1,000 are charged to operating expenses.

Assets with a cost of \$1,000 or more are amortized on a straight-line basis over the following terms:

	<u>Periods</u>
Equipment and furniture	5 years
Computer equipment	3 years
Software	5 years
Leasehold improvements	5 years

No amortization on additions to capital assets is taken in the year of acquisition.

#### Fair value of financial instruments

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments:

– Cash:

Cash is classified as a held-for-trading financial asset. It is measured at fair value and changes in fair value are recorded in the statement of operations;

– Accounts receivable:

Accounts receivable and advances to members, officers and employees are classified as loans and receivables. They are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts. Other loans and receivables are recognized at amortized cost using the effective interest method, including any impairment;

– Long-term notes receivable:

Long-term notes receivable are with a related party and consequently are measured at the exchange amount, which is the value agreed to by the parties.

The fair value of the Due from a related entity could not be determined since it is practically impossible to find a financial instrument on the market having substantially the same economic characteristics.

– Investments:

Investments are classified as available-for-sale financial assets. They are recognized at fair value and changes in fair value are recognized in the statement of changes in fund balances until they are sold or are impaired;

– Accounts payable:

Accounts payable and accrued liabilities, and long-term liabilities are classified as other financial liabilities. They are measured at amortized cost using the effective interest method.

# Public Service Alliance of Canada

## Notes to Financial Statements

December 31, 2008

### 3 - ACCOUNTING POLICIES (Continued)

#### PSAC Holdings Ltd. - PSAC Placements Ltée

PSAC Holdings Ltd. - PSAC Placements Ltée is a controlled company and is accounted for using the equity method.

#### Accrued benefit obligation

PSAC accrues its obligations under employee benefit plans and the related costs. PSAC has adopted the following policy:

- The cost of retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care costs.

### 4 - MEMBERSHIP DUES - GENERAL FUND

	<u>2008</u>	<u>2007</u>
	\$	\$
Membership dues	<b>131,456,752</b>	125,000,893
Less : Component and local rebates	<b>(57,130,857)</b>	(55,069,927)
Strike Fund per capita	<b>(1,309,931)</b>	(875,007)
Add : Directly Chartered Locals service dues	<b>137,703</b>	106,388
	<b><u>73,153,667</u></b>	<b><u>69,162,347</u></b>

PSAC is responsible for collecting dues on behalf of the Components and Directly Chartered Locals of PSAC. As such, these monies flow through PSAC to the various Components and Directly Chartered Locals. A portion of the dues received by the General Fund represents Strike Fund per capita contributions. These amounts are reported as revenue in the Strike Fund.

### 5 - SPECIAL STRIKE FUND LEVY

The 2006 Triennial Convention approved the introduction of a special levy in order to rebuild the PSAC Strike Fund. This special levy was to remain in effect until the month after the Strike Fund reaches \$25 million. A special levy will be re-introduced at any time the Strike Fund falls below \$10 million and will remain in place until such time as the Strike Fund balance exceeds \$25 million. Effective July 1, 2008, the special levy was ceased as the Strike Fund exceeded its target of \$25 million.

# Public Service Alliance of Canada

## Notes to Financial Statements

December 31, 2008

### 6 - MISCELLANEOUS (EXPENSES NOT BUDGETED FOR)

This item represents expenses approved by the Alliance Executive Committee. They are categorized as follows:

	<u>2008</u>	<u>2007</u>
	\$	\$
Service Canada Membership Vote		36,238
Grants - New Locals	2,500	
Treasury Board - Members mail list	51,106	
Alcohol and Gaming Commission of Ontario	2,000	
Other	6,983	8,648
	<u>62,589</u>	<u>44,886</u>

### 7 - NATIONAL HARDSHIP FUND INCOME (EXPENSES)

In January 1997, the National Board of Directors passed a motion to set up a National Hardship Fund. The purpose of this fund was to assist members who encounter financial hardship as a result of being on strike. During the year, the balance of this fund was reallocated to the Unrestricted Fund in order to support members' strike payments.

The following shows the activities related to the fund for the year ended December 31:

	<u>2008</u>	<u>2007</u>
	\$	\$
Balance in reserve, beginning of year	427,249	419,274
Add : Revenue		740
Recoveries		7,235
UPCE strike pay surplus allocation	<u>(427,249)</u>	
Balance in reserve, end of year		<u>427,249</u>

### 8 - UNAPPROVED STRIKE FUND ADMINISTRATION EXPENSES

For the year ended December 31, 2008, expenses of \$107,003 were paid from January to July and were presented and approved at the June and October 2008 meetings of the National Board of Directors.

Expenses of \$1,895,256 were also paid in August to December 2008, which have not yet been approved by the National Board of Directors.

For the year ended December 31, 2007, expenses of \$104,225 were paid in December 2007 and were presented and approved at the February and June meetings of the National Board of Directors held in 2008.

# Public Service Alliance of Canada

## Notes to Financial Statements

December 31, 2008

### 9 - FUND BALANCE TRANSFERS AND ALLOCATIONS OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES

The following net asset transfers were made in accordance with normal operating procedures:

	<u>2008</u>	<u>2007</u>
	\$	\$
From Unrestricted Net Assets to Strike Fund	(3,087,176)	(1,908,080)
From Unrestricted Net Assets to Internally Restricted Funds	<u>(21,917,843)</u>	<u>-</u>
	<u>(25,005,019)</u>	<u>(1,908,080)</u>

The following allocations of excess (deficiency) of revenue over expenses were made to the various members' expense reserves in accordance with normal operating procedures. These procedures specify that over (under) expenditures in relation to the approved budget be charged to the reserve to which the expenditures relate.

#### Members' Expenses Reserve

	<u>2008</u>	<u>2007</u>
	\$	\$
Negotiations and Mobilization Reserve	1,219,306	62,803
Member Education Services Reserve	(864,933)	(384,770)
Local Development Reserve	(40,895)	(16,000)
Regional Activities Reserve	173,212	140,769
Organizing Reserve	(143,928)	(136,846)
Human Rights Reserve	(162,307)	988,567
Health and Safety Reserve	(195,132)	377,826
Communications Reserve	24,801	(378,651)
Political Action Reserve	(423,722)	(814,519)
Joint Initiatives Reserve	(65,818)	(60,657)
Legal Reserve	864,764	1,160,383
Labour Movement Reserve	354,212	190,497
Internal Governance Reserve	(23,981)	30,044
Accessibility Reserve	(27,480)	4,488
Family Care Reserve	(5,278)	9,778
Interpretation Reserve	10,913	(4,721)
General Membership Reserve	(79,898)	46,081
Social Justice Fund Reserve	107,891	70,511
Directly Chartered Locals Expenses	38,839	
	<u>760,566</u>	<u>1,285,583</u>

# Public Service Alliance of Canada

## Notes to Financial Statements

December 31, 2008

### 10 - DUE FROM A RELATED ENTITY

The Social Justice Fund is a separate entity that focuses on international development work, Canadian anti-poverty and development initiatives, emergency relief work in Canada and around the world, worker to worker exchanges, and worker education in Canada and around the world. As at December 31, 2008, the balancing receivable related to this fund is \$674,919 (\$267,210 in 2007). This amount bears no interest and has no set terms of repayment.

### 11 - LONG-TERM INVESTMENTS

	<u>2008</u>		% of total (fair value)
	<u>Fair value</u>	<u>Cost</u>	
	\$	\$	
<b>GENERAL FUND</b>			
Government of Canada and government guaranteed bonds (5.5% due 2009)	1,222,955	1,202,358	6.94
Provincial bonds (5% - 6.5% due 2010 - 2038)	11,639,321	11,145,654	66.01
Other bonds (3.6% due 2013)	1,057,760	1,000,000	6.00
Shares in public companies	2,367	4,336	0.01
Mortgage - Canadian Labour Congress	3,632,375	3,632,375	20.60
Other loans	77,325	77,325	0.44
	<u>17,632,103</u>	<u>17,062,048</u>	<u>100.00</u>
Current portion	<u>1,548,765</u>	<u>1,528,167</u>	
	<u>16,083,338</u>	<u>15,533,881</u>	
<b>STRIKE FUND</b>			
Government of Canada and government guaranteed bonds (4% - 5% due 2009 - 2010)	4,404,047	4,286,369	17.42
Provincial bonds (4.1% - 5.38% due 2011 - 2015)	13,549,708	12,832,281	53.60
Other bonds (4% - 4.8% due 2010 - 2013)	7,327,329	7,002,571	28.98
	<u>25,281,084</u>	<u>24,121,221</u>	<u>100.00</u>
Current portion	<u>2,306,348</u>	<u>2,299,900</u>	
	<u>22,974,736</u>	<u>21,821,321</u>	
<b>TOTAL</b>	<u>39,058,074</u>	<u>37,355,202</u>	

  

	<u>2007</u>		% of total (fair value)
	<u>Fair Value</u>	<u>Cost</u>	
	\$	\$	
<b>GENERAL FUND</b>			
Government of Canada and government guaranteed bonds (5.5% - 5.75% due 2009 - 2029)	3,993,818	3,547,106	16.28
Provincial bonds (5% - 7.5% due 2009 - 2015)	14,515,358	14,379,910	59.17
Other bonds (4.1% due 2008)	950,864	949,494	3.88
Shares in public companies	3,529	4,336	0.01
Mortgage - Canadian Labour Congress	5,005,801	5,005,801	20.40
Other loans	62,844	62,844	0.26
	<u>24,532,214</u>	<u>23,949,491</u>	<u>100.00</u>
Current portion	<u>1,900,359</u>	<u>1,340,525</u>	
	<u>22,631,855</u>	<u>22,608,966</u>	

# Public Service Alliance of Canada

## Notes to Financial Statements

December 31, 2008

### 11 - LONG-TERM INVESTMENTS (Continued)

#### STRIKE FUND

Government of Canada and government guaranteed bonds (4% - 5% due 2009 - 2010)	4,332,341	4,284,625	22.58
Provincial bonds (4.1% - 5.7% due 2008 - 2015)	13,046,297	12,936,869	67.99
Other bonds (4% - 4.3% due 2008 - 2014)	1,809,905	1,801,074	9.43
	<u>19,188,543</u>	<u>19,022,568</u>	<u>100.00</u>
Current portion	<u>2,332,320</u>	<u>2,319,544</u>	
	<u>16,856,223</u>	<u>16,703,024</u>	
<b>TOTAL</b>	<u>39,488,078</u>	<u>39,311,990</u>	

### 12 - LONG-TERM INVESTMENTS - MEMBERSHIP ASSET FUND

	2008		% of total (fair value)
	Fair value	Cost	
	\$	\$	
Government of Canada and government guaranteed bonds (5.5% - 5.75% due 2009 - 2029)	2,335,620	2,033,333	23.18
Provincial bonds (4.25% - 5.25% due 2011 - 2038)	4,756,968	4,738,890	47.20
Other bonds (3.6% - 5.5% due 2010 - 2013)	2,985,257	2,914,581	29.62
	<u>10,077,845</u>	<u>9,686,804</u>	<u>100.00</u>
Current portion	<u>1,019,130</u>	<u>1,001,040</u>	
	<u>9,058,715</u>	<u>8,685,764</u>	
	2007		
	Fair value	Cost	% of total (fair value)
	\$	\$	
Government of Canada and government guaranteed bonds (5.5% - 5.75% due 2009 - 2029)	3,481,841	3,074,910	35.44
Provincial bonds (4.4% - 6.1% due 2008 - 2011)	3,475,073	3,420,864	35.38
Other bonds (3.8% - 5.5% due 2008 - 2010)	2,866,524	2,912,849	29.18
	<u>9,823,438</u>	<u>9,408,623</u>	<u>100.00</u>
Current portion	<u>2,121,692</u>	<u>2,121,500</u>	
	<u>7,701,746</u>	<u>7,287,123</u>	

# Public Service Alliance of Canada

## Notes to Financial Statements

December 31, 2008

### 13 - LONG-TERM INVESTMENT - PSAC HOLDINGS LTD. - PSAC PLACEMENTS LTÉE

PSAC has control over PSAC Holdings Ltd. - PSAC Placements Ltée since it can determine its strategic operating, investing and financing policies. The financial statements of PSAC Holdings Ltd. - PSAC Placements Ltée are available separately. Financial summaries of PSAC Holdings Ltd. - PSAC Placements Ltée are as follows:

	<u>2008</u>	<u>2007</u>
	\$	\$
<b>BALANCE SHEET</b>		
Total Assets	<u>15,501,940</u>	<u>12,986,148</u>
Total liabilities	<u>13,823,207</u>	10,530,803
Shareholders' equity	<u>1,678,733</u>	2,455,345
<b>Total Liabilities and Shareholders' Equity</b>	<u>15,501,940</u>	<u>12,986,148</u>
<b>RESULTS OF OPERATIONS</b>		
Total revenues	<u>3,374,825</u>	2,854,165
Total expenses	<u>4,151,437</u>	3,755,324
<b>Net loss</b>	<u>(776,612)</u>	<u>(901,159)</u>
<b>CASH FLOWS</b>		
Cash flows from operations	<u>160,418</u>	(153,069)
Cash flows from investing activities	<u>(1,966,231)</u>	(3,196,032)
Cash flows from financing activities	<u>2,609,311</u>	3,101,205
<b>Increase (decrease) in cash</b>	<u>803,498</u>	<u>(247,896)</u>

During the year, PSAC paid \$2,233,348 (\$1,649,641 in 2007) to PSAC Holdings Ltd. - PSAC Placements Ltée for the use of office space and parking facilities. An additional amount of \$2,845,229 (\$3,585,000 in 2007) was loaned to PSAC Holdings Ltd. - PSAC Placements Ltée during the year for renovations to a building. The interest income received during the year by PSAC on the long-term notes receivable issued to PSAC Holdings Ltd. - PSAC Placements Ltée was \$396,668 (\$390,880 in 2007). PSAC Holdings Ltd. - PSAC Placements Ltée also paid \$Nil (\$100,000 in 2007) to PSAC for management fees and accounting.

# Public Service Alliance of Canada

## Notes to Financial Statements

December 31, 2008

### 14 - LONG-TERM NOTES RECEIVABLE

	<u>Total 2008</u>	<u>Total 2007</u>
	\$	\$
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée repayable in monthly instalments of \$7,408 (\$8,597 in 2007) including interest calculated at the rate of 4% (6% in 2007), maturing April 1, 2025	<b>1,064,800</b>	1,110,115
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée repayable in monthly instalments of \$4,236 (\$5,108 in 2007) including interest calculated at the rate of 4% (6% in 2007), maturing December 1, 2030	<b>742,993</b>	763,660
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée repayable in monthly instalments of \$6,661 (\$7,731 in 2007) including interest calculated at the rate of 4% (6% in 2007), maturing April 1, 2025	<b>957,479</b>	998,227
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée repayable in monthly instalments of \$2,150 (\$2,508 in 2007) including interest calculated at the rate of 4% (6% in 2007), maturing December 1, 2025	<b>317,926</b>	330,735
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée repayable in monthly instalments of \$18,859 (\$16,800 in 2007) including interest calculated at the rate of 4% (6% in 2007), maturing December 1, 2013	<b>861,152</b>	1,013,694
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée repayable in monthly instalments of \$13,423 (\$15,761 in 2007) including interest calculated at the rate of 4% (6% in 2007), maturing December 1, 2026	<b>2,064,441</b>	2,141,264



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**14 - LONG-TERM NOTES RECEIVABLE (Continued)**

	<u>Total 2008</u>	<u>Total 2007</u>
	\$	\$
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée repayable in monthly instalments of \$22,876 commencing in January 2008 including interest calculated at the rate of 4%, maturing December 1, 2027	3,649,201	3,585,000
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée repayable in monthly instalments of \$17,242 commencing in February 2009 including interest calculated at the rate of 4%, maturing January 1, 2029	2,845,229	
Note receivable from YEU repayable in monthly instalments of \$7,600 commencing January 1, 2009 including interest calculated at the rate of 4%, maturing February 1, 2013	350,000	
Note receivable from UPCE, non-interest bearing, with no terms of repayment	<u>225,000</u>	<u>9,942,697</u>
Current portion	<u>667,490</u>	<u>430,684</u>
	<u>12,410,731</u>	<u>9,512,013</u>

**15 - CAPITAL ASSETS**

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value 2008</u>	<u>Net book value 2007</u>
	\$	\$	\$	\$
Equipment and furniture	5,944,497	3,814,363	2,130,134	2,555,108
Computer equipment	5,983,894	5,132,766	851,128	984,349
Software	2,073,478	1,092,647	980,831	715,233
Leasehold improvements	2,555,930	597,898	1,958,032	566,254
	<u>16,557,799</u>	<u>10,637,674</u>	<u>5,920,125</u>	<u>4,820,944</u>

# Public Service Alliance of Canada

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### 16 - BANK LOAN

Public Service Alliance of Canada has an authorized bank loan of \$10,000,000 which was not utilized as at December 31, 2008 and 2007. This loan bears interest calculated at the prime rate. The first million dollars loaned is unsecured and any excess is secured on a dollar for dollar basis by a pledge of cash or cash equivalent and/or fixed income investments included in a separate pledge account. As at December 31, 2008, the balance of the pledge account is \$4,192,248.

### 17 - LONG-TERM LIABILITIES

	<u>2008</u>	<u>2007</u>
	\$	\$
Separation payments	5,892,046	5,556,221
Annual leave	3,096,822	2,520,041
Compensatory leave	1,340,313	1,203,094
Deferred salaries payable	31,193	9,089
Accrued benefit obligation	<u>1,201,700</u>	<u>1,047,500</u>
	<u>11,562,074</u>	<u>10,335,945</u>

### 18 - MEMBERS' EXPENSE RESERVE

The National Board of Directors or the Alliance Executive Committee have imposed the following internal restrictions:

	<u>2008</u>	<u>2007</u>
	\$	\$
<b>Members' Expenses Reserve balance (deficiency)</b>		
Negotiations and Mobilization Reserve	(1,282,109)	(62,803)
Member Education Services Reserve	1,249,703	384,770
Local Development Reserve	56,895	16,000
Regional Activities Reserve	(313,981)	(140,769)
Organizing Reserve	280,774	136,846
Human Rights Reserve	(826,260)	(988,567)
Health and Safety Reserve	(182,694)	(377,826)
Communications Reserve	353,850	378,651
Political Action Reserve	1,238,241	814,519
Joint Initiatives Reserve	126,475	60,657
Legal Reserve	(2,025,147)	(1,160,383)
Labour Movement Reserve	(544,709)	(190,497)
Internal Governance Reserve	(6,063)	(30,044)
Accessibility Reserve	22,992	(4,488)
Family Care Reserve	(4,500)	(9,778)
Interpretation Reserve	(6,192)	4,721
General Membership Reserve	33,817	(46,081)
Social Justice Fund Reserve	(178,402)	(70,511)
Directly Chartered Locals Expenses	<u>(38,839)</u>	
	<u>(2,046,149)</u>	<u>(1,285,583)</u>

# Public Service Alliance of Canada

## Notes to Financial Statements

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### **19 - RELATED PARTY TRANSACTIONS**

During the year, the Company received management fees of \$191,002 (\$274,210 in 2007) from the Public Service Insurance Trust Fund.

### **20 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS**

#### **Financial risk management objectives and policies**

The Alliance is exposed to various financial risks resulting from both its operations and its investments activities. The Alliance's management manages financial risks.

The Alliance does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

#### **Financial risks**

The Alliance's main financial risk exposure and its financial risk management policies are as follows.

##### *Credit risk*

The Alliance's credit risk is primarily attributable to its accounts receivable. Management does not believe credit risk from accounts receivable is significant because they consist mostly in dues collected by various government departments and agencies on its behalf which have not yet been remitted to PSAC.

The Alliance's cash is held in one financial institution.

##### *Interest rate risk*

The Alliance's financial assets and liabilities do not compromise any interest rate risk since they do not bear interest.

The Alliance does not use derivative financial instruments to reduce its interest rate risk exposure.

##### *Fair value of financial instruments*

The fair value of short-term financial assets and liabilities is equivalent to their carrying amount given that they will mature shortly.

The fair value of the long-term notes receivable could not be determined because it is practically impossible to find financial instruments on the market having substantially the same economic characteristics.

