

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
	\$	\$	\$	\$
REVENUE				
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		
	<u>76,044,814</u>	<u>71,438,175</u>	<u>5,206,995</u>	<u>7,526,981</u>
EXPENSES				
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
	<u>73,935,558</u>	<u>69,060,906</u>	<u>2,187,919</u>	<u>109,099</u>
Excess of revenue over expenses before other items	2,109,256	2,377,269	3,019,076	7,417,882
OTHER ITEMS				
National Hardship Fund Income (Note 7)		7,235		
Unapproved Strike Fund Administration Expenses (Note 8)			(1,895,256)	(104,225)
EXCESS OF REVENUE OVER EXPENSES	<u>2,109,256</u>	<u>2,384,504</u>	<u>1,123,820</u>	<u>7,313,657</u>

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					
	Unrestricted Fund	Capital Assets Fund	Internally Restricted Funds	Total General Fund 2008	Strike Fund 2008	Total 2007
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	29,880,655	4,820,944	9,141,666	43,843,265	24,470,319	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					
Fund balance transfers (Note 9)	(25,005,019)		(760,566)	2,109,256	1,123,820	9,698,161
Strike excess surplus reallocation	436,133		21,917,843	(3,087,176)	3,087,176	
			(436,133)			
	7,082,410	5,920,125	29,862,810	42,865,345	28,681,315	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)
Variation in unrealized gains and losses on available-for-sale financial assets during the period	531,189		266,933	798,122	993,888	(56,502)
	570,055		391,041	961,096	1,159,863	1,163,505
Balance, end of year	7,652,465	5,920,125	30,253,851	43,826,441	29,841,178	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
	\$	\$	\$	\$	\$	\$
OPERATING ACTIVITIES						
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	(226,402)	(52,363)	(278,765)	321,634	(3,620)	318,014
Accounts receivable and accrued interest	(77,835)		(77,835)	(35,110)		(35,110)
Advances to members, officers and employees	(769,809)		(769,809)	191,853		191,853
Prepaid expenses	(3,525,943)	135,324	(3,390,619)	750,762		750,762
Accounts payable and accrued liabilities						
Due to a related entity	(3,091,008)	3,091,008		2,818,330	(2,818,330)	
Interfund transfers						
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
INVESTING ACTIVITIES						
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)
FINANCING ACTIVITIES						
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
Net decrease in cash	(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
	\$	\$	\$	\$
ASSETS				
Current assets				
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
	19,047,866	7,001,766	26,049,632	27,531,580
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
	64,874,427	29,976,502	94,850,929	91,776,915
LIABILITIES				
Current liabilities				
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
	21,047,986	135,324	21,183,310	22,299,826
FUND BALANCES				
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
	43,826,441	29,841,178	73,667,619	69,477,089
	64,874,427	29,976,502	94,850,929	91,776,915

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

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

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

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

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	(427,249)	
Balance in reserve, end of year	<u>427,249</u>	<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	<u>38,839</u>	<u>-</u>
	<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

	2008		% of total (fair value)
	Fair value \$	Cost \$	
GENERAL FUND			
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>	
STRIKE FUND			
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>	
TOTAL	<u>39,058,074</u>	<u>37,355,202</u>	

	2007		% of total (fair value)
	Fair Value \$	Cost \$	
GENERAL FUND			
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
	19,188,543	19,022,568	100.00
Current portion	2,332,320	2,319,544	
	16,856,223	16,703,024	
TOTAL	39,488,078	39,311,990	

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
	10,077,845	9,686,804	100.00
Current portion	1,019,130	1,001,040	
	9,058,715	8,685,764	

	2007		% of total (fair value)
	Fair value \$	Cost \$	
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
	9,823,438	9,408,623	100.00
Current portion	2,121,692	2,121,500	
	7,701,746	7,287,123	

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>
	\$	\$
BALANCE SHEET		
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
Total Liabilities and Shareholders' Equity	<u>15,501,940</u>	<u>12,986,148</u>
RESULTS OF OPERATIONS		
Total revenues	<u>3,374,825</u>	2,854,165
Total expenses	<u>4,151,437</u>	3,755,324
Net loss	<u>(776,612)</u>	<u>(901,159)</u>
CASH FLOWS		
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
Increase (decrease) in cash	<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

	Total 2008	Total 2007
	\$	\$
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	1,064,800	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	742,993	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	957,479	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	317,926	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	861,152	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	2,064,441	2,141,264

Public Service Alliance of Canada
Notes to Financial Statements
December 31, 2008

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	225,000	
	<u>13,078,221</u>	<u>9,942,697</u>
Current portion	667,490	430,684
	<u><u>12,410,731</u></u>	<u><u>9,512,013</u></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><u>16,557,799</u></u>	<u><u>10,637,674</u></u>	<u><u>5,920,125</u></u>	<u><u>4,820,944</u></u>

Public Service Alliance of Canada

Notes to Financial Statements

December 31, 2008

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

	2008	2007
	\$	\$
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	1,201,700	1,047,500
	<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:

	2008	2007
	\$	\$
Members' Expenses Reserve balance (deficiency)		
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	(38,839)	
	<u>(2,046,149)</u>	<u>(1,285,583)</u>

Public Service Alliance of Canada
Notes to Financial Statements
December 31, 2008

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.

Public Service Alliance of Canada

Notes to Financial Statements

December 31, 2008

21 - PENSION AND OTHER RETIREMENT BENEFIT PLANS

Public Service Alliance of Canada participates in a multi-employer pension plan. The plan is a defined benefit plan being accounted for as a defined contribution plan. PSAC recognizes as expenses for current services the amount of its required contribution in a given year.

Contributions made to the pension plan in the current year were \$6,581,429 (\$6,364,010 in 2007).

PSAC also has an unfunded post retirement defined benefit plan. This plan was created in 2004 with an effective start date of May 1, 2004. The plan allows for qualifying retired employees to receive an annual health care allowance of \$1,800 (\$1,500 in 2007) for a maximum of 10 years to assist them in financing their health care coverage.

	2008	2007
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	1,047,500	896,700
Current service cost	92,800	83,900
Interest cost	81,000	63,400
Contribution paid	(55,800)	(39,700)
Amortization of past service costs	21,200	22,200
Amortization of net actuarial gain	15,000	21,000
Balance, end of year	<u>1,201,700</u>	<u>1,047,500</u>

The significant actuarial discount rate assumption adopted in measuring PSAC's accrued benefit obligation used was 5.75% (5.00% in 2007).

22 - CONTRACTUAL COMMITMENTS

PSAC has entered into long-term lease agreements for the rental of buildings in many regions across Canada. The current year rental expense is \$4.5 million and the minimum annual lease payments are expected to be approximately the same for the next five years.

During the prior, the PSAC has entered into an agreement with the Social Justice Fund to contribute \$200,000 per year in order to help cover the costs of administration and payroll expenses. PSAC has committed to contributing \$200,000 on an annual basis for the following year.

23 - CONTINGENCIES

PSAC is the defendant in a number of actions in areas of its operations. Claims against the Organization range from unspecified balances to \$500,000. Management is of the opinion that these actions will not result in material damages being assessed against PSAC. Should any damages eventually be awarded against PSAC, they will be recognized as current period costs.

24 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

Public Service Alliance of Canada

Notes to Financial Statements

December 31, 2008

25 - FUTURE ACCOUNTING STANDARDS

Financial Instrument Disclosures

Following a decision rendered by the CICA allowing to defer the application of Sections 3862 and 3863 to fiscal years beginning on or after October 1, 2008, the Organization has decided to apply these new sections as of January 1, 2009. These new standards only address disclosures and presentation and will have no impact on the Organization's financial results.

Not-for-profit Organizations – Amendments to Certain Sections and Addition of Section 4470, "Disclosure of Allocated Expenses by Not-for-profit Organizations"

In September 2008, the Canadian Institute of Chartered Accountants (CICA) amended the introduction to accounting standards that apply only to not-for-profit organizations and several sections in the 4400 series as well as consequential changes to other sections of the CICA Handbook. The main changes affect the following, in particular:

- Inclusion of not-for-profit organizations within the scope of sections 1540, "Cash Flow Statements", and 1751, "Interim Financial Statements";
- Elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets;
- Amendments to clarify that revenues and expenses must be recognized and presented on a gross basis when the not-for-profit organization is acting as a principal in the transactions in question;
- Inclusion of additional guidance with respect to the appropriate use of the scope exemption in Section 4430, "Capital Assets Held by Not-for-profit Organizations", for smaller entities.

The CICA also published new Section 4470, "Disclosure of Allocated Expenses by Not-for-profit Organizations", which establishes disclosure standards for the not-for-profit organization that classifies its expenses by function and allocates expenses to a number of functions to which the expenses relate.

These changes are effective for fiscal years beginning on or after January 1, 2009 and the Alliance will implement them as of January 1, 2009. The Organization's management is not able to measure the impact that the application of these changes will have on the financial statements.

Public Service Alliance of Canada
Notes to Financial Statements
December 31, 2008

26 - STRIKE BENEFITS

During the current year, a total of \$2,885,191 has been paid by the Alliance for strike pay relating to the UPCE strike that occurred during the months of November and December 2008. The maximum allowable amount that may be paid by the strike fund is \$50 per day per member, as stated in Regulation 6 of the Alliance's regulations. During this period, a total of \$804,275 has been paid in excess of the maximum allowable strike fund expense, \$225,000 of which was treated as an advance to UPCE and the remainder assumed as an expense of the General Fund of PSAC. This expense was funded via a number of sources: A total of \$143,142 was funded through donations received by the Alliance which were offset against the expense. The balance of \$436,133 was funded internally through the National Hardship Fund and the Membership Asset Fund, representing \$427,249 and \$8,884 respectively.

27 - POLICIES AND PROCESSES FOR MANAGING CAPITAL

The Alliance's objectives when managing capital are:

- To safeguard the Organization's ability to continue as a going concern;
- To represent and bring benefit to members;
- To accumulate sufficient reserves to support future strike activities by its members should the need arise.

The Alliance manages its capital mainly by way of establishing various funds and reserves and monitoring the level of these funds and reserves to ensure they are appropriately funded.

The Alliance is not subject to any externally imposed capital requirements.

Public Service Alliance of Canada
Supplementary information
Year ended December 31, 2008

Changes in Internally Restricted Fund Balances

	Membership Asset Fund	National Hardship Fund	Members' Expenses Reserve (Notes 9 and 18)	PSAC Holdings Deficit Fund	Succession Planning Fund	Representation Backlog Fund	PSAC Social Justice Fund	Special Legal Cases Fund	Total 2008	Total 2007
Balance, beginning of year	\$ 10,000,000	\$ 427,249	\$ (1,285,583)	\$	\$	\$	\$	\$	\$ 9,141,666	\$ 10,419,274
Acquisition of capital assets										
Amortization of capital assets										
Excess (deficiency) of revenue over expenses			(760,566)						(760,566)	(1,277,608)
Fund balance transfers	12,617,843			2,200,000	2,000,000	1,500,000	2,000,000	1,600,000	21,917,843	
Strike pay surplus allocation	(8,884)	(427,249)							(436,133)	
	22,608,959		(2,046,149)	2,200,000	2,000,000	1,500,000	2,000,000	1,600,000	29,862,810	9,141,666
Accumulated gains and losses included directly in fund balances										
Balance, beginning of year	414,815								414,815	
Unrealized gains and losses on available-for-sale financial assets arising prior to January 1, 2007										
Reclassification adjustment for gains and losses included in excess of revenues over expenses	(290,707)								(290,707)	497,610
Variation in unrealized gains and losses on available-for- sale financial assets during the period	266,933								266,933	(82,795)
	391,041								391,041	414,815
Balance, end of year	23,000,000		(2,046,149)	2,200,000	2,000,000	1,500,000	2,000,000	1,600,000	30,253,851	9,556,481

Public Service Alliance of Canada

Supplementary Information

Year ended December 31, 2008

	2008	2007
	\$	\$
<i>SALARIES AND BENEFITS</i>		
Salaries	26,878,917	26,055,806
Benefits	10,565,341	9,132,378
Sick leave, maternity leave replacement	898,748	516,168
Overtime and special projects	1,411,662	1,027,358
Succession Program	96,661	
	<u>39,851,329</u>	<u>36,731,710</u>
<i>OTHER OPERATING EXPENSES</i>		
Communication	1,073,998	784,288
General	1,691,814	1,689,638
Travel	3,963,527	3,467,222
Sundry	2,223,724	2,193,830
Meeting	140,627	142,602
Recovery - allocation	(426,277)	(435,626)
	<u>8,667,413</u>	<u>7,841,954</u>
<i>MEMBERS' EXPENSES</i>		
Negotiations and mobilization	3,612,566	2,456,066
Education	1,503,067	1,983,230
Local development	115,105	140,000
Regional activities	1,295,213	1,262,769
Organizing	1,006,072	1,013,154
Human rights activities	1,031,733	2,182,607
Health and safety activities	271,868	844,826
Communications activities	564,801	161,349
Political action and campaigns	1,338,174	947,377
Joint initiatives	9,182	14,343
Legal fees	2,814,764	3,110,383
Participation in the labour movement	3,354,212	3,190,497
Internal governance	1,301,019	1,355,044
Accessibility costs	52,520	84,488
Family care costs	84,722	99,778
Interpretation - aboriginal and inuit languages	60,913	45,279
General membership services	44,102	170,081
Social Justice Fund	307,891	270,511
Directly Chartered Locals Expenses	38,839	
	<u>18,806,763</u>	<u>19,331,782</u>