

Public Service Alliance of Canada
Financial Statements
December 31, 2009

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Raymond Chabot Grant Thornton

Auditors' Report

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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, 2009 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, 2009 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
March 29, 2010

Public Service Alliance of Canada

Operations

Year ended December 31, 2009

	General Fund		Strike Fund	
	2009	2008	2009	2008
	\$	\$	\$	\$
REVENUE				
Membership dues (Note 4)	78,065,519	73,153,667	2,190,836	1,309,931
Special Strike Fund levy (Note 5)				2,778,477
Net investment income				
Interest income	1,347,526	2,050,842	1,017,169	1,118,587
Net gain realized on disposal of available-for-sale investments	711,057	834,556	739,785	
Share in loss of wholly-owned subsidiary PSAC Holdings Ltd. - PSAC Placements Ltée (Note 12)	(725,686)	(776,612)		
Gain on disposal of capital assets	55	3,964		
Other revenue	923,357	778,397		
	<u>80,321,828</u>	<u>76,044,814</u>	<u>3,947,790</u>	<u>5,206,995</u>
EXPENSES				
Salaries and benefits	41,802,197	39,851,329		
Other operating expenses	9,327,749	8,667,413		
Members' expenses	19,839,481	18,806,763		
Rent	4,348,841	4,537,012		
Amortization of capital assets	1,859,247	1,574,319		
Miscellaneous (expenses not budgeted for) (Note 6)	6,041	62,589		
Strike benefits (Note 23)		436,133	1,878,724	2,080,916
Strike administration			316,530	107,003
	<u>77,183,556</u>	<u>73,935,558</u>	<u>2,195,254</u>	<u>2,187,919</u>
Excess of revenue over expenses before other items	3,138,272	2,109,256	1,752,536	3,019,076
OTHER ITEMS				
Unapproved Strike Fund Administration Expenses (Note 8)			(215,989)	(1,895,256)
EXCESS OF REVENUE OVER EXPENSES	<u>3,138,272</u>	<u>2,109,256</u>	<u>1,536,547</u>	<u>1,123,820</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, 2009

General Fund 2009

	Unrestricted Fund	Capital Assets Fund	Internally Restricted Funds	Total General Fund 2009	Strike Fund 2009	Total 2009	Total 2008
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	7,082,410	5,920,125	29,862,810	42,865,345	28,681,315	71,546,660	68,313,584
Excess (deficiency) of revenue over expenses	4,931,553		(1,793,281)	3,138,272	1,536,547	4,674,819	3,233,076
Acquisition of capital assets	(1,183,985)	1,183,985					
Amortization of capital assets	1,859,247	(1,859,247)					
Fund balance transfers (Note 9)	(3,823,411)		3,823,411				
	8,865,814	5,244,863	31,892,940	46,003,617	30,217,862	76,221,479	71,546,660
Accumulated gains and losses included directly in fund balances							
Balance, beginning of year	570,055		391,041	961,096	1,159,863	2,120,959	1,163,505
Reclassification adjustment for gains included in operations	(338,094)		(372,963)	(711,057)	(739,785)	(1,450,842)	(834,556)
Variation in unrealized gains and losses on available-for-sale financial assets during the period	(31,919)		69,616	37,697	(120,382)	(82,685)	1,792,010
	200,042		87,694	287,736	299,696	587,432	2,120,959
	9,065,856	5,244,863	31,980,634	46,291,353	30,517,558	76,808,911	73,667,619
Balance, end of year							

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

Public Service Alliance of Canada Cash Flows

Year ended December 31, 2009

	2009			2008		
	General Fund	Strike Fund	Total	General Fund	Strike Fund	Total
	\$	\$	\$	\$	\$	\$
OPERATING ACTIVITIES						
Excess of revenue over expenses	3,138,272	1,536,547	4,674,819	2,109,256	1,123,820	3,233,076
Changes in non-cash working capital items						
Accounts receivable and accrued interest	395,149	49,501	444,650	(226,402)	(52,363)	(278,765)
Advances to members, officers and employees	(58,706)		(58,706)	(77,835)		(77,835)
Prepaid expenses	702,068		702,068	(769,809)		(769,809)
Accounts payable and accrued liabilities	2,606,450	(135,324)	2,471,126	(3,525,943)	135,324	(3,390,619)
Provision for National Triennial Convention	(2,147,975)		(2,147,975)	1,047,975		1,047,975
Interfund transfers	(3,513,794)	3,513,794		(3,091,008)	3,091,008	
Items not affecting cash						
Amortization of capital assets	1,859,247		1,859,247	1,574,319		1,574,319
Share in loss of wholly-owned subsidiary - PSAC Holdings Ltd. - PSAC						
Placements Ltée	725,686		725,686	776,612		776,612
Gain on disposal of capital assets	(55)		(55)	(3,964)		(3,964)
Net gain realized on disposal of available-for-sale investments	(711,057)	(739,785)	(1,450,842)	(834,556)		(834,556)
Cash flows from operating activities	2,995,285	4,224,733	7,220,018	(3,021,355)	4,297,789	1,276,434
INVESTING ACTIVITIES						
Due from a related entity	566,482		566,482	(407,709)		(407,709)
Decrease (increase) in long-term investments	3,158,298	(4,828,489)	(1,670,191)	7,443,826	(5,098,654)	2,345,172
Increase in long-term notes receivable	(3,109,162)		(3,109,162)	(3,135,525)		(3,135,525)
Acquisition of capital assets	(1,183,930)		(1,183,930)	(2,673,500)		(2,673,500)
Disposal of capital assets				3,964		3,964
Cash flows from investing activities	(568,312)	(4,828,489)	(5,396,801)	1,231,056	(5,098,654)	(3,867,598)
FINANCING ACTIVITIES						
Increase in long-term liabilities	633,600		633,600	1,226,129		1,226,129
Cash flows from financing activities	633,600		633,600	1,226,129		1,226,129
Net increase (decrease) in cash	3,060,573	(603,756)	2,456,817	(564,170)	(800,865)	(1,365,035)
Cash, beginning of year	14,792,779	1,251,823	16,044,602	15,356,949	2,052,688	17,409,637
Cash, end of year	17,853,352	648,067	18,501,419	14,792,779	1,251,823	16,044,602

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

Public Service Alliance of Canada
Financial Position
December 31, 2009

	General Fund	Strike Fund	Total 2009	Total 2008
	\$	\$	\$	\$
ASSETS				
Current assets				
Cash - Operations	17,853,352	648,067	18,501,419	16,044,602
Accounts receivable and accrued interest	2,522,704	185,331	2,708,035	3,152,685
Interfund balances	305,031	(305,031)		
Advances to members, officers and employees	429,756		429,756	371,050
Prepaid expenses	237,494		237,494	939,562
Current portion of long-term investments	4,135,481	3,336,677	7,472,158	4,874,243
Current portion of long-term notes receivable	737,675		737,675	667,490
	26,221,493	3,865,044	30,086,537	26,049,632
Due from a related entity (Note 10)	108,437		108,437	674,919
Long-term investments (Note 11)	20,453,866	26,652,514	47,106,380	48,116,789
Long-term investment - PSAC Holdings Ltd. - PSAC Placements Ltée (Note 12)	953,047		953,047	1,678,733
Long-term notes receivable (Note 13)	15,449,708		15,449,708	12,410,731
Capital assets (Note 14)	5,244,863		5,244,863	5,920,125
	68,431,414	30,517,558	98,948,972	94,850,929
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	9,944,387		9,944,387	7,473,261
Long-term liabilities (Note 16)	12,195,674		12,195,674	11,562,074
Provision for National Triennial Convention				2,147,975
	22,140,061		22,140,061	21,183,310
FUND BALANCES				
Unrestricted	9,065,856		9,065,856	7,652,465
Capital assets	5,244,863		5,244,863	5,920,125
Restricted				
Internally	31,980,634		31,980,634	30,253,851
Strike fund		30,517,558	30,517,558	29,841,178
	46,291,353	30,517,558	76,808,911	73,667,619
	68,431,414	30,517,558	98,948,972	94,850,929

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, 2009

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, 2009, in accordance with the applicable transitional provisions, the Organization applied the recommendations of the Canadian Institute of Chartered Accountants in the introduction to accounting standards that apply to not-for-profit organizations and several sections in the 4400 series as well as consequential changes to other sections of the Canadian Institute of Chartered Accountants' Handbook. These modifications, effective for fiscal years beginning on or after January 1, 2009, mainly affect the following, in particular:

- Inclusion of not-for-profit organizations within the scope of Section 1540 "Cash Flow 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;
- Inclusion of disclosure standards for the not-for-profit organization that classifies its expenses by functions and allocates expenses to a number of functions to which the expenses relate.

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 only address disclosures and have no impact on the Organization's financial statements.

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, 2009

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 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 Membership Asset Fund balance should be equal to three and a half months worth of membership dues revenue.

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, 2009

3 - ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets are recorded at cost and are amortized on a straight-line basis over the following periods:

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

Fair value of financial instruments

The Organization has chosen to apply the recommendations of Section 3861 "Financial Instruments – Disclosure and Presentation" of the Canadian Institute of Chartered Accountants' Handbook with respect to the presentation and disclosure of financial instruments.

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value.

Subsequently, financial assets and liabilities are measured and recognized as follows:

– 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.

– 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, 2009

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

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.

PSAC has an unfunded post-retirement benefit plan. The cost of retirement benefits earned by employees under this plan is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees.

4 - MEMBERSHIP DUES - GENERAL FUND

	2009	2008
	\$	\$
Membership dues	143,134,689	131,456,752
Less : Component and local rebates	(63,069,929)	(57,130,857)
Strike Fund per capita	(2,190,836)	(1,309,931)
Add : Directly Chartered Locals service dues	191,595	137,703
	<u>78,065,519</u>	<u>73,153,667</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, 2009

6 - MISCELLANEOUS (EXPENSES NOT BUDGETED FOR)

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

	2009	2008
	\$	\$
Grants - New Locals	4,016	2,500
Treasury Board - Members mail list		51,106
Alcohol and Gaming Commission of Ontario	2,000	2,000
Other	25	6,983
	<u>6,041</u>	<u>62,589</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. In 2008, 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:

	2009	2008
	\$	\$
Balance in reserve, beginning of year		427,249
Add : Revenue	17,286	
Deduct: Expenses	(17,286)	
UPCE strike pay surplus allocation		(427,249)
Balance in reserve, end of year	<u>-</u>	<u>-</u>

8 - UNAPPROVED STRIKE FUND ADMINISTRATION EXPENSES

For the year ended December 31, 2009, expenses of \$316,530 were paid from January to July and were presented and approved at the June and October 2009 meetings of the National Board of Directors.

Expenses of \$215,989 were also paid from August to December 2009, of which \$106,063 were approved at the February 2010 National Board of Directors meeting.

For the year ended December 31, 2008, expenses of \$1,895,256 were paid from August to December 2008 and were presented and approved at the February and June meetings of the National Board of Directors held in 2009.

Public Service Alliance of Canada
Notes to Financial Statements
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9 - FUND BALANCE TRANSFERS AND ALLOCATIONS OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES

The following fund balance transfers were made in accordance with normal operating procedures:

	2009	2008
	\$	\$
From Unrestricted Fund Balances to Strike Fund		(3,087,176)
From Internally Restricted Funds to Unrestricted Fund Balances	319,366	
From Unrestricted Fund Balances to Members' Expenses Reserve	(3,839,430)	
From Unrestricted Fund Balances to Internally Restricted Funds	(303,347)	(21,917,843)
	<u>(3,823,411)</u>	<u>(25,005,019)</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. No allocation from the Unrestricted Fund Balances to the Strike Fund was made in the current year. This was approved at the 2009 PSAC convention.

Excess (Deficiency) of Revenue over Expenses, Members' Expenses Reserve

	2009	2008
	\$	\$
Negotiations and Mobilization Reserve	800,985	(1,219,306)
Member Education Services Reserve	(847,268)	864,933
Local Development Reserve	(56,805)	40,895
Regional Activities Reserve	395,117	(173,212)
Organizing Reserve	(44,319)	143,928
Human Rights Reserve	693,903	162,307
Health and Safety Reserve	(503,822)	195,132
Communications Reserve	(92,746)	(24,801)
Political Action Reserve	345,470	423,722
Joint Initiatives Reserve	57,818	65,818
Legal Reserve	(1,305,109)	(864,764)
Labour Movement Reserve	(592,597)	(354,212)
Internal Governance Reserve	(546,458)	23,981
Accessibility Reserve	64,736	27,480
Family Care Reserve	(15,823)	5,278
Interpretation Reserve	22,940	(10,913)
General Membership Reserve	34,048	79,898
Social Justice Fund Reserve	(68,658)	(107,891)
Directly Chartered Locals Expenses	(134,693)	(38,839)
	<u>(1,793,281)</u>	<u>(760,566)</u>

Public Service Alliance of Canada

Notes to Financial Statements

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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, 2009, the balancing receivable related to this fund is \$108,437 (\$674,919 in 2008). This amount bears no interest and has no set terms of repayment.

11 - LONG-TERM INVESTMENTS

	2009		% of total (fair value)
	Fair value	Cost	
	\$	\$	%
GENERAL FUND			
Government of Canada and government guaranteed bonds (1% - 2% due 2011 - 2012)	6,541,281	6,557,151	26.61
Provincial bonds (5.25% - 6.1% due 2010 - 2012)	5,715,491	5,482,985	23.25
Other bonds (1.65 - 5.04% due 2010 - 2012)	3,428,574	3,416,028	13.94
Guaranteed investment certificates (1.65% - 3.70% due 2010 - 2014)	3,800,000	3,800,000	15.45
Mutual fund bonds	2,322,158	2,267,317	9.44
Shares in public companies	8,049	4,336	0.03
Mortgage - Canadian Labour Congress	2,673,630	2,673,630	10.87
Other loans	100,164	100,164	0.41
	<u>24,589,347</u>	<u>24,301,611</u>	<u>100.00</u>
Current portion	<u>4,135,481</u>	<u>4,065,382</u>	
	<u>20,453,866</u>	<u>20,236,229</u>	
STRIKE FUND			
Government of Canada and government guaranteed bonds (1.25% - 5% due 2010 - 2012)	12,294,291	12,261,384	41.00
Provincial bonds (4.1% - 6.1% due 2010 - 2012)	10,585,185	10,436,985	35.30
Other bonds (1.35% - 5.2% due 2010 - 2012)	2,610,780	2,497,105	8.70
Guaranteed investment certificates (3.70% - 5.20% due 2011 - 2014)	4,196,583	4,191,785	13.99
Mutual fund bonds	302,352	302,236	1.01
	<u>29,989,191</u>	<u>29,689,495</u>	<u>100.00</u>
Current portion	<u>3,336,677</u>	<u>3,288,231</u>	
	<u>26,652,514</u>	<u>26,401,264</u>	
TOTAL	<u>47,106,380</u>	<u>46,637,493</u>	

Public Service Alliance of Canada
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11 - LONG-TERM INVESTMENTS (Continued)

	2008		% of total (fair value) %
	Fair Value \$	Cost \$	
GENERAL FUND			
Government of Canada and government guaranteed bonds (5.5% due 2009)	3,558,575	3,235,691	12.84
Provincial bonds (5% - 6.5% due 2010 - 2038)	16,396,289	15,884,544	59.17
Other bonds (3.6 % due 2013)	4,043,017	3,914,581	14.59
Shares in public companies	2,367	4,336	0.01
Mortgage - Canadian Labour Congress	3,632,375	3,632,375	13.11
Other loans	77,325	77,325	0.28
	<u>27,709,948</u>	<u>26,748,852</u>	<u>100.00</u>
Current portion	<u>2,567,895</u>	<u>2,529,207</u>	
	<u>25,142,053</u>	<u>24,219,645</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>48,116,789</u>	<u>46,040,966</u>	

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12 - 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>2009</u>	<u>2008</u>
	\$	\$
BALANCE SHEET		
Total assets	<u>17,215,346</u>	<u>15,501,940</u>
Total liabilities	<u>16,262,299</u>	<u>13,823,207</u>
Shareholders' equity	<u>953,047</u>	<u>1,678,733</u>
Total liabilities and shareholders' equity	<u>17,215,346</u>	<u>15,501,940</u>
RESULTS OF OPERATIONS		
Total revenues	<u>3,460,913</u>	<u>3,374,825</u>
Total expenses	<u>4,186,599</u>	<u>4,151,437</u>
Net loss	<u>(725,686)</u>	<u>(776,612)</u>
CASH FLOWS		
Cash flows from operations	<u>(566,627)</u>	<u>160,418</u>
Cash flows from investing activities	<u>(3,212,928)</u>	<u>(1,966,231)</u>
Cash flows from financing activities	<u>3,235,476</u>	<u>2,609,311</u>
Increase (decrease) in cash	<u>(544,079)</u>	<u>803,498</u>

During the year, PSAC paid \$2,204,636 (\$2,233,348 in 2008) to PSAC Holdings Ltd. - PSAC Placements Ltée for the use of office space and parking facilities. An additional amount of \$3,800,000 (\$2,845,229 in 2008) 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 \$489,411 (\$396,668 in 2008).

These transactions were measured at the exchange amount, that is the amount established and accepted by the parties and were conducted in the normal course of business.

Public Service Alliance of Canada
Notes to Financial Statements
December 31, 2009

13 - LONG-TERM NOTES RECEIVABLE

	Total 2009	Total 2008
	\$	\$
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée in monthly instalments of \$7,408 including interest calculated at the rate of 4%, maturing April 1, 2025	1,017,638	1,064,800
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée in monthly instalments of \$4,236 including interest calculated at the rate of 4%, maturing December 1, 2030	721,485	742,993
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée in monthly instalments of \$6,661 including interest calculated at the rate of 4%, maturing April 1, 2025	915,070	957,479
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée in monthly instalments of \$2,150 including interest calculated at the rate of 4%, maturing December 1, 2025	304,595	317,926
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée in monthly instalments of \$15,859 including interest calculated at the rate of 4%, maturing December 1, 2013	702,396	861,152
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée in monthly instalments of \$13,423 including interest calculated at the rate of 4%, maturing December 1, 2026	1,984,488	2,064,441

Public Service Alliance of Canada
Notes to Financial Statements
December 31, 2009

13 - LONG-TERM NOTES RECEIVABLE (Continued)

	Total 2009	Total 2008
	\$	\$
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée in monthly instalments of \$22,876 including interest calculated at the rate of 4%, maturing December 1, 2027	3,518,277	3,649,201
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée in monthly instalments of \$17,242 including interest calculated at the rate of 4%, maturing January 1, 2029	2,750,414	2,845,229
Note receivable from PSAC Holdings Ltd. - PSAC Placements Ltée in monthly instalments of \$16,021 including interest calculated at the rate of 3% , maturing December 1, 2039	3,800,000	
Note receivable from YEU in monthly instalments of \$7,600 including interest calculated at the rate of 4%, maturing February 1, 2013	278,020	350,000
Note receivable from UPCE, non-interest bearing, with no terms of repayment	195,000	225,000
	16,187,383	13,078,221
Current portion	737,675	667,490
	<u>15,449,708</u>	<u>12,410,731</u>

As of January 1, 2010, the interest rate on all the notes receivable from PSAC Holdings was renegotiated to 3%.

14 - CAPITAL ASSETS

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
	\$	\$	\$	\$
Equipment and furniture	6,293,211	4,586,394	1,706,817	2,130,134
Computer equipment	6,439,339	5,500,913	938,426	851,128
Software	2,392,083	1,358,779	1,033,304	980,831
Leasehold improvements	2,617,146	1,050,830	1,566,316	1,958,032
	<u>17,741,779</u>	<u>12,496,916</u>	<u>5,244,863</u>	<u>5,920,125</u>

Public Service Alliance of Canada
Notes to Financial Statements
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15 - BANK LOAN

Public Service Alliance of Canada has an authorized bank loan of \$10,000,000 which was not utilized as at December 31, 2009 and 2008. This loan bears interest calculated at the prime rate (2.25%; 3.5% in 2008). 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, 2009, the balance of the pledge account is \$Nil.

16 - LONG-TERM LIABILITIES

	2009	2008
	\$	\$
Separation payments	6,133,471	5,892,045
Annual leave	3,363,821	3,155,461
Compensatory leave	1,271,642	1,281,675
Deferred salaries payable	61,040	31,193
Accrued benefit liability	1,365,700	1,201,700
	<u>12,195,674</u>	<u>11,562,074</u>

17 - MEMBERS' EXPENSES RESERVE

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

the remaining Members' Expenses Reserve balances are reversed to the Unrestricted Fund Balance at the end of each three year budget cycle.

	2009	2008
	\$	\$
Members' Expenses Reserve balance (deficiency)		
Negotiations and Mobilization Reserve		(1,282,109)
Member Education Services Reserve		1,249,703
Local Development Reserve		56,895
Regional Activities Reserve		(313,981)
Organizing Reserve		280,774
Human Rights Reserve		(826,260)
Health and Safety Reserve		(182,694)
Communications Reserve		353,850
Political Action Reserve		1,238,241
Joint Initiatives Reserve		126,475
Legal Reserve		(2,025,147)
Labour Movement Reserve		(544,709)
Internal Governance Reserve		(6,063)
Accessibility Reserve		22,992
Family Care Reserve		(4,500)
Interpretation Reserve		(6,192)
General Membership Reserve		33,817
Social Justice Fund Reserve		(178,402)
Directly Chartered Locals Expenses		(38,839)
	<u>-</u>	<u>(2,046,149)</u>

Public Service Alliance of Canada
Notes to Financial Statements
 December 31, 2009

18 - RELATED PARTY TRANSACTIONS

During the year, the Organization received management fees of \$275,776 (\$191,002 in 2008) from the Public Service Insurance Trust Fund.

These transactions were measured at the exchange amount, that is the amount established and accepted by the parties and were conducted in the normal course of business.

19 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

Financial risk management objectives and policies

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

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

Financial risks

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

Credit risk

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

Interest rate risk

The Organization is exposed to interest rate risk with respect to financial assets bearing fixed and variable interest rates.

The long-term investments and notes receivable bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The Organization 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, 2009

20 - PENSION AND OTHER RETIREMENT BENEFIT PLANS

Contributions made to the pension plan in the current year were \$6,665,076 (\$6,581,429 in 2008).

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 (\$1,800 in 2008) for a maximum of 10 years to assist them in financing their health care coverage.

An actuarial valuation was prepared on February 8, 2010 and the valuation is completed on an annual basis.

	2009	2008
	\$	\$
Benefit expense		
Current service cost	90,500	92,800
Interest cost on accrued benefit obligation	99,000	81,000
Amortization of past service costs	21,200	21,200
Amortization of net actuarial gain	13,000	15,000
Benefit expense	<u>223,700</u>	<u>210,000</u>
Accrued benefit obligation		
Balance, beginning of year	1,661,000	1,554,900
Benefit payments	(59,700)	(55,800)
Current service costs	90,500	92,800
Interest cost on accrued benefit obligation	99,000	81,000
Actuarial gain (loss) on accrued benefit obligation	81,700	(11,900)
Balance, end of year	<u>1,872,500</u>	<u>1,661,000</u>
Reconciliation of accrued benefit obligation to the accrued benefit liability		
Accrued benefit obligation	1,872,500	1,661,000
Unamortized past service costs	(154,900)	(176,100)
Unamortized net actuarial gain	(351,900)	(283,200)
Accrued benefit liability	<u>1,365,700</u>	<u>1,201,700</u>

Assumptions used in accounting for the accrued benefit obligation:

Discount rate	5.00%	5.75%
Average remaining service period of active employees (years)	9	10

Public Service Alliance of Canada
Notes to Financial Statements
December 31, 2009

21 - 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 \$4.3 million and the minimum annual lease payments are expected to be approximately the same for the next five years.

During the prior year, 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.

22 - CONTINGENCIES

PSAC is the defendant in a number of actions in areas of its operations. Claims against the Organization range from unspecified balances to \$675,000. 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.

23 - STRIKE BENEFITS

During the 2008 fiscal year, a total of \$2,885,191 has been paid by the Organization 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 Organization'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 Organization 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.

24 - POLICIES AND PROCESSES FOR MANAGING CAPITAL

The Organization'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 Organization 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 Organization is not subject to any externally imposed capital requirements.

25 - COMPARATIVE FIGURES

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

Public Service Alliance of Canada
Supplementary Information
Year ended December 31, 2009

Changes in Internally Restricted Fund Balances

	Membership Asset Fund	Members' Expenses Reserve (Notes 9 and 17)	PSAC Holdings Reserve Fund	Succession Planning Program Fund	Representation Fund	PSAC Social Justice Fund	Special Legal Cases Fund	Total 2009	Total 2008
Balance, beginning of year	\$ 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
Excess (deficiency) of revenue over expenses		(1,793,281)						(1,793,281)	(760,566)
Fund balance transfers	303,347	3,839,430			(319,366)			3,823,411	21,917,843
Strike pay surplus allocation									(436,133)
Accumulated gains and losses included directly in fund balances	22,912,306		2,200,000	2,000,000	1,180,634	2,000,000	1,600,000	31,892,940	29,862,810
Balance, beginning of year	391,041							391,041	414,815
Reclassification adjustment for gains and losses included in excess of revenues over expenses	(372,963)							(372,963)	(290,707)
Variation in unrealized gains and losses on available-for-sale financial assets during the period	69,616							69,616	266,933
	87,694							87,694	391,041
Balance, end of year	23,000,000		2,200,000	2,000,000	1,180,634	2,000,000	1,600,000	31,980,634	30,253,851

Public Service Alliance of Canada
Supplementary Information
Year ended December 31, 2009

	2009	2008
	\$	\$
<i>SALARIES AND BENEFITS</i>		
Salaries	28,563,513	26,878,917
Benefits	11,450,296	10,565,341
Sick leave, maternity leave replacement	346,985	898,748
Overtime and special projects	1,260,366	1,411,662
Succession program	181,037	96,661
	<u>41,802,197</u>	<u>39,851,329</u>
<i>OTHER OPERATING EXPENSES</i>		
Communication	930,005	1,073,998
General	1,653,952	1,691,814
Travel	3,966,392	3,963,527
Sundry	3,032,822	2,223,724
Meeting	203,847	140,627
Recovery - allocation	(459,269)	(426,277)
	<u>9,327,749</u>	<u>8,667,413</u>
<i>MEMBERS' EXPENSES</i>		
Negotiations and mobilization	1,592,278	3,612,566
Education	3,215,268	1,503,067
Local development	212,805	115,105
Regional activities	726,884	1,295,213
Organizing	1,194,319	1,006,072
Human rights activities	500,137	1,031,733
Health and safety activities	970,822	271,868
Communications activities	632,745	564,801
Political action and campaigns	1,416,426	1,338,174
Joint initiatives	17,182	9,182
Legal fees	3,255,110	2,814,764
Participation in the labour movement	3,592,597	3,354,212
Internal governance	1,871,458	1,301,019
Accessibility costs	15,264	52,520
Family care costs	105,823	84,722
Interpretation - aboriginal and inuit languages	27,060	60,913
General membership services	89,952	44,102
Social Justice Fund	268,658	307,891
Directly Chartered Locals Expenses	134,693	38,839
	<u>19,839,481</u>	<u>18,806,763</u>