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**Unifor Local 222**

**Financial Statements**

December 31, 2015

## INDEPENDENT AUDITORS' REPORT

To the Members of  
**UNIFOR LOCAL 222**

We have audited the accompanying financial statements of Unifor Local 222 which comprise the balance sheet as at December 31, 2015, the statement of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Unifor Local 222 as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*S+C Partners LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Mississauga, Ontario  
September 14, 2016

**UNIFOR LOCAL 222**

## Balance Sheet

As at December 31	2015	2014
<b>Assets</b>		
Current assets		
Cash	\$ 441,504	\$ 377,811
Short term investments (note 3)	4,152,581	3,918,835
Prepays and deposits	34,203	17,010
Receivables	541,922	410,606
Payroll advances	-	1,150
Future pension benefit (note 5)	-	155,000
EHT premium refundable	-	67,751
	<b>5,170,210</b>	<b>4,948,163</b>
Capital assets (note 4)	<b>2,491,592</b>	<b>2,439,011</b>
	<b>\$ 7,661,802</b>	<b>\$ 7,387,174</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 131,158	\$ 204,903
Per capita payable	559,341	299,165
Due to retirees (note 7)	127,796	114,318
Future benefit liability (note 5)	207,800	-
Obligation for post-employment benefits - non-pension (note 6)	1,276,100	1,318,000
	<b>2,302,195</b>	<b>1,936,386</b>
<b>Net Assets</b>		
Unrestricted	4,777,607	4,557,688
Pension re-measurements	582,000	893,100
	<b>\$ 7,661,802</b>	<b>\$ 7,387,174</b>

**UNIFOR LOCAL 222**

## Statement of Operations and Net Assets

Year ended December 31	2015	2014 (note 11)
Revenue		
Membership dues	\$ 5,514,506	\$ 5,866,516
Lost time wage recoveries	371,262	457,801
Oshaworker	101,567	81,713
Rent	101,063	94,793
Miscellaneous collections	67,518	131,125
Interest income	52,416	71,403
Hall maintenance	30,399	30,399
Sundry income and telephone	17,017	1,708
Oshawa and Area Skilled Trades	-	10,318
	<b>6,255,748</b>	<b>6,745,776</b>
Less: Per capita assessment	<b>(3,032,482)</b>	<b>(3,158,330)</b>
	<b>3,223,266</b>	<b>3,587,446</b>
Expenses (schedule)	<b>3,003,347</b>	<b>3,257,493</b>
Excess of revenue over expenses for the year	<b>219,919</b>	<b>329,953</b>
Net assets, January 1	<b>4,557,688</b>	<b>4,227,735</b>
Net assets, December 31	<b>\$ 4,777,607</b>	<b>\$ 4,557,688</b>

**UNIFOR LOCAL 222**

## Statement of Changes in Net Assets

				2015
	Pension re-measurements	Unrestricted	Total	
<b>Balance, January 1</b>	<b>\$ 893,100</b>	<b>\$ 4,557,688</b>	<b>\$</b>	<b>5,450,788</b>
<b>Excess of revenues over expense for the year</b>	<b>-</b>	<b>219,919</b>		<b>219,919</b>
<b>Pension re-measurements</b>	<b>(311,100)</b>	<b>-</b>		<b>(311,100)</b>
<b>Balance, December 31</b>	<b>\$ 582,000</b>	<b>\$ 4,777,607</b>	<b>\$</b>	<b>5,359,607</b>
				2014
	Pension re-measurements	Unrestricted	Total	
<b>Balance, January 1</b>	<b>\$ 1,010,300</b>	<b>\$ 4,227,735</b>	<b>\$</b>	<b>5,238,035</b>
<b>Excess of revenues over expense for the year</b>	<b>-</b>	<b>329,953</b>		<b>329,953</b>
<b>Pension re-measurements</b>	<b>(117,200)</b>	<b>-</b>		<b>(117,200)</b>
<b>Balance, December 31</b>	<b>\$ 893,100</b>	<b>\$ 4,557,688</b>	<b>\$</b>	<b>5,450,788</b>

**UNIFOR LOCAL 222**  
Statement of Cash Flows

Year ended December 31	2015	2014
<b>Operating activities:</b>		
Cash received from members	\$ 5,623,537	\$ 5,895,479
Cash received from National	300,000	300,000
Cash received from related party	132,612	124,042
Cash received from retirees	13,478	20,009
Cash received for interest	56,966	56,160
Cash received from sundry income and telephone	17,017	-
Cash paid for per capita	(2,772,306)	(3,202,624)
Cash paid for operating expenses	(2,971,707)	(2,926,223)
<b>Net cash provided by operating activities</b>	<b>399,597</b>	<b>266,843</b>
<b>Investing activities</b>		
Purchase of investments	(3,646,193)	(4,100,313)
Sale of investments	3,407,896	4,050,469
Purchase of capital assets	(97,607)	-
<b>Net cash used in investing activities</b>	<b>(335,904)</b>	<b>(49,844)</b>
Increase in cash	63,693	216,999
Cash, beginning of year	377,811	160,812
<b>Cash, end of year</b>	<b>\$ 441,504</b>	<b>\$ 377,811</b>

## UNIFOR LOCAL 222

Notes to Financial Statements

December 31, 2015

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### 1 Nature of business

Unifor Local 222 ("the Local") is an unincorporated trade union and is a member of Unifor, having jurisdiction over all automobile manufacturing work as defined in the Unifor Constitution. The object of the Local is to promote by all proper means, the material and intellectual welfare of its members.

The Local is exempt from income tax under Section 149(1)(k) of the *Canadian Income Tax Act*.

### 2 Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant policies:

#### (a) Basis of accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

#### (b) Use of estimates

The preparation of the Local's financial statements in conformance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period.

The principal estimates used in the preparation of these financial statements are the determination of the members' dues receivable and corresponding per capita payable, useful lives of capital assets, actuarial assumptions, and the collectibility of the EHT premium refundable. Management's best estimates are based on the facts and circumstances available at the time estimates are made, historical experience, general economic conditions and trends, and management's assessment of probable future outcomes of these matters. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates, and such differences could be material.

#### (c) Cash

Cash includes cash on deposit with financial institutions.

#### (d) Capital assets

The Local records capital assets at cost. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the statement of operations when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. An impairment loss is not reversed if the fair value of the capital asset subsequently increases. As at December 31, 2015, no such impairment exists.

**2 Significant accounting policies (continued)**

(d) Capital assets (continued)

Capital assets are depreciated over their estimated useful lives using the straight-line method as follows:

Buildings	- 1.5%
Equipment	- 10.0%

(e) Revenue recognition

Membership dues are recorded in income based on the period in which they are withheld by respective employers.

Lost time wage recoveries are recorded in income based on the period in which the lost time expense was incurred by the Local.

Oshaworker revenue is recorded in income in the period in which the advertisement is published.

Rental revenue is recognized over the term of the lease and when collection is reasonably assured.

Investment income is recognized on an accrual basis.

(f) Post-employment future benefits

The Local sponsors a defined benefit pension plan and other post-employment benefits to retired employees and their spouses. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. Other post-employment benefits include medical services, life insurance and extended health care benefits. The benefit plans are further described in note 5 and note 6. The non-pension post-employment benefit plan is not funded.

The Local accrues its obligations under a defined benefit employee pension plan and the related costs, net of plan assets. The cost of the defined benefit pension and the other post-employment benefits that relate to employees' current service is charged to income annually. The cost is computed at each reporting date by an independent actuary using an accounting valuation by the projected unit credit cost method prorated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, the assets are valued at fair market value.

The discount rate used to measure the interest cost on the accrued future employee benefit obligation is set with reference to market interest rates on high-quality debt instruments.

(g) Financial instruments

(i) Measurement

The Local initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Local subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, short term investments, receivables and payroll advances. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, per capita payable and due to retirees.

The fair values of the investments are determined by reference to quoted market prices.



**2 Significant accounting policies (continued)**

(g) Financial instruments (continued)

(ii) Impairment

At the end of each reporting period, the Local assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Local. When there is an indication of impairment, the Local determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

When the Local identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the asset to the highest of the following: i) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset; ii) the amount that could be realized by selling the asset at the balance sheet date; and iii) the amount the Local expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all costs necessary to exercise those rights. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statement of operations and net assets.

When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the statement of operations and net assets in the period the reversal occurs.

**3 Short term investments**

Investments consist of the following:

As at December 31	2015	2014
Guaranteed investment certificates	\$ 3,405,716	\$ 3,155,504
Short term investment certificates	717,000	716,622
Accrued interest	29,865	46,709
Amortized cost of investments	\$ 4,152,581	\$ 3,918,835

Investments consist of term deposits of \$4,122,550 (2014 - \$3,884,313) with interest rates ranging from 0.65% to 2.00% (2014 - 0.70% to 2.18%) and maturities ranging from June 2016 to January 2017 (2014 - June 2015 to November 2015).

**UNIFOR LOCAL 222**  
Notes to Financial Statements  
December 31, 2015

**4 Capital Assets**

As at December 31	2015		2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 615,195	\$ -	\$ 615,195	\$ -
Property, plant, and equipment	3,045,597	1,169,200	2,947,990	1,124,174
	<b>\$ 3,660,792</b>	<b>\$ 1,169,200</b>	<b>\$ 3,563,185</b>	<b>\$ 1,124,174</b>
Net book value		<b>\$ 2,491,592</b>		<b>\$ 2,439,011</b>

**5 Future pension benefits**

The Local is the sponsor of a contributory, registered pension plan that covers substantially all of its employees and provides benefits on a defined benefit basis based on length of service and rates of pay. The Local, as the legal administrator of the Plan and has retained the services of Great West Life Assurance as a third party administrator.

The Local makes contributions to the fund, based on periodic valuation reports prepared by an independent actuary, in accordance with regulatory requirements.

An actuarial valuation was performed as at April 30, 2014 on the Unifor Local 222 Office and Custodial Staff Pension Plan, which has been extrapolated to December 31, 2015.

The changes in the defined benefit plan during the year are as follows:

(a) Elements of the defined benefit pension expense recognized in the year:

Year ended December 31	2015	2014
Current service cost	\$ 115,900	\$ 98,500
Expected return on assets	(191,200)	(216,400)
Interest cost on accrued pension obligations	186,300	203,500
	<b>\$ 111,000</b>	<b>\$ 85,600</b>

(b) Plan assets:

Year ended December 31	2015	2014
Fair value, beginning of the year	\$ 5,055,400	\$ 4,715,900
Employer contributions	58,200	58,200
Benefits paid	(187,000)	(160,800)
Expected return on assets	191,200	216,400
Actuarial gain	44,000	225,700
Fair value, end of the year	<b>\$ 5,161,800</b>	<b>\$ 5,055,400</b>

**5 Future pension benefits (continued)**

The fair value of plan assets as at December 31 is categorized by type of asset as follows:

As at December 31	2015	2014
Equities	45%	51%
Fixed income	45%	30%
Real estate	10%	19%

(c) Accrued pension obligations:

Year ended December 31	2015	2014
Obligation, beginning of year	\$ 4,900,400	\$ 4,416,300
Current service cost	115,900	98,500
Interest cost on plan obligation	186,300	203,500
Benefits paid	(187,000)	(160,800)
Actuarial (gain) loss	354,000	342,900
Obligation, end of year	\$ 5,369,600	\$ 4,900,400

(d) Reconciliation of funded status to the amount recorded in the statement of financial position:

As at December 31	2015	2014
Fair value of plan assets	\$ 5,161,800	\$ 5,055,400
Accrued pension obligation	(5,369,600)	(4,900,400)
Plan surplus (deficit)	\$ (207,800)	\$ 155,000

(e) Actuarial assumptions:

Significant actuarial adjustments adopted in measuring the Local's accrued benefit obligation are as follows:

	2015	2014
Discount rate	3.85%	4.64%
Expected return on plan assets	3.85%	4.64%
Expected rate of compensation increases	2.07%	2.07%
Mortality table	UP94	UP94

**6 Post-employment benefits - non-pension**

The Local is the sponsor of a post-employment benefits plan offering medical and dental benefits to active and retired elected members. The Local, as the legal administrator of the Plan has retained the services of Great West Life Assurance as a third party administrator.

An actuarial valuation was performed as at January 1, 2013 which has been extrapolated to December 31, 2015. The changes in the defined benefit plan during the year are as follows:

(a) Elements of the post-retirement non-pension expense recognized in the year:

Year ended December 31	2015	2014
Current service cost	\$ 33,200	\$ 28,500
Interest cost on accrued pension obligations	48,700	55,300
	\$ 81,900	\$ 83,800

(b) Accrued pension obligations:

Year ended December 31	2015	2014
Obligation, beginning of year	\$ 1,318,000	\$ 1,237,500
Current service cost	33,200	28,500
Interest cost on plan obligation	48,700	55,300
Benefits paid	(124,900)	(118,200)
Actuarial (gain) loss	1,100	114,900
Obligation, end of year	\$ 1,276,100	\$ 1,318,000

(c) Actuarial assumptions:

Significant actuarial assumptions adopted in measuring the Local's accrued benefit obligation are as follows:

	2015	2014
Discount rate	3.85%	3.83%
Expected rate of benefit increases	6.00%	6.50%

**7 Due to retirees fund held in trust**

The Local holds fees paid by retired members of the local in trust which are used to fund activities on behalf of the retired members.

## UNIFOR LOCAL 222

Notes to Financial Statements

December 31, 2015

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### 8 Related party transactions

#### (i) Rental income

The A. Taylor - G.A. Morgan UNIFOR Dental Centre leases office space from the Local on a month to month basis. Amounts paid to the local in the current year for rent, cleaning, maintenance and utilities were \$112,592 (2014 - \$112,592) of which \$10,121 (2014 - \$9,383) is included in receivables. These transactions are considered to be in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration agreed to by both parties.

#### (ii) Lost time wage recoveries

Unifor National paid the Local \$71,262 (2014 - \$157,801) in lost time wage recoveries of which \$22,942 (2014 - \$Nil) was receivable at year end.

#### (iii) Per capita assessment

The per capita assessment expense incurred in the current year with Unifor National was \$3,032,482 (2014 - \$3,218,454) of which \$488,213 (2014 - \$299,165) was payable at year end.

#### (iv) Organizing and political action

The Local is reimbursed from Unifor Canada for the payroll expense related to an employee who works on behalf of both organizations. At year end the amount receivable from Unifor Canada was \$70,492 (2014 - \$29,985).

### 9 Economic dependence

During the year ended December 31, 2015, the Local recorded revenue from 29 plants (2014 - 27 plants) in the auto manufacturing sector and is dependent on the viability of that industry. Membership dues in the year ended December 31, 2015 from the largest plant amounted to \$3,228,578 (2014 - \$3,066,741), which represented 52% (2014 - 45%) of its total revenue.

### 10 Financial instruments

The Local is exposed to various risks through its financial instruments. The following analysis provides a measure of the Local's risk exposure and concentrations.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Local is exposed to credit risk through its cash, short term investments, and dues receivable.

The Local's cash on deposit is held at one financial institution and exceeds the maximum amount insured and hence there is a concentration of credit risk.

Credit risk related to investments is minimized by ensuring that these assets are invested with credit-worthy parties.

#### Liquidity risk

Liquidity risk is the risk that the Local will not be able to meet a demand for cash or fund its obligations as they come due. The Local meets its liquidity requirements by anticipating investing and financing activities.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

The Local is not exposed to currency risk or other price risk.

**10 Financial instruments (continued)**

**Market risk (continued)**

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Local's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Local manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Local's results of operations.

The primary objective of the Local with respect to its investments is to ensure the security of principal amounts invested, provide for a high degree of liquidity, and achieve a satisfactory investment return.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

**11 Comparative figures**

The comparative figures have been recast to conform with the financial presentation adopted in the current year.

**UNIFOR LOCAL 222**

## Schedule of Expenses

Year ended December 31	2015	2014
<b>Office and building</b>		
Employee salaries	\$ 991,107	\$ 962,555
Employee benefits and insurance	259,638	422,872
Office supplies and general expense	247,245	237,740
Professional	111,723	109,692
Maintenance of building	148,249	126,432
Realty taxes	66,648	67,814
Amortization expense	45,026	45,026
Telephone	26,613	39,556
Bank charges and interest	7,959	5,375
Hall expenses	2,879	12,928
Bad debt expense	(26,000)	26,000
	<b>1,881,087</b>	<b>2,055,990</b>
<b>Organizational</b>		
Lost time - wages and expenses	711,011	722,035
Oshaworker	254,959	274,603
Education	49,912	54,133
Welfare and donations	39,252	40,331
Picnic	14,921	16,403
Election	47,730	67,344
Recreation	4,475	4,670
Skilled trades	-	9,845
Publicity	-	9,195
Retired Members Expenses	-	1,125
Strike fund	-	1,819
	<b>1,122,260</b>	<b>1,201,503</b>
	<b>\$ 3,003,347</b>	<b>\$ 3,257,493</b>