

**UNIFOR LOCAL 2002 DISABILITY TRUST
FUND
FINANCIAL STATEMENTS
MAY 31, 2024**



UNIFOR LOCAL 2002 DISABILITY TRUST FUND
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INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF UNIFOR LOCAL 2002 DISABILITY TRUST FUND

Qualified Opinion

We have audited the financial statements of Unifor Local 2002 Disability Trust Fund (the "Trust Fund"), which comprise the statement of financial position as at May 31, 2024, the statement of changes in net assets available for benefits, the statement of cash flows for the year then ended, and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust Fund as at May 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Pension Plans.

Basis for Qualified Opinion

The scope of our audit did not extend to an examination of the payroll records of contributing employers. Accordingly, our verification of contribution revenue was limited to a comparison, on a test basis, of recorded receipts of the Fund with employers' contribution reports and we were not able to determine whether any adjustments might be necessary to contribution revenue, net increase (decrease) in net assets available for benefits, assets and net assets available for benefits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust Fund in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Trustees and Those Charged with Governance for the Financial Statements

The trustees are responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Accounting Standards for Pension Plans, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust Fund to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Resnick Partnership LLP

Concord, Ontario
October 8, 2024

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS



UNIFOR LOCAL 2002 DISABILITY TRUST FUND

STATEMENT OF FINANCIAL POSITION

MAY 31, 2024

	2024	2023
	\$	\$
ASSETS		
Cash	636,679	70,001
Contributions receivable (Note 3)	373,592	357,238
HST rebate receivable	28,859	28,006
Investments (Note 4)	2,276,263	2,023,360
Prepaid expenses	7,485	9,195
	<u>3,322,878</u>	<u>2,487,800</u>
LIABILITIES		
Accounts payable and accrued liabilities	69,595	72,223
Premiums payable	<u>621,513</u>	<u>608,418</u>
	<u>691,108</u>	<u>680,641</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>2,631,770</u>	<u>1,807,159</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Trustee

_____ Trustee

See Accompanying Notes

UNIFOR LOCAL 2002 DISABILITY TRUST FUND

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED MAY 31, 2024

	2024	2023
	\$	\$
INCREASE IN NET ASSETS		
Contributions (Note 5)	8,870,147	8,019,209
Unrealized gain/(loss) on investments	128,097	(163,831)
Interest and dividend income	122,804	109,177
HST rebate	8,864	16,515
Gain on foreign exchange	2,003	6,677
Realized (loss) on sale of investments	-	(1,367)
	<u>9,131,915</u>	<u>7,986,380</u>
DECREASE IN NET ASSETS		
BENEFITS		
Premium costs	<u>7,469,420</u>	<u>7,233,497</u>
PLAN ADMINISTRATION EXPENSES		
Administration (Note 6)	685,652	617,349
Information sessions	15,723	45,084
Meeting and conference	94,555	89,671
Office and general	564	824
Professional fees (Note 6)	32,205	14,867
Trustee insurance	<u>9,185</u>	<u>8,748</u>
	<u>837,884</u>	<u>776,543</u>
	<u>8,307,304</u>	<u>8,010,040</u>
NET INCREASE (DECREASE) IN NET ASSETS AVAILABLE FOR BENEFITS	824,611	(23,660)
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	1,807,159	1,830,819
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	2,631,770	1,807,159

See Accompanying Notes

UNIFOR LOCAL 2002 DISABILITY TRUST FUND

STATEMENT OF CASH FLOWS

YEAR ENDED MAY 31, 2024

	2024	2023
	\$	\$
CASH GENERATED (USED) BY:		
OPERATING ACTIVITIES		
Net increase (decrease) in net assets available for benefits	<u>824,611</u>	<u>(23,660)</u>
Change in non-cash working capital items		
Contributions and other receivables	(16,354)	(48,881)
HST rebate receivable	(852)	(8,037)
Prepaid expenses	1,710	(9,195)
Accounts payable and accrued liabilities	(2,628)	(30,059)
Premiums payable	<u>13,094</u>	<u>(313,443)</u>
	<u>(5,030)</u>	<u>(409,615)</u>
INVESTING ACTIVITIES		
Decrease (increase) in investments	<u>(252,903)</u>	<u>239,143</u>
INCREASE (DECREASE) IN CASH	566,678	(194,132)
CASH, BEGINNING OF YEAR	70,001	264,133
CASH, END OF YEAR	<u>636,679</u>	<u>70,001</u>

See Accompanying Notes

UNIFOR LOCAL 2002 DISABILITY TRUST FUND

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024

1. PURPOSE OF THE FUND

The Unifor Local 2002 Disability Trust Fund (the "Trust Fund") was established to provide short-term and long-term disability benefits to eligible members of Unifor Local 2002.

Permanent full-time and part-time employees who are under the Unifor Local 2002 Collective Agreement are covered from their first day of employment. The eligible members listing is updated monthly as advised by the employers.

Pursuant to its 2021 T3 Trust Income Tax and Information Return, the Fund has elected in prescribed form to become a deemed employee life and health trust ("ELHT") effective January 1, 2021. Therefore, effective January 1, 2021, the Fund has filed its T3 Trust Income Tax and Information Return as an ELHT. Accordingly, the net investment income earned by the Fund is subject to income tax to the extent investment income exceeds allowable expenses. In the current year, there were sufficient deductions to result in no taxes payable.

Actual benefits, including conditions and limitations thereto, are governed by the provisions of the Fund and reference should be made to the Fund for more detailed information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for pension plans in Part IV of the CPA Canada Handbook - Accounting. In accordance with Section 4600, Canadian accounting standards for private enterprises in Part II of the CPA Canada Handbook have been chosen for accounting policies that do not relate to the investment portfolio to the extent that those standards do not conflict with the requirements of Section 4600.

(a) Basis of accounting:

These financial statements show only the assets and liabilities under the control of trustees and the changes therein. All increases and (decreases) in net assets are recorded on the accrual basis.

The contribution revenue is recognized on a basis of accounting hours reported as in Note 2(c).

(b) Investments:

Investments of the Fund are stated at fair value.

The fair value of cash and short-term investments approximates cost plus accrued interest due to their short-term nature. The fair value of all other investments is based on closing quoted market prices. The Fund has adopted *International Financial Reporting Standards (IFRS) 13* with respect to fair value measurement of its investments.

Dividend income is recognized based on the ex-dividend date, and interest income is recognized on the accrual basis as earned.

The realized gain (loss) on sale of investments is determined by the excess (shortfall) of proceeds over average cost of investment sold.

UNIFOR LOCAL 2002 DISABILITY TRUST FUND

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The unrealized gain (loss) on investments represents the unrealized appreciation (depreciation) in fair value of investments held at year-end, less the related unrealized appreciation (depreciation) as at the previous year-end.

(c) Contributions:

Contributions are recorded on the basis of earnings as reported by the employers. Members pay 100% of the contributions reported.

(d) Financial instruments:

Measurement of financial instruments

The Fund initially measures its financial assets and financial liabilities at fair value. The Fund subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of changes in net assets available for benefits.

Financial assets measured at amortized cost include cash and accounts receivable.

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

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of changes in net assets available for benefits. Any previously recognized impairment loss may be reversed to a maximum of the cumulative amount previously written down. The amount of the reversal is recognized in the statement of changes in net assets available for benefits.

(e) Estimation uncertainty:

When preparing the financial statements, trustees undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, increases and decreases in net assets. Significant estimates used in the preparation of these financial statements include accounts payable and accrued liabilities. The actual results are likely to differ from the judgments, estimates, and assumption made by the trustees, and will seldom equal the estimated results.

UNIFOR LOCAL 2002 DISABILITY TRUST FUND

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024

3. CONTRIBUTIONS RECEIVABLE	2024	2023
	\$	\$
Air Canada contributions	355,538	334,746
Union contributions	-	1,785
CLS Catering Services Ltd. contributions	18,054	20,524
Deposit from individual members	<u>-</u>	<u>183</u>
	<u>373,592</u>	<u>357,238</u>

4. INVESTMENTS

Investments are held with CIBC Private Wealth Wood Gundy.

(a) Summary of investments:

Investments consist of the following:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
	\$	\$	\$	\$
Cash and cash equivalents	671	671	919	919
Fixed income	628,800	629,325	695,712	695,175
Equities	855,652	812,115	1,602,731	1,261,110
Mutual/segregated funds	68,443	74,712	63,192	66,156
Principal at risk notes	<u>933,795</u>	<u>759,440</u>	<u>-</u>	<u>-</u>
	<u>2,487,361</u>	<u>2,276,263</u>	<u>2,362,554</u>	<u>2,023,360</u>

(b) Reconciliation between book and market values at beginning and end of year:

	<u>2024</u>	<u>2023</u>
	\$	\$
Book value, beginning of year	2,362,554	3,015,590
Contributions (withdrawals) during the year	-	(767,523)
Interest and dividend income	122,804	109,177
Realized (loss) on sale of investments	-	(1,367)
Gain on foreign exchange	<u>2,003</u>	<u>6,677</u>
Book value of fund, end of year	2,487,361	2,362,554
Write-up (down) to market value	<u>(211,098)</u>	<u>(339,195)</u>
Market value, end of year	<u>2,276,263</u>	<u>2,023,359</u>

UNIFOR LOCAL 2002 DISABILITY TRUST FUND

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024

5. CONTRIBUTIONS	2024	2023
	\$	\$
Air Canada contributions	8,674,185	7,789,150
Union contributions	25,819	21,928
CLS Catering Services Ltd. contributions	169,676	205,194
Deposit from individual members	<u>467</u>	<u>2,937</u>
	<u>8,870,147</u>	<u>8,019,209</u>

6 FEES AND COMMISSIONS	2024	2023
	\$	\$
<u>Payee</u>		
<u>Purpose</u>		
<u>Administration fees:</u>		
Canadian Benefits Consulting Group Ltd.	Administration	<u>685,652</u>
		<u>617,349</u>
<u>Professional fees:</u>		
BDO Canada LLP	Audit and tax	-
Resnick Partnership LLP	Audit and tax	1,872
Koskie Minsky LLP	Legal	12,995
		<u>19,210</u>
		<u>-</u>
		<u>32,205</u>
		<u>14,867</u>

7. CAPITAL RISK MANAGEMENT

The Fund considers its capital to be its net assets available for benefits. The Fund's objective when managing capital is to accumulate funds to provide benefits to Fund members. The Fund's ability to meet this objective is affected by contributions negotiated in the collective agreement and by the return on the Fund's investment assets.

There have been no changes in what the Funds considers to be its capital and there have been no significant changes to the Fund's capital management objectives, policies and processes in the year.

8. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current manner of presentation. The Net increase (decrease) in net assets available for benefits previously reported has not changed due to this reclassification.

UNIFOR LOCAL 2002 DISABILITY TRUST FUND

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024

9. FINANCIAL INSTRUMENTS

Financial instruments risk exposure and management

The Fund is exposed to various risks in relation to its investment portfolio, consisting of investment assets. The main types of risks are market risk, credit risk, and liquidity risk.

The Fund's risk management is coordinated by the Board of Trustees with the investment manager, and focuses on actively securing the Fund's short to medium-term cash flows by ensuring appropriate liquidity.

The Fund does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Fund is exposed are described below.

(b) Market risk:

The Fund is exposed to market risk through its use of financial instruments and specifically interest rate risk and certain other price risks, which result from its investing activities.

(i) Interest rate risk:

Interest rate risk refers to the effect on the market value of the Fund's assets and liabilities due to fluctuations in interest rates. The value of the Fund's assets is affected by short-term changes in nominal and real interest rates. To properly manage the Fund's interest rate risk, appropriate guidelines on the weighting and duration for the investments are set and monitored.

(ii) Other price risk:

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, other than those arising from interest rates, whether those changes are caused by factors specific to the individual financial instrument of its issuer, or factors affecting all similar financial instruments traded in a market.

All investments represent a risk of loss of capital. Investments held in the Fund are susceptible to other price risk arising from uncertainties about future prices of the investments. The maximum risk resulting from the investments is determined by the fair value of these instruments, which total \$2,276,263 at May 31, 2024 (May 31, 2023 - \$2,023,360). A one percent (1%) change in market risk (holding all variables constant) will impact the fair value of these investments by approximately \$22,763 (May 31, 2023 - \$20,234).

In the opinion of the Trustees, the market risk exposure to the Fund is low and is not material and is unchanged from the prior year.

UNIFOR LOCAL 2002 DISABILITY TRUST FUND

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024

9. FINANCIAL INSTRUMENTS (Cont'd)

(c) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation that is entered into with the Fund. The risk of default on transactions in listed securities is considered minimal, as the trade will fail if either party to the transaction does not meet its obligation. While the Fund may be exposed to credit risk with respect to contributions receivable, it manages this risk by closely monitoring delinquent contributors and ensuring late contributions and deviations are pursued. In the opinion of the Trustees, the credit risk exposure to the Fund is low and is not material and is unchanged from the prior year.

(d) Liquidity risk:

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due. The Board of Trustees believe that cash flows generated from its investment assets will be sufficient to cover its normal operating expenditures. The Fund monitors cash flows to ensure there is sufficient cash on hand to meet forecasted expenses and other financial obligations.

All financial liabilities disclosed on the statement of financial position have a maturity date of less than one year. The Fund's assets are invested in securities that are traded in an active market and can be readily disposed of as liquidity needs arise.

In the opinion of the Trustees, the liquidity risk exposure to the Fund is low and is not material and is unchanged from the prior year.

(e) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund reduces its exposure to currency risk by carefully monitoring exchange rates on obligations that are made to the Fund and maintaining adequate foreign exchange currency balances in its broker's cash accounts to discharge its related foreign currency obligations. The Fund does not utilize financial instruments to manage its foreign exchange risk. In the opinion of the trustees, the currency risk exposure to the Fund is low and is not material and is unchanged from prior year.

(f) Financial instruments fair value hierarchy:

The fair value hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

UNIFOR LOCAL 2002 DISABILITY TRUST FUND

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024

9. FINANCIAL INSTRUMENTS (Cont'd)

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

Financial assets at fair value as at May 31, 2024

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 636,679	\$ -	\$ -	\$ 636,679
Investments	<u>2,276,263</u>	<u>-</u>	<u>-</u>	<u>2,276,263</u>
	<u>\$ 2,912,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,912,942</u>

Financial assets at fair value as at May 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 70,001	\$ -	\$ -	\$ 70,001
Investments	<u>2,023,360</u>	<u>-</u>	<u>-</u>	<u>2,023,360</u>
	<u>\$ 2,093,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,093,361</u>

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.