

FINANCIAL STATEMENTS OF

THE CMAW BENEFIT PLAN TRUST FUND

June 30, 2022

INDEPENDENT AUDITOR'S REPORT

To the Trustees of
The CMAW Benefit Plan Trust Fund

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of The CMAW Benefit Plan Trust Fund, which comprise the statement of financial position as at June 30, 2022, and the statement of changes in net assets and net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Except as noted in the following paragraph, in our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the fund as at June 30, 2022 and the results of its operations for the year then ended in accordance with Canadian accounting standards for pension plans ("ASPP").

Basis for Qualified Opinion

The CMAW Benefit Plan Trust Fund derives a material amount of contributions revenue from participating employers. We were not able to obtain sufficient appropriate audit evidence relating to the completeness of the reported amounts for contributions receivable, contributions revenue, revenue in excess of expenditures and changes to net assets because employers' records were not made available for our examination. Consequently, we were unable to determine whether any adjustments to the amounts were necessary.

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 fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 qualified opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT, continued

In preparing the financial statements, management is responsible for assessing the 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 fund or to cease operations, or has no realistic alternative but to do so.

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

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 fund's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT, continued

- ♦ Conclude on the appropriateness of management's 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 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 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.

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.

Langley, British Columbia
December 5, 2022



Chartered Professional Accountants

THE CMAW BENEFIT PLAN TRUST FUND
STATEMENT OF FINANCIAL POSITION
As at June 30, 2022

	<u>2022</u>	<u>2021</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 1,774,129	\$ 1,156,936
Investments (Note 3)	11,121,763	13,299,138
Contributions receivable	1,189,470	869,233
Prepaid expenses	2,871	14,915
Insurance premium refund receivable (Notes 4 and 6)	1,826,208	-
Funds on deposit (Note 5)	27,896	27,896
	<u>\$ 15,942,337</u>	<u>\$ 15,368,118</u>
LIABILITIES		
Current		
Accounts payable and accrued expenses (Note 7)	\$ 1,030,663	\$ 688,639
Reserve for unpaid claims (Note 8)	340,000	362,000
	<u>1,370,663</u>	<u>1,050,639</u>
Reserve for future benefits (Note 9)	<u>7,448,800</u>	<u>7,715,400</u>
	8,819,463	8,766,039
NET ASSETS		
NET ASSETS AVAILABLE FOR BENEFITS	<u>7,122,874</u>	<u>6,602,079</u>
	<u>\$ 15,942,337</u>	<u>\$ 15,368,118</u>

Approved by the board

Jessie Gray Trustee

[Signature] Trustee

See accompanying notes to the financial statements

THE CMAW BENEFIT PLAN TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS AND NET ASSETS
Year ended June 30, 2022

	<u>2022</u>	<u>2021</u>
REVENUES		
Contributions	\$ 9,932,387	\$ 8,905,713
Investment income	677,413	635,857
Unrealized gains or losses on investments	<u>(1,329,286)</u>	<u>617,978</u>
	<u>9,280,514</u>	<u>10,159,548</u>
EXPENDITURES		
Self-insurance payments		
Benefits - Dental	3,347,160	3,370,729
Benefits - Extended health	2,027,781	1,979,469
Benefits - Drugs	1,538,045	1,536,387
Benefits - Vision	718,661	645,846
Benefits - Wage indemnity	190,281	230,289
Benefits - Employee assistance	91,879	166,912
Benefits - Bereavement	36,225	23,828
Benefits - Travel assistance	22,478	22,242
Change in reserve for unpaid claims (Note 8)	<u>(22,000)</u>	<u>9,000</u>
	<u>7,950,510</u>	<u>7,984,702</u>
Premiums to insurance carriers		
Premiums - Long-term disability	1,368,842	1,710,218
Premiums - Life insurance	903,056	952,087
Premiums - AD&D	82,513	83,725
Insurance premium refund (Note 4)	<u>(1,826,208)</u>	<u>-</u>
	<u>528,203</u>	<u>2,746,030</u>
Future benefits		
Change in reserve for future benefits (Note 9)	<u>(266,600)</u>	<u>312,000</u>

See accompanying notes to the financial statements

THE CMAW BENEFIT PLAN TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS AND NET ASSETS,
continued
Year ended June 30, 2022

	<u>2022</u>	<u>2021</u>
General and administration		
Administration	260,704	249,050
Benefit counsel fees	118,078	95,281
Legal fees	19,098	63,143
Investment management fees	29,384	32,995
Bank charges	17,102	16,431
Office and miscellaneous	26,298	12,561
Audit	14,700	11,000
Insurance	3,308	6,477
Trustee conferences and meetings	58,934	3,482
	<u>547,606</u>	490,420
	<u>8,759,719</u>	11,533,152
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	520,795	(1,373,604)
NET ASSETS AVAILABLE FOR BENEFITS, beginning of year	<u>6,602,079</u>	7,975,683
NET ASSETS AVAILABLE FOR BENEFITS, end of year	<u>\$ 7,122,874</u>	<u>\$ 6,602,079</u>

See accompanying notes to the financial statements

THE CMAW BENEFIT PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

1. Nature of operations

The CMAW Benefit Plan Trust Fund (the "Fund") provides health and insurance benefits to the participating members of Construction Maintenance and Allied Workers Canada ("CMAW") and operates from funds primarily contributed by employers under collective bargaining agreements. Its affairs are administered by trustees appointed by the members.

The Fund was established with an effective date of March 19, 2012. On July 1, 2015, the Fund was consolidated with the Carpentry Workers' Benefit Plan of BC and continued as the CMAW Benefit Plan Trust Fund under an amended and restated agreement dated July 1, 2015. All assets, liabilities and membership entitlement for the predecessor plans were combined into the Fund effective July 1, 2015. Changes to member benefits are documented under the amended and restated agreement.

The Fund is an hour bank plan. Each employer contributes to the Fund at the rate of contribution specified in the collective agreement. Employers report members' worked hours and hours are accumulated in members' hour bank. Each month hours are withdrawn from individual member's hour bank for coverage and each member may accumulate up to a maximum hour of coverage in advance to be drawn upon. Individual members receive self-payment notices as to the amount required to maintain coverage when hour bank decreases below monthly coverage hours.

Effective May 1, 2022, a standard rate of \$2.50 (previously \$2.35 effective March 1, 2017) per hour was used to pro-rate remitted contributions for all members and credited hours are accumulated in individual member's hour bank. Effective January 1, 2022, the monthly draw from member hour banks increased from 110 to 120 hours, for coverage and each member may accumulate up to 1,320 hours of coverage in advance.

THE CMAW BENEFIT PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. The significant accounting policies are detailed as follows:

(a) Cash equivalents

Cash equivalents consist principally of money market funds and other highly liquid interest-bearing instruments with original maturities of three months or less.

(b) Investments

Investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values for investments are determined using the following methods:

[i] Short-term notes

Short-term notes are stated at cost, which approximates fair value.

[ii] Pooled equity funds

Pooled fund units are valued based on their trading net asset values at the reporting date. Publicly traded investments held in pooled equity funds are valued at closing market prices as listed on an appropriate stock exchange or as provided by the Fund's custodian from independent sources.

[iii] Pooled fixed income funds

Pooled fund units are valued based on their trading net asset values at the reporting date. Pooled fixed income funds are valued at year-end published market prices.

Transaction costs are expensed as incurred.

THE CMAW BENEFIT PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

2. Significant accounting policies, continued

(c) Revenue recognition

Contributions are recognized on an accrual basis in the accounts on the basis of hours as reported by the contributing employers.

Investment income is recorded when earned.

Realized investment income

Realized investment income consists of distributions from the pooled funds and the net gain (loss) on sale of securities. Distributions from pooled funds are recognized in the period the distributions are made. Gain (loss) on sale of securities is recognized using settlement date accounting.

Unrealized investment income

The Plan records unrealized investment income as the change in the difference between the fair value and carrying value of investments.

(d) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include provision for unpaid claims, provision for future benefits, and reciprocity payments or payments collected from participating employers for other entities or funds. Actual results could differ from those estimates.

(e) Financial instruments

Investments classified as financial instruments require disclosure on the inputs to fair value measurements, including their classification within a three level hierarchy, described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

- quoted prices [unadjusted] in active markets for identical assets or liabilities [Level 1];
- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly [i.e., as prices] or indirectly [i.e., derived from prices] [Level 2]; and
- inputs for the asset or liability that are not based on observable market data [unobservable inputs] [Level 3].

THE CMAW BENEFIT PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

3. Investments

	2022	2021
Leith Wheeler Pooled Equity Fund(Cost - \$3,889,136; 2021 - \$4,159,108)	\$ 3,546,426	\$ 4,520,397
Leith Wheeler Pooled Fixed Income Fund(Cost - \$5,541,698; 2021 - \$5,696,887)	5,029,651	5,810,128
Leith Wheeler Pooled Money Market Fund(Cost - \$2,545,686; 2021 - \$2,968,613)	2,545,686	2,968,613
	<u>\$ 11,121,763</u>	<u>\$ 13,299,138</u>

The Leith Wheeler Pooled Funds are classified as level 2 financial instruments relating to fair value measurements.

There were no significant transfers of investments between levels 1, 2, or 3 during 2022 or 2021.

4. Insurance premium refund receivable

The insurance premium recoverable for the current year is broken down as follows:

	2022	2021
Group-life policy	\$ 389,347	\$ -
Long-term disability policy	1,436,861	-
	<u>\$ 1,826,208</u>	<u>\$ -</u>

5. Funds on deposit

As at June 30, 2022 Co-operators Life Insurance Company held \$27,896 (2021 - \$27,896) in deposit to fund short-term disability claims. These deposits are non-interest bearing but fully accountable to the Fund.

THE CMAW BENEFIT PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

6. Rate stabilization fund

The Fund was required by the Co-operators Life Insurance Company ("Co-operators") to establish a Rate Stabilization Fund ("RSF"). Accumulation of the RSF reserve will be based on the surplus or deficit declared for each accounting period for insured benefits managed by the Co-operators. Annual financial surplus on the group policy will be accounted for as an increase to the RSF. Deficiencies in the RSF reserve will be recovered by Co-operators as a charge against future plan experience.

Subject to cumulative financial deficits from prior years not yet recovered through the RSF, all excess funds held in RSF can be withdrawn by the Fund. Should the Fund terminate the program with Co-operators, there is no legal requirement for the Fund to repay deficit balances; as such, program deficits are not reflected in these financial statements. As at June 30, 2022, the RSF had a surplus balance of \$906,285 (2021 - surplus of \$450,553). The realization of the RSF surplus is subject to the determination by Co-operators in the event of a policy cancellation. Any premium refund issued by Co-operators on the basis of claim experience will be recognized as a reduction of insurance premiums paid in the year. (Note 4)

7. Accounts payable and accrued expenses

Included in accounts payable are amounts owing to CMAW Target Pension Plan ("CMAWTPP") of \$214,374 (2021 - \$Nil).

Included in accounts payable are amounts owing to CMAW Canada totaling \$1,071,030 (2021 - \$789,664).

The Fund and the above entities are related by way of common membership and Trustees.

8. Reserve for unpaid claims

A provision has been set aside for unpaid self-insured dental, extended health, wage indemnity claims incurred but not reported. The amount of the reserve is estimated based on historical claims experience by the Fund's actuaries as follows: Dental 2.5% (2021 - 2.5%), Extended Health 4% (2021 - 4%), Wage Indemnity 25% (2021 - 25%).

9. Reserve for future benefits

Reserve for future benefits is based on actuarial calculations on the estimated cost of providing future benefits at June 30, 2022 and the hours banked at that date. The Fund allows for members to carry forward hours worked in a month in excess of the required hours in order to be eligible for health and welfare benefits. The hours banked can be used for a future month when the member did not work the required hours to be eligible for benefits.

THE CMAW BENEFIT PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

10. Covid 19 impact

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the Novel Coronavirus ("COVID 19") as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration of the COVID 19 measures is unknown at this time and it is not possible to reliably estimate any potential future effect this may have on the Fund assets.

11. Capital management

The Fund's capital is comprised of its net assets available for benefits.

The Fund's objective for managing capital is to ensure that the assets of the Fund, together with the expected contributions made by employers, are invested in a prudent and effective manner to meet the future obligations of the Fund.

Under the provisions of the Fund, the Fund's Trustees are the legal Administrators of the Fund. The Trustees will, at their sole discretion, invest and reinvest the principal and income of the Fund in a manner that a reasonable and prudent person would apply in respect of a portfolio of investments made on behalf of another person to whom there is owed a fiduciary duty to make investments without undue risk of loss and with reasonable expectation of a return on the investments commensurate with the risk. The Trustees may invest in any investments inside and outside of Canada which the Trustees deem advisable, including without restricting the generality of the foregoing, investments in mutual funds, common trust funds and pooled funds.

12. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users in assessing the extent of risk related to financial instruments.

Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the Fund is a going concern and thus expects to fully repay the outstanding amounts.

Credit risk

The Fund does have credit risk in contributions receivable of \$1,189,470 (2021 - \$869,233). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund reduces its exposure to credit risk by performing credit valuations on a regular basis and creating an allowance for bad debts when applicable. The Fund maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the Fund is low and is not significant.

THE CMAW BENEFIT PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

12. Financial instruments, continued

Liquidity risk

Liquidity risk is the risk the company may not be able to meet its obligations. The Fund has a comprehensive plan in place to meet their obligations as they come due which is primarily from cash flow from operations.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market.

The Fund's investments in publicly traded securities expose the Fund to market risk since these equity investments are subject to price fluctuations in the open market. At June 30, 2022, a 10% change in equity prices would result in a corresponding impact of approximately \$400,000 (2021 - \$500,000) on investment income.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is not exposed to foreign exchange risk as at June 30, 2022 as all financial instruments are denominated in Canadian dollar.

Interest rate risk

Fluctuations in interest rates have a direct impact on the market valuation of the Fund's fixed income portfolio and on investment income. During periods of declining interest rates, the market values on fixed income securities appreciate, resulting in a positive impact to investment income. As at June 30, 2022, a 1% change in interest rates would result in a corresponding impact of approximately \$50,000 (2021 - \$60,000) on income relating to fixed income investments.

The carrying values reported in the statement of financial position for cash and cash equivalents, receivables, funds on deposit and accounts payable and accrued liabilities approximate their fair values due to their short term nature. The fair values of these financial instruments are not significantly impacted by fluctuations in interest rates.