

**Canadian Nurses Association /
Association des infirmières et
infirmiers du Canada**



Financial Statements
For the year ended December 31, 2018

**Canadian Nurses Association / Association des infirmières et
infirmiers du Canada**
Financial Statements
For the year ended December 31, 2018

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Independent Auditor's Report

To the Members of Canadian Nurses Association / Association des infirmières et infirmiers du Canada

Opinion

We have audited the financial statements of Canadian Nurses Association / Association des infirmières et infirmiers du Canada, which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the association as at December 31, 2018, and its results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Basis for Opinion

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 association 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 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 Canadian Accounting Standards for Not-for-profit Organizations, 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.

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

Independent Auditor's Report (continued)

Those charged with governance are responsible for overseeing the association'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 Organization's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ 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 Organization'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 Organization 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.

Independent Auditor's Report (continued)

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.

Baker Tilly Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants

March 18, 2019

Ottawa, Ontario

**Canadian Nurses Association / Association des infirmières et
infirmiers du Canada
Statement of Financial Position**

December 31 2018 2017

Assets

Current

Cash and cash equivalents (Note 2)	\$ 3,652,235	\$ 3,346,114
Short-term investments (Note 3)	1,000,000	2,550,000
Accounts receivable	800,319	1,543,647
Prepaid expenses	111,327	107,417
Government remittances receivable	122,464	23,732

5,686,345 7,570,910

Investments (Note 3) **9,006,859 5,005,833**

Capital assets (Note 4) **4,995,757 4,829,971**

Accrued pension benefits asset (Note 9) **- 5,860,000**

\$ 19,688,961 \$ 23,266,714

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 1,596,655	\$ 991,851
Payable to related party (Note 5)	43,864	50,239
Deferred revenues (Note 6)	286,597	335,048

1,927,116 1,377,138

Research and development fund payable **43,053 43,053**

1,970,169 1,420,191

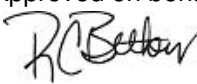
Net assets

Net assets invested in capital assets	4,995,757	4,829,971
Net assets designated for future pension obligations	-	5,860,000
Net assets designated for other obligations	4,650,000	3,650,000
Net assets designated for professional development	2,000,000	2,000,000
Unrestricted net assets	6,073,035	5,506,552


17,718,792 21,846,523

\$ 19,688,961 \$ 23,266,714

Approved on behalf of the board:



President



President Elect

Canadian Nurses Association / Association des infirmières et infirmiers du Canada
Statement of Changes in Net Assets

For the year ended December 31

	Capital Assets	Future Pension Obligations	Other Obligations	Professional Development	Unrestricted Net Assets	Total 2018	Total 2017
Balance, beginning of year	\$ 4,829,971	\$ 5,860,000	\$ 3,650,000	\$ 2,000,000	\$ 5,506,552	\$ 21,846,523	\$ 22,311,650
Excess (deficiency) of revenue over expenses for the year	(233,869)	(275,000)	-	-	2,349,138	1,840,269	487,873
Interfund transfer (Note 8)	-	-	1,000,000	-	(1,000,000)	-	-
Employee future benefits remeasurement adjustments	-	(5,968,000)	-	-	-	(5,968,000)	(953,000)
Pension contributions	-	383,000	-	-	(383,000)	-	-
Investment in capital assets	399,655	-	-	-	(399,655)	-	-
Balance, end of year	\$ 4,995,757	\$ -	\$ 4,650,000	\$ 2,000,000	\$ 6,073,035	\$ 17,718,792	\$ 21,846,523

**Canadian Nurses Association / Association des infirmières et
infirmiers du Canada
Statement of Operations**

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
<i>(185 days of consolidated operations are included in 2017)</i>			
Revenue			
Membership fees	\$ 7,253,400	\$ 7,602,656	\$ 7,284,789
Examination fees	-	-	1,881,619
Certification fees	1,681,500	1,277,167	1,367,475
Advertising	358,800	261,197	488,080
Subscriptions	28,000	18,209	41,059
Publications	13,400	13,772	54,158
Registration fees	332,100	258,003	8,582
Consulting fees	-	700	296,987
Grants/affinity/sponsorship	426,000	435,404	400,050
Investment income	110,000	242,732	197,357
Other income	241,600	286,422	247,919
Project funding	-	39,797	-
	10,444,800	10,436,059	12,268,075
Expenses			
Salaries and benefits	4,743,700	4,126,365	6,331,451
Committee meetings	326,100	185,939	360,176
Travel non-committee	249,500	242,470	223,931
Affiliation fees	502,100	500,929	487,544
Consulting fees	627,100	842,066	823,191
Translation and interpretation	124,800	29,748	65,440
Books/online databases	22,300	17,597	25,646
Printing	228,200	152,601	334,718
Publicity and promotion	268,400	141,058	157,443
General administration	475,900	423,998	591,114
Equipment	622,100	480,475	376,785
Computer services	311,600	374,267	374,994
Building/space rental	319,200	310,134	438,168
Legal, audit and insurance	143,000	94,487	178,381
Hospitality	246,500	159,084	36,170
Sundry	34,300	21,578	37,191
Contingency/income taxes (recovered)	-	1,350	(132,635)
Property improvements/furniture	22,500	12,020	6,337
Exam development and administration	876,400	667,512	344,405
Project expenses	-	39,798	-
	10,143,700	8,823,476	11,060,450
Excess of revenue over expenses before amortization and sale of subsidiary	301,100	1,612,583	1,207,625
Less amortization of capital assets	299,100	233,869	397,537
Less loss (gain) on sale of subsidiary	-	(461,555)	322,215
Excess of revenue over expenses for the year	\$ 2,000	\$ 1,840,269	\$ 487,873

Canadian Nurses Association / Association des infirmières et infirmiers du Canada Statement of Cash Flows

For the year ended December 31	2018	2017
(185 days of consolidated operations are included in 2017)		
Cash flows from (used in) operating activities		
Excess of revenue over expenses for the year	\$ 1,840,269	\$ 487,873
Adjustments for non-cash items		
Amortization of capital assets	233,869	397,537
Remeasurement adjustments to pension obligation	(5,968,000)	(953,000)
Loss (gain) on sale of subsidiary	(461,555)	322,215
	(4,355,417)	254,625
Change in non-cash working capital items		
Accounts receivable	743,328	(726,841)
Inventory	-	3,957
Prepaid expenses	(3,910)	21,552
Government remittances receivable	(98,732)	(23,732)
Accounts payable and accrued liabilities	604,804	(374,609)
Government remittances payable	-	(30,106)
Deferred revenues	(48,451)	82,238
Unbilled receivables	-	37,095
Decrease in pension benefit assets	5,860,000	828,000
Payable to related party	(6,375)	(13,060)
	2,695,247	59,119
Cash flows from (used in) investing activities		
Proceeds from sale of subsidiary	461,555	690,542
Disposal of subsidiary working capital	-	(328,202)
Purchase of investments	(2,451,025)	(170,756)
Purchase of capital assets	(399,656)	(106,881)
	(2,389,126)	84,703
Increase in cash and cash equivalents during the year	306,121	143,822
Cash and cash equivalents, beginning of year	3,346,114	3,202,292
Cash and cash equivalents, end of year	\$ 3,652,235	\$ 3,346,114

Canadian Nurses Association / Association des infirmières et infirmiers du Canada

Notes to the Financial Statements

December 31, 2018

1. Significant Accounting Policies

Purpose of the Association	Canadian Nurses Association - Association des infirmières et infirmiers du Canada is the national professional voice of registered nurses, advancing the practice of nursing and the profession to improve health outcomes in a publicly funded, not-for-profit health system by unifying the voices of registered nurses; strengthening nursing leadership; promoting nursing excellence and a vibrant profession; advocating for healthy public policy and a quality health system; and serving the public interest. The association is incorporated under the Canada Not-for-profit Corporations Act. The association qualifies as a not-for-profit organization as defined in Section 149(1)(L) of the Income Tax Act and accordingly is exempt from income taxes.
Basis of Presentation	The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.
Consolidation	The comparative amounts presented in the statement of operations include 185 days of operations from a wholly owned subsidiary that was sold on July 5, 2017. All intercompany transactions and balances have been eliminated on consolidation.
Management Responsibility and the Use of Estimates	The financial statements of the association are the representation of management prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. The preparation of periodic financial statements necessarily involves the use of estimates and assumptions. The major financial statement areas that require estimates and assumptions are: 1) fair value of financial instruments; 2) amortization of capital assets; and 3) employee pension plan. Actual results could differ from management's best estimates and assumptions as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

Canadian Nurses Association / Association des infirmières et infirmiers du Canada

Notes to the Financial Statements

December 31, 2018

1. Significant Accounting Policies (continued)

Financial Instruments

Measurement of financial instruments

Financial instruments are financial assets or liabilities of the association where, in general, the association has the right to receive cash or another financial asset from another party or the association has the obligation to pay another party cash or other financial assets.

The association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions that are measured at the exchange amount.

The association subsequently measures all 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 excess of revenue over expenses.

Financial assets and financial liabilities measured at amortized cost include cash and cash equivalent, investments, accounts receivable, government remittances receivable, accounts payable and accrued liabilities and payable to related party.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in excess of revenue over expenses. The previously recognized impairment loss may be reversed, to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in the excess of revenue over expenses.

Transaction costs

The entity recognizes its transactions costs in the excess of revenue over expenses in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Canadian Nurses Association / Association des infirmières et infirmiers du Canada

Notes to the Financial Statements

December 31, 2018

1. Significant Accounting Policies (continued)

Revenue Recognition

Membership fees

Membership fees are recognized as revenue over the fiscal year.

Examination fees, certification fees, advertising and publications

Revenue is recognized when the service is rendered or at the time of shipment.

Subscriptions

Members subscriptions to the Canadian Nurse magazine are included in membership fees. Subscriptions from non-members are recognized as revenue over the period of the subscriptions. The liability for the portion of subscription revenue received but not yet earned is recorded as deferred revenue.

Registration fees

Registration fees for attendance at CNA events is recognized as revenue when the event is held. The liability for the portion of fees received during the year for CNA events not yet held is recorded as deferred revenue.

Consulting fees

Consulting fees revenue is recorded on a percentage of completion basis.

Grants, sponsorship, affinity, investment and other income

Revenue is recognized when earned.

Project funding

The association uses the deferral method of accounting for project funding which are restricted contributions. These contributions are recognized as revenue in the year in which the related expenses are incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances, guaranteed investment certificates and short-term investments with maturity dates of three months or less at the time of acquisition

Canadian Nurses Association / Association des infirmières et infirmiers du Canada

Notes to the Financial Statements

December 31, 2018

1. Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at cost. The Organization provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Building and building improvements	30 years
Computers	2 years
Equipment	4 years
Intangible capital assets - software	2 years

Depending on the category or the timing of the acquisition during the year, either one-half of the above rates or the full rate is used in the year of acquisition.

The amount of assets fully amortized by the end of the previous year are deducted from capital assets cost and accumulated amortization in the current year.

Employee Pension Plan

As set out in Note 10, the registered defined benefit pension plan will be wound-up effective March 29, 2019 and replaced with a defined contribution plan. The defined benefit pension plan accrues its funded excess net of the pension liability using the immediate recognition approach. The association has adopted the following policies:

1. The cost of the pension benefits is actuarially determined using the projected unit credit actuarial cost method.
2. For the purpose of calculating the expected return on plan assets, those assets are valued at fair market value.

Internally Restricted Net Assets

A portion of the association's net assets has been restricted in accordance with specific directives as approved by the association's board of directors. The purpose of each is as follows:

Designated for capital assets

Designated for capital assets comprises the net book value of capital assets.

Designated for future pension obligations

Designated for future pension obligations comprises the accrued pension benefit asset (obligation).

Canadian Nurses Association / Association des infirmières et infirmiers du Canada

Notes to the Financial Statements

December 31, 2018

1. Significant Accounting Policies (continued)

Internally Restricted Net Assets (continued)

Designated for other obligations

Designated for other obligations of the association to be used at the discretion of the board of directors.

Designated for professional development

Designated for professional development to be used at the discretion of the board of directors.

2. Cash and Cash Equivalents

The association's bank accounts are held at Royal Bank of Canada and a Caisse Desjardins.

3. Investments

Short-term investments consist of a cashable guaranteed investment certificate with an interest rate of 2.2% and maturing by December 2019.

Long-term investments consist of market-linked guaranteed investment certificates and a term deposit with interest rates ranging from 0% to 2.5% and maturing by April 2023.

4. Capital Assets

	2018		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 3,180,000	\$ -	\$ 3,180,000
Building and building improvements	2,017,277	537,941	1,479,336
Computers	340,000	85,000	255,000
Equipment	25,263	3,158	22,105
	5,562,540	626,099	4,936,441
Intangible capital assets - software	173,057	113,741	59,316
	\$ 5,735,597	\$ 739,840	\$ 4,995,757

**Canadian Nurses Association / Association des infirmières et
infirmiers du Canada**
Notes to the Financial Statements

December 31, 2018

4. Capital Assets (continued)

	2017		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 3,180,000	\$ -	\$ 3,180,000
Building and building improvements	2,017,277	470,698	1,546,579
Computers	28,263	28,263	-
	5,225,540	498,961	4,726,579
Intangible capital assets - software	617,970	514,578	103,392
	\$ 5,843,510	\$ 1,013,539	\$ 4,829,971

Fully amortized assets written off during the current fiscal year amount to \$507,568 (2017 - \$769,400).

5. Payable to Related Party

Canadian Nurses Association Retirement Plan (CNARP) is a defined benefit pension plan administered by the Association. Amounts payable to related parties are for contributions to CNARP. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related party.

**Canadian Nurses Association / Association des infirmières et
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Notes to the Financial Statements**

December 31, 2018

6. Deferred Revenues

Deferred revenues represent funds received in the current year that relate to operations of the subsequent year.

	Balance at Beginning of Year	Additions During the year	Amounts Recognized as Revenue	Balance at End of year
Certification exam and renewal fees	\$ 92,114	\$ 1,267,519	\$ 1,277,167	\$ 82,466
CNA Convention	13,850	101,536	115,386	-
Other	229,084	331,780	356,733	204,131
	<u>\$ 335,048</u>	<u>\$ 1,700,835</u>	<u>\$ 1,749,286</u>	<u>\$ 286,597</u>

7. Operating Line of Credit

The association has access to a bank operating line of credit which is unsecured. The interest rate on the line of credit is at RBC prime and the authorized limit on the line of credit is \$250,000, none of which was utilized during the year.

8. Interfund Transfer

During the year, the board approved the interfund transfers as presented on the statement of changes in net assets.

**Canadian Nurses Association / Association des infirmières et
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Notes to the Financial Statements

December 31, 2018

9. Pension Benefits

As set out in Note 10, the registered defined benefit pension plan will be wound-up effective March 29, 2019 and replaced with a defined contribution plan. The registered defined benefit pension plan was mandatory for all employees upon completing five years of continuous employment. The plan provides benefits based on length of service and highest three consecutive years' average earnings. For credited service after 1991 and before 2007 there is a defined contribution floor for this benefit. The association's policy is to fund the registered pension plan in the amount that is required by governing legislation and determined by the plan's actuary.

The association measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at December 31 of each year. The most recent actuarial valuation for the pension plan for funding purposes was as of January 1, 2017.

	<u>2018</u>	<u>2017</u>
Plan assets at fair value	\$ 27,694,000	\$ 32,907,000
Accrued benefit obligation	<u>(27,694,000)</u>	<u>(27,047,000)</u>
Funded status - surplus	<u>\$ -</u>	<u>\$ 5,860,000</u>
Change in plan assets:		
Fair value, beginning of the year	\$ 32,907,000	\$ 30,772,000
Actual return on plan assets	738,000	2,766,000
Employer contributions	383,000	548,000
Employees' contributions	195,000	292,000
Benefits paid	(1,158,000)	(1,471,000)
Valuation allowance	<u>(5,371,000)</u>	<u>-</u>
Fair value, end of year	<u>\$ 27,694,000</u>	<u>\$ 32,907,000</u>
Change in accrued benefit obligation:		
Balance, beginning of the year	\$ 27,047,000	\$ 24,084,000
Beginning of year adjustment	-	2,526,000
Current service cost	275,000	423,000
Interest cost	1,335,000	1,312,000
Employees' contributions	195,000	292,000
Benefits paid	(1,158,000)	(1,471,000)
Loss on curtailments	<u>-</u>	<u>(119,000)</u>
Balance, end of year	<u>\$ 27,694,000</u>	<u>\$ 27,047,000</u>

**Canadian Nurses Association / Association des infirmières et
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Notes to the Financial Statements**

December 31, 2018

9. Pension Benefits (continued)

Actuarial assumptions:

	2018	2017
Discount rate	5%	5%
Expected long-term rate of return on plan assets	5%	5%
Rate of compensation increase	2%	2%

The market value of the investments can be impacted by changes in certain risk factors. The association's actuary, Mercer (Canada) Limited has prepared sensitivity analysis in relation to the market value of the total fund based on the three risk factor changes shown in the table below. The resulting percentage impacts on the market value of the total fund should be used with caution as they are hypothetical and result from calculating the effect of each hypothetical change independently of the others. Actual experience may result in changes to a number of risk factors occurring simultaneously, which could amplify or reduce certain sensitivities and the resulting impact on the market value of the total fund.

Risk Factor Change	Decrease in Market Value
Impact of a 10% decrease in equity markets	no impact
Impact of a 1% increase in interest rate	19.3%
Impact of a 10% decrease in foreign currencies	no impact

10. Contingent Liability - Pension Plan

On September 21, 2018, pension plan members were informed that the defined benefit pension plan will be wound up effective March 29, 2019. The impact of the wind-up will be identified subsequent to year end in accordance with curtailment and settlement rules. The association is expected to have to remit a special contribution to wind up the plan which has yet to be determined. As such the association no longer expects to benefit from the previously recognized define benefit asset. A valuation allowance is recognized in the amount of \$5,371,000.

11. Financial Instruments Risks And Uncertainties

The association is exposed to various risks through its financial instruments. The following analysis provides a measure of the association's risk exposure and concentrations as at December 31, 2018.

**Canadian Nurses Association / Association des infirmières et
infirmiers du Canada**
Notes to the Financial Statements

December 31, 2018

11. Financial Instruments Risks And Uncertainties (continued)

Credit risk

The association is exposed to credit risk in the event of non-payment by their customers for their accounts receivable. The association believes there is minimal risk associated with these amounts due to the diversity of its customers and there are no significant concentrations of accounts receivable with any group of customers that are related to each other.

Liquidity risk

Liquidity risk relates to the risk that the association will encounter difficulty in meeting its obligations associated with financial liabilities. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations.

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 comprises three types of risk: currency risk, interest rate risk and other price risk. The association is mainly exposed to interest rate risk.

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 association is exposed to fair value risk on its investments with fixed interest rates.

Changes in risk

There have been no significant changes in the association's risk exposures from the previous year.
