

College and Association of Registered Nurses of Alberta

Financial Statements
September 30, 2016



December 8, 2016

Independent Auditor's Report

To the Members of College and Association of Registered Nurses of Alberta

We have audited the accompanying financial statements of College and Association of Registered Nurses of Alberta, which comprise the statement of financial position as at September 30, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditor's judgment, including the 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 control. 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.

*PricewaterhouseCoopers LLP
TD Tower, 10088 102 Avenue NW, Suite 1501, Edmonton, Alberta, Canada T5J 3N5
T: +1 780 441 6700, F: +1 780 441 6776*



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of College and Association of Registered Nurses of Alberta as at September 30, 2016 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants


College and Association of Registered Nurses of Alberta

Statement of Financial Position

As at September 30, 2016

	2016 \$	2015 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	28,320,314	27,694,600
Accounts receivable	44,677	53,946
Prepaid expenses (note 4)	1,063,778	1,314,298
	<u>29,428,769</u>	<u>29,062,844</u>
Investments (note 5)	6,017,823	5,973,633
Capital assets (note 6)	2,579,814	3,197,428
Employee future benefits (note 7)	2,435,800	817,400
	<u>40,462,206</u>	<u>39,051,305</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	653,013	1,045,846
Accrued vacation payable	533,680	564,829
Deferred registration fee revenue	19,844,811	19,220,724
Deferred grants	10,000	334,236
Deferred contributions relating to legacy project (note 10)	64,232	195,222
	<u>21,105,736</u>	<u>21,360,857</u>
Deferred contributions relating to capital assets (note 8)	2,957,203	3,056,671
	<u>24,062,939</u>	<u>24,417,528</u>
Net Assets		
Invested in capital assets	973,597	1,180,243
Internally restricted fund (note 9)	650,672	1,037,332
Unrestricted fund	14,774,998	12,416,202
	<u>16,399,267</u>	<u>14,633,777</u>
	<u>40,462,206</u>	<u>39,051,305</u>

Approved by the Council

 Member

 Member

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

College and Association of Registered Nurses of Alberta

Statement of Operations

For the year ended September 30, 2016

	2016 \$	2015 \$
Revenue		
Registration fees	20,144,899	19,585,816
CNA affiliate fee	(2,008,453)	(1,962,447)
CNPS fees	(1,356,365)	(1,285,415)
Other fees	741,403	785,899
Amortization of deferred capital contributions	661,696	723,799
Investment income (note 5)	554,610	397,632
Grants	324,239	394,714
Award gala dinner and conference	127,645	154,854
Sundry	121,448	167,799
Advertising	93,320	111,926
CNA research and development fund	-	387,332
	<u>19,404,442</u>	<u>19,461,909</u>
Expenses (schedule)		
Corporate services	4,270,819	4,267,444
Registration services	3,416,052	4,085,207
Policy and practice	2,929,565	3,409,177
Professional conduct	2,251,350	2,599,949
Communications	1,880,283	2,039,621
Amortization	868,342	930,445
Governance	793,548	677,664
	<u>16,409,959</u>	<u>18,009,507</u>
Excess of revenue over expenses before other items	<u>2,994,483</u>	<u>1,452,402</u>
Other items		
Pension obligation adjustment	842,300	536,600
Pension special payment	(1,092,464)	(592,464)
Project consulting	-	(5,375)
Organizational structural changes transitional cost	(1,368,269)	(57,391)
CARNA's Centennial Celebrations net operations	(386,660)	-
	<u>(2,005,093)</u>	<u>(118,630)</u>
Excess of revenue over expenses for the year	<u>989,390</u>	<u>1,333,772</u>

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

College and Association of Registered Nurses of Alberta

Statement of Changes in Net Assets

For the year ended September 30, 2016

				2016	2015
	Invested in capital assets \$	Internally restricted fund \$	Unrestricted \$	Total \$	Total \$
Net assets – Beginning of year	1,180,243	1,037,332	12,416,202	14,633,777	13,270,505
Excess of revenue over expenses for the year	(206,646)	(386,660)	1,582,696	989,390	1,333,772
Remeasurements and other items of employee future benefits	-	-	776,100	776,100	29,500
Net assets – End of year	973,597	650,672	14,774,998	16,399,267	14,633,777

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

College and Association of Registered Nurses of Alberta

Statement of Cash Flows

For the year ended September 30, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Registration fees	21,289,199	20,785,632
Investment income	359,778	371,984
Other income	1,004,111	2,098,572
Cash paid to suppliers and employees	(21,927,289)	(21,423,519)
	<u>725,799</u>	<u>1,832,669</u>
Investing activities		
Proceeds on sale of investments	1,170,459	1,267,577
Purchase of investments	(1,019,816)	(1,657,231)
Purchase of capital assets	(250,728)	(293,805)
	<u>(100,085)</u>	<u>(683,459)</u>
Increase in cash and cash equivalents during the year	625,714	1,149,210
Cash and cash equivalents – Beginning of year	<u>27,694,600</u>	<u>26,545,390</u>
Cash and cash equivalents – End of year (note 3)	<u>28,320,314</u>	<u>27,694,600</u>

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

College and Association of Registered Nurses of Alberta

Notes to Financial Statements

September 30, 2016

1 Purpose of organization

The College and Association of Registered Nurses of Alberta (CARNA) is responsible for protecting the public through safe, competent and ethical nursing practices. CARNA, incorporated under the Health Professions Act (RSA 2000), is a not-for-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

2 Summary of significant accounting policies

These financial statements have been prepared in accordance with ASNPO. Significant accounting policies observed in the preparation of the financial statements are summarized below.

Measurement uncertainty

The precise determination of certain assets and liabilities is dependent on future events, and the preparation of financial statements for a year necessarily involves identification of assets and liabilities that are subject to estimates and approximations. Actual results could differ from those estimates. Significant estimates include providing for amortization of capital assets and employee future benefits.

Investments

CARNA's investments consist of fixed income and equity based instruments held primarily for trading purposes. The investment portfolios, managed by a third party investment manager, are subject to an investment policy set by management and reviewed by the Finance, Audit and Pension Committee. CARNA's primary investment objective is to maximize returns within a low to medium level of risk, with medium liquidity.

Investments are recorded at fair value on the latest closing bid price. This accounting treatment results in unrealized changes in the market value of the investment portfolio being reported as a component of fair value changes reported on the statement of operations. The current year includes an unrealized gain of \$193,942 (2015 – \$28,186) resulting from unrealized portfolio gains and losses that have occurred during the year.

The purchase and sale of investments are recognized on the settlement date.

Cash and cash equivalents

Cash and cash equivalents comprise interest bearing deposits held with Canadian chartered banks and cash funds with maturities of three months or less from the date of inception.

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Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis at the following annual rates:

Building	5% – 10%
Furniture and equipment	10% – 33 1/3%

Capital assets acquired during the year are not amortized until they are placed into use.

Employee future benefits

CARNA has a defined benefit pension plan (the plan) for all permanent employees.

CARNA recognizes its defined benefit obligation as the employees render services giving them the right to earn the pension benefit. The defined benefit obligation at the statement of financial position date is determined using the most recent actuarial valuation report prepared for funding purposes. The measurement date of the plan assets and the defined benefit obligation is CARNA's statement of financial position date.

In its year-end statement of financial position, CARNA recognizes the defined benefit obligation, less the fair value of the plan assets, adjusted for any valuation allowance in the case of a net defined benefit asset. The plan cost for the year is recognized in the statement of operations.

Remeasurements and other items comprise the aggregate of the following: the difference between the actual return on plan assets and the return calculated using the discount rate; actuarial gains and losses; the effect of any valuation in the case of a net defined benefit asset; past service costs; and gains and losses arising from settlements and curtailments. The remeasurement costs are reflected in the statement of changes in net assets.

Deferred registration fee revenue

Deferred registration fees arise from timing differences between the collection of registration fees and the practice year. The registration revenues are collected in advance for the period from October through September.

Deferred contributions

Externally restricted contributions relating to capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. The cash is held as a restricted cash asset until it is spent.

Externally restricted contributions relating to the Legacy Project and externally restricted grants are deferred and recognized as revenue when the related expenses are incurred.

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Revenue recognition

Revenue is recognized when received, receivable, or in the year in which it relates, if amounts can be reasonably estimated and collection is reasonably assured.

Where CARNA's role in the transaction is that of principal, revenue is recognized on a gross basis. This requires revenue to comprise the gross value of the transactions with any related expenditures charged to expenses.

Where CARNA's role in a transaction is that of an agent, revenue is recognized on a net basis with revenue representing the margin earned.

- Registration fees

Registration fee revenue represents 88% of CARNA's total revenue. The fees are set by the Governing Council of CARNA. The revenue generated on an annual basis is deferred and recognized proportionally over the fiscal year.

Canadian Nurses Protective Society (CNPS) and Canadian Nurses Association (CNA) fees are collected by CARNA through the annual registration fee process. Remittance of these fees to CNPS and CNA is based on the number of registered nurses and registered nurse practitioners (including those with temporary permits) multiplied by the applicable CNPS and CNA fee category rates. The membership numbers utilized by CARNA to determine the fees and report to CNPS and CNA directly reconcile to CARNA's underlying detailed membership records.

- Other fees

Other fees represent 3% of CARNA's total revenue and comprise the following:

- a) Application and verification fees: These fees are determined by the Chief Executive Officer of CARNA as delegated by the Governing Council. The revenue generated is recognized in the fiscal year to which it relates.
- b) Temporary, courtesy and limited permits: These fees are set by the Governing Council of CARNA. The revenue generated is recognized in the fiscal year to which it relates.

- Investment income

Investment income includes dividends, interest income and realized and unrealized investment gains and losses. CARNA's investment income is not subject to any restrictions either internally or externally.

- Advertising

Advertising revenue is recognized in the year in which the advertisement is published in the Alberta RN magazine.

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- Award gala dinner and conference

The fees charged are recognized as revenue in the year in which the award gala dinner and conference is presented.

- Grants

Grants are recorded when there is a reasonable assurance CARNA has complied with and will continue to comply with all the necessary conditions to obtain the grants.

- Sundry

Sundry revenue is recognized in the year in which the revenue is earned, specifically when the following conditions are met:

- services are provided or products are delivered to members;
- there is clear evidence that an arrangement exists;
- amounts are fixed or can be determined; and
- the ability to collect is reasonably assured.

3 Cash and cash equivalents

	2016	2015
	\$	\$
Cash	3,372,772	2,855,076
RBC Canadian Money Market Funds Series O through Phillips, Hager and North Investment Management; the fund achieved 0.87% gross rate of return from October 1, 2015 to September 30, 2016	24,947,542	24,839,524
	<u>28,320,314</u>	<u>27,694,600</u>

Included in cash and cash equivalents are the following amounts allocated for a specifically identified purpose:

	2016	2015
	\$	\$
Externally restricted for the purchase of capital assets	1,350,987	1,039,487
Internally restricted for nursing research	387,332	387,332
Internally restricted for the Centennial Celebration Project	237,347	377,236
Externally restricted for the Legacy Project	64,232	195,222
	<u>2,039,898</u>	<u>1,999,277</u>

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Notes to Financial Statements

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4 Prepaid expenses

	2016 \$	2015 \$
CNA affiliation fees	511,381	506,250
CNPS fees	337,104	315,877
Other	215,293	492,171
	<u>1,063,778</u>	<u>1,314,298</u>

5 Investments

	2016 \$	2015 \$
Fixed income measured at fair value with maturities ranging between 2016 and 2046 with a weighted average time to maturity of 6.60 years and weighted average yield to maturity of 1.74% per annum	3,830,804	3,790,618
Common equities measured at fair value	2,187,019	2,183,015
	<u>6,017,823</u>	<u>5,973,633</u>

Investments of \$750,528 (2015 – \$736,189) are held in US dollars. Investments of \$371,582 (2015 – \$406,494) are held in other foreign currencies. These assets are presented in Canadian dollars at the year-end exchange rates.

Investment income comprises the following:

	2016 \$	2015 \$
Interest	223,776	234,208
Dividends	136,040	137,800
Unrealized gain on investments	193,942	28,186
Realized loss on investments	(1,593)	(5,225)
Other income	2,445	2,663
	<u>554,610</u>	<u>397,632</u>

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6 Capital assets

			2016	2015
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	230,000	-	230,000	230,000
Building	3,290,466	1,820,544	1,469,922	1,626,147
Furniture and equipment	2,998,036	2,118,144	879,892	1,341,281
	<u>6,518,502</u>	<u>3,938,688</u>	<u>2,579,814</u>	<u>3,197,428</u>

Capital expenditures of \$189,667 (2015 – \$171,577) for CARNA's Jurisprudence Module development and \$49,275 (2015 – \$nil) for the College's professional development and knowledge gamification module development included in equipment costs will not be amortized until fully completed and functional.

7 Employee future benefits

CARNA has a defined benefit pension plan for all permanent employees. The benefits are based on years of service and the employees' final average earnings.

CARNA accrues its obligations under the employee defined benefit plans as the employees render the services necessary to earn the pension.

CARNA measures its accrued employee future benefit obligation and the fair value of plan assets using the valuation for funding as at June 30 each year. The most recent actuarial valuation of the pension plans for funding purposes was as at June 30, 2014 and the next required valuation will be as at June 30, 2017.

	2016 \$	2015 \$
Fair value of plan assets	34,899,800	30,097,700
Accrued benefit obligation	<u>32,464,000</u>	<u>29,280,300</u>
Plan surplus	<u>2,435,800</u>	817,400

The net accrued benefit asset is included in CARNA's statement of financial position.

The significant actuarial assumptions adopted in measuring CARNA's employee future benefit determination are as follows:

	2016 %	2015 %
Discount rate	4.50	4.50
Salary increases	3.50	3.50
Inflation	2.25	2.25

Total cash payments for employee future benefits for 2016, consisting of cash contributed by CARNA to the registered pension plan were \$2,776,500 (2015 – \$2,352,100).

College and Association of Registered Nurses of Alberta

Notes to Financial Statements

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8 Deferred contributions relating to capital assets

Deferred contributions relating to capital assets represent externally restricted contributions collected from the members of CARNA for the purpose of capital acquisitions as approved by the Governing Council. The change in the deferred capital contribution balance is as follows:

	2016 \$	2015 \$
Balance – Beginning of year	3,056,671	3,220,954
Contributions received	562,228	559,516
Amounts amortized to revenue	(661,696)	(723,799)
	<u>2,957,203</u>	<u>3,056,671</u>

9 Restriction on net assets

	<u>2016</u>		<u>2015</u>	
	Centennial celebration project \$	Nursing research \$	Total \$	Total \$
Balance – Beginning of year	650,000	387,332	1,037,332	662,410
Internally imposed restrictions	-	-	-	380,297
Current year expenditures	(386,660)	-	(386,660)	(5,375)
Balance – End of year	<u>263,340</u>	<u>387,332</u>	<u>650,672</u>	<u>1,037,332</u>

The Governing Council internally restricts net assets for the purposes as shown above. These internally restricted amounts are not available for other purposes without approval of the Governing Council.

10 Deferred contribution relating to Legacy Project

Deferred contributions related to the Legacy Project represent restricted contributions collected from the members of CARNA for the purpose of CARNA's Centennial Celebrations and hosting of the 2018 CNA Biennium as approved by the Governing Council. The change in the deferred Legacy Project contributions balance for the year is as follows:

	2016 \$	2015 \$
Balance – Beginning of year	195,222	176,411
Contributions received	18,884	18,811
Amounts amortized to revenue	(149,874)	-
	<u>64,232</u>	<u>195,222</u>

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September 30, 2016

11 Financial instruments

CARNA's financial instruments include cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities. Cash and cash equivalents and accounts receivable are classified as loans and receivables and are accounted for at amortized cost using the effective interest rate method. Loans and receivables are initially recorded at fair value. Accounts payable and accrued liabilities are classified as other liabilities and are accounted for at amortized cost using the effective interest rate method. Financial liabilities are initially recorded at fair value.

The fair value of financial instruments approximates their carrying amounts due to the short-term maturity of these instruments.

CARNA is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks as at September 30, 2016.

Credit risk

Credit risk refers to the risk a counterparty may default on its contractual obligations resulting in a financial loss. CARNA's investment in bonds and interest accrued thereon is primarily with federal and provincial governments with a portion allocated to investment grade corporate bonds concentrated in Canada. Accounts receivable are of a short-term nature and no individual account receivable is significant to CARNA's financial position.

A portion of the assets held in the pension plan is exposed to credit risk, similar to the risks on CARNA's bond portfolio. In the event of loss in the pension plan, CARNA would be obligated to fund any deficiency that may arise. The investment fund invests in a mix of government and investment grade corporate bonds.

Cash and cash equivalents and term deposits are maintained with a Schedule I financial institution. There has been no change to credit risk from the prior year.

Market and other price risk

CARNA's equity interests are primarily focused on the Canadian public market and are subject to fluctuations due to changes in market prices of individual securities, general market and industry trends, changes in interest rates, creditworthiness and foreign exchange rates. CARNA is also exposed to interest rate risk through its holdings of bonds. Market and other price risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. All investments are of large market entities regularly traded on the exchanges.

A portion of the assets held in the pension plan is exposed to market and other price risk, similar to the risks on CARNA's investment portfolio. In the event of loss in the pension plan, CARNA would be obligated to fund any deficiency that may arise. The investment fund invests in a mix of large market entities or funds regularly traded on the exchanges.

There has been no change to these risks from the prior year.

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Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Management monitors cash flow to ensure it is able to pay liabilities as they come due. The investments may create liquidity risk if CARNA is required to sell at a time when the market for the investments is unfavourable.

There has been no change to these risks from the prior year.

Currency risk

Currency risk is the risk to CARNA's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of those exchange rates. CARNA does not use derivative instruments to reduce its exposure associated with foreign currency risk.

College and Association of Registered Nurses of Alberta

Schedule of Expenses

For the year ended September 30, 2016

	2016 \$	2015 \$
Corporate services		
Staff, legal and consulting costs	3,084,083	3,089,444
Bank and processing fees	593,098	580,894
Building and equipment	466,923	444,234
Office support	126,715	152,872
	<u>4,270,819</u>	<u>4,267,444</u>
Registration services		
Staff costs	2,698,150	2,989,235
Registration services	393,719	701,258
IEN application process improvement grant related expenses	209,218	283,574
Competency assessment grant related expenses	92,365	111,140
RFP – Competency Assessment services grant related expenses	22,600	-
	<u>3,416,052</u>	<u>4,085,207</u>
Policy and practice		
Policy and practice costs	1,527,827	1,708,016
Regional coordinator program and nursing events	964,850	1,200,968
NEPAB	436,888	500,193
	<u>2,929,565</u>	<u>3,409,177</u>
Professional conduct		
Staff costs	1,324,375	1,422,270
Conduct investigation officers	550,543	676,026
Committee costs	360,308	466,255
Other conduct costs	16,124	35,398
	<u>2,251,350</u>	<u>2,599,949</u>
Communications		
Staff and consulting costs	1,083,903	1,103,363
Communications and public awareness	353,805	409,307
Alberta RN	240,860	212,059
Member services	106,098	219,629
Library and archives	95,429	93,444
Centennial celebration project	188	1,819
	<u>1,880,283</u>	<u>2,039,621</u>
Governance		
Provincial Council and committees	381,404	313,440
Contributions to ARNET	315,764	297,515
Professional fees	38,850	38,850
CNA board meetings and Biennium costs	33,770	5,693
Annual General Meeting	14,208	10,980
Elections	9,552	11,186
	<u>793,548</u>	<u>677,664</u>