

# **College and Association of Registered Nurses of Alberta**

Financial Statements  
**September 30, 2017**



December 8, 2017

## **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, 2017 and the statement 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.

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**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, 2017 the results of its operations and its cash flows for the years 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, 2017

	2017 \$	2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	30,227,101	28,320,314
Accounts receivable	41,233	44,677
Prepaid expenses (note 4)	1,131,882	1,063,778
	<u>31,400,216</u>	<u>29,428,769</u>
<b>Investments</b> (note 5)	6,297,142	6,017,823
<b>Capital assets</b> (note 6)	2,410,901	2,579,814
<b>Employee future benefits</b> (note 7)	2,438,900	2,435,800
	<u>42,547,159</u>	<u>40,462,206</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	804,927	653,013
Accrued vacation payable	633,600	533,680
Deferred registration fee revenue	20,674,990	19,844,811
Deferred grants	-	10,000
Deferred contributions relating to legacy project (note 10)	65,713	64,232
	<u>22,179,230</u>	<u>21,105,736</u>
<b>Deferred contributions relating to capital assets</b> (note 8)	3,597,204	2,957,203
	<u>25,776,434</u>	<u>24,062,939</u>
<b>Net Assets</b>		
<b>Invested in capital assets</b>	818,003	973,597
<b>Internally restricted fund</b> (note 9)	387,332	650,672
<b>Unrestricted fund</b>	15,565,390	14,774,998
	<u>16,770,725</u>	<u>16,399,267</u>
	<u>42,547,159</u>	<u>40,462,206</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, 2017

	2017 \$	2016 \$ (restated – note 12)
<b>Revenue</b>		
Registration fees	20,542,444	20,144,899
CNA affiliate fee	(2,037,214)	(2,008,453)
CNPS fees	(1,372,791)	(1,356,365)
Other fees	771,236	741,403
Amortization of deferred capital contributions (note 8)	476,207	661,696
Investment income (note 5)	333,804	554,610
Sundry	168,986	214,768
Award gala dinner and conference	133,920	127,645
Grants	-	324,239
	<u>19,016,592</u>	<u>19,404,442</u>
<b>Expenses (schedule)</b>		
Quality assurance	5,660,125	5,281,412
Corporate services	4,326,230	4,062,354
Professional practice support	3,222,603	2,917,859
Business intelligence	2,802,339	2,460,910
Executive office	645,102	1,446,919
Amortization	631,801	868,342
Governance	611,980	740,432
	<u>17,900,180</u>	<u>17,778,228</u>
<b>Excess of revenue over expenses before other items</b>	<u>1,116,412</u>	<u>1,626,214</u>
<b>Other items</b>		
Pension obligation adjustment	604,700	842,300
Pension special payment	(630,239)	(1,092,464)
CARNA's Centennial Celebrations net operations	(117,815)	(386,660)
	<u>(143,354)</u>	<u>(636,824)</u>
<b>Excess of revenue over expenses for the year</b>	<u>973,058</u>	<u>989,390</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, 2017

				2017	2016
	Invested in capital assets \$	Internally restricted fund \$	Unrestricted \$	Total \$	Total \$
<b>Net assets – Beginning of year</b>	973,597	650,672	14,774,998	16,399,267	14,633,777
Excess (deficiency) of revenue over expenses for the year	(155,594)	(117,815)	1,246,467	973,058	989,390
Transfer to unrestricted net assets	-	(145,525)	145,525	-	-
Remeasurements and other items of employee future benefits	-	-	(601,600)	(601,600)	776,100
<b>Net assets – End of year</b>	<b>818,003</b>	<b>387,332</b>	<b>15,565,390</b>	<b>16,770,725</b>	<b>16,399,267</b>

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, 2017

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	2017 \$	2016 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Registration fees	22,788,787	21,289,199
Investment income	377,773	359,778
Other income	769,114	1,004,111
Cash paid to suppliers and employees	(21,242,162)	(21,927,289)
	<u>2,693,512</u>	<u>725,799</u>
<b>Investing activities</b>		
Proceeds on sale of investments	3,942,264	1,170,459
Purchase of investments	(4,265,553)	(1,019,816)
Purchase of capital assets	(463,436)	(250,728)
	<u>(786,725)</u>	<u>(100,085)</u>
<b>Increase in cash and cash equivalents during the year</b>	1,906,787	625,714
<b>Cash and cash equivalents – Beginning of year</b>	<u>28,320,314</u>	<u>27,694,600</u>
<b>Cash and cash equivalents – End of year (note 3)</b>	<u>30,227,101</u>	<u>28,320,314</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, 2017

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### 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 (loss) of \$(61,726) (2016 – \$193,942) 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.

# College and Association of Registered Nurses of Alberta

## Notes to Financial Statements

September 30, 2017

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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.

# College and Association of Registered Nurses of Alberta

## Notes to Financial Statements

September 30, 2017

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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 92% 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.

# College and Association of Registered Nurses of Alberta

## Notes to Financial Statements

September 30, 2017

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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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Cash	3,479,933	3,372,772
Canadian Money Market Funds Series O through Phillips, Hager and North Investment Management; the fund achieved 0.98% gross rate of return from October 1, 2016 to September 30, 2017	26,747,168	24,947,542
	<u>30,227,101</u>	<u>28,320,314</u>

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Externally restricted for the purchase of capital assets	2,004,308	1,350,987
Internally restricted for nursing research	387,332	387,332
Internally restricted for the Centennial Celebration Project	-	237,347
Externally restricted for the Legacy Project	65,713	64,232
	<u>2,457,353</u>	<u>2,039,898</u>

# College and Association of Registered Nurses of Alberta

## Notes to Financial Statements

September 30, 2017

### 4 Prepaid expenses

	2017 \$	2016 \$
CNA affiliation fees	519,154	511,381
CNPS fees	339,754	337,104
Other	272,974	215,293
	1,131,882	1,063,778

### 5 Investments

	2017 \$	2016 \$
Fixed income measured at fair value with maturities ranging between 2017 and 2030 with a weighted average time to maturity of 6.17 years and weighted average yield to maturity of 3% per annum	4,384,034	3,830,804
Common equities measured at fair value	1,913,108	2,187,019
	6,297,142	6,017,823

Investments include United States common stocks and equivalents of \$637,014 (2016 – \$750,528) and other foreign countries common stocks and equivalents of \$43,725 (2016 – \$371,582). These assets have been translated and presented in Canadian dollars at the year-end exchange rate.

Investment income comprises the following:

	2017 \$	2016 \$
Interest	260,365	223,776
Dividends	118,729	136,040
Unrealized (loss) gain on investments	(61,726)	193,942
Realized gain (loss) on investments	14,056	(1,593)
Other income	2,380	2,445
	333,804	554,610

### 6 Capital assets

	2017		2016	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	230,000	-	230,000	230,000
Building	3,318,130	1,996,757	1,321,373	1,469,922
Furniture and equipment	2,441,773	1,582,245	859,528	879,892
	5,989,903	3,579,002	2,410,901	2,579,814

# College and Association of Registered Nurses of Alberta

## Notes to Financial Statements

September 30, 2017

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Accumulated capital expenditures of \$189,667 (2016 – \$189,667) for the College's Jurisprudence module development, \$98,439 for the College's remote access and \$27,542 for the College's SharePoint dashboard module development will not be amortized until they are fully completed. In addition, capital expenditures of \$52,089 for computer related equipment were acquired but not amortized until installation of these capital assets can be completed.

### 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, 2017 and the next required valuation will be as at June 30, 2020.

	2017 \$	2016 \$
Fair value of plan assets	38,002,000	34,899,800
Accrued benefit obligation	(35,563,100)	(32,464,000)
Plan surplus	<u>2,438,900</u>	<u>2,435,800</u>

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:

	2017 %	2016 %
Discount rate	4.00	4.50
Salary increases	3.25	3.50
Inflation	2.15	2.25

Total cash payments for employee future benefits for 2017, consisting of cash contributed by CARNA to the registered pension plan, were \$2,519,400 (2016 – \$2,776,500).

# College and Association of Registered Nurses of Alberta

## Notes to Financial Statements

September 30, 2017

### 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:

	2017 \$	2016 \$
Balance – Beginning of year	2,957,203	3,056,671
Contributions received	1,116,208	562,228
Amounts amortized to revenue	(476,207)	(661,696)
	3,597,204	2,957,203

### 9 Restriction on net assets

	2017		2016	
	Centennial celebration project \$	Nursing research \$	Total \$	Total \$
Balance – Beginning of year	263,340	387,332	650,672	1,037,332
Transfer to unrestricted net assets	(145,525)	-	(145,525)	-
Current year expenditures	(117,815)	-	(117,815)	(386,660)
	-	387,332	387,332	650,672

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 relating to Legacy Project represent restricted contributions collected from the members of CARNA and will be utilized to sponsor CARNA members selected to attend the 2018 CNA Biennium with any balance in the fund remaining to be transferred to Alberta Registered Nurses Educational Trust (ARNET) as approved by the Governing Council. The change in the deferred Legacy Contributions balance for the period is as follows:

	2017 \$	2016 \$
Balance – Beginning of year	64,232	195,222
Contributions received	1,481	18,884
Amounts amortized to revenue	-	(149,874)
	65,713	64,232

# College and Association of Registered Nurses of Alberta

## Notes to Financial Statements

September 30, 2017

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### 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, 2017.

#### **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.

# College and Association of Registered Nurses of Alberta

## Notes to Financial Statements

September 30, 2017

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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.

## **12 Comparative figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.

## **13 Subsequent event**

Subsequent to September 30, 2017, the College entered into a conditional purchase and sale agreement to acquire a building for a purchase price of \$8,135,000 in Edmonton, Alberta. The College waived all conditions outlined in the agreement effective December 8, 2017. A deposit of \$300,000 has been made with closing being targeted for early January, 2018.

# College and Association of Registered Nurses of Alberta

## Schedule of Expenses

For the year ended September 30, 2017

	2017 \$	2016 \$ (restated – note 12)
<b>Quality assurance</b>		
Resources and operations		
Staff costs	1,276,419	765,869
Regulatory committees	617,024	592,097
Annual registration renewal process	57,917	62,873
NP exam and NP SEC assessment	31,042	33,934
Legal fees and support	10,766	29,564
Professional conduct and complaints		
Staff and contracted investigation costs	1,657,699	1,582,962
Legal fees and support costs	63,858	16,124
Registration services		
Staff costs	1,923,910	1,873,806
Legal fees and support	21,490	-
Grant related costs	-	324,183
	<u>5,660,125</u>	<u>5,281,412</u>
<b>Corporate services</b>		
Communications		
External communications	440,201	434,664
Member events	92,870	97,636
Operations		
Staff costs	2,191,343	2,147,736
Administration	903,624	781,962
Building and equipment costs	525,543	428,708
All staff development	172,649	171,648
	<u>4,326,230</u>	<u>4,062,354</u>
<b>Professional practice support</b>		
Regulatory and competence		
Staff costs	1,538,034	1,673,572
Regulatory committees	55,973	45,391
Operational committee	20,547	8,019
Professional development and knowledge		
Staff costs	797,163	769,209
Curriculum development and virtual technology	6,444	15,757
Practice support		
Staff costs	754,503	349,563
Legal fees and support	49,939	56,348
	<u>3,222,603</u>	<u>2,917,859</u>

# College and Association of Registered Nurses of Alberta

Schedule of Expenses...*continued*

For the year ended September 30, 2017

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	2017 \$	2016 \$ (restated – note 12)
<b>Business intelligence</b>		
Information technology		
Staff costs	1,148,681	875,291
Computer consulting, software and licencing	480,710	482,003
Project consulting	193,373	340,466
Organization performance		
Staff costs	471,385	348,747
Records management		
Staff costs	357,292	297,246
Library and archives	90,002	95,429
Record retention and destruction	60,896	21,728
	<hr/> 2,802,339	<hr/> 2,460,910
<b>Executive office</b>		
Staff costs	619,518	1,380,464
Political scanning and resources	25,584	66,455
	<hr/> 645,102	<hr/> 1,446,919
<b>Governance</b>		
Contributions to ARNET	327,336	315,764
Provincial council and committees costs	265,202	400,908
Annual general meeting	15,749	14,208
Elections	3,693	9,552
	<hr/> 611,980	<hr/> 740,432

