

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

Consolidated Financial Statements
For the year ended December 31, 2017



**Canadian Nurses Association /
Association des infirmières et infirmiers du Canada**
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For the year ended December 31, 2017

Contents

Independent Auditor's Report	1
Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Changes in Net Assets	4
Consolidated Statement of Operations	5
Consolidated Statement of Cash Flows	6
Summary of Significant Accounting Policies	7
Notes to Consolidated Financial Statements	11

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Canadian Nurses Association / Association des infirmières et infirmiers du Canada and its subsidiary, which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of changes in net assets, operations and cash flows for the year then ended and 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 consolidated financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, and for such internal control as management determines 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 consolidated financial statements based on our audit. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the association's preparation and fair presentation of the consolidated 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 association'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 consolidated financial statements.

Independent Auditor's Report (continued)

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canadian Nurses Association / Association des infirmières et infirmiers du Canada as at December 31, 2017 and its subsidiary, 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.

Collins Barrow Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants

March 19, 2018

Ottawa, Ontario

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

December 31 2017 2016

Assets

Current

Cash and cash equivalents (Note 1)	\$ 3,346,114	\$ 3,202,292
Short-term investments (Note 2)	2,550,000	2,630,353
Accounts receivable	1,543,647	816,806
Government remittances receivable	23,732	-
Unbilled receivables	-	37,095
Prepaid expenses	107,417	128,969
Inventory	-	3,957

7,570,910 **6,819,472**

Investments (Note 2) **5,005,833** **4,754,724**

Capital assets (Note 4) **4,829,971** **5,805,182**

Accrued pension benefits assets (Note 5) **5,860,000** **6,688,000**

\$ 23,266,714 **\$ 24,067,378**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 991,851	\$ 1,366,460
Government remittances payable	-	30,106
Payable to related party (Note 3)	50,239	63,299
Deferred revenues (Note 7)	335,048	252,810

1,377,138 **1,712,675**

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

1,420,191 **1,755,728**

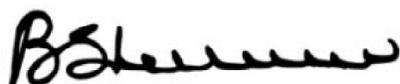
Net assets

Internally restricted net assets		
Net assets invested in capital assets	4,829,971	5,805,182
Net assets designated for future pension obligations	5,860,000	6,688,000
Net assets designated for other obligations	3,650,000	3,650,000
Net assets designated for professional development	2,000,000	-
Unrestricted net assets	5,506,552	6,168,468

21,846,523 **22,311,650**

\$ 23,266,714 **\$ 24,067,378**

On behalf of the Board:



President



President Elect

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

For the year ended December 31

2017

2016

	Internally Restricted					Total	Total
	Capital Assets	Future Pension Obligations	Other Obligations	Professional Development	Unrestricted Net Assets		
Balance, beginning of year	\$ 5,805,182	\$ 6,688,000	\$ 3,650,000	\$ -	\$ 6,168,468	\$ 22,311,650	\$ 21,354,424
Excess (deficiency) of revenue over expenses for the year	(397,537)	(423,000)	-	-	1,308,410	487,873	653,226
Interfund transfer (Note 8)	-	-	-	2,000,000	(2,000,000)	-	-
Employee future benefits remeasurement adjustments	-	(953,000)	-	-	-	(953,000)	304,000
Pension contributions	-	548,000	-	-	(548,000)	-	-
Investment in capital assets	(577,674)	-	-	-	577,674	-	-
Balance, end of year	\$ 4,829,971	\$ 5,860,000	\$ 3,650,000	\$ 2,000,000	\$ 5,506,552	\$ 21,846,523	\$ 22,311,650

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

For the year ended December 31 2017 2016

	Budget	Actual	Actual
Revenue			
Membership fees	\$ 6,972,800	\$ 7,284,789	\$ 7,569,377
Examination fees	2,313,200	1,881,619	2,743,690
Certification fees	1,940,100	1,367,475	1,577,265
Advertising	511,900	488,080	538,541
Subscriptions	43,500	41,059	50,679
Publications	264,100	54,158	169,387
Registration fees	42,000	8,582	314,698
Consulting fees	850,000	296,987	853,452
Grants/Affinity/Sponsorship	410,800	400,050	480,871
Investment income	151,800	197,357	157,345
Other income	171,400	247,919	364,069
Project funding	-	-	4,720
	13,671,600	12,268,075	14,824,094
Expenses			
Salaries and benefits	7,424,000	6,331,451	7,081,650
Committee meetings	603,300	360,176	466,759
Travel non-committee	224,600	223,931	256,050
Affiliation fees	563,200	487,544	515,438
Professional fees	712,500	823,191	992,809
Translation and interpretation	117,300	65,440	100,451
Books/Online databases	30,300	25,646	26,201
Printing	453,200	334,718	503,023
Publicity and promotion	289,600	157,443	555,448
General administration	710,400	591,114	849,217
Equipment	288,700	376,785	422,024
Computer services	447,000	374,994	423,085
Building/space rental	592,600	438,168	603,656
Legal, audit and insurance	229,000	178,381	184,730
Hospitality	37,500	36,170	125,830
Sundry	296,900	37,191	81,861
Contingency/Income taxes (recovery)	48,900	(132,635)	267,988
Property improvements/furniture	30,000	6,337	781
Exam development and administration	-	344,405	-
Project expenses	-	-	4,720
	13,099,000	11,060,450	13,461,721
Excess of revenue over expenses before amortization and sale of subsidiary	572,600	1,207,625	1,362,373
Less loss on sale of subsidiary (Note 9)	-	322,215	-
Less amortization of capital assets	571,600	397,537	709,147
Excess of revenue over expenses for the year	\$ 1,000	\$ 487,873	\$ 653,226

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

For the year ended December 31 2017 2016

Cash flows from operating activities

Excess of revenue over expenses for the year	\$ 487,873	\$ 653,226
Adjustments for		
Amortization of capital assets	397,537	709,147
Remeasurement adjustments to pension obligation	(953,000)	304,000
Loss on sale of subsidiary	322,215	-
	254,625	1,666,373
Changes in non-cash working capital items		
Accounts receivable	(726,841)	269,210
Government remittances receivable	(23,732)	83,694
Project funding receivable	-	4,100
Unbilled receivables	37,095	(1,935)
Prepaid expenses	21,552	29,810
Inventory	3,957	42,411
Pension benefit assets	828,000	(4,597,000)
Accounts payable and accrued liabilities	(374,609)	407,821
Government remittances payable	(30,106)	30,106
Payable to related party	(13,060)	63,299
Deferred revenues	82,238	(209,473)
	59,119	(2,211,584)

Cash flows from investing activities

Proceeds from sale of subsidiary (Note 10)	690,542	-
Disposal of subsidiary working capital (Note 10)	(328,202)	-
Sale (purchase) of investments	(170,756)	1,379,740
Purchase of capital assets	(106,881)	(335,710)
	84,703	1,044,030

Increase (decrease) in cash during the year 143,822 (1,167,554)

Cash and cash equivalents, beginning of year 3,202,292 4,369,846

Cash and cash equivalents, end of year \$ 3,346,114 \$ 3,202,292

Canadian Nurses Association / Association des infirmières et infirmiers du Canada

Summary of Significant Accounting Policies

December 31, 2017

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.

Principles of Consolidation

The consolidated financial statements include the accounts of its wholly owned subsidiary. The purchase method has been used to account for the acquisition and the results of operations, cash flows and capital transactions of the subsidiary and are included in these consolidated financial statements from the effective date of its incorporation. All intercompany transactions and balances have been eliminated on consolidation. The association sold its investment in the wholly owned subsidiary on July 5, 2017. As a result, the consolidated financial statements include the operations of its subsidiary up to the period ended July 4, 2017.

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.

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.

**Canadian Nurses Association /
Association des infirmières et infirmiers du Canada
Summary of Significant Accounting Policies**

December 31, 2017

Financial Instruments
(continued)

Measurement of financial instruments (continued)

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, unbilled receivables, 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.

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 and NurseONE 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.

**Canadian Nurses Association /
Association des infirmières et infirmiers du Canada
Summary of Significant Accounting Policies**

December 31, 2017

Revenue Recognition
(continued)

Registration fees

Registration fees for attendance at the CNA convention is recognized as revenue when the convention is held. The liability for the portion of fees received for the CNA convention but 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.

Inventory

Inventory is valued at the lower of cost and net realizable value with cost being determined on a weighted average cost basis.

Capital Assets

Purchased capital assets are recorded at cost. Amortization is based on the estimated useful life of the asset and is provided as follows:

Tangible

Building	30 years	straight-line basis
Building improvements	4 years	straight-line basis
Computers	2 years	straight-line basis, and
	30% - 100%	diminishing balance basis
Furniture and equipment	4 years	straight-line basis, and
	20%	diminishing balance basis
Leasehold improvements	5 years	straight-line basis

Intangible

Software	2 years	straight-line basis, and
	100%	diminishing balance basis

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.

**Canadian Nurses Association /
Association des infirmières et infirmiers du Canada
Summary of Significant Accounting Policies**

December 31, 2017

Employee Pension Plan The association has a defined benefit pension plan and accrues its funded excess net of the pension liability using the immediate recognition approach. The association has adopted the following policies:

- The cost of the pension benefits is actuarially determined using the projected unit credit actuarial cost method.
- 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).

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.

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

December 31, 2017

1. Cash and Cash Equivalents

The association's bank accounts are held at one chartered bank and a Caisse Desjardins.

2. Investments

Short-term investments consist of a term deposit with an interest rate of 1.2% and maturing by December 2018.

Long-term investments consist of market-linked and fixed rate guaranteed investment certificates and a term deposit with interest rates ranging from 0% to 1.5% and maturing by June 2021.

3. Related Party Transactions

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 parties.

4. Capital Assets

	2017			2016		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
<i>Tangible</i>						
Land	\$ 3,180,000	\$ -	\$ 3,180,000	\$ 3,180,000	\$ -	\$ 3,180,000
Building and building improvements	2,017,277	470,698	1,546,579	2,041,239	427,418	1,613,821
Furniture and equipment	-	-	-	230,838	217,875	12,963
Computers	28,263	28,263	-	426,070	400,162	25,908
Leasehold improvements	-	-	-	344,561	337,682	6,879
	5,225,540	498,961	4,726,579	6,222,708	1,383,137	4,839,571
<i>Intangible</i>						
Software	617,970	514,578	103,392	2,509,912	1,544,301	965,611
	\$ 5,843,510	\$ 1,013,539	\$ 4,829,971	\$ 8,732,620	\$ 2,927,438	\$ 5,805,182

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

December 31, 2017

4. Capital Assets (continued)

Included in intangible assets is \$64,312 (2016 - \$23,942) of software under development. As a result, no amortization has been recorded on this cost.

Fully amortized assets written off during the current fiscal year amount to \$769,400 (2016 - \$469,222).

5. Pension Benefits

Plan description

The association has a registered defined benefit pension plan that is 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. The next required actuarial valuation is due no later than January 1, 2020.

	2017	2016
Plan assets at fair value	\$ 32,907,000	\$ 30,772,000
Accrued benefit obligation	27,047,000	24,084,000
	\$ 5,860,000	\$ 6,688,000

Change in plan assets:

Fair value, beginning of the year	\$ 30,772,000	\$ 25,249,000
Actual return on plan assets	2,766,000	1,654,000
Employer contributions	548,000	4,621,000
Employees' contributions	292,000	305,000
Benefits paid	(1,471,000)	(1,057,000)
	\$ 32,907,000	\$ 30,772,000

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

December 31, 2017

5. Pension Benefits (continued)

	2017	2016
<i>Change in accrued benefit obligation:</i>		
Balance, beginning of the year	\$ 24,084,000	\$ 23,158,000
Beginning of year adjustment	2,526,000	-
Current service cost	423,000	302,000
Interest cost	1,312,000	1,376,000
Employees' contributions	292,000	305,000
Benefits paid	(1,471,000)	(1,057,000)
Loss on curtailments	(119,000)	-
	\$ 27,047,000	\$ 24,084,000
 <i>Actuarial assumptions:</i>		
Discount rate	5.00 %	6.00 %
Expected long-term rate of return on plan assets	5.00 %	6.00 %
Rate of compensation increase	2.00 %	2.25 %

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	5.7%
Impact of a 1% increase in interest rate	6.3%
Impact of a 10% decrease in foreign currencies	2.5%

6. 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.

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

December 31, 2017

7. Deferred Revenues

Deferred revenues represents funds received in the current period that relates to operations of the subsequent period.

	Balance at Beginning of Year	Additions During the Year	Amounts Recognized as Revenue	Balance at End of Year
Certification exam and renewal fees	\$ 135,981	\$ 1,328,574	\$ 1,372,441	\$ 92,114
CNA Convention	-	13,850	-	13,850
Other	116,829	404,429	292,174	229,084
	<u>\$ 252,810</u>	<u>\$ 1,746,853</u>	<u>\$ 1,664,615</u>	<u>\$ 335,048</u>

8. Interfund Transfer

During the year, the board approved the establishment of an internally restricted reserve for professional development. The board approved the transfer related to this reserve as presented on the statement of changes in net assets.

9. Sale of Subsidiary

The association sold its wholly owned subsidiary on July 5, 2017.

Proceeds on sale (net of closing costs)	<u>\$ 1,774,065</u>
Cash	1,083,523
Total assets other than cash	1,902,761
Total liabilities and share capital	<u>(890,004)</u>
Net assets sold	<u>2,096,280</u>
Loss on sale of subsidiary	<u>\$ (322,215)</u>

The operations of the subsidiary sold have been excluded from the consolidated statement of operations from the date of disposal.

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

December 31, 2017

10. Statement of Cash Flows

The impact of sale of subsidiary on the consolidated statement of cash flows are as follows:

Disposal of subsidiary working capital

	2017	2016
Cash	\$ (1,083,523)	\$ -
Total working capital assets other than cash	(1,218,206)	-
Total liabilities and share capital	890,004	-
Working capital	(1,411,725)	-
Less cash of subsidiary	1,083,523	-
Disposal of subsidiary working capital	\$ 328,202	\$ -

Proceeds from sale of subsidiary

Proceeds on sale (net of closing costs)	\$ 1,774,065
Less cash of subsidiary	(1,083,523)
Proceeds on sale of subsidiary	\$ 690,542

11. Financial Instruments Risk and Concentrations

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, 2017.

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.

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

December 31, 2017

11. Financial Instruments Risk and Concentrations (continued)

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 fiscal year.
