

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



Financial Statements
For the year ended December 31, 2019

**Canadian Nurses Association / Association des infirmières et
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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, 2019, 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, 2019, and its results of 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 Organization or to cease operations, or has no realistic alternative but to do so.

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.

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 10, 2020
Ottawa, Ontario

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

December 31 **2019** **2018**

Assets

Current

Cash and cash equivalents (Note 2)	\$ 3,917,464	\$ 3,652,235
Short-term investments (Note 3)	8,239,252	1,000,000
Accounts receivable	545,201	800,319
Prepaid expenses	78,214	111,327
Government remittances receivable	55,822	122,464
Project funding receivable (Note 4)	107,412	-
Receivable from related party (Note 5)	55,221	-

12,998,586 **5,686,345**

Investments (Note 3)

2,002,578 **9,006,859**

Capital assets (Note 6)

4,753,734 **4,995,757**

\$ 19,754,898 **\$ 19,688,961**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 1,486,479	\$ 1,596,655
Payable to related party (Note 5)	-	43,864
Deferred revenues (Note 7)	366,296	286,597

1,852,775 **1,927,116**

Research and development fund payable

43,053 **43,053**

Accrued pension benefits obligation (Note 10)

4,259,000 **-**

6,154,828 **1,970,169**

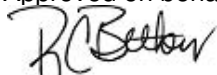
Net assets

Net assets invested in capital assets	4,753,734	4,995,757
Deficit for future pension obligations	(4,259,000)	-
Net assets designated for other obligations	3,336,550	4,650,000
Net assets designated for professional development	2,000,000	2,000,000
Unrestricted net assets	7,768,786	6,073,035

13,600,070 **17,718,792**

\$ 19,754,898 **\$ 19,688,961**

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 (Deficit)	Other Obligations	Professional Development	Unrestricted Net Assets	Total 2019	Total 2018
Balance, beginning of year	\$ 4,995,757	\$ -	\$ 4,650,000	\$ 2,000,000	\$ 6,073,035	\$ 17,718,792	\$ 21,846,523
Excess (deficiency) of revenue over expenses for the year	(320,186)	(83,000)	-	-	1,897,464	1,494,278	1,840,269
Interfund transfer	-	-	(1,313,450)	-	1,313,450	-	-
Employee future benefits remeasurement adjustments	-	(5,613,000)	-	-	-	(5,613,000)	(5,968,000)
Pension contributions	-	1,437,000	-	-	(1,437,000)	-	-
Investment in capital assets	78,163	-	-	-	(78,163)	-	-
Balance, end of year	\$ 4,753,734	\$ (4,259,000)	\$ 3,336,550	\$ 2,000,000	\$ 7,768,786	\$ 13,600,070	\$ 17,718,792

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

For the year ended December 31	2019 Budget	2019 Actual	2018 Actual
Revenue			
Membership fees	\$ 7,727,600	\$ 8,127,991	\$ 7,602,656
Certification fees	1,396,800	1,378,182	1,277,167
Advertising	30,000	24,388	261,197
Subscriptions	14,100	3,074	18,209
Publications	4,100	3,705	13,772
Registration fees	348,600	4,767	258,003
Consulting fees	200	17,170	700
Grants/affinity/sponsorship	227,500	349,597	435,404
Investment income	110,000	428,189	242,732
Other income	189,200	202,090	286,422
Project funding	-	199,171	39,797
	10,048,100	10,738,324	10,436,059
Expenses			
Salaries and benefits	4,075,000	4,061,945	4,126,365
Committee meetings	237,300	255,465	185,939
Travel non-committee	325,100	241,625	242,470
Affiliation fees	524,200	477,774	500,929
Consulting fees	852,400	853,156	842,066
Translation and interpretation	98,200	44,623	29,748
Books/online databases	21,700	4,642	17,597
Printing	112,700	38,319	152,601
Publicity and promotion	361,700	94,380	141,058
General administration	390,400	221,395	423,998
Equipment	426,200	424,538	480,475
Computer services	517,100	294,871	374,267
Building/space rental	280,100	278,047	310,134
Legal, audit and insurance	131,400	122,932	94,487
Hospitality	162,900	53,992	159,084
Sundry	20,000	31,608	21,578
Contingency	-	-	1,350
Property improvements/furniture	22,500	-	12,020
Exam development and administration	1,188,700	1,325,377	667,512
Project expenses	-	199,171	39,798
	9,747,600	9,023,860	8,823,476
Excess of revenue over expenses before amortization and sale of subsidiary	300,500	1,714,464	1,612,583
Less amortization of capital assets	300,000	320,186	233,869
Add gain on sale of subsidiary	(100,000)	(100,000)	(461,555)
Excess of revenue over expenses for the year	\$ 100,500	\$ 1,494,278	\$ 1,840,269

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

For the year ended December 31	2019	2018
Cash flows from (used in) operating activities		
Excess of revenue over expenses for the year	\$ 1,494,278	\$ 1,840,269
Adjustments for non-cash items		
Amortization of capital assets	320,186	233,869
Remeasurement adjustments to pension obligation	(5,613,000)	(5,968,000)
Gain on sale of subsidiary	(100,000)	(461,555)
	<u>(3,898,536)</u>	<u>(4,355,417)</u>
Change in non-cash working capital items		
Accounts receivable	255,118	743,328
Prepaid expenses	33,113	(3,910)
Government remittances receivable	66,642	(98,732)
Project funding receivable	(107,412)	-
Accounts payable and accrued liabilities	(110,177)	604,804
Deferred revenues	79,699	(48,451)
Decrease in pension benefit assets	-	5,860,000
Increase in pension benefit obligation	4,259,000	-
Payable to related party	(99,085)	(6,375)
	<u>478,362</u>	<u>2,695,247</u>
Cash flows from (used in) investing activities		
Proceeds from sale of subsidiary	100,000	461,555
Purchase of investments	(234,971)	(2,451,025)
Purchase of capital assets	(78,162)	(399,656)
	<u>(213,133)</u>	<u>(2,389,126)</u>
Increase in cash and cash equivalents during the year	265,229	306,121
Cash and cash equivalents, beginning of year	3,652,235	3,346,114
Cash and cash equivalents, end of year	\$ 3,917,464	\$ 3,652,235

Canadian Nurses Association / Association des infirmières et infirmiers du Canada

Notes to the Financial Statements

December 31, 2019

1. Significant Accounting Policies

Purpose of the Association	Canadian Nurses Association - Association des infirmières et infirmiers du Canada is the national and global professional voice of Canadian nursing, 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 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.
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	<p><u>Measurement of financial instruments</u></p> <p>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.</p> <p>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.</p>

Canadian Nurses Association / Association des infirmières et infirmiers du Canada

Notes to the Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued)

Financial Instruments (continued)

Measurement of financial instruments (continued)

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, receivable from related party, government remittances receivable, and accounts payable and accrued liabilities.

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.

Certification fees, advertising and publications

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

Canadian Nurses Association / Association des infirmières et infirmiers du Canada

Notes to the Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued)

Revenue Recognition (continued)

Subscriptions

Subscriptions to the Canadian Nurse publication are included in CNA 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

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	30 years
Computers	2 years
Equipment	4 years
Intangible capital assets - software	2 years

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

December 31, 2019

1. Significant Accounting Policies (continued)

Capital Assets (continued) 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, CNA has two registered pension plans. The defined contribution plan was established on April 1, 2019. The defined benefit pension plan was wound-up effective March 29, 2019. The latter 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 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
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Notes to the Financial Statements**

December 31, 2019

2. Cash and Cash Equivalents

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

3. Investments

Short-term investments consist of market-linked guaranteed investment certificates and term deposits with interest rates ranging from 0.761% to 2.5% and maturing by May 2020.

Long-term investments consist of market-linked guaranteed investment certificates maturing between June 2021 and April 2023.

4. Project Funding Receivable

Restricted project funding received is recognized as revenue when related expenses are incurred. Unspent amounts for expenses to be incurred in subsequent years are recorded as deferred project funding at the end of the year. When expenses incurred are greater than the funding received during the year, the difference is recorded as project funding receivable at the end of the year. A summary of project activities for the year are as follows:

	Balance at Beginning of Year	Contributions Received	Amounts Recognized as Revenue	Balance at End of Year
Health Canada National Nursing Framework on the Legalization of Cannabis	\$ -	\$ 91,759	\$ 199,171	\$ 107,412

5. Receivable from 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 and amounts receivable from related party are for pension expenses charged 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, 2019

6. Capital Assets

	2019		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 3,180,000	\$ -	\$ 3,180,000
Building	2,017,277	605,183	1,412,094
Computers	340,000	255,000	85,000
Equipment	61,821	14,043	47,778
	5,599,098	874,226	4,724,872
Intangible capital assets - software	164,043	135,181	28,862
	\$ 5,763,141	\$ 1,009,407	\$ 4,753,734

	2018		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 3,180,000	\$ -	\$ 3,180,000
Building	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

Fully amortized assets written off during the current fiscal year amount to \$50,618 (2018 - \$507,568).

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

December 31, 2019

7. Deferred Revenues

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

	Balance at Beginning of Year	Additions During the Year	Amounts Recognized as Revenue	Balance at End of Year
Certification exam and renewal fees	\$ 82,466	\$ 1,336,895	\$ 1,378,182	\$ 41,179
Membership	204,131	332,353	308,255	228,229
Other	-	161,849	64,961	96,888
	<u>\$ 286,597</u>	<u>\$ 1,831,097</u>	<u>\$ 1,751,398</u>	<u>\$ 366,296</u>

8. 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.

9. Interfund Transfer

The board approved the interfund transfers as presented on the statement of changes in net assets.

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

December 31, 2019

10. Pension Benefits

CNA has two registered pension plans.

Defined Contribution Plan

The defined contribution pension plan, registered as Canadian Nurses Association Pension Plan (CNAPP), was established on April 1, 2019. The association's contribution to the defined contribution plan for the year was \$127,152.

Defined Benefit Plan

The defined benefit pension plan, registered as Canadian Nurses Association Retirement Plan (CNARP), was wound-up effective March 29, 2019. Participation 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 last actuarial valuation for funding purposes was as of January 1, 2017. An actuarial valuation for wind-up purposes as of March 29, 2019, was filed in September 2019. Changes in actuarial assumptions were necessary due to the wind-up and has resulted in an actuarial loss.

	2019	2018
Plan assets at fair value	\$ 36,625,000	\$ 27,694,000
Accrued benefit obligation	(40,884,000)	(27,694,000)
Funded status - deficit	\$ (4,259,000)	\$ -

	2019	2018
Change in plan assets:		
Fair value, beginning of the year	\$ 33,065,000	\$ 32,907,000
Actual return on plan assets	3,275,000	738,000
Employer contributions	1,437,000	383,000
Employees' contributions	59,000	195,000
Benefits paid	(1,211,000)	(1,158,000)
	36,625,000	33,065,000
Fair market value of plan assets	36,625,000	33,065,000
Valuation allowance	-	(5,371,000)
	\$ 36,625,000	\$ 27,694,000

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

December 31, 2019

10. Pension Benefits (continued)

Change in accrued benefit obligation:		
Balance, beginning of the year	\$ 27,694,000	\$ 27,047,000
Current service cost	83,000	275,000
Interest cost	1,231,000	1,335,000
Employees' contributions	59,000	195,000
Benefits paid	(1,211,000)	(1,158,000)
Loss on curtailments	(748,000)	-
Actuarial loss	13,776,000	-
	<hr/>	<hr/>
Balance, end of year	\$ 40,884,000	\$ 27,694,000

Actuarial Assumptions:

	<u>2019</u>	<u>2018</u>
Discount rate	3.01%	5.00%
Expected long-term rate of return on plan assets	2.90%	5.00%
Rate of compensation increase	n/a	2.00%

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.

As the association has wound-up its defined benefit plan, all assets have been moved to domestic interest-bearing investments and no longer have a risk factor for equity markets or foreign currencies.

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	16.5%
Impact of a 10% decrease in foreign currencies	No impact

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

December 31, 2019

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, 2019.

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.
