

Financial Statements of

**ASSOCIATION OF
REGISTERED NURSES OF
NEWFOUNDLAND AND
LABRADOR**

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Members of Association of Registered Nurses of Newfoundland and Labrador

We have audited the accompanying financial statements of Association of Registered Nurses of Newfoundland and Labrador, which comprise the statement of financial position as at March 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Association of Registered Nurses of Newfoundland and Labrador as at March 31, 2017, 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.

Chartered Professional Accountants

June 8, 2017

St. John's, Canada

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Statement of Financial Position


March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,292,935	\$ 3,052,718
Trade receivable	24,900	16,003
Short-term investments (note 2)	-	54,807
Prepaid expenses	38,610	16,676
	<u>3,356,445</u>	<u>3,140,204</u>
Portfolio investments (note 2)	2,500,632	2,296,020
Capital assets (note 3)	176,735	194,481
	<u>\$ 6,033,812</u>	<u>\$ 5,630,705</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 572,644	\$ 662,456
HST payable	349,086	304,341
Deferred revenue	2,459,481	2,478,535
	<u>3,381,211</u>	<u>3,445,332</u>
Accrued severance pay	104,977	81,137
	<u>3,486,188</u>	<u>3,526,469</u>
Net assets:		
Unrestricted	1,067,923	862,166
Internally restricted (note 9)		
Invested in capital assets	176,735	194,481
Legal assistance plan	89,247	98,826
Ways and means plan	88,813	81,223
Conduct review plan	280,000	200,000
Building contingency plan	810,418	647,918
TD affinity plan	34,488	19,622
	<u>2,547,624</u>	<u>2,104,236</u>
Commitments (note 7)		
	<u>\$ 6,033,812</u>	<u>\$ 5,630,705</u>

See accompanying notes to financial statements.

On behalf of the Council:

 President

 Executive Director

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenues:		
Practicing members	\$ 2,591,272	\$ 2,709,936
IEN Project	-	127,679
Registration service fees	78,040	73,850
Interest income	70,165	65,404
Canadian Nurses Association	-	50,421
Other	39,083	32,944
Non-practicing members	22,049	21,117
Dividend income	19,158	9,756
Examinations	15,375	4,500
	<u>2,835,142</u>	<u>3,095,607</u>
Expenses:		
Salaries and benefits	1,454,358	1,443,432
Affiliation fees (note 5)	359,020	537,952
Administration	192,904	156,763
Professional conduct review	152,093	154,422
Expenses of council	106,342	82,050
Registration	86,353	79,827
Communications	72,012	64,057
Amortization	30,665	31,913
Practice and policy	25,536	35,458
Other	18,191	18,759
IEN Project	-	118,584
	<u>2,497,474</u>	<u>2,723,217</u>
Excess of revenues over expenses, before other items	337,668	372,390
Other expenses (income):		
Loss on sale of investments	12,357	39,773
Unrealized (gain) loss on fair value of investments	(118,077)	123,114
	<u>(105,720)</u>	<u>162,887</u>
Excess of revenues over expenses	\$ 443,388	\$ 209,503

See accompanying notes to financial statements.

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

	Invested in Capital Assets	Legal Assistance Plan	Ways and Means Plan	Conduct Review Plan	Building Contingency Plan	TD Affinity Plan	Unrestricted	2017	2016
Balance, beginning of year	\$ 194,481	\$ 98,826	\$ 81,223	\$ 200,000	\$ 647,918	\$ 19,622	\$ 862,166	\$ 2,104,236	\$ 1,894,733
(Deficiency) excess of revenues over expenses	(30,665)	–	–	–	–	–	474,053	443,388	209,503
Capital asset purchase	12,919	–	–	–	–	–	(12,919)	–	–
Internally restricted (note 9)	–	(9,579)	7,590	80,000	162,500	14,866	(255,377)	–	–
Balance, end of year	\$ 176,735	\$ 89,247	\$ 88,813	\$ 280,000	\$ 810,418	\$ 34,488	\$ 1,067,923	\$ 2,547,624	\$ 2,104,236

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 443,388	\$ 209,503
Items not involving cash:		
Amortization	30,665	31,913
Increase in accrued severance pay	23,840	4,682
Realized loss on sale of investments	12,357	39,773
Unrealized (gain) loss on fair value of investments	(118,077)	123,114
Reinvested investment income	(25,236)	(17,129)
	<u>366,937</u>	<u>391,856</u>
Changes in non-cash operating working capital:		
Increase in trade receivable	(8,897)	(2,757)
Decrease in IEN receivable	-	36,069
(Increase) decrease in prepaid expenses	(21,934)	19,984
(Decrease) increase in accounts payable and accrued liabilities	(89,812)	173,088
Increase (decrease) in HST payable	44,745	(15,122)
(Decrease) increase in deferred revenue	(19,054)	81,167
	<u>271,985</u>	<u>684,285</u>
Investing:		
Decrease in unspent IEN contributions	-	(1,807)
Purchase of capital assets	(12,919)	(14,588)
Purchase of investments	(384,670)	(2,835,148)
Proceeds from sale of investments	365,821	881,347
	<u>(31,768)</u>	<u>(1,970,196)</u>
Increase (decrease) in cash and cash equivalents	240,217	(1,285,911)
Cash and cash equivalents, beginning of year	3,052,718	4,338,629
Cash and cash equivalents, end of year	<u>\$ 3,292,935</u>	<u>\$ 3,052,718</u>
Cash and cash equivalents consists of:		
Cash	\$ 836,926	\$ 876,379
Short-term investments	2,456,009	2,176,339
	<u>\$ 3,292,935</u>	<u>\$ 3,052,718</u>

See accompanying notes to financial statements.

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year ended March 31, 2017

Association of Registered Nurses of Newfoundland and Labrador (the "Association") operates under the authority of the Newfoundland Registered Nurses Act. The association is a not-for-profit organization, governed by an elected council (the "Council"). As a not-for-profit organization, the Association is exempt from income taxes under the Income Tax Act of Canada.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

(a) Cash and cash equivalents:

The association considers cash and cash equivalents as deposits in the bank, certificates of deposit and short-term investments with original maturities of three months or less.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method (or effective interest rate method).

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(c) Investments:

The Association's investments are comprised of short-term investments and portfolio investments. The short-term investments include Canadian dollar denominated Guaranteed Investment Certificate investments that mature within one year. The portfolio investments include Canadian and US dollar denominated fixed income and equity securities.

Short-term investments and portfolio investments are accounted for at fair value with changes in fair value recorded in the statement of operations. Fair value of short-term investments is based on cost plus accrued income. Fair value for portfolio investments is based on the latest bid prices.

(d) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Building	Straight line	2.5%
Furniture and fixtures	Declining balance	20%
Computer software	Declining balance	50%
Land improvements	Declining balance	8%

The carrying amount of an item of capital assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

(e) Severance pay:

Employees receive a severance payment of one week per year of service which vests when they reach nine years of continued service. An accrual for severance pay is recorded in the accounts for the estimated liability.

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(f) Revenue recognition:

The Association follows the deferral method of accounting for contributions. Under this method, any restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Unrestricted contributions are reported as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions that are specified to be used towards capital projects are recognized as deferred capital contributions in the period in which they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured and are amortized to income on the same basis as the related capital item.

(g) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of accrued severance pay and capital assets.

(h) Foreign currency translation:

Assets and liabilities of the Association's denominated in a foreign currency are translated at year end exchange rates. Revenue and expenses are translated at a weighted average of rates in effect during the year.

2. Investments:

	2017	2016
Short-term investments:		
Cost	\$ -	\$ 53,459
Fair market value	-	54,807
Portfolio investments:		
Cost	2,530,326	2,443,791
Fair market value	2,500,632	2,296,020

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended March 31, 2017

3. Capital assets:

			2017		2016	
	Cost	Accumulated amortization	Net book value		Net book value	
Building	\$ 441,463	\$ 333,176	\$ 108,287	\$	119,324	
Furniture and fixtures	716,415	660,298	56,117		60,658	
Computer software	75,289	66,720	8,569		10,410	
Land improvements	13,575	9,813	3,762		4,089	
	\$ 1,246,742	\$ 1,070,007	\$ 176,735	\$	194,481	

4. Accounts payable and accrued liabilities:

	2017		2016	
The Canadian Nurses Protective Society	\$	-	\$	136,545
Other trade accounts payable		65,159		35,430
Employee vacation payable		191,908		177,719
Other accrued liabilities		54,686		46,751
ARNNL Education and Trust		108,632		107,287
Government remittances		18,810		20,613
Other		51,949		46,361
Canadian Nurses Association		81,500		91,750
	\$	572,644	\$	662,456

5. Affiliation fees:

	2017		2016	
Canadian Nurses Association	\$	331,867	\$	338,463
The Canadian Nurses Protective Society		-		177,427
National Council of State Boards of Nursing		1,966		2,046
Canadian Council of Registered Nurses Regulators		22,500		20,000
Other		2,687		16
	\$	359,020	\$	537,952

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended March 31, 2017

5. Affiliation fees (continued):

The Canadian Nurses Protective Society (CNPS) provides liability protection for all nurses registered in Newfoundland and Labrador. Prior to April 1, 2015, this money was included in membership fees collected by ARNNL and was recognized as revenue. The payment to CNPS of the monies collected was paid to CNPS and recognized as an expense. Effective April 1, 2016, all CNPS fees were paid directly by members to CNPS with ARNNL no longer recognizing the revenue nor the expense.

6. Related party transactions:

The following represents significant transactions with the members of the Council of the Association, not otherwise disclosed in the financial statements. These transactions occur in the normal course of operations and are measured at the exchange amount.

	2017	2016
President honorarium	\$ 7,000	\$ 7,000
Reimbursement of travel expense for Council	7,268	9,545
	\$ 14,268	\$ 16,545

7. Commitments:

The Association has commitments with respect to office equipment leases. The amounts committed with respect to these and other leases are as follows:

2018	\$ 8,943
2019	2,344
	\$ 11,287

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended March 31, 2017

8. Employee future benefits:

The Association's full-time employees participate in a multi-employer defined benefit plan, the Public Service Pension Plan (PSPP). Sufficient information is not available to use defined benefit plan accounting, and thus defined contribution plan accounting is used. The assets of the plan are held separately from those of the Association in an independently administered fund. The plan is mandatory for employees upon the date of full-time employment with the Association. Employee and employer contributions are calculated based upon the Newfoundland and Labrador government PSPP. Contributions paid and expensed by the Association to the PSPP during the year totaled \$132,017 (2016 - \$127,438).

Employee contributions are up to 11.85% of pensionable salary, less a formulated amount representing contributions to the Canada Pension Plan (CPP). A pension benefit is available for new employees based on the number of years of pensionable service times 2% of the employee's best six years average salary, and for existing employees, based on the higher of the frozen best average five year earnings or the best average six year earnings. Both new and existing pension benefits are reduced by a formulated amount representing CPP pension benefits for each year since 1967.

The Association's part-time employee's participate in a multi-employer defined contribution plan, the Government Money Purchase Pension Plan (GMPP). The assets of the plan are also held separately from those of the Association in an independently administered fund. The plan is mandatory for all part-time employees and employer contributions are at an amount equal to 5% of the salary. Contributions paid and expensed by the Association to the GMPP during the year were \$291 (2016 - \$2,268).

The Association is required to pay accumulated sick leave to its eligible employees if they are unable to work due to illness or injury. The total accumulated leave amounts to \$307,352 at March 31, 2017 (2016 - \$314,740). Employees are not entitled to payment if they leave the employment of the Association. The accumulated sick leave is not recorded in the financial statements.

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended March 31, 2017

9. Plans:

During the period, the Council approved the following transfers to and between internally restricted funds:

	Unrestricted	Legal Assistance Plan	Ways and Means Plan	Conduct Review Plan	Building Contingency Plan	TD Affinity Plan
Allocation of fees	\$ (268,296)	\$ 6,973	\$ 6,973	\$ 80,000	\$ 162,500	\$ 16,366
Allocation of interest	-	-	617	-	-	-
Costs incurred	-	(16,552)	-	-	-	(1,500)
	\$ (268,296)	\$ (9,579)	\$ 7,590	80,000	\$ 162,500	\$ 14,866

The Association has established the following plans which accumulate funds to cover in the following areas:

Ways and Means Plan

The purpose of the Ways and Means Plan is to accumulate funds for the next Biennial Convention of the Canadian Nurses Association to be held in Newfoundland and Labrador.

Legal Assistance Plan

The Association has established a Legal Assistance Plan to help members with the professional conduct review proceedings that may take place under Section 21 of the Newfoundland Registered Nurses Act.

Conduct Review Plan

The Conduct Review Plan has been established to assist the Association to cover extraordinary legal and related costs associated with the professional conduct review process.

Building Contingency Plan

The Building Contingency Plan has been established to cover non-routine repair and maintenance costs and future replacement needs associated with the property at 55 Military Road, St. John's.

TD Affinity Plan

The TD Affinity Plan has been established to accumulate funds received from TD Insurance Meloche Monnex for the percentage of the insurance sales to members of ARNNL. The fund is built indefinitely and to be used at the discretion of the Council. An amount of \$1,500 is earmarked annually for member/public awareness initiatives

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements (continued)

Year ended March 31, 2017

10. Financial instrument risks:

The Association's policy for managing significant risks includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. Significant risks managed by the Association include liquidity, credit, and market risks.

Financial instruments consist of cash, trade receivable, short-term investments, portfolio investments, and accounts payable and accrued liabilities. The fair value of financial instruments approximate their carrying values unless otherwise noted.

(a) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to meet its contractual obligations and financial liabilities. The Association manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities.

(b) Credit risk:

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Association's credit risk is attributable to receivables and deposits held with financial institutions. The credit risk concentration with respect to accounts receivable is not significant. Financial instruments are held with major Canadian financial institutions.

(c) Market risk:

Market risk is the risk of loss associated with fluctuations in share prices of investments held in public markets. The Association's market risk is attributable to its investments. The Association manages this risk by regularly monitoring investment activities, having professional advisors manage the portfolio and diversifying its investment portfolio.