Financial Statements of

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Year ended March 31, 2019

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Association of Registered Nurses of Newfoundland and Labrador (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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
- 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.

KPMG LLP

Chartered Professional Accountants

St. John's, Canada

June 10, 2019

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 3,546,545	$ 3,532,122
Trade receivable	5,249	24,516
Prepaid expenses	18,511	11,676
	3,570,305	3,568,314
Portfolio investments (note 2)	2,601,903	2,527,914
Capital assets (note 3)	202,650	183,900
	$ 6,374,858	$ 6,280,128
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	$ 566,132	$ 569,493
HST payable	348,580	351,420
Deferred revenue	2,407,219	2,424,856
	3,321,931	3,345,769
Accrued severance pay	-	179,837
	3,321,931	3,525,606
Net assets:		
Unrestricted	1,234,170	1,121,593
Internally restricted (note 9)		
Invested in capital assets	202,649	183,900
Legal assistance plan	44,550	72,252
Ways and means plan	105,168	96,630
Conduct review plan	335,000	315,000
Building contingency plan	1,063,418	913,918
TD affinity plan	67,972	51,229
	3,052,927	2,754,522
Commitments (note 7)		
	$ 6,374,858	$ 6,280,128

See accompanying notes to financial statements.

On behalf of the Council:

Elsie Warren President

Lynn Power Executive Director

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenues:		
Practicing members	$ 2,549,443	$ 2,564,264
Interest income	74,834	71,050
Registration service fees	52,363	60,237
Other	61,884	46,838
Dividend income	31,401	29,263
Non-practicing members	22,261	21,033
Examinations	13,119	12,365
	2,805,305	2,805,050
Expenses:		
Salaries and benefits	1,436,787	1,512,339
Affiliation fees (note 5)	383,032	369,900
Administration	208,217	183,392
Professional conduct review	177,571	163,190
Expenses of council	82,416	104,050
Registration	85,309	74,447
Communications	42,185	54,321
Practice and policy	17,441	31,731
Amortization	33,471	31,314
Other	35,957	25,519
Examinations	15,125	13,754
	2,517,511	2,563,957
Excess of revenues over expenses, before other items	287,794	241,093
Other income (expenses):		
Loss on sale of investments	(12,872)	(17,818)
Unrealized gain (loss) on fair value of investments	23,483	(16,377)
	10,611	(34,195)
Excess of revenues over expenses	$ 298,405	$ 206,898

See accompanying notes to financial statements.

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	Invested in Capital Assets	Legal Assistance Plan	Ways and Means Plan	Conduct Review Plan	Building Contingency Plan	TD Affinity Plan	Unrestricted	2019	2018
Balance, beginning of year	$ 183,900	$ 72,252	$ 96,630	$ 315,000	$ 913,918	$ 51,229	$ 1,121,593	$ 2,754,522	$ 2,547,624
(Deficiency) excess of revenues over expenses	(33,471)	–	–	–	–	–	331,876	298,405	206,898
Capital asset purchase	52,220	–	–	–	–	–	(52,220)	–	–
Internally restricted (note 9)	–	(27,702)	8,538	20,000	149,500	16,743	(167,079)	–	–
Balance, end of year	$ 202,649	$ 44,550	$ 105,168	$ 335,000	$ 1,063,418	$ 67,972	$ 1,234,170	$ 3,052,927	$ 2,754,522

ASSOCIATION OF REGISTERED NURSES OF NEWFOUNDLAND AND LABRADOR

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	$ 298,405	$ 206,898
Items not involving cash:		
Amortization	33,471	31,314
Increase in accrued severance pay	-	74,860
Realized loss on sale of investments	12,872	17,818
Unrealized loss (gain) on fair value of investments	(23,483)	16,377
Reinvested investment income	(21,785)	(21,806)
	299,480	325,461
Changes in non-cash operating working capital:		
Decrease in trade receivable	19,267	384
(Increase) decrease in prepaid expenses	(6,835)	26,934
Decrease in accounts payable and accrued liabilities	(3,361)	(3,151)
(Decrease) increase in HST payable	(2,840)	2,334
Decrease in deferred revenue	(17,637)	(34,625)
(Decrease) in accrued severance pay	(179,837)	-
	108,237	317,337
Investing:		
Purchase of capital assets	(52,220)	(38,479)
Purchase of investments	(592,750)	(498,115)
Proceeds from sale of investments	551,157	458,444
	(93,813)	(78,150)
Increase in cash and cash equivalents	14,424	239,187
Cash and cash equivalents, beginning of year	3,532,122	3,292,935
Cash and cash equivalents, end of year	$ 3,546,546	$ 3,532,122
Cash and cash equivalents consists of:		
Cash	$ 960,862	$ 1,016,579
Short-term investments	2,585,683	2,515,543
	$ 3,546,545	$ 3,532,122

See accompanying notes to financial statements.

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.

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.

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. No amortization is recorded on assets under construction. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Buildings	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 received a severance payment of one week per year of service which vested when they reached one year of continued service up to March 31, 2018. An accrual for severance pay was recorded as at March 31, 2018. All severance was paid out during the year ended March 31, 2019.

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:

	2019	2018
Portfolio investments:		
Cost	$ 2,624,491	$ 2,573,985
Fair market value	2,601,903	2,527,914

3. Capital assets:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Buildings	$ 473,563	$ 355,249	$ 118,314	$ 97,251
Furniture and fixtures	762,266	691,267	70,999	75,800
Computer software	88,038	77,886	10,152	7,388
Flags and signs	530	530	-	-
Land improvements	13,575	10,390	3,185	3,461
	$ 1,337,972	$ 1,135,322	$ 202,650	$ 183,900

Included in buildings is an asset under construction of $32,100 (2018 - nil).

4. Accounts payable and accrued liabilities:

	2019	2018
Other trade accounts payable	$ 22,927	$ 17,224
Employee vacation payable	213,814	213,997
Other accrued liabilities	87,824	84,622
ARNNL Education and Trust	109,076	103,751
Government remittances	18,325	17,553
Other	27,128	48,066
Canadian Nurses Association	87,037	84,280
	$ 566,131	$ 569,493

5. Affiliation fees:

		2019		2018
Canadian Nurses Association	$	354,842	$	342,535
National Council of State Boards of Nursing		1,988		1,932
Canadian Council of Registered Nurses Regulators		25,000		25,000
Other		1,202		433
	$	383,032	$	369,900

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.

		2019		2018
President honorarium	$	10,000	$	10,000
Reimbursement of travel expense for Council		12,429		6,816
	$	22,429	$	16,816

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:

2020	$	8,720
2021		8,720
2022		8,720
2023		5,640
2024		2,000

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 $131,610 (2018 - $133,171).

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 permanent 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 $176 (2018 - $1,925).

The Association is required to pay accumulated sick leave to its grandfathered employees if they are unable to work due to illness or injury. The total accumulated leave amounts to $246,909 at March 31, 2019 (2018 - $306,149). 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.

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	$ (167,079)	$ 6,752	$ 6,752	$ 20,000	$ 149,500	$ 18,958
Allocation of interest	-	-	1,786	-	-	-
Costs incurred	-	(34,454)	-	-	-	(2,215)
	$ (167,079)	$ (27,702)	$ 8,538	20,000	$ 149,500	$ 16,743

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

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.

In the current year, a council resolution was made to wind-up this fund as of March 31, 2020. The fund will cover eligible proceedings initiated up to November 14, 2018. Any fund balance remaining after accruing for legal fees to be paid at a later date, as of March 31, 2020 will be transferred to the unrestricted fund.

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.

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

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.

11. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.