

College and Association of Registered Nurses of Alberta

Financial Statements
September 30, 2020



Independent auditor's report

To the Members of College and Association of Registered Nurses of Alberta

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of College and Association of Registered Nurses of Alberta (the Entity) as at September 30, 2020 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.

What we have audited

The Entity's financial statements comprise:

- the statement of financial position as at September 30, 2020;
- 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
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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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.

Those charged with governance are responsible for overseeing the Entity'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 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 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 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.



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.

PricewaterhouseCoopers LLP

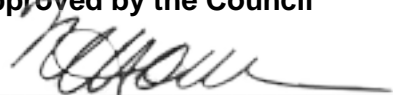

Chartered Professional Accountants

Edmonton, Alberta
December 11, 2020

College and Association of Registered Nurses of Alberta

Statement of Financial Position

As at September 30, 2020

	2020 \$	2019 \$	
Assets			
Current assets			
Cash and cash equivalents (note 3)	31,876,912	31,031,896	
Accounts receivable	51,434	62,327	
Prepaid expenses (note 4)	1,221,582	1,408,153	
Assets held for sale (note 6)	1,099,453	-	
	<u>34,249,381</u>	<u>32,502,376</u>	
Investments (note 5)	7,502,146	7,029,531	
Capital assets (note 6)	10,945,338	12,033,274	
Employee future benefits (note 7)	9,767,000	3,768,200	
	<u>62,463,865</u>	<u>55,333,381</u>	
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	1,222,061	1,025,398	
Accrued vacation and payroll related payables	774,320	670,066	
Deferred registration fee revenue	23,002,532	23,369,912	
Deferred grants	7,454	22,086	
Debt obligations (note 10)	3,025,315	2,341,099	
	<u>28,031,682</u>	<u>27,428,561</u>	
Long-term liabilities			
Debt obligations (note 10)	4,956,359	5,577,949	
Deferred contributions relating to capital assets (note 8)	3,596,638	3,641,107	
	<u>36,584,679</u>	<u>36,647,617</u>	
Net Assets			
Invested in capital assets	2,695,538	2,985,802	
Internally restricted fund (note 9)	1,000,000	-	
Unrestricted fund	22,183,648	15,699,962	
	<u>25,879,186</u>	<u>18,685,764</u>	
	<u>62,463,865</u>	<u>55,333,381</u>	
Approved by the Council			
	Member		Member

The accompanying notes are an integral part of these financial statements.

College and Association of Registered Nurses of Alberta

Statement of Operations

For the year ended September 30, 2020

	2020 \$	2019 \$ (restated – note 12)
Revenue		
Registration fees	23,804,985	22,935,155
CNA affiliate fee	(2,378,239)	(2,262,808)
CNPS fees	(1,617,051)	(1,825,160)
Investment income (note 5)	733,403	935,937
Other fees	647,041	780,456
Amortization of deferred capital contributions (note 8)	605,064	477,247
Sundry	561,253	272,465
Grants	14,632	19,414
Award gala dinner and conference	-	78,612
	<hr/> 22,371,088	<hr/> 21,411,318
Expenses (schedule)		
Corporate services	7,075,654	7,212,933
Registration and conduct	6,721,540	6,405,067
Professional practice support	2,980,870	2,871,901
Human resources and communications	1,225,755	1,827,855
Executive office	1,161,631	1,106,509
Amortization	832,702	656,798
Governance	443,459	434,304
Contribution to ARNET (note 9)	370,155	737,969
Loss on disposition of capital assets	-	2,029
	<hr/> 20,811,766	<hr/> 21,255,365
Excess of revenue over expenses for the year	<hr/> 1,559,322	<hr/> 155,953

The accompanying notes are an integral part of these financial statements.

College and Association of Registered Nurses of Alberta

Statement of Changes in Net Assets

For the year ended September 30, 2020

				2020	2019
	Invested in capital assets \$	Internally restricted fund \$	Unrestricted \$	Total \$	Total \$
Net assets – Beginning of year	2,985,802	-	15,699,962	18,685,764	17,251,211
Excess of revenue over expenses for the year	-	-	1,559,322	1,559,322	155,953
Investment in capital assets – net	(290,264)	-	290,264	-	-
Internal restriction (note 9)	-	1,000,000	(1,000,000)	-	-
Remeasurements and other items of employee future benefits	-	-	5,634,100	5,634,100	1,278,600
Net assets – End of year	2,695,538	1,000,000	22,183,648	25,879,186	18,685,764

The accompanying notes are an integral part of these financial statements.

College and Association of Registered Nurses of Alberta

Statement of Cash Flows

For the year ended September 30, 2020

	2020 \$	2019 \$ (restated – note 12)
Cash provided by (used in)		
Operating activities		
Registration fees	23,490,475	24,205,720
Investment income	489,904	590,877
Other income	1,166,317	840,324
Cash paid to suppliers and employees	(23,530,138)	(24,419,600)
Interest paid on debt obligations	(296,751)	(311,540)
	<u>1,319,807</u>	<u>905,781</u>
Investing activities		
Proceeds on sale of investments	1,951,902	3,914,616
Purchase of investments	(2,205,695)	(4,189,963)
Purchase of capital assets	(844,219)	(1,470,549)
	<u>(1,098,012)</u>	<u>(1,745,896)</u>
Financing activities		
Proceeds from debt obligations	2,857,441	1,370,546
Externally restricted contributions for purchase of capital assets (note 8)	560,595	584,975
Repayments of debt obligations	(2,794,815)	(196,115)
	<u>623,221</u>	<u>1,759,406</u>
Increase in cash and cash equivalents during the year	845,016	919,291
Cash and cash equivalents – Beginning of year	<u>31,031,896</u>	<u>30,112,605</u>
Cash and cash equivalents – End of year (note 3)	<u><u>31,876,912</u></u>	<u><u>31,031,896</u></u>

The accompanying notes are an integral part of these financial statements.

College and Association of Registered Nurses of Alberta

Notes to Financial Statements

September 30, 2020

1 Purpose of organization

College and Association of Registered Nurses of Alberta (CARNA) is responsible for protecting the public through safe, competent and ethical nursing practices. On August 19, 2020, CARNA Provincial Council voted unanimously to move to a single mandate regulatory organization with a commitment to develop and grow a new association. CARNA, incorporated under the Health Professions Act (RSA 2000), is a not-for-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). Significant accounting policies observed in the preparation of the financial statements are summarized below.

Measurement uncertainty

The precise determination of certain assets and liabilities is dependent on future events, and the preparation of financial statements for a year necessarily involves identification of assets and liabilities that are subject to estimates and approximations. Actual results could differ from those estimates. Significant estimates include providing for amortization of capital assets and employee future benefits.

Investments

CARNA's investments consist of fixed income and equity based instruments held primarily for trading purposes. The investment portfolios, managed by a third party investment manager, are subject to an investment policy set by management and reviewed by the Finance and Audit Committee. CARNA's primary investment objective is to maximize returns within a low to medium level of risk, with medium liquidity.

Investments are recorded at fair value on the latest closing bid price. This accounting treatment results in unrealized changes in the market value of the investment portfolio being reported as a component of fair value changes reported on the statement of operations. The current year includes an unrealized gain of \$203,514 (2019 – \$306,591) resulting from net unrealized portfolio gains and losses that have occurred during the year.

The purchase and sale of investments are recognized on the settlement date.

Cash and cash equivalents

Cash and cash equivalents comprise interest bearing deposits held with Canadian chartered banks and cash funds with maturities of three months or less from the date of inception.

Capital assets

Capital assets are recorded at cost less accumulated amortization and any provision for impairment. The cost of capital assets made up of significant separable component parts is allocated to the component parts when practicable and when estimates can be made of the useful lives of the separate components.

College and Association of Registered Nurses of Alberta

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September 30, 2020

Capital assets are tested for impairment when conditions indicate that a capital asset no longer contributes to CARNA's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or replacement cost. The writedowns of capital assets are recognized as expenses in the statement of operations. Writedowns are not subsequently reversed.

Amortization is provided on a straight-line basis at the following annual rates:

Buildings	3 1/3%
Building Improvement	10% – 20%
Furniture and equipment	10% – 33 1/3%

Capital assets acquired during the year are not amortized until they are placed into use. The cost and accumulated amortization for fully amortized capital assets are removed from the movement schedule (note 6), though the assets remain in use.

Employee future benefits

CARNA has a defined benefit pension plan (the plan) for all permanent employees.

CARNA recognizes its defined benefit obligation as the employees render services giving them the right to earn the pension benefit. The defined benefit obligation at the statement of financial position date is determined using the most recent actuarial valuation report prepared for funding purposes. The measurement date of the plan assets and the defined benefit obligation is CARNA's statement of financial position date.

In its year-end statement of financial position, CARNA recognizes the defined benefit obligation, less the fair value of the plan assets, adjusted for any valuation allowance in the case of a net defined benefit asset. The plan cost for the year is recognized in the statement of operations.

Remeasurements and other items comprise the aggregate of the following: the difference between the actual return on plan assets and the return calculated using the discount rate; actuarial gains and losses; the effect of any valuation in the case of a net defined benefit asset; past service costs; and gains and losses arising from settlements and curtailments. The remeasurement costs are reflected in the statement of changes in net assets.

Deferred registration fee revenue

Deferred registration fees arise from timing differences between the collection of registration fees and the practice year. The registration revenues are collected in advance for the period from October through September.

College and Association of Registered Nurses of Alberta

Notes to Financial Statements

September 30, 2020

Deferred contributions

Externally restricted contributions relating to capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. The cash is held as restricted cash until it is spent.

Externally restricted grants are deferred and recognized as revenue when the related expenses are incurred.

Revenue recognition

Revenue is recognized when received, receivable, or in the year to which it relates, if amounts can be reasonably estimated and collection is reasonably assured.

Where CARNA's role in the transaction is that of principal, revenue is recognized on a gross basis. This requires revenue to comprise the gross value of the transactions with any related expenditures charged to expenses.

Where CARNA's role in a transaction is that of an agent, revenue is recognized on a net basis with revenue representing the margin earned.

- Registration fees

Fees are set by the Governing Council of CARNA. The revenue generated on an annual basis is deferred and recognized proportionally over the fiscal year.

Canadian Nurses Protective Society (CNPS) and Canadian Nurses Association (CNA) fees are collected by CARNA through the annual registration fee process. Remittance of these fees to CNPS and CNA is based on the number of registered nurses and registered nurse practitioners (including those with temporary permits) multiplied by the applicable CNPS and CNA fee category rates. The membership numbers utilized by CARNA to determine the fees and report to CNPS and CNA directly reconcile to CARNA's underlying detailed membership records.

- Other fees

Other fees comprise the following:

- a) Application and verification fees: These fees are determined by the Chief Executive Officer of CARNA as delegated by the Governing Council. The revenue generated is recognized in the fiscal year to which it relates.
- b) Temporary, courtesy and limited permits: These fees are set by the Governing Council of CARNA. The revenue generated is recognized in the fiscal year to which it relates.

College and Association of Registered Nurses of Alberta

Notes to Financial Statements

September 30, 2020

- Investment income

Investment income includes dividends, interest income and realized and unrealized investment gains and losses. CARNA's investment income is not subject to any restrictions either internally or externally.

- Award gala dinner and conference

The fees charged are recognized as revenue in the year in which the award gala dinner and conference is presented.

- Grants

Grants are recorded when there is a reasonable assurance CARNA has complied with and will continue to comply with all the necessary conditions to obtain the grants.

- Sundry

Sundry revenue is recognized in the year in which the revenue is earned, specifically when the following conditions are met:

- services are provided or products are delivered to members;
- there is clear evidence that an arrangement exists;
- amounts are fixed or can be determined; and
- the ability to collect is reasonably assured.

Change in accounting policy

Effective October 1, 2019, CARNA adopted the following new standard of Part III of the Chartered Professional Accountants of Canada (CPA Canada) Handbook, Section 4433, Tangible Capital Assets Held by Not-for-Profit Organizations. The new accounting standard includes guidance on componentization of tangible capital assets, in which the cost of a tangible capital asset made up of significant separable component parts is allocated to the component parts when practicable and when estimates can be made of the lives of the separate components. Each component is then amortized based on the greater of cost less salvage or residual value over the useful life of the asset. The standard also requires consideration of partial impairments on tangible capital assets, not only full impairments. The standard was applied prospectively. The adoption of the new standard did not have a significant impact on CARNA's financial statements.

College and Association of Registered Nurses of Alberta

Notes to Financial Statements

September 30, 2020

3 Cash and cash equivalents

	2020 \$	2019 \$
Cash	7,635,156	2,459,047
Canadian Money Market Funds Series O through Phillips, Hager & North Investment Management. The funds' one-year gross rate of return was 1.33% from October 1, 2019 to September 30, 2020	24,241,756	28,572,849
	<u>31,876,912</u>	<u>31,031,896</u>

4 Prepaid expenses

	2020 \$	2019 \$
CNA affiliation fees	611,848	583,987
CNPS fees	348,752	493,084
Other	260,982	331,082
	<u>1,221,582</u>	<u>1,408,153</u>

5 Investments

	2020 \$	2019 \$
Fixed income measured at fair value with maturities ranging between 2021 and 2045 with a weighted average time to maturity of 9.28 years and weighted average yield to maturity of 1.59% per annum	4,913,020	4,951,817
Common equities measured at fair value	2,589,126	2,077,714
	<u>7,502,146</u>	<u>7,029,531</u>

Investments include United States dollar denominated investments and equivalents of \$1,322,413 (2019 – \$1,005,351). These assets have been translated and presented in Canadian dollars at the year-end exchange rate.

Investment income from investments and cash and cash equivalents comprises the following:

	2020 \$	2019 \$
Interest	461,028	535,866
Unrealized gain on investments	203,514	306,591
Dividends	61,052	84,040
Realized gain on investments	7,809	9,440
	<u>733,403</u>	<u>935,937</u>

College and Association of Registered Nurses of Alberta

Notes to Financial Statements

September 30, 2020

6 Capital assets

			2020	2019
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Loc. 1: 11620 – 168 St.				
Land	-	-	-	230,000
Building	-	-	-	973,250
Furniture and equipment	-	-	-	88,541
Loc. 2: 11120 – 178 St.				
Land	3,873,887	-	3,873,887	3,873,887
Building	6,254,094	378,425	5,875,669	6,057,072
Furniture and equipment	2,067,038	871,256	1,195,782	810,524
	<u>12,195,019</u>	<u>1,249,681</u>	<u>10,945,338</u>	<u>12,033,274</u>

During the year ended September 30, 2018, CARNA Provincial Council approved a motion for management to start the sale process for the 11620 – 168 St. location. Through the use of a commercial real estate firm, Location 1 was placed on the market for sale in May of 2018. As at September 30, 2020, Location 1 was reclassified as held for sale on the statement of financial position. Subsequent to year-end, CARNA signed the vendor's acceptance regarding an offer to purchase capital assets at Location 1 (note 13).

During the year ended September 30, 2020, CARNA removed fully amortized assets for Location 1 and Location 2 that were no longer in use for the total of \$145,078 and \$73,802, respectively.

7 Employee future benefits

CARNA has a defined benefit pension plan for all permanent employees. The benefits are based on years of service and the employees' final average earnings.

CARNA accrues its obligations under the employee defined benefit plan as the employees render the services necessary to earn the pension.

CARNA measures its accrued employee future benefit obligation and the fair value of plan assets using the valuation for funding as at June 30 each year. The most recent actuarial valuation of the pension plan for funding purposes was as at June 30, 2019 and the next required valuation will be as at June 30, 2022.

	2020 \$	2019 \$
Fair value of plan assets	49,975,800	46,612,500
Accrued benefit obligation	<u>(40,208,800)</u>	<u>(42,844,300)</u>
Plan surplus	<u>9,767,000</u>	<u>3,768,200</u>

The net accrued benefit asset is included in CARNA's statement of financial position.

College and Association of Registered Nurses of Alberta

Notes to Financial Statements

September 30, 2020

The significant actuarial assumptions adopted in measuring CARNA's employee future benefit determination are as follows:

	2020 %	2019 %
Discount rate	4.30	4.00
Salary increases	3.25	3.25
Inflation	2.00	2.15

Total cash payments for employee future benefits for 2020, consisting of cash contributed by CARNA to the registered pension plan, were \$2,188,500 (2019 – \$2,107,000).

8 Deferred contributions relating to capital assets

Deferred contributions relating to capital assets represent externally restricted contributions collected from the members of CARNA for the purpose of capital acquisitions as approved by the Governing Council. As at September 30, 2020, \$2,237,867 (2019 – \$2,521,491) of the funds had not been expended. The change in the deferred capital contribution balance is as follows:

	2020 \$	2019 \$
Balance – Beginning of year	3,641,107	3,533,379
Contributions received	560,595	584,975
Amounts amortized to revenue	(605,064)	(477,247)
	<u>3,596,638</u>	<u>3,641,107</u>

9 Restriction on net assets

	2020	2019
	Seed funding \$	Total \$
Balance – Beginning of year	-	387,332
Removal of internal restriction	-	(387,332)
Internal restriction	1,000,000	-
	<u>1,000,000</u>	<u>-</u>
Balance – End of year	1,000,000	-

College and Association of Registered Nurses of Alberta

Notes to Financial Statements

September 30, 2020

During the year, CARNA Provincial Council approved to move to a single mandate regulatory organization with a commitment to develop and grow a new association. In support of this mandate, CARNA Provincial Council approved the internal restriction of \$1,000,000 to be used towards the establishment of a new association external to CARNA.

In the prior year, CARNA Provincial Council approved the removal of the internal restriction related to net assets for nursing research. Subsequent to this approval, these funds were provided to Alberta Registered Nurses Educational Trust and, as such, have been included as an expense in the statement of operations.

10 Debt obligations

	2020 \$	2019 \$
Debt obligation under fixed rate loan – facility 1	2,725,225	2,847,250
Debt obligation under fixed rate loan – facility 2	2,852,729	2,929,239
Debt obligation under non-revolving term loan	-	2,142,559
Debt obligation under non-revolving term facility – facility 3	2,403,720	-
	<hr/>	<hr/>
	7,981,674	7,919,048
Less: Current portion	3,025,315	2,341,099
	<hr/>	<hr/>
	4,956,359	5,577,949

The debt obligations are secured by a general security agreement constituting a first ranking security interest in all personal property of CARNA; a collateral mortgage in the amount borrowed including an assignment of rents, constituting a first fixed charge on the lands and improvements located at 11120 – 178 St., Edmonton, Alberta (the 178 Street Property); and a certificate of insurance evidencing fire and other perils coverage on the 178 Street Property, showing the Bank as first mortgage.

As at September 30, 2020, CARNA was in compliance with all of the covenants required under these debt obligations.

Debt obligation under a fixed rate loan – facility 1

In the prior year, CARNA entered into an amended loan agreement with RBC transitioning the former variable rate loan into a fixed rate loan effective January 3, 2019. Under the amended agreement, the loan has a two-year term at 4.25% per annum. The loan is repayable in monthly principal payments of \$10,169. The loan is being amortized over the remaining 23 years with the loan fully repayable on January 3, 2021.

The principal repayment required under the fixed rate loan – facility 1 under the current obligation terms is as follows:

	\$
2021	2,725,225

College and Association of Registered Nurses of Alberta

Notes to Financial Statements

September 30, 2020

Debt obligation under a fixed rate loan – facility 2

In 2018, CARNA entered into a fixed rate loan from RBC for a five-year term at 4.10% per annum, repayable in monthly blended payments of \$16,292. The loan was being amortized over 25 years with its first renewal date on January 3, 2023.

Principal repayments required under the fixed rate loan – facility 2 under the current obligation terms are as follows:

	\$
2021	80,043
2022	83,387
2023	<u>2,689,299</u>
	<u>2,852,729</u>

Debt obligation under a non-revolving term facility – facility 3

In 2019, CARNA had a non-revolving term loan facility with RBC. As at September 30, 2019, CARNA had drawn \$2,142,559 at the bank's prime rate of 3.95% of an interest-only term loan with a limit of \$2,500,000.

As at April 29, 2020, the outstanding loan balance of \$2,500,000 was consolidated into a non-revolving term facility for a two-year term at 3.2% per annum, repayable in monthly blended payments of \$24,480 with a due date of May 29, 2022.

Principal repayments required under the non-revolving term facility – facility 3 under the current obligation terms are as follows:

	\$
2021	220,047
2022	<u>2,183,673</u>
	<u>2,403,720</u>

Interest expense related to the debt obligations was \$296,751 (2019 – \$311,540) and was recorded in corporate services expense on the statement of operations.

11 Financial instruments

CARNA's financial instruments include cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and debt obligations. Cash and cash equivalents and accounts receivable are classified as loans and receivables and are accounted for at amortized cost using the effective interest rate method. Loans and receivables are initially recorded at fair value. Accounts payable and accrued liabilities and debt obligations are classified as other liabilities and are accounted for at amortized cost using the effective interest rate method. Financial liabilities are initially recorded at fair value.

College and Association of Registered Nurses of Alberta

Notes to Financial Statements

September 30, 2020

The fair value of financial instruments approximates their carrying amounts due to the short-term maturity of these instruments.

CARNA is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks as at September 30, 2020.

Credit risk

Credit risk refers to the risk a counterparty may default on its contractual obligations resulting in a financial loss. CARNA's investment in bonds and interest accrued thereon is primarily with federal and provincial governments with a portion allocated to investment grade corporate bonds concentrated in Canada. Accounts receivable are of a short-term nature and no individual account receivable is significant to CARNA's financial position.

A portion of the assets held in the pension plan is exposed to credit risk, similar to the risks on CARNA's bond portfolio. In the event of loss in the pension plan, CARNA would be obligated to fund any deficiency that may arise. The investment fund invests in a mix of government and investment grade corporate bonds.

Cash and cash equivalents and term deposits are maintained with a Schedule I financial institution. There has been no change to credit risk from the prior year.

Market and other price risk

CARNA's equity interests are primarily focused on the Canadian public market and are subject to fluctuations due to changes in market prices of individual securities, general market and industry trends, changes in interest rates, creditworthiness and foreign exchange rates. CARNA is also exposed to interest rate risk through its holdings of bonds and variable rate debt obligations. Market and other price risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. All investments are of large market entities regularly traded on the exchanges.

A portion of the assets held in the pension plan is exposed to market and other price risk, similar to the risks on CARNA's investment portfolio. In the event of loss in the pension plan, CARNA would be obligated to fund any deficiency that may arise. The investment fund invests in a mix of large market entities or funds regularly traded on the exchanges.

In March 2020, the outbreak of COVID-19 caused by a novel strain of coronavirus was recognized as a pandemic by the World Health Organization. COVID-19 has introduced uncertainty and volatility in global markets and economies. The length and extent of the impact of the virus on the fair value of the investments will depend on future developments, which cannot be predicted at this time.

College and Association of Registered Nurses of Alberta

Notes to Financial Statements

September 30, 2020

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Management monitors cash flow to ensure it is able to pay debt obligations and liabilities as they come due. Refer to note 10 for further details on aggregate minimum payments. The investments may create liquidity risk if CARNA is required to sell at a time when the market for the investments is unfavourable.

These risks have been updated to reflect the impact of debt obligations drawn during the year.

Currency risk

Currency risk is the risk to CARNA's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of those exchange rates. CARNA does not use derivative instruments to reduce its exposure associated with foreign currency risk.

12 Comparative figures

Certain comparative amounts have been reclassified to conform to the current year presentation, including the following:

- externally restricted contributions collected from the members of CARNA for the purpose of capital acquisitions have been reclassified from operating activities to financing activities on the statement of cash flows; and
- expenditures on the statement of operations.

13 Subsequent event

On October 13, 2020, CARNA signed the vendor's acceptance regarding an offer to purchase all of the assets at Location 1 including land, building and furniture and equipment for a total purchase price of \$4,650,000. CARNA received in trust an initial deposit of \$50,000 on October 16, 2020 and a second deposit of \$200,000 on November 16, 2020. On November 13, 2020, the purchaser notified CARNA in writing that the purchaser's due diligence conditions precedent have been removed. Closing is scheduled to occur in December 2020.

College and Association of Registered Nurses of Alberta

Schedule of Expenses

For the year ended September 30, 2020

	2020 \$	2019 \$ (restated – note 12)
Corporate services		
Operations		
Staff costs	2,161,932	2,492,381
Administration	1,831,568	1,648,337
Facilities and equipment costs	1,398,951	1,500,004
Applications and data management		
Computer consulting, software and licensing	433,705	650,953
Business process improvement		
Staff costs	776,393	473,930
Information management		
Staff costs	366,743	343,242
Library and records	86,017	83,294
Record retention and destruction	20,345	20,792
	<u>7,075,654</u>	<u>7,212,933</u>
Registration and conduct		
Registration services		
Staff costs	2,380,726	2,187,945
Legal fees and support	82,948	243,634
Registration resources and operations		
Regulatory committees	69,584	143,765
Legal fees and support	82,626	28,855
Annual registration renewal process	55,156	63,313
NP exam and NP SEC assessment	-	11,421
Professional conduct and complaints		
Staff and contracted investigation costs	3,247,617	3,016,915
Regulatory committees	107,166	208,680
Legal fees and support	695,717	500,539
	<u>6,721,540</u>	<u>6,405,067</u>
Professional practice support		
Regulatory and competence		
Staff costs	1,965,471	1,820,833
Regulatory committee	51,919	61,321
Professional development and knowledge		
Staff costs	578,815	506,323
Resources and support	6,666	2,034
Practice support		
Staff costs	326,988	451,118
Legal fees and support	749	2,678
Continuing competence program	45,609	-
External relations	4,653	27,594
	<u>2,980,870</u>	<u>2,871,901</u>

College and Association of Registered Nurses of Alberta

Schedule of Expenses...*continued*

For the year ended September 30, 2020

	2020 \$	2019 \$ (restated – note 12)
Human resources and communications		
Human resources		
Staff costs	487,449	722,166
Legal fees and support	10,134	160,964
Communications		
Staff costs	404,072	453,493
External communications	314,033	412,153
Member events	10,067	79,079
	<hr/> 1,225,755	<hr/> 1,827,855
Executive office		
Staff costs	978,708	995,363
External relations	56,134	55,022
Public and government relations	112,157	36,710
Grant related costs	14,632	19,414
	<hr/> 1,161,631	<hr/> 1,106,509
Governance		
Provincial council and committee costs	431,084	371,330
Annual general meeting	12,375	51,939
Elections	-	11,035
	<hr/> 443,459	<hr/> 434,304