

**ASSOCIATION OF REGISTERED  
NURSES OF BRITISH COLUMBIA**

**Financial Statements  
December 31, 2017**

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## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF ASSOCIATION OF REGISTERED NURSES OF BRITISH COLUMBIA

#### Report on the Financial Statements

We have audited the accompanying financial statements of Association of Registered Nurses of British Columbia, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 the auditors' 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, the auditor considers 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 British Columbia as at December 31, 2017, 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.

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**Report on Other Legal and Regulatory Requirements**

As required by the *Societies Act* (British Columbia), we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
June 14, 2018

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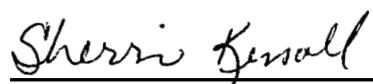
**ASSOCIATION OF REGISTERED NURSES OF BRITISH COLUMBIA**  
**Statement of Financial Position**  
**December 31**

|   | 2017         | 2016       |
|---|--------------|------------|
| <b>Assets</b>                                     |              |            |
| <b>Current</b>                                    |              |            |
| Cash  | \$ 965,132   | \$ 236,927 |
| Term deposits                                     | 288,193      | 388,193    |
| Accounts receivable                               | 29,504       | 6,816      |
| Prepaid expenses                                  | 14,805       | 18,816     |
|   | 1,297,634    | 650,752    |
| <b>Capital Assets</b> (note 4)                    | 23,651       | 39,457     |
|   | \$ 1,321,285 | \$ 690,209 |
| <b>Liabilities</b>                                |              |            |
| <b>Current</b>                                    |              |            |
| Accounts payable and accrued liabilities (note 7) | \$ 70,002    | \$ 77,167  |
| Due to Canadian Nurses Association (note 5)       | 201,758      | 81,757     |
| Deferred revenue (note 6)                         | 416,116      | 348,508    |
|   | 687,876      | 507,432    |
| <b>Net Assets</b>                                 |              |            |
| <b>Unrestricted</b>                               | 259,758      | 143,320    |
| <b>Legal Defense Reserve</b>                      | 250,000      | 0          |
| <b>Professional Development Reserve</b>           | 100,000      | 0          |
| <b>Invested in Capital Assets</b>                 | 23,651       | 39,457     |
|   | 633,409      | 182,777    |
|   | \$ 1,321,285 | \$ 690,209 |

Commitment and Contingencies  
(notes 8 and 9)

Approved by the Board:

 Director

 Director

**ASSOCIATION OF REGISTERED NURSES OF BRITISH COLUMBIA**  
**Statement of Operations**  
**Year Ended December 31**

|   | <b>2017</b>       | <b>2016</b>       |
|---|-------------------|-------------------|
| <b>Revenues</b>                         |                   |                   |
| Membership dues                         | \$ 2,068,283      | \$ 1,522,731      |
| Insurance management fees               | 100,000           | 98,333            |
| Sponsorship and other                   | 60,588            | 136,506           |
| Rental and administration               | 20,800            | 10,612            |
| Interest                                | 7,386             | 8,982             |
|   | <b>2,257,057</b>  | <b>1,777,164</b>  |
| <b>Expenses</b>                         |                   |                   |
| Staffing                                | 723,451           | 589,178           |
| Occupancy                               | 194,285           | 203,559           |
| Engagement                              | 166,473           | 193,214           |
| Communications                          | 124,760           | 85,917            |
| Office (note 4)                         | 90,391            | 110,313           |
| Governance                              | 89,442            | 47,681            |
| Insurance, litigation and legal support | 84,934            | 99,941            |
| Professional practice support           | 60,293            | 25,655            |
| Human resources                         | 50,903            | 8,471             |
| Annual General Meeting                  | 46,073            | 33,259            |
| National and international relations    | 42,042            | 51,675            |
| Awards                                  | 38,214            | 47,290            |
| BCCNA expenses paid                     | 37,213            | 0                 |
| Information systems                     | 35,833            | 22,710            |
| Financial administration                | 18,884            | 16,785            |
| Government relations                    | 3,234             | 6,551             |
|   | <b>1,806,425</b>  | <b>1,542,199</b>  |
| <b>Excess of Revenues over Expenses</b> | <b>\$ 450,632</b> | <b>\$ 234,965</b> |

**ASSOCIATION OF REGISTERED NURSES OF BRITISH COLUMBIA**  
**Statement of Changes in Net Assets**  
**Year Ended December 31**

|   | Unrestricted | Legal Defense Reserve | Professional Development Reserve | Invested in Capital Assets | 2017       | 2016        |
|---|--------------|-----------------------|----------------------------------|----------------------------|------------|-------------|
| <b>Balance, Beginning of Year</b>         | \$ 143,320   | \$ 0                  | \$ 0                             | \$ 39,457                  | \$ 182,777 | \$ (52,188) |
| Excess of revenues over expenses for year | 450,632      | 0                     | 0                                | 0                          | 450,632    | 234,965     |
| Internal restrictions                     | (350,000)    | 250,000               | 100,000                          | 0                          | 0          | 0           |
| Capital asset additions                   | (2,887)      | 0                     | 0                                | 2,887                      | 0          | 0           |
| Amortization of capital assets            | 18,693       | 0                     | 0                                | (18,693)                   | 0          | 0           |
|   | 116,438      | 250,000               | 100,000                          | (15,806)                   | 450,632    | 234,965     |
| <b>Balance, End of Year</b>               | \$ 259,758   | \$ 250,000            | \$ 100,000                       | \$ 23,651                  | \$ 633,409 | \$ 182,777  |

**ASSOCIATION OF REGISTERED NURSES OF BRITISH COLUMBIA**  
**Statement of Cash Flows**  
**Year Ended December 31**

|  | <b>2017</b>         | <b>2016</b>       |
|--|---------------------|-------------------|
| <b>Operating Activities</b>  |                     |                   |
| Excess of revenues over expenses   | \$ 450,632          | \$ 234,965        |
| Item not involving cash  |                     |                   |
| Amortization   | 18,693              | 15,583            |
|  | <b>469,325</b>      | <b>250,548</b>    |
| Changes in non-cash working capital  |                     |                   |
| Accounts receivable  | (22,688)            | 1,151             |
| Prepaid expenses   | 4,011               | (4,865)           |
| Accounts payable, accrued liabilities and due to Canadian Nurses Association | 112,836             | 17,903            |
| Deferred revenue   | 67,608              | 118,257           |
|  | <b>161,767</b>      | <b>132,446</b>    |
| <b>Cash Provided by Operating Activities</b>                                 | <b>631,092</b>      | <b>382,994</b>    |
| <b>Investing Activity</b>  |                     |                   |
| Purchase of capital assets   | (2,887)             | (26,123)          |
| <b>Inflow of Cash</b>  | <b>628,205</b>      | <b>356,871</b>    |
| <b>Cash, Beginning of Year</b>   | <b>625,120</b>      | <b>268,249</b>    |
| <b>Cash, End of Year</b>   | <b>\$ 1,253,325</b> | <b>\$ 625,120</b> |
| <b>Represented by:</b>   |                     |                   |
| Cash   | \$ 965,132          | \$ 236,927        |
| Term deposits  | 288,193             | 388,193           |
|  | <b>\$ 1,253,325</b> | <b>\$ 625,120</b> |

**ASSOCIATION OF REGISTERED NURSES OF BRITISH COLUMBIA**  
**Notes to Financial Statements**  
**Year Ended December 31, 2017**

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**1. OPERATIONS**

The Association of Registered Nurses of British Columbia (the "Association" or "ARNBC") is a not-for-profit organization representing registered nurses and nurse practitioners in British Columbia. The Association was incorporated under the *Society Act* (British Columbia) in July 2010. The Association was launched in May 2010 and began collecting membership dues in January 2015.

The Association is exempt from income tax under section 149(1)(l) of the *Income Tax Act*.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Association were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies.

(a) Net assets

(i) Unrestricted funds

The unrestricted fund reports the general operations of the Association, including general revenue, general operating expenditures, and all assets and liabilities relating to operations.

(ii) Legal defense reserve

The legal defense reserve represents an internally restricted fund to cover any litigation expenses related to the contingent liabilities disclosed in note 9.

(iii) Professional development reserve

The professional development reserve represents an internally restricted fund to support the cost of members' professional development.

(iv) Invested in capital assets

Net assets invested in capital assets reports the assets and transactions related to the Association's capital assets.

(b) Revenue recognition

Membership dues and insurance management fees are recognized as revenue in the fiscal year to which they relate. Fees received in advance have been recorded as deferred revenue. Membership dues are collected for the period March to February each year.

Rental revenue, sponsorship and other revenue are recognized in the period in which they are earned.

Interest income is recognized as it is earned in accordance with the terms of the instrument.

**ASSOCIATION OF REGISTERED NURSES OF BRITISH COLUMBIA**  
**Notes to Financial Statements**  
**Year Ended December 31, 2017**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(c) Amortization

Property and equipment are amortized using the straight-line method at the following annual rates:

|                         |           |
|-------------------------|-----------|
| Furniture and equipment | - 5 years |
| Computer equipment      | - 3 years |

Additions during the year are amortized at one-half the annual rates.

(d) Impairment of long-lived assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(e) Use of estimates

The preparation of these financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the useful lives of capital assets, accrued liabilities, deferred revenue and contingent liabilities. While management believes these estimates are reasonable, actual results could differ from the estimates and could impact future results of operations and cash flows.

**3. FINANCIAL INSTRUMENTS**

(a) Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities.

The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. Cash flow from operations is budgeted to provide satisfactory resources to meet the Association's cash requirements.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Association is exposed to credit risk with respect to its cash and term deposits. The Association has mitigated this risk by holding these instruments with a major financial institution.

The Association is not exposed to significant credit risk with respect to its accounts receivable.

**ASSOCIATION OF REGISTERED NURSES OF BRITISH COLUMBIA**  
**Notes to Financial Statements**  
**Year Ended December 31, 2017**

**3. FINANCIAL INSTRUMENTS (Continued)**

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Association is not exposed to significant interest rate risk due to the short-term maturity of its financial assets and liabilities.

**4. CAPITAL ASSETS**

|                         | Cost      | Accumulated<br>Amortization | 2017      | 2016      |
|-------------------------|-----------|-----------------------------|-----------|-----------|
| Furniture and equipment | \$ 48,271 | \$ 24,620                   | \$ 23,651 | \$ 33,305 |
| Computer equipment      | 28,758    | 28,758                      | 0         | 6,152     |
|                         | \$ 77,029 | \$ 53,378                   | \$ 23,651 | \$ 39,457 |

Included in office expense is amortization of \$18,693 (2016 - \$15,583).

**5. DUE TO CANADIAN NURSES ASSOCIATION**

The amount due to the Canadian Nurses Association represents fees collected on behalf of the Canadian Nurses Association. These amounts are unsecured and non-interest-bearing.

**6. DEFERRED REVENUE**

|                  | Balance,<br>December 31,<br>2016 | Deposits<br>Received | Recognized<br>as Revenue | Balance,<br>December 31,<br>2017 |
|------------------|----------------------------------|----------------------|--------------------------|----------------------------------|
| Deferred revenue | \$ 348,508                       | \$ 2,203,730         | \$ 2,136,122             | \$ 416,116                       |

**7. GOVERNMENT REMITTANCES**

Included in accounts payable and accrued liabilities are government remittances payable of \$15,585 (2016 - \$11,993).

**8. COMMITMENT**

The Association is committed to payments for premises under a lease expiring in 2020 as follows:

|      |            |
|------|------------|
| 2018 | \$ 204,498 |
| 2019 | 204,498    |
| 2020 | 17,042     |
|      | \$ 426,038 |

**ASSOCIATION OF REGISTERED NURSES OF BRITISH COLUMBIA**  
**Notes to Financial Statements**  
**Year Ended December 31, 2017**

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**9. CONTINGENCIES**

In 2013, the British Columbia Nurses' Union initiated a civil claim against the Association challenging the College of Registered Nurses of British Columbia's ("CRNBC") authority to have made a \$1,500,000 grant to the Association. This matter is ongoing and the eventual outcome and an estimate of loss, if any, is not determinable.

In 2015, the Association received a petition from Michelle Sordal and Liz Ilczasyn, both members, alleging ARNBC acted contrary to its bylaws. This matter is at an early stage of what may be a long process. The eventual outcome and an estimate of loss, if any, is not determinable.

In April 2017, the Association received a petition from Michelle Sordal, a member, alleging ARNBC did not have legal authority to collect member dues in 2015, 2016 and 2017, and challenging the legal authority of the fee collection agreement with CRNBC. This most recent legal action is at the beginning of what is expected to be a long process and the outcome or an estimate of loss, if any, is not determinable.

While the ARNBC recognizes the rights of individual nurses to follow their conscience and seek legal remedies when necessary, the Association believes that all three current lawsuits reflect the intentions of a much larger organized effort by British Columbia Nurses' Union to discredit the ARNBC with the pursuit of these actions.

**10. REMUNERATION OF DIRECTORS, EMPLOYEES AND CONTRACTORS**

During the year, the Association paid four (2016: two) employees and a contractor earning in excess of \$75,000 per annum, total remuneration of \$374,929 (2016 - \$283,333). The Society does not provide remuneration to its Board of Directors.