

COLLEGE OF REGISTERED NURSES OF MANITOBA
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

**COLLEGE OF REGISTERED NURSES OF MANITOBA
FINANCIAL STATEMENTS
DECEMBER 31, 2023
INDEX**

	Page
INDEPENDENT AUDITOR'S REPORT	2 - 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Financial Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 14

INDEPENDENT AUDITOR'S REPORT

To Council of the College of Registered Nurses of Manitoba:

Opinion

We have audited the financial statements of the College of Registered Nurses of Manitoba (the "College"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, changes in net assets, and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as at December 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the College'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 College or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 College'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 College'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 College 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.

**Winnipeg, Manitoba
March 7, 2024**

Fort Group

**CHARTERED PROFESSIONAL
ACCOUNTANTS INC.**

**COLLEGE OF REGISTERED NURSES OF MANITOBA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 949,183	577,701
Restricted cash (Note 4)	-	137,340
Investments (Note 5)	13,191,202	11,695,743
Accrued interest receivable	134,667	32,254
Current portion of loan receivable (Note 6)	50,000	50,000
Prepaid expenses	<u>45,816</u>	<u>93,592</u>
	14,370,868	12,586,630
LOAN RECEIVABLE (Note 6)	292,491	327,116
PROPERTY AND EQUIPMENT (Note 7)	125,697	156,560
INTANGIBLE ASSETS (Note 8)	65,383	126,379
ASSETS FOR IMPLEMENTATION OF SOFTWARE SERVICES (Note 9)	<u>361,613</u>	<u>-</u>
	<u>\$ 15,216,052</u>	<u>13,196,685</u>
LIABILITIES		
CURRENT LIABILITIES		
Payables and accruals (Note 11)	\$ 558,005	452,551
Deferred revenue from registration and other	7,287,367	6,456,109
Funds held in trust (Note 4)	<u>-</u>	<u>137,340</u>
	7,845,372	7,046,000
PRE-RETIREMENT LEAVE LIABILITY (Note 12)	<u>313,988</u>	<u>310,658</u>
	<u>8,159,360</u>	<u>7,356,658</u>
NET ASSETS		
Invested in property and equipment, intangible assets and software services	552,693	282,939
Unrestricted	2,496,027	1,345,697
Internally restricted (Note 15)		
Capital Reserve	2,327,743	2,598,706
Legal and Sustainability Fund	<u>1,680,229</u>	<u>1,612,685</u>
	<u>7,056,692</u>	<u>5,840,027</u>
	<u>\$ 15,216,052</u>	<u>13,196,685</u>

APPROVED ON BEHALF OF COUNCIL:

Noah Gatzke
Chair

Deb Elias
Chief Executive Officer/Registrar

**COLLEGE OF REGISTERED NURSES OF MANITOBA
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>
REVENUE		
Registration and application fees	\$ 7,195,418	6,635,647
Interest income	238,284	102,391
Administrative fees and other	157,375	131,055
Examination	<u>116,610</u>	<u>118,755</u>
	<u>7,707,687</u>	<u>6,987,848</u>
 EXPENSES		
Administration	1,379,905	1,515,753
Building operations	501,705	496,917
Communication	427,065	392,593
Council	172,587	160,439
Financial services	451,943	502,620
Information technology	514,447	549,473
Office services	139,796	149,156
Practice	1,017,547	1,075,448
Professional conduct	1,141,837	1,139,642
Registration	<u>787,467</u>	<u>728,011</u>
	<u>6,534,299</u>	<u>6,710,052</u>
 EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS AND AMORTIZATION	 <u>1,173,388</u>	 <u>277,796</u>
 OTHER ITEMS		
Levies (Note 15)	(11)	281,782
Interest income on levies (Note 15)	177,237	88,118
Gain (loss) on disposal of property and equipment	<u>(4,441)</u>	<u>21</u>
	<u>172,785</u>	<u>369,921</u>
 AMORTIZATION		
Amortization of property and equipment	47,672	51,574
Amortization of intangible assets	62,804	62,023
Amortization of assets for implementation of software services	<u>19,032</u>	<u>-</u>
	<u>129,508</u>	<u>113,597</u>
 EXCESS OF REVENUE OVER EXPENSES	 <u>\$ 1,216,665</u>	 <u>\$ 534,120</u>

**COLLEGE OF REGISTERED NURSES OF MANITOBA
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023**

	INVESTED IN PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS AND SOFTWARE SERVICES	UNRESTRICTED	INTERNALLY RESTRICTED (Note 15)		2023	2022
			CAPITAL RESERVE	LEGAL AND SUSTAINABILITY FUND		
NET ASSETS, BEGINNING OF YEAR	\$ 282,939	1,345,697	2,598,706	1,612,685	5,840,027	5,305,907
Excess (deficiency) of revenue over expenses	(133,949)	1,173,388	109,682	67,544	1,216,665	534,120
Property and equipment acquired (\$63,152 in 2022)	21,250	(21,250)	-	-	-	-
Intangible assets acquired (\$59,753 in 2022)	6,750	(6,750)	-	-	-	-
Intangible assets disposed of (\$nil in 2022)	(4,942)	4,942	-	-	-	-
Assets for implementation of software services (\$nil in 2022)	<u>380,645</u>	<u>-</u>	<u>(380,645)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 552,693</u>	<u>2,496,027</u>	<u>2,327,743</u>	<u>1,680,229</u>	<u>7,056,692</u>	<u>5,840,027</u>

**COLLEGE OF REGISTERED NURSES OF MANITOBA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 1,216,665	534,120
Add non-cash item(s):		
Amortization of property and equipment	47,672	51,574
Amortization of intangible assets	62,804	62,023
Amortization of assets for implementation of software services	19,032	-
Amortization of loan discount	(15,374)	(16,929)
Loss (gain) on disposal of tangible capital assets	4,441	(21)
Loss on disposal of intangible capital assets	4,942	-
Pre-retirement leave liability	<u>3,330</u>	<u>82,313</u>
	1,343,512	713,080
Change in non-cash working capital:		
Accrued interest receivable	(102,413)	(32,254)
Prepaid expenses	47,776	105
Payables and accruals	105,454	55,216
Deferred revenue from registration and other	831,258	257,672
Deferred revenue from levies	<u>-</u>	<u>(273,420)</u>
	<u>2,225,587</u>	<u>720,399</u>
INVESTING ACTIVITIES		
Investment acquisitions, net of dispositions	(1,495,460)	(1,000,442)
Property and equipment acquisitions	(21,250)	(63,152)
Intangible asset acquisitions	(6,750)	(59,753)
Assets for implementation of software services acquisitions	<u>(380,645)</u>	<u>-</u>
	<u>(1,904,105)</u>	<u>(1,123,347)</u>
FINANCING ACTIVITIES		
Principal payments received on loan receivable	50,000	50,000
Funds held in trust received (repaid)	<u>(137,340)</u>	<u>83,337</u>
	<u>(87,340)</u>	<u>133,337</u>
CHANGE IN CASH AND CASH EQUIVALENTS	234,142	(269,611)
CASH, BEGINNING OF YEAR	<u>715,041</u>	<u>984,652</u>
CASH, END OF YEAR	<u>\$ 949,183</u>	<u>715,041</u>
COMPOSED OF:		
Cash and cash equivalents	\$ 949,183	577,701
Restricted cash	<u>-</u>	<u>137,340</u>
	<u>\$ 949,183</u>	<u>715,041</u>

**COLLEGE OF REGISTERED NURSES OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

1. ACCOUNTING ENTITY

The College of Registered Nurses of Manitoba (the "College") has as its mission to protect the public through quality registered nursing regulation. The Registered Nurses Act and Regulations of the Province of Manitoba set out the College's responsibilities until May 31, 2018 when it became governed under the Regulated Health Professions Act and the Practice of Registered Nursing Regulation.

The College is a not-for-profit organization exempt from taxes under the Income Tax Act.

2. ADOPTION OF ACCOUNTING POLICY - ACG-20, CUSTOMER'S ACCOUNTING FOR CLOUD COMPUTING ARRANGEMENTS

On January 1, 2023, the College early adopted the new guideline AcG-20, Customer's Accounting for Cloud Computing Arrangements, which provides guidance on the customer's accounting for expenditures related to a cloud accounting arrangement and determining whether a software intangible asset exists in the arrangement.

Previous to the new guideline, the College would allocate the consideration of the arrangement to all of the significant separable elements and determine whether the software element in the arrangement met the definition of an intangible asset and the recognition criteria of an intangible asset.

The new guideline requires that a software element in a cloud computing arrangement is recognized as a software intangible asset if it meets the definition of an intangible asset and the recognition criteria in accordance with *Section 3064 Goodwill and Intangible Assets* in the CPA Canada Handbook - Accounting. If the definition of the intangible asset is not met, the College has the choice to capitalize expenditures on implementation activities that are directly attributable to preparing the software intangible asset for its intended use or to use the simplification approach, and expense the expenditures related to the elements in a cloud computing arrangement. The College has chosen to capitalize implementation activities as outlines in note 3(e).

The College has applied this standard retrospectively though there was no impact, as of January 1, 2022, in accordance with the transitional provision permitted under AcG-20.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

An underlying assumption of the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

(a) Revenue Recognition

The College follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectible is reasonably assured.

Registration and application fees and levies revenue are recognized as revenue in the period that corresponds to the registration year to which they relate.

Examination fees received are recognized as revenue in the year the applicant completes the exam.

**COLLEGE OF REGISTERED NURSES OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Revenue Recognition (Continued)

Interest income is recognized as revenue in the year to which it relates and includes interest earned on investments.

Administrative fees and other is recognized as revenue in the year to which it relates and includes administration fees, bank fees, and certification fees.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances, and credit card and debit card settlements due to the College.

(c) Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is recorded beginning in the later of the month of acquisition or when the asset is available for use. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20% to 33% declining balance basis
Furniture	20% declining basis
Leasehold improvements	10 years straight-line basis over the term of the lease plus one renewal period of 5 years

(d) Intangible Assets

Intangible assets consist of computer software and software under development. Intangible assets are stated at cost less accumulated amortization. Amortization is recorded beginning in the later of the month of acquisition or when the asset is available for use. Amortization based on estimated useful life of the asset is calculated on a straight-line basis over a 3 or 5-year period. Intangible assets under development are not amortized until completed and operational.

(e) Customers Accounting for Cloud Computing Arrangements

At the inception of a cloud computing arrangement with a supplier, the College allocates consideration to all significant separable elements. The College then capitalizes expenditures related to the implementation activities directly attributable to preparing the membership database for its intended use, as these expenditures meet the definition of an asset as a software service. The amounts capitalized are disclosed in Note 9. When management observes conditions that indicate impairment has occurred, a write-down occurs.

The College has expensed research, training, and other activity expenses that were incurred as part of the new membership database but were not directly attributable to the preparation of the database for its intended use.

The implementation costs are to be recognized as an expense on a straight-line basis over the expected period of use of the membership database, which management has estimated to be 5 years.

(f) Pension and Pre-retirement Leave Benefits

The College provides pension benefits and pre-retirement leave benefits to its employees.

Pre-retirement leave benefits are provided to certain qualifying employees. The benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are determined using management's best estimates of the length of service, salary increases and ages at which employees will retire. Gains and losses are recognized in income immediately.

**COLLEGE OF REGISTERED NURSES OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Pension and Pre-retirement Leave Benefits (Continued)

Pension benefits are provided to substantially all of the College employees. The College is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the pension plan described in Note 12.

(g) Financial Instruments

Financial instruments held by the College include cash and cash equivalents, restricted cash, investments, accrued interest receivable, loan receivable, payables and accruals and funds held in trust. The College initially measures its financial instruments at fair value when the asset or liability is first recognized. The College subsequently measures cash and cash equivalents, receivables, loan receivables and payables and accruals at cost or amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment. The College measures investments at fair value without any adjustments for transaction costs that may incur on sale or other disposal, with gains and losses recognized in operations.

(h) Use of Estimates

The preparation of the financial statements in accordance 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 at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Estimates include the present value of the loan receivable, pre-retirement leave liability, amounts payable for services not billed yet at the time these financial statements were approved, the estimated useful life of property, equipment, intangible assets, and the service life of asset for implementation of software services, allowance for doubtful accounts and the allocation of management's salaries and benefits to various programs. Actual results could differ from management's best estimates as additional information becomes available in the future.

(i) Allocation of Salaries and Benefits

Management's salaries and benefits are allocated proportionately on the basis of time spent by each employee on the College's various program areas.

4. RESTRICTED CASH

The College has received funds from the Manitoba Alliance of Health Regulatory College. Funds received are to be held in trust, bearing no interest and due on demand. These funds were paid back during 2023.

5. INVESTMENTS

	<u>2023</u>	<u>2022</u>
Savings		
Unrestricted	\$ 2,463,735	7,523,985
Capital Reserve	1,194,714	1,555,256
Legal and Sustainability Fund	853,753	817,502
	4,512,202	9,896,743

**COLLEGE OF REGISTERED NURSES OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

5. INVESTMENTS (Continued)

Guaranteed Investment Certificates		
Capital Reserve	1,578,000	1,017,000
Legal and Sustainability Fund	877,000	782,000
Operating Fund	<u>6,224,000</u>	<u>-</u>
	<u>8,679,000</u>	<u>1,799,000</u>
	<u>\$ 13,191,202</u>	<u>11,695,743</u>

The variable interest rate on investments in savings accounts on December 31, 2023, was 3.65% (2022 - 3.20%).

The guaranteed investment certificates mature between January and December 2024 (2022 - July and December 2023) with interest rates ranging from 4.70% and 6.00% (2022 - 3.70% to 4.55%).

6. LOAN RECEIVABLE

During the year ended December 31, 2015, the College extended a loan to the Association of Regulated Nurses of Manitoba ("Association") in the amount of \$600,000. The loan is secured by a promissory note and General Security Agreement. The loan is interest-free unless the Association is in breach of their covenants and the College demands repayment, at which time interest would accrue at prime plus 1%, with an effective rate of 8.20% as at December 31, 2023. The agreement requires annual payments of \$50,000 with the final payment due on January 1, 2031.

The interest-free loan presented in the financial statements has been discounted using a discount rate of 4.70%. During the year, the College recognized \$15,374 (2022 - \$16,929) as revenue relating to amortization of discount on the loan receivable which is included in interest income. As at December 31, 2023, the loan receivable balance is \$292,491 (2022 - \$327,116) with \$50,000 (2022 - \$50,000) presented as current assets. As at December 31, 2023, the face value of the loan, or principal outstanding was \$400,000 (2022 - \$450,000).

7. PROPERTY AND EQUIPMENT

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Equipment	\$ 495,803	427,038	530,796	441,414
Furniture	819,078	767,522	814,554	755,203
Leasehold improvements	<u>1,431,713</u>	<u>1,426,337</u>	<u>1,431,713</u>	<u>1,423,886</u>
	<u>2,746,594</u>	<u>2,620,897</u>	<u>2,777,063</u>	<u>2,620,503</u>
Net book value	<u>\$ 125,697</u>		<u>156,560</u>	

8. INTANGIBLE ASSETS

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Computer software	\$ 2,102,973	2,037,590	2,096,223	1,974,786
Software under development	<u>-</u>	<u>-</u>	<u>4,942</u>	<u>-</u>
	<u>2,102,973</u>	<u>2,037,590</u>	<u>2,101,165</u>	<u>1,974,786</u>
Net book value	<u>\$ 65,383</u>		<u>126,379</u>	

**COLLEGE OF REGISTERED NURSES OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

9. ASSETS FOR IMPLEMENTATION OF SOFTWARE SERVICES

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Implementation of software services	\$ 380,645	19,032	-	-
Net book value	\$ 361,613		-	

Implementation activities such as research and training, not directly attributable to preparing the software services have been expensed in the amount of \$86,000 under Information Technology in the statement of operations.

10. LINE OF CREDIT

The College has an approved line of credit authorized to a maximum of \$200,000, bearing an interest rate of prime plus 1% being 8.20% at December 31, 2023 (2022 - 7.45%). The balance outstanding on the line of credit at December 31, 2023 was \$Nil (2022 - \$Nil).

11. PAYABLES AND ACCRUALS

Included in payables and accruals is \$31,439 (2022 - \$32,138) in government remittances payable relating to payroll tax, source deductions and GST payable.

12. EMPLOYER FUTURE BENEFITS

Multi-employer Defined Benefit Pension Plan

Substantially all of the employees of the College are members of the Healthcare Employees' Pension Plan – Manitoba (the "Plan" or "HEPP") which is a multi-employer defined benefit, highest consecutive average earnings, contributory pension plan available to all eligible employees of the participating members of the Plan. The College accounts for contributions to this Plan on a defined contribution basis as accounting for the Plan on a defined benefit basis is not reasonably practical.

Pension assets consist of investment grade securities. Market, credit and liquidity risk on these securities are managed by the Plan adhering to specific investment policies outlined in its Statement of Investment Policies and Procedures, which is reviewed annually by the Plan.

The primary risk the Plan faces is that the Plan's asset growth and contribution rates will be insufficient to cover the Plan's liabilities (funding risk) resulting in an unfunded liability (funding deficiency). If a funding deficiency reaches a certain level, or persists, it may need to be eliminated through contribution rate increases, pension benefit reductions or a combination of the two.

The most recent actuarial valuation of the Plan as at December 31, 2022 indicates that the plan's assets exceed its estimated liabilities and therefore the Plan is in a surplus position. However, on a solvency valuation basis, which hypothetically assumes that the pension plan is wound up on the reporting date, the plan has a solvency deficiency as at December 31, 2022. The Manitoba Pension Commission confirmed that the Plan does not have to fund the solvency deficiency but has to monitor and disclose this deficiency as well as continue to perform solvency valuations. The HEPP board continues to monitor the Plan's financial progress to align the assets and liabilities based on Plan experience and investment returns over the long term.

Contributions to the Plan made during the year by the College on behalf of its employees amounted to \$322,955 (2022 - \$340,922) and are included as expenses in the statement of operations.

**COLLEGE OF REGISTERED NURSES OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

12. EMPLOYER FUTURE BENEFITS (continued)

Pre-retirement Leave Liability

Employees are granted leave benefits based on meeting specific criteria. Pre-retirement leave benefits liability was estimated by management using best estimates to be \$313,988 as at December 31, 2023 (2022 - \$310,658) which are presented as a liability on the statement of financial position.

13. CONTINGENT LIABILITIES

The College has claims outstanding related to various matters arising in the ordinary course of its business. These matters are ongoing and their outcome and an estimate of loss, if any, is not determinable at the date of approval of these financial statements. The College has no reason to expect that the ultimate disposition of any of these matters will have a material adverse impact on its financial position, results of operations or its ability to carry on any of its business activities.

14. COMMITMENTS

The College has entered into a lease agreement for its office premises. The agreement requires the College to pay a proportionate share of property taxes and operating expenses. The College also has entered into an annual retainer agreement for legal services.

The future annual lease and contract payments for the College are as follows:

2024	\$ 388,800
2025	<u>156,800</u>
	<u>\$ 545,600</u>

15. INTERNALLY RESTRICTED NET ASSETS

In prior years, Council approved the Financial Sustainability Plan that established the following restricted net assets:

Capital Reserve - The intent of the Capital Reserve is to fund the purchase or enhancement of strategic large capital items. Capital items are expenditures that are made with the expectation of receiving benefits for longer than a single year.

Legal and Sustainability Fund - The purpose of the Legal and Sustainability Fund is to provide a reserve for one-time, unforeseen expenditures not within the budget.

These internally restricted amounts are not available for other purposes without approval of Council.

During December 31, 2023, Council approved an interfund transfer of \$380,645 (2022 - \$nil) from the Capital Reserve to the Property and Equipment, Intangible Assets and Software Services net assets to fund the membership database implementation costs.

**COLLEGE OF REGISTERED NURSES OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

15. INTERNALLY RESTRICTED NET ASSETS (continued)

The levies and interest income earned on funds were credited to the respective restricted net assets as follows during the year.

	<u>Capital Reserve</u>	<u>Legal and Sustainability Fund</u>	<u>Total</u>
Revenue			
Levies	\$ (11)	-	(11)
Interest income	<u>109,693</u>	<u>67,544</u>	<u>177,237</u>
	109,682	67,544	177,226
Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over expenses	<u>\$ 109,682</u>	<u>67,544</u>	<u>177,226</u>

16. EXPENSES BY NATURE

The expenses by nature are as follows:

	<u>2023</u>	<u>2022</u>
Salaries, benefits and training	\$ 4,688,257	4,899,822
Office occupancy and operations	907,434	844,400
Software and data costs	193,276	251,149
Legal services and consultants	745,332	714,681
Amortization	<u>129,508</u>	<u>113,597</u>
	<u>\$ 6,663,807</u>	<u>6,823,649</u>

17. FINANCIAL RISK MANAGEMENT

(a) Credit Risk

Credit risk is the risk that the College will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the College to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, loan receivable and investments. The College is not exposed to significant credit risk as cash and cash equivalents are held in operating accounts, receivables are typically paid when due, the loan receivable is secured by a General Security Agreement with monthly monitoring of the loan performed by the College, and investments at December 31, 2023 are fully guaranteed. In addition, the College follows its investment policy to monitor the investments in an effort to minimize its exposure to credit risk.

(b) Liquidity Risk

Liquidity risk is the risk that the College will not be able to meet its obligations as they fall due. The College maintains adequate levels of working capital to ensure all its obligations can be met when they fall due by maintaining a portion of its investments in highly liquid investments. In addition, the College has an authorized line of credit.

(c) Interest Rate Risk

Interest rate cash flow risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments. Interest rate price risk is the risk that changes in market interest rates may have an effect on the fair value of other financial instruments. It is management's opinion that the College is exposed to interest rate risk associated with its cash, investments and pre-retirement leave liability balances; however, this risk is low.