Grant Thornton

Non-Consolidated Financial Statements

College of Pharmacists of Manitoba

December 31, 2018

Contents

Grant Thornton

Independent Auditor's Report

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To the Members of
College of Pharmacists of Manitoba

Opinion

We have audited the accompanying non-consolidated financial statements of College of Pharmacists of Manitoba, which comprise the non-consolidated statement of financial position as at December 31, 2018, and the non-consolidated statements of revenue and expenses, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the organization as at December 31, 2018, and its non-consolidated results of its operations and its non-consolidated 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 Non-Consolidated Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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 non-consolidated financial statements

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Independent Auditor's Report (continued)

Auditor’s responsibilities for the audit of the non-consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 organization’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 organization’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 non-consolidated 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 organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.

Grant Thornton LLP

Winnipeg, Canada
March 25, 2019

Chartered Professional Accountants

College of Pharmacists of Manitoba
Non-Consolidated Statement of Revenue and Expenses

Year ended December 31	2018 Budget (Unaudited - Note 10)	**2018 Actual**	2017 Actual
Revenue			
Pharmacist fees	$ 1,640,047	**$ 1,645,064**	$ 1,485,385
Pharmacy fees	665,989	**731,432**	648,655
Pharmacy technician fees	3,496	**12,451**	3,916
Other income	37,266	**34,843**	24,312
Fines	-	**11,239**	55,184
Investment income	55,000	**94,783**	70,615
M3P income	95,200	**101,683**	85,490
	2,496,998	**2,631,495**	2,373,557
Expenses			
Regulatory operations	370,654	**315,577**	305,687
Payroll, taxes & employee benefits	1,316,786	**1,198,870**	1,160,537
Computer, IT, equipment & telephone	90,318	**69,129**	71,889
Building operations	112,241	**59,440**	80,649
Complaints & discipline	150,100	**265,419**	209,335
Meetings, conferences & travel	129,821	**109,605**	121,217
Awards & contributions	32,962	**28,305**	75,998
NAPRA levy	64,260	**64,041**	62,479
College of Pharmacy levy	164,600	**166,000**	161,400
M3P expenses	95,200	**101,683**	75,470
	2,526,942	**2,378,069**	2,324,661
Excess (deficiency) of revenue over expenses before other items	(29,944)	**253,426**	48,896
Other items			
Amortization (Note 5)	(44,508)	**(43,861)**	(52,705)
Loss from DIA Management Group Ltd. (Note 6)	-	**(951)**	(992)
Unrealized (loss) gain on marketable securities	-	**(88,869)**	40,721
	(44,508)	**(133,681)**	(12,976)
Excess (deficiency) of revenue over expenses	$ (74,452)	**$ 119,745**	$ 35,920

College of Pharmacists of Manitoba
Non-Consolidated Statement of Changes in Net Assets
Year ended December 31

	Invested in capital assets	**Unrestricted**	**Total 2018**	Total 2017
Balance, beginning of year	$ 154,346	$ 2,488,814	**$ 2,643,160**	$ 2,607,240
Excess (deficiency) of revenue over expenses	(43,861)	163,606	**119,745**	35,920
Purchase of capital assets	9,458	(9,458)	**-**	-
Balance, end of year	**$ 119,943**	**$ 2,642,962**	**$ 2,762,905**	$ 2,643,160

College of Pharmacists of Manitoba
Non-Consolidated Statement of Financial Position

December 31	2018	2017
Assets		
Current		
Cash	$ 937,750	$ 688,185
Marketable securities (Note 3)	2,962,400	2,783,982
Accounts receivable	140,928	218,578
Prepaid expenses	4,425	8,136
Due from DIA Management Group Ltd. (Note 4)	214,942	214,404
	4,260,445	3,913,285
Capital assets (Note 5)	119,943	154,346
Investment in DIA Management Group Ltd. (Note 6)	931,627	932,578
	$ 5,312,015	$ 5,000,209
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 145,051	$ 132,478
Goods and services tax payable	98,506	90,307
Deferred income (Note 7)	2,305,553	2,134,264
	2,549,110	2,357,049
Net assets		
Invested in capital assets	119,943	154,346
Unrestricted	2,642,962	2,488,814
	2,762,905	2,643,160
	$ 5,312,015	$ 5,000,209

On behalf of the board

_______________ Councillor _______________ Councillor

See accompanying notes to the non-consolidated financial statements.

College of Pharmacists of Manitoba
Non-Consolidated Statement of Cash Flows

Year ended December 31	**2018**	2017
Operating		
Cash receipts	**$ 2,880,435**	$ 2,479,259
Cash paid to suppliers and employees	**(2,354,126)**	(2,334,094)
	526,309	145,165
Investing		
Purchase of capital assets	**(9,458)**	(61,227)
Purchase of marketable securities, net	**(267,286)**	(987,952)
	(276,744)	(1,049,179)
Increase (decrease) in cash	**249,565**	(904,014)
Cash		
Beginning of year	**688,185**	1,592,199
End of year	**$ 937,750**	$ 688,185

See accompanying notes to the non-consolidated financial statements.

1. Nature of operations

The College of Pharmacists of Manitoba (“College”) was formed under an act of the legislature of the Province of Manitoba as a body corporate to undertake regulatory activities for the pharmacy profession. It administers the Pharmaceutical Act (December 2006) and is responsible for licensing of pharmacists and pharmacies, establishing practice standards and Code of Ethics, complaint investigation and discipline, monitoring of continuing education of pharmacists and setting qualifications for pharmacy technicians. The College ensures the promotion, preservation and protection of the health and safety of the public with respect to the practice of pharmacy. As a not-for-profit organization, the College is exempt from income tax on its earnings under Section 149(1) of the Income Tax Act.

2. Summary of significant accounting policies

Basis of presentation

The College has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Fund accounting

The College follows the deferral method of accounting for revenues and contributions and maintains the following separate funds:

The unrestricted fund is used to record the operating revenues and expenses of the College.

The invested in capital assets fund is used to record the revenues and expenses related to capital assets held by the College.

Financial instruments

<u>Initial measurement</u>

The College’s financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Subsequent measurement

At each reporting date, the College measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value. The College has also irrevocably elected to measure its investments in bonds at fair value. All changes in fair value of the College's investments in equities quoted in the active market and in bonds are recorded in the Statement of Revenue and Expenses. The College uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the Statement of Revenue and Expenses. The financial instruments measured at amortized cost are cash, due from DIA Management Group Ltd., accounts receivable, accounts payable and accrued liabilities, and goods and services tax payable.

For financial assets measured at cost or amortized cost, the College regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the College determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the Statement of Revenue and Expenses. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Foreign currency transactions

The College has investments denoted in a foreign currency. The College translates all of its foreign currency transactions using the temporal method. Cash and investments are translated at the exchange rate in effect at year end. Investment income is translated at average year rates. Exchange gains and losses are included in investment income.

Capital assets

Purchased capital assets are recorded at cost. The capital assets are amortized over their estimated useful lives at the following rates using the straight-line method.

Computer hardware	3-4 years
Computer software	3 years
Office equipment	5-10 years
Renovations and leasehold improvements	5-10 years
Lower level renovations	5 years

The College regularly reviews its capital assets to eliminate obsolete items.

Investment in DIA Management Group Ltd.

The College purchased 100% of the outstanding shares of DIA Management Group Ltd. (DIA) on June 30, 2008 for the sole purpose of acquiring the ownership of the land and building located at 200 Taché Avenue in the City of Winnipeg. The investment is recorded using the equity method where income or losses of DIA are recorded in the Statement of Revenue and Expenses with a corresponding adjustment to the cost of the investment.

2. Summary of significant accounting policies (continued)

Revenue recognition

The College uses the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Amounts received in excess of related expenses are recorded as deferred income.

Revenues from fees include Pharmacist fees, Pharmacy fees and Pharmacy technician fees. Revenue from fees are typically collected in advance of the period to which they relate and as such revenue from fees are recorded as deferred income until such time as the related period occurs and related expenses are incurred.

Other income, investment income and M3P income are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed materials and services

Contributed materials and services are recognized at their fair value in the financial statements when the amount can be reasonably estimated and when the materials and services are used in the normal course of the organization’s operations and would otherwise have been purchased.

The College cannot reasonably estimate the number of volunteer hours per year to assist the College in carrying out its service delivery activities.

Use of estimates

In preparing the College’s financial statements, management is required 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 reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Items subject to significant management estimates include allowance for doubtful accounts.

3. Marketable securities

Marketable securities have been adjusted to fair value for the year end as disclosed below:

	2018 Market	**2018 Cost**	2017 Market	2017 Cost
Common shares	**$ 233,362**	**$ 242,719**	$ 317,024	$ 283,773
Fixed income	**1,894,922**	**1,909,428**	1,272,924	1,279,599
Mutual funds	**501,539**	**504,757**	785,032	784,385
Preferred shares	**261,771**	**269,344**	314,760	301,708
Foreign securities	**70,806**	**71,282**	94,242	80,779
	$ 2,962,400	**$ 2,997,530**	$ 2,783,982	$ 2,730,244

The marketable securities are on account with RBC Dominion Securities and are invested in GICs, bonds, trusts, mutual funds, common shares, preferred shares, and foreign securities. Interest rates on fixed income ranges from 1.65% (2017: 1.72%) to 5.95% (2017: 5.95%) and mature between December 19, 2019 and March 5, 2041.

4. Due from DIA Management Group Ltd.

The amounts due from DIA Management Group Ltd. arose from cash advances. The advances bear no interest and have no repayment terms.

During the year, the College paid $12 (2017: $12) in rent to DIA Management Group Ltd. This transaction is in the normal course of business and is measured at the exchange amount agreed to by both parties.

5. Capital assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	$ 46,316	$ 37,628	$ 42,754	$ 30,221
Computer software	65,905	61,035	60,268	57,904
Office equipment	139,623	68,288	139,364	53,607
Renovations and leasehold improvements	151,510	116,461	151,510	111,498
Lower level renovations	147,538	147,537	147,538	133,858
	550,892	430,949	541,434	387,088
Net book value	**$ 119,943**		$ 154,346	

Breakdown of amortization expense is as follows:

	2018 Budget (Unaudited - Note 10)	**2018 Actual**	Actual 2017
Computer hardware	$ 4,900	**$ 7,407**	$ 8,521
Computer software	600	**3,131**	473
Office equipment	9,500	**14,681**	13,202
Renovations and leasehold improvements	-	**4,963**	2,369
Lower level renovations	29,508	**13,679**	28,140
	$ 44,508	**$ 43,861**	$ 52,705

6. Investment in DIA Management Group Ltd.

The College controls 100% of DIA Management Group Ltd. (DIA). DIA was incorporated under the Corporations Act of Manitoba on March 26, 1991. Its only business activity is the ownership of the College of Pharmacists of Manitoba building, 200 Tache Avenue, Winnipeg, Manitoba. DIA has not been consolidated in the College's financial statements. The College is accounting for its investment in DIA using the equity method where the share of income or loss is recorded as part of the cost of the investment. Financial statements of DIA are available on request.

Financial summaries of this unconsolidated entity as at December 31, 2018 and December 31, 2017 and for the years then ended are as follows:

	2018	2017
Financial position		
Total assets	**$ 283,379**	$ 283,792
Total liabilities	**(216,942)**	(216,404)
	$ 66,437	$ 67,388
Results of operations		
Total revenue	**$ 12**	$ 12
Total expenses	**(963)**	(1,004)
	$ (951)	$ (992)
Cash flows		
Cash from operating activities	**$ (964)**	$ (1,004)
Cash from financing activities	**538**	586
	$ (426)	$ (418)

7. Deferred income

	2018	2017
Fees	$ 2,302,340	$ 2,131,051
ICPD-OMFC Project	3,213	3,213
Net Contributions deferred	$ 2,305,553	$ 2,134,264

Fees is composed of the following amounts:

	2018	2017
Balance, beginning of year	$ 2,131,051	$ 1,908,341
Amount recognized in operations	(2,131,051)	(1,908,341)
Amount received relating to the following year	2,302,340	2,131,051
Balance, end of year	$ 2,302,340	$ 2,131,051

ICPD-OMFC Project is composed of the following cumulative to date amounts:

	2018	2017
Contributions received	$ 18,337	$ 18,337
Expenses		
Consulting	11,417	11,417
Miscellaneous	727	727
Professional fees	2,874	2,874
Salary	106	106
	15,124	15,124
Net contributions deferred	$ 3,213	$ 3,213

8. Financial instruments

The College is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the College’s risk exposure and concentrations as of December 31, 2018.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The College is exposed to credit risk from members. The College has minimized concentration of credit risk by requiring members to pay their fees in advance in order to maintain their membership.

8. Financial instruments (continued)

(b) Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The College is exposed to currency risk primarily through its marketable securities.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the College manages exposure through its normal operating and financing activities. The College is exposed to interest rate risk primarily through its marketable securities.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The College is exposed to other price risk through its marketable securities.

9. Operating lease commitment

The College entered into a mailing equipment lease in 2018. The College's total future minimum lease payments under operating lease commitment for the next 5 years are $4,306 per year.

10. Budget amounts

The budget amounts, which are presented for comparison purposes only, are unaudited.