

College of Pharmacists of Manitoba
Non-Consolidated Financial Statements
December 31, 2021

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Independent Auditors' Report

To the Members of
College of Pharmacists of Manitoba

Opinion

We have audited the non-consolidated financial statements of College of Pharmacists of Manitoba (the "College"), which comprise the non-consolidated statement of financial position as at December 31, 2021, and the non-consolidated statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the College as at December 31, 2021, and the 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 *Auditors' Responsibilities for the Audit of the Non-Consolidated 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 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.

Other Matter

The non-consolidated financial statements of the College for the year ended December 31, 2020 were audited by another firm of Chartered Professional Accountants who expressed an unmodified opinion on those non-consolidated financial statements on March 31, 2021.

Other Information

Management is responsible for the other information which comprises the annual report. Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The annual report is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the 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.

Independent Auditors' Report - continued

In preparing the non-consolidated 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated 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 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 auditors' 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 auditors' 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 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.



Winnipeg, Canada
March 24, 2022

Chartered Professional Accountants

College of Pharmacists of Manitoba
Non-Consolidated Statement of Revenues and Expenses
Year ended December 31

	2021 Budget (Unaudited)	2021 Actual	2020 Actual
Revenues			
Pharmacist fees	\$ 1,674,196	\$ 1,707,249	\$ 1,652,328
Pharmacy fees	920,394	1,048,798	974,175
Pharmacy technician fees	23,949	36,611	26,318
Other income	32,493	35,522	29,532
Fines and cost recovery	-	6,116	25,474
Investment income, net	55,000	99,588	107,158
Manitoba Prescribing Practices Program	95,200	75,865	85,337
	<u>2,801,232</u>	<u>3,009,749</u>	<u>2,900,322</u>
Expenses			
Payroll, taxes and employee benefits	1,632,301	1,596,910	1,498,277
Regulatory operations	368,091	285,995	319,289
Complaints and discipline proceedings	229,500	270,727	162,977
Meetings, conferences and travel	181,825	106,336	95,294
Computer, IT, equipment and telephone	102,801	85,310	101,752
Building operations	119,294	64,777	60,590
NAPRA levy	66,856	64,042	64,041
Awards and contributions	21,438	32,851	13,083
Manitoba Prescribing Practices Program	95,200	75,865	85,337
	<u>2,817,306</u>	<u>2,582,813</u>	<u>2,400,640</u>
Excess (deficiency) of revenues over expenses before other items	<u>(16,074)</u>	<u>426,936</u>	<u>499,682</u>
Other items			
Unrealized gain on marketable securities	-	170,739	145,179
Loss from DIA Management Group Ltd. (Note 6)	-	(473)	(1,078)
Amortization (Note 4)	(44,508)	(35,822)	(32,358)
	<u>(44,508)</u>	<u>134,444</u>	<u>111,743</u>
Excess (deficiency) of revenues over expenses	<u>\$ (60,582)</u>	<u>\$ 561,380</u>	<u>\$ 611,425</u>

See accompanying notes to the non-consolidated financial statements.

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

	Invested in capital assets	Unrestricted	Internally restricted (Note 7)	Total 2021	Total 2020
Balance, beginning of year	\$ 137,858	\$ 2,552,916	\$ 900,000	\$ 3,590,774	\$ 2,979,349
Excess (deficiency) of revenues over expenses	(35,822)	597,202	-	561,380	611,425
Purchase of capital assets	<u>11,058</u>	<u>(11,058)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 113,094</u>	<u>\$ 3,139,060</u>	<u>\$ 900,000</u>	<u>\$ 4,152,154</u>	<u>\$ 3,590,774</u>

See accompanying notes to the non-consolidated financial statements.

College of Pharmacists of Manitoba
Non-Consolidated Statement of Financial Position
December 31

2021

2020

Assets

Current

Cash	\$ 2,391,427	\$ 1,265,258
Marketable securities (Note 3)	3,296,903	3,758,427
Accounts receivable	57,407	73,512
Prepaid expenses	<u>7,115</u>	<u>5,076</u>

5,752,852 5,102,273

Capital assets (Note 4)

113,094 137,858

Due from DIA Management Group Ltd. (Note 5)

216,431 216,431

Investment in DIA Management Group Ltd. (Note 6)

928,741 929,214

\$ 7,011,118 **\$ 6,385,776**

Liabilities

Current

Accounts payable and accruals	\$ 185,913	\$ 165,239
Government remittances payable	113,054	118,808
Deferred fee revenue	<u>2,559,997</u>	<u>2,510,955</u>

2,858,964 **2,795,002**

Net Assets

Invested in capital assets (Note 4)

113,094 137,858

Unrestricted

3,139,060 2,552,916

Internally restricted (Note 7)

900,000 900,000

4,152,154 **3,590,774**

\$ 7,011,118 **\$ 6,385,776**

Commitments (Note 8)

Contingent liability (Note 9)

Approved by Council

W.A. Councillor

G. Jenkinson 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

	2021	2020
Cash derived from (applied to):		
Operating		
Excess of revenues over expenses	\$ 561,380	\$ 611,425
Adjustments for		
Amortization	35,822	32,358
Unrealized gain on marketable securities	<u>(170,739)</u>	<u>(145,179)</u>
	426,463	498,604
Change in non-cash operating working capital items		
Accounts receivable	16,105	32,165
Prepaid expenses	(2,039)	(454)
Accounts payable and accruals	20,677	39,190
Government remittances payable	(5,754)	5,688
Deferred fee revenue	<u>49,042</u>	<u>83,093</u>
	504,494	658,286
Investing		
Purchase of capital assets	(11,058)	(41,779)
Investment in DIA Management Group Ltd.	473	477
Proceeds (purchase) of marketable securities, net	<u>632,260</u>	<u>(239,102)</u>
	621,675	(280,404)
Net increase in cash	1,126,169	377,882
Cash		
Beginning of year	<u>1,265,258</u>	<u>887,376</u>
End of year	<u>\$ 2,391,427</u>	<u>\$ 1,265,258</u>

See accompanying notes to the non-consolidated financial statements.

College of Pharmacists of Manitoba
Notes to the Non-Consolidated Financial Statements
December 31, 2021

1. Nature of operations

The College of Pharmacists of Manitoba (the College) was established in 1878. Under the Pharmaceutical Act (the Act), in the Province of Manitoba, it is the body corporate that is responsible to regulate the pharmacy profession. It administers the Act and is responsible for licensing pharmacists and pharmacies, establishing practice standards and Code of Ethics, complaint investigation and discipline, monitoring continuing education of pharmacists and setting qualifications for pharmacy technicians. The College works to ensure pharmacy professionals provide safe and ethical practice and upholds the public interest 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

These non-consolidated financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are detailed as follows:

(a) Fund accounting

The College 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.

The Internally Restricted Fund is used to reflect funds set aside to cover unanticipated expenses related to, for example, unforeseen legal, renovation and information technology costs.

(b) Investments

Investments are comprised of fixed income and equity securities. Fixed income and equity securities are initially recognized and subsequently measured at fair value. Purchases and sales of investments are recognized, and derecognized, using settlement date accounting. Changes in fair value are included in the statement of operations. Cumulative changes are recognized in the statement of operations when gains and losses are realized through disposition.

(c) Capital assets

Capital assets are recorded at cost. The College provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

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

College of Pharmacists of Manitoba
Notes to the Non-Consolidated Financial Statements
December 31, 2021

2. Summary of significant accounting policies - continued

(d) 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 Operations with a corresponding adjustment to the cost of the investment.

(e) Revenue recognition

Revenue from pharmacist fees, pharmacy fees, and pharmacy technician fees are typically collected in advance of the subsequent year to which they relate and as such revenue from these fees are recorded as deferred revenue until such time as the related period occurs.

Other income, fines and cost recovery, investment income and Manitoba Prescribing Practices Program revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(f) Allocated expenses

The College administers the Manitoba Prescribing Practices Program (M3P) under a purchase service agreement on behalf of the Manitoba government. The College allocates certain of its general support expenses to the Manitoba Prescribing Practices Program (M3P) by identifying the appropriate basis of allocating each component of expense, and applies that basis consistently each year in accordance with applicable contribution agreements. Wages and benefits of a designated employee are allocated to M3P at a rate of 60%, and other operating expenses are allocated using predetermined amounts.

(g) 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.

(h) 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 College'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 governance activities.

College of Pharmacists of Manitoba
Notes to the Non-Consolidated Financial Statements
December 31, 2021

2. Summary of significant accounting policies - continued

(i) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(j) Financial instruments

The College recognizes its financial instruments when it becomes party to the contractual provisions of the financial instrument.

Financial instruments are initially recorded at fair value with subsequent reporting at amortized cost, with the exception of equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in the statement of operations.

Unless otherwise noted, it is management's opinion that the College is not exposed to significant credit or liquidity risk arising from its financial instruments.

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 through its holdings of foreign securities within the marketable securities portfolio.

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.

Price risk refers to the adverse consequences of changes in market prices in the College's cash flows, financial position and revenue. This risk arises from equity securities which have similar characteristics or obey similar variations relating to economic or political conditions. The College is exposed to market rate risk as it holds significant investments in equity securities which are traded in an active market.

College of Pharmacists of Manitoba
Notes to the Non-Consolidated Financial Statements
December 31, 2021

3. Marketable securities

	<u>2021 Cost</u>	<u>2021 Market</u>	<u>2020 Cost</u>	<u>2020 Market</u>
Common shares	\$ 577,846	\$ 720,199	\$ 549,355	\$ 624,504
Fixed income	1,271,314	1,302,056	1,458,419	1,514,958
Mutual funds	49,407	49,407	831,841	831,841
Preferred shares	800,670	889,635	468,995	483,790
Foreign securities	<u>277,377</u>	<u>335,606</u>	<u>266,681</u>	<u>303,334</u>
	<u>\$ 2,976,614</u>	<u>\$ 3,296,903</u>	<u>\$ 3,575,291</u>	<u>\$ 3,758,427</u>

The marketable securities are on account with RBC Dominion Securities. Interest rates on fixed income ranges from 1.38% to 5.00% (2020 - 1.40% to 5.95%) and the related securities mature between March 3, 2022 and March 5, 2041.

4. Capital assets

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2021 Net Book Value</u>	<u>2020 Net Book Value</u>
Office equipment	\$ 147,611	\$ 111,962	\$ 35,649	\$ 50,058
Renovations and leasehold improvements	312,471	280,511	31,960	37,397
Computer hardware	63,507	55,530	7,977	11,198
Computer software	<u>117,721</u>	<u>80,213</u>	<u>37,508</u>	<u>39,205</u>
	<u>\$ 641,310</u>	<u>\$ 528,216</u>	<u>\$ 113,094</u>	<u>\$ 137,858</u>

Amortization expenses:

	2021 Budget (Unaudited)	<u>2021 Actual</u>	<u>2020 Actual</u>
Office equipment	\$ 9,500	\$ 14,409	\$ 14,558
Renovations and leasehold improvements	29,508	5,436	5,729
Computer hardware	4,900	5,881	5,929
Computer software	<u>600</u>	<u>10,096</u>	<u>6,142</u>
	<u>\$ 44,508</u>	<u>\$ 35,822</u>	<u>\$ 32,358</u>

College of Pharmacists of Manitoba
Notes to the Non-Consolidated Financial Statements
December 31, 2021

5. Due from DIA Management Group Ltd.

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

During the year, the College paid \$12 (2020 - \$12) in rent to DIA Management Group Ltd. This transaction is in the normal course of operations and is measured at the exchange amount agreed to by both parties.

6. Investment in DIA Management Group Ltd.

DIA Management Group Ltd. (DIA) is a wholly-owned subsidiary of the College. 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 Taché Avenue, Winnipeg, Manitoba. DIA has not been consolidated in these financial statements. The College accounts 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 summaries of this non-consolidated entity as at December 31, 2021 and December 31, 2020 and for the years then ended are as follows:

	<u>2021</u>	<u>2020</u>
Financial position		
Total assets	\$ 281,981	\$ 282,454
Total liabilities	<u>(218,431)</u>	<u>(218,431)</u>
Shareholder's equity	<u>\$ 63,550</u>	<u>\$ 64,023</u>
Results of operations		
Total revenue	\$ 12	\$ 12
Total expenses	<u>(485)</u>	<u>(1,090)</u>
Net loss	<u>\$ (473)</u>	<u>\$ (1,078)</u>

7. Internally restricted

The College has internally restricted net assets totalling \$900,000 for legal services, building and property sustainability and information technology/data management sustainability.

College of Pharmacists of Manitoba
Notes to the Non-Consolidated Financial Statements
December 31, 2021

8. Commitments

The College entered into an operating lease for mailing equipment in 2018 and subsequent to the 2021 year end, entered into a service agreement for data management. The College's future minimum payments under these agreements are as follows:

2022	\$	37,235
2023		18,186

9. Contingent liability

As at December 31, 2021, there is a claim pending against the College. The liability and exposure to the College is unknown at the date of the audit report. Legal counsel is defending the claim on behalf of the College. The College maintains insurance to cover damages if incurred as a result of the proceeding. It is the opinion of management that this matter will not materially affect the financial position of the College.

10. COVID-19

On March 11, 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak which has continued to spread, and the related adverse impact it has had on public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

Due to the uncertainty as to the outcome of the pandemic, an estimate of impairment of financial assets and credit losses cannot be determined, and consequently, no provision for loss has been provided for in these financial statements. It is management's assessment that the going concern assumption continues to be appropriate for the foreseeable future of the College.
