

Non-Consolidated Financial Statements

College of Pharmacists of Manitoba

December 31, 2020

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Independent Auditor's Report

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To the Members of
College of Pharmacists of Manitoba

Opinion

We have audited the non-consolidated financial statements of College of Pharmacists of Manitoba, which comprise the non-consolidated statement of financial position as at December 31, 2020, and the non-consolidated statements of revenue 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 organization as at December 31, 2020, and its non-consolidated results of 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 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.

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 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 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.

Winnipeg, Canada
March 31, 2021

Grant Thornton LLP

Chartered Professional Accountants

College of Pharmacists of Manitoba

Non-Consolidated Statement of Revenue and Expenses

Year ended December 31

	2020 Budget (Unaudited - Note 12)	2020 Actual	2019 Actual (Note 13)
Revenue			
Pharmacist fees	\$ 1,624,507	\$ 1,652,328	\$ 1,683,150
Pharmacy fees	895,186	974,175	857,178
Pharmacy Technician fees	13,543	26,318	17,025
Other income	32,012	29,532	36,012
Fines and cost recovery	-	25,474	113,869
Investment income, net	55,000	107,158	79,887
Manitoba Prescribing Practices Program	<u>95,200</u>	<u>85,337</u>	<u>87,064</u>
	<u>2,715,448</u>	<u>2,900,322</u>	<u>2,874,185</u>
Expenses			
Regulatory operations	347,619	319,289	350,281
Payroll, taxes & employee benefits	1,537,580	1,498,277	1,338,793
Computer, IT, equipment & telephone	105,982	101,752	79,173
Building operations	116,955	60,590	73,606
Complaints & Discipline Proceedings	225,000	162,977	363,619
Meetings, conferences & travel	157,079	95,294	151,341
Awards & contributions	34,112	13,083	24,288
NAPRA levy	66,856	64,041	64,041
College of Pharmacy levy	-	-	168,200
Manitoba Prescribing Practices Program	<u>95,200</u>	<u>85,337</u>	<u>87,064</u>
	<u>2,686,383</u>	<u>2,400,640</u>	<u>2,700,406</u>
Excess of revenue over expenses before other items	<u>29,065</u>	<u>499,682</u>	<u>173,779</u>
Other items			
Amortization (Note 5)	(44,508)	(32,358)	(29,085)
Loss from DIA Management Group Ltd. (Note 6)	-	(1,078)	(1,336)
Unrealized gain on marketable securities	<u>-</u>	<u>145,179</u>	<u>73,086</u>
	<u>(44,508)</u>	<u>111,743</u>	<u>42,665</u>
Excess (deficiency) of revenue over expenses	<u>\$ (15,443)</u>	<u>\$ 611,425</u>	<u>\$ 216,444</u>

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 8)	Total 2020	Total 2019
Balance, beginning of year	\$ 128,437	\$ 2,850,912	\$ -	\$ 2,979,349	\$ 2,762,905
Excess (deficiency) of revenue over expenses	(32,358)	643,783	-	611,425	216,444
Purchase of capital assets	41,779	(41,779)	-	-	-
Interfund transfer	<u>-</u>	<u>(900,000)</u>	<u>900,000</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 137,858</u>	<u>\$ 2,552,916</u>	<u>\$ 900,000</u>	<u>\$ 3,590,774</u>	<u>\$ 2,979,349</u>

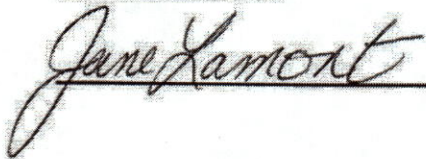
College of Pharmacists of Manitoba
Non-Consolidated Statement of Financial Position

December 31 2020 2019

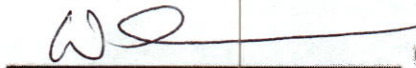
Assets		
Current		
Cash	\$ 1,265,258	\$ 887,376
Marketable securities (Note 3)	3,758,427	3,374,145
Accounts receivable	73,512	105,677
Prepaid expenses	5,076	4,623
Due from DIA Management Group Ltd. (Note 4)	<u>216,431</u>	<u>215,831</u>
	5,318,704	4,587,652
Capital assets (Note 5)	137,858	128,437
Investment in DIA Management Group Ltd. (Note 6)	<u>929,214</u>	<u>930,291</u>
	\$ 6,385,776	\$ 5,646,380
<hr/>		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 165,239	\$ 126,056
Goods and Services Tax payable	118,808	113,114
Deferred income (Note 7)	<u>2,510,955</u>	<u>2,427,861</u>
	2,795,002	2,667,031
Net assets		
Invested in capital assets	137,858	128,437
Internally restricted (Note 8)	900,000	-
Unrestricted	<u>2,552,916</u>	<u>2,850,912</u>
	3,590,774	2,979,349
	\$ 6,385,776	\$ 5,646,380

Commitments (Note 10)
Contingencies (Note 11)

On behalf of Council



Councillor



Councillor

College of Pharmacists of Manitoba

Non-Consolidated Statement of Cash Flows

Year ended December 31

2020

2019

Operating

Cash receipts	\$ 3,015,581	\$ 3,031,744
Cash disbursements	<u>(2,356,818)</u>	<u>(2,705,880)</u>
	<u>658,763</u>	<u>325,864</u>

Investing

Purchase of capital assets	(41,779)	(37,579)
Purchase of marketable securities, net	<u>(239,102)</u>	<u>(338,659)</u>
	<u>(280,881)</u>	<u>(376,238)</u>

Increase (decrease) in cash **377,882** (50,374)

Cash

Beginning of year	<u>887,376</u>	<u>937,750</u>
End of year	<u>\$ 1,265,258</u>	<u>\$ 887,376</u>

College of Pharmacists of Manitoba

Notes to the Non-Consolidated Financial Statements

December 31, 2020

1. Nature of operations

The College of Pharmacists of Manitoba (“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

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.

The internally restricted fund is used to reflect funds set aside to cover extraordinary expenses related to, for example, unforeseen legal, renovation and IT costs.

Financial instruments

Initial measurement

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.

College of Pharmacists of Manitoba

Notes to the Non-Consolidated Financial Statements

December 31, 2020

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.

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

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

College of Pharmacists of Manitoba

Notes to the Non-Consolidated Financial Statements

December 31, 2020

2. Summary of significant accounting policies (continued)

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.

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 Manitoba Prescribing Practices Program 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.

College of Pharmacists of Manitoba

Notes to the Non-Consolidated Financial Statements

December 31, 2020

3. Marketable securities

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

	2020		2019	
	Market	Cost	Market	Cost
Common shares	\$ 624,504	\$ 549,355	\$ 258,025	\$ 235,486
Fixed income	1,514,958	1,458,419	2,493,011	2,477,734
Mutual funds	831,841	831,841	249,174	249,174
Preferred shares	483,790	468,995	290,305	304,379
Foreign securities	303,334	266,681	83,630	69,416
	<u>\$ 3,758,427</u>	<u>\$ 3,575,291</u>	<u>\$ 3,374,145</u>	<u>\$ 3,336,189</u>

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 1.40% (2019: 1.35%) to 5.95% (2019: 5.95%) and related securities mature between January 12, 2021 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 (2019: \$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.

College of Pharmacists of Manitoba

Notes to the Non-Consolidated Financial Statements

December 31, 2020

5. Capital assets

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Office equipment	\$ 147,611	\$ 97,553	\$ 139,623	\$ 82,995
Renovations and leasehold improvements	312,471	275,074	312,471	269,345
Computer hardware	60,847	49,649	50,830	43,719
Computer software	<u>109,321</u>	<u>70,116</u>	<u>85,547</u>	<u>63,975</u>
	<u>630,250</u>	<u>492,392</u>	<u>588,471</u>	<u>460,034</u>
Net book value	<u>\$ 137,858</u>		<u>\$ 128,437</u>	

Breakdown of amortization expense is as follows:

	2020 Budget (Unaudited - Note 12)	<u>2020 Actual</u>	<u>2019 Actual</u>
Computer hardware	\$ 4,900	\$ 5,929	\$ 6,092
Computer software	600	6,142	2,940
Office equipment	9,500	14,558	14,707
Renovations and leasehold improvements	<u>29,508</u>	<u>5,729</u>	<u>5,346</u>
	<u>\$ 44,508</u>	<u>\$ 32,358</u>	<u>\$ 29,085</u>

College of Pharmacists of Manitoba

Notes to the Non-Consolidated Financial Statements

December 31, 2020

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, 2020 and December 31, 2019 and for the years then ended are as follows:

	<u>2020</u>	<u>2019</u>
Financial position		
Total assets	\$ 282,454	\$ 282,932
Total liabilities	<u>(218,431)</u>	<u>(217,831)</u>
	<u>\$ 64,023</u>	<u>\$ 65,101</u>
Results of operations		
Total revenue	\$ 12	\$ 12
Total expenses	<u>(1,090)</u>	<u>(1,348)</u>
	<u>\$ (1,078)</u>	<u>\$ (1,336)</u>

7. Deferred income

	<u>2020</u>	<u>2019</u>
Fees	\$ 2,510,955	\$ 2,424,648
ICPD-OMFC Project	<u>-</u>	<u>3,213</u>
Net Contributions deferred	<u>\$ 2,510,955</u>	<u>\$ 2,427,861</u>

8. Internally restricted net assets

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, 2020

9. 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, 2020.

(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.

(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.

College of Pharmacists of Manitoba

Notes to the Non-Consolidated Financial Statements

December 31, 2020

10. Operating lease commitment

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

11. Contingent liability

As at December 31, 2020, there is a claim pending against the College. The liability and exposure to the College is unknown at this time. Management is defending the claim. 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.

12. Budget amounts

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

13. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

14. Impacts of COVID-19

Since December 31, 2020, the spread of COVID-19 has continued to severely impact many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The College has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the College for future periods.