



Grant Thornton

An instinct for growth™

Non-Consolidated Financial Statements

College of Pharmacists of Manitoba

December 31, 2016

# Contents

	<b>Page</b>
Independent Auditor's Report	1-2
Non-Consolidated Statement of Revenue and Expenses	3
Non-Consolidated Statement of Changes in Net Assets	4
Non-Consolidated Statement of Financial Position	5-6
Non-Consolidated Statement of Cash Flows	7
Notes to the Non-consolidated Financial Statements	8-16



# Grant Thornton

An instinct for growth™

Grant Thornton LLP  
94 Commerce Drive  
Winnipeg, MB  
R3P 0Z3

T +1 204 944 0100  
F +1 204 957 5442  
www.GrantThornton.ca

## Independent auditor's report

To the Members of the  
College of Pharmacists of Manitoba

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, 2016, the non-consolidated statement of revenue and expenses, the non-consolidated statement of changes in net assets, the non-consolidated statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of College of Pharmacists of Manitoba as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba  
March 7, 2017

*Grant Thornton LLP*

Chartered Professional Accountants

# College of Pharmacists of Manitoba

## Non-Consolidated Statement of Revenue and Expenses

Year Ended December 31,

	2016		2015
	<u>Budget</u> (Note 12)	<u>Actual</u>	<u>Actual</u> (Restated Note 3, 13)
Revenue			
Pharmacist fees	\$ 1,291,166	\$ 1,383,248	\$ 1,333,180
Pharmacy fees	558,906	565,194	567,056
Pharmacy technician fees	600	1,640	663
Other income	21,800	122,509	113,522
Investment income	55,000	87,678	101,077
M3P income	95,200	88,006	93,487
	<u>2,022,672</u>	<u>2,248,275</u>	<u>2,208,985</u>
Expenses			
Regulatory operations	269,950	265,127	296,491
Payroll, taxes & employee benefits	1,054,960	1,164,476	979,988
Computer, IT, equipment & telephone	64,500	76,029	61,302
Building operations	73,400	78,740	55,693
Complaints & discipline	74,000	206,703	87,555
Meetings, conferences & travel	145,000	145,153	109,282
Awards & contributions	23,500	23,686	25,335
NAPRA levy	60,956	60,956	64,997
College of Pharmacy levy	144,100	154,800	148,400
M3P expenses	87,240	80,034	85,836
	<u>\$ 1,997,606</u>	<u>\$ 2,255,704</u>	<u>\$ 1,914,879</u>
(Deficiency) excess of revenue over expenses from operations	<u>\$ 25,066</u>	<u>\$ (7,429)</u>	<u>\$ 294,106</u>
Other items			
Depreciation (Note 6)	(44,508)	(51,407)	(57,818)
Loss from DIA Management Group Ltd. (Note 7)	-	(1,687)	(3,039)
Unrealized gain (loss) on marketable securities	-	57,780	(36,002)
	<u>(44,508)</u>	<u>4,686</u>	<u>(96,859)</u>
(Deficiency) excess of revenue over expenses	<u>\$ (19,442)</u>	<u>\$ (2,743)</u>	<u>\$ 197,247</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 8)	2016 Total	2015 Total (Restated Note 3)
Net assets, beginning of year	\$ 151,529	\$ 2,168,373	\$ 50,000	<b>\$ 2,369,902</b>	\$ 2,183,981
Prior period adjustment (Restated - Note 3)	-	<u>220,377</u>	-	<u><b>220,377</b></u>	<u>209,051</u>
Net assets, beginning of year restated	\$ 151,529	\$ 2,388,750	\$ 50,000	<b>\$ 2,590,279</b>	\$ 2,393,032
Excess of revenue over expenses	(51,407)	48,664	-	<b>(2,743)</b>	197,247
Purchase of capital assets	<u>45,702</u>	<u>(45,702)</u>	-	-	-
Net assets, end of year	<u>\$ 145,824</u>	<u>\$ 2,391,712</u>	<u>\$ 50,000</u>	<u><b>\$ 2,587,536</b></u>	<u>\$ 2,590,279</u>

---

See accompanying notes to the financial statements.

---

## College of Pharmacists of Manitoba

### Non-Consolidated Statement of Financial Position

December 31,

2016

2015  
(Restated  
Note 3)

---

#### Assets

##### Current

Cash	\$ 1,592,199	\$ 1,560,429
Marketable securities (Note 4)	1,755,309	1,614,158
Accounts receivable	67,324	83,899
Prepaid expenses	114	38,784
Due from DIA Management Group Ltd. (Note 5)	<u>213,818</u>	<u>212,804</u>
	<b>3,628,764</b>	3,510,074
Capital assets (Note 6)	145,824	151,529
Investment in DIA Management Group Ltd. (Note 7)	933,571	935,257
Restricted asset – Due from operating fund (Note 8)	<u>50,000</u>	<u>50,000</u>
	<b>\$ 4,758,159</b>	<b>\$ 4,646,860</b>

#### Trust funds

##### Building fund

Due from operating fund	\$ 19,704	\$ 19,335
-------------------------	-----------	-----------

##### Library fund

Due from operating fund	<u>-</u>	<u>638</u>
-------------------------	----------	------------

	<b>\$ 19,704</b>	<b>\$ 19,973</b>
--	------------------	------------------

	<b>\$ 4,777,863</b>	<b>\$ 4,666,833</b>
--	---------------------	---------------------

---

See accompanying notes to the financial statements.

---

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

December 31,

**2016**

2015  
 (Restated  
 Note 3, 13)

---

**Liabilities**

Current

Accounts payable and accrued liabilities	<b>\$ 103,400</b>	\$ 128,420
Goods and services tax payable	<b>85,965</b>	80,700
Deferred income (Note 9)	<b>1,911,554</b>	1,777,488
Due to restricted assets (Note 8)	<b>50,000</b>	50,000
Due to trust funds	<b><u>19,704</u></b>	<u>19,973</u>
	<b><u>2,170,623</u></b>	<u>2,056,581</u>

**Net Assets**

Invested in capital assets	<b>145,824</b>	151,529
Internally restricted	<b>50,000</b>	50,000
Unrestricted	<b><u>2,391,712</u></b>	<u>2,388,750</u>
	<b><u>2,587,536</u></b>	<u>2,590,279</u>
	<b><u>\$ 4,758,159</u></b>	<u>\$ 4,646,860</u>

**Building fund**

**\$ 19,704**     \$ 19,335

**Library fund**

-     638

**\$ 19,704**     \$ 19,973

**\$ 4,777,863**     \$ 4,666,833

---

On behalf of the Members of Council

\_\_\_\_\_ Councillor     \_\_\_\_\_ Councillor

See accompanying notes to the financial statements.



---

## College of Pharmacists of Manitoba

### Non-Consolidated Statement of Cash Flows

Year Ended December 31

2016

2015  
(Restated  
Note 3)

---

#### Operating activities

Cash receipts	<b>\$ 2,398,916</b>	\$ 2,261,352
Cash paid to suppliers and employees	<u>(2,238,071)</u>	<u>(1,901,351)</u>
Cash flow from operating activities	<u>160,845</u>	<u>360,001</u>

#### Investing activities

Purchase of capital assets	<b>(45,702)</b>	(24,434)
(Purchase) sale of marketable securities, net	<u>(83,373)</u>	<u>967,923</u>
Cash flow from investing activities	<u>(129,075)</u>	<u>943,489</u>
Increase in cash	<b>31,770</b>	1,303,490
Cash, beginning of year	<u>1,560,429</u>	<u>256,939</u>
Cash, end of year	<u><b>\$ 1,592,199</b></u>	<u>\$ 1,560,429</u>

---

See accompanying notes to the financial statements.

---

# College of Pharmacists of Manitoba

## Notes to the Non-Consolidated Financial Statements

December 31, 2016

---

### 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 restricted fund method of accounting. The purpose of the funds are as follows:

The Operating Fund reflects all of the College's main activities. The assets, liabilities, revenues and expenses related to program delivery and administration are reported in the Operating Fund.

The Building Fund was set up for the purpose of future major renovations or re-location. As re-location occurred in 2009 future funds received will be allocated to future improvement. All revenue and expenses related to building initiatives are reported in the Building Fund and are shown directly in the Statement of Financial Position.

The Library Fund was set up to record purchases for the library. A \$100 allocation was made whenever a member passed away. The Library Fund was closed out during the current year as there is no longer a need for a physical library due to the majority of resources now being provided electronically. Going forward, a \$100 donation will be made to the Canadian Foundation of Pharmacy upon the passing of a member.

#### 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, 2016

---

### 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	4 years
Computer software	1 or 5 years
Office equipment	10 years
Renovations and leasehold improvements	5 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 transferring the ownership of the land and building located at 200 Taché Avenue in the City of Winnipeg (Pharmacy House). The investment is being 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.

---

# College of Pharmacists of Manitoba

## Notes to the Non-Consolidated Financial Statements

December 31, 2016

---

### 2. Summary of significant accounting policies (continued)

#### Revenue recognition

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

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.

Fines, costs and interest are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Building Fund recognizes contributions as revenue in the year they are received.

#### 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.

# College of Pharmacists of Manitoba

## Notes to the Non-Consolidated Financial Statements

December 31, 2016

### 3. Prior period adjustment

During 2016, the College determined that revenue specifically related to Manitoba Prescribing Practices Program (M3P) was not accurately recorded in prior periods. The College was recording revenue related to the M3P program on a cash basis and as such did not record revenue amounts to which it was entitled. The College had also included amounts in deferred income for which revenue recognition criterion had been met. In addition, transaction charges related to deferred pharmacist and pharmacy fees were being deferred when they should have been expensed as incurred. The College has corrected these prior period errors in the comparative financial statements and as a result the following accounts have been restated:

	2015, as previously stated	Adjustment	2015, restated
M3P income	\$ 82,175	\$ 11,312	\$ 93,487
Regulatory operations	296,505	(14)	296,491
Accounts receivable	10,000	73,899	83,899
Deferred income	1,923,966	(146,478)	1,777,488
Net assets, beginning of year	2,183,981	209,051	2,393,032
Net assets, end of year	2,369,902	220,377	2,590,279

### 4. Marketable securities

Marketable securities have been adjusted to fair value for the 2016 year end as disclosed below:

	<u>2016</u>		<u>2015</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Common shares	\$ 335,793	\$ 301,684	\$ 271,879	\$ 284,443
Fixed income	935,947	951,549	1,098,453	1,115,483
Mutual funds	188,335	187,726	27,004	27,004
Preferred shares	286,477	289,684	210,320	220,340
Foreign securities	8,757	11,649	6,502	11,649
	<u>\$1,755,309</u>	<u>\$ 1,742,292</u>	<u>\$1,614,158</u>	<u>\$ 1,658,919</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 1.86% (2015: 1.60%) to 5.95% (2015: 5.95%) and mature between January 6, 2017 and March 5, 2041.

# College of Pharmacists of Manitoba

## Notes to the Non-Consolidated Financial Statements

December 31, 2016

### 5. Due from DIA Management 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 (2015: \$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.

### 6. Capital assets

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2016 Net Book Value</u>	<u>2015 Net Book Value</u>
Computer hardware	\$ 42,887	\$ 26,630	\$ 16,257	\$ 18,387
Computer software	52,500	52,500	-	600
Office equipment	123,787	40,405	83,382	59,483
Renovations and leasehold improvements	113,495	109,129	4,366	1,439
Lower level renovations	<u>147,538</u>	<u>105,719</u>	<u>41,819</u>	<u>71,620</u>
	<u>\$ 480,207</u>	<u>\$ 334,383</u>	<u>\$ 145,824</u>	<u>\$ 151,529</u>

Breakdown of depreciation expense is as follows:

	<u>2016</u>		<u>2015</u>
	<u>Budget (Note 12)</u>	<u>Actual</u>	<u>Actual</u>
Computer hardware	\$ 4,900	\$ 10,937	\$ 9,199
Computer software	600	600	10,500
Office equipment	9,500	10,069	8,036
Renovations and leasehold improvements	-	293	575
Lower level renovations	<u>29,508</u>	<u>29,508</u>	<u>29,508</u>
	<u>\$ 44,508</u>	<u>\$ 51,407</u>	<u>\$ 57,818</u>

---

# College of Pharmacists of Manitoba

## Notes to the Non-Consolidated Financial Statements

December 31, 2016

---

### 7. 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 management of Pharmacy House. 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 shares of income or losses are 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, 2016 and December 31, 2015 and for the years then ended are as follows:

	<u>2016</u>	<u>2015</u>
Financial position		
Total assets	\$ 284,198	\$ 284,871
Total liabilities	<u>(215,818)</u>	<u>(214,804)</u>
Total net assets	<u>\$ 68,380</u>	<u>\$ 70,067</u>
Results of operations		
Total revenue	\$ 12	\$ 12
Total expenses	<u>(1,699)</u>	<u>(3,051)</u>
Deficiency of revenue over expenses	<u>\$ (1,687)</u>	<u>\$ (3,039)</u>
Cash flows		
Cash from operating activities	\$ (1,687)	\$ (3,039)
Cash from financing activities	<u>1,014</u>	<u>1,813</u>
Decrease in cash flows	<u>\$ (673)</u>	<u>\$ (1,226)</u>

---

### 8. Internally restricted net assets

Certain net assets of the College are internally restricted for legal defence purposes (\$50,000).

# College of Pharmacists of Manitoba

## Notes to the Non-Consolidated Financial Statements

December 31, 2016

### 9. Deferred income

	<u>2016</u>	<u>2015</u> (Restated Note 3)
Fees	\$ 1,908,341	\$ 1,773,261
ICPD-OMFC Project	3,213	3,213
District 5 NABP Study Grant	<u>-</u>	<u>1,014</u>
Net contributions deferred	<u>\$ 1,911,554</u>	<u>\$ 1,777,488</u>

**Fees** is composed of the following amounts:

Balance, beginning of year	\$ 1,773,261	\$ 1,665,076
Amount recognized in operations	(1,773,261)	(1,665,076)
Amount received relating to the following year	<u>1,908,341</u>	<u>1,773,261</u>
Balance, end of year	<u>\$ 1,908,341</u>	<u>\$ 1,773,261</u>

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

Contributions received	<u>\$ 18,337</u>	<u>\$ 18,337</u>
Expenses		
Consulting	11,417	11,417
Miscellaneous	727	727
Professional fees	2,874	2,874
Salary	<u>106</u>	<u>106</u>
	<u>15,124</u>	<u>15,124</u>
Net contributions deferred	<u>\$ 3,213</u>	<u>\$ 3,213</u>

**District 5 NABP Study Grant** program is composed of the following cumulative to date amounts:

Contributions received	<u>\$ 3,587</u>	<u>\$ 3,587</u>
Expenses		
Administrative staff	338	338
Survey	735	735
Training	<u>1,500</u>	<u>1,500</u>
	<u>2,573</u>	<u>2,573</u>
Payment to NABP	<u>1,014</u> <u>(1,014)</u>	<u>1,014</u> <u>-</u>
Net contributions deferred	<u>\$ -</u>	<u>\$ 1,014</u>



---

# College of Pharmacists of Manitoba

## Notes to the Non-Consolidated Financial Statements

December 31, 2016

---

### 10. Financial instruments risks

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, 2016.

#### (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 order to continue 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.

---

# College of Pharmacists of Manitoba

## Notes to the Non-Consolidated Financial Statements

December 31, 2016

---

### 11. Operating lease commitment

The College entered into a mailing equipment lease in 2013. The College's total future minimum lease payments under operating lease commitments for the next two years are as follows:

2017	\$	5,987
2018		<u>5,987</u>
	\$	<u>11,974</u>

---

### 12. Budget

The budget figures, 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.