Grant Thornton

Non-Consolidated Financial Statements

College of Pharmacists of Manitoba

December 31, 2017

Contents

Independent Auditor's Report

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To the Members of
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, 2017, 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.

Management's responsibility 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.

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 organization'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 organization'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.

Independent Auditor's Report (continued)

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, 2017, 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.

Grant Thornton LLP

Winnipeg, Canada
March 26, 2018

Chartered Professional Accountants

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

Year ended December 31	2017 Budget (Unaudited - Note 11)	2017 Actual	2016 Actual (Note 12)
Revenue			
Pharmacist fees	$ 1,430,046	$ 1,485,385	$ 1,383,248
Pharmacy fees	593,951	648,655	565,194
Pharmacy technician fees	511	3,916	1,640
Other income	25,551	24,312	49,469
Fines	-	55,184	32,162
Investment income	55,000	70,615	87,678
M3P income	95,200	85,490	88,006
	2,200,259	2,373,557	2,207,397
Expenses			
Regulatory operations	283,350	305,687	265,127
Payroll, taxes & employee benefits	1,162,056	1,160,537	1,164,476
Computer, IT, equipment & telephone	83,146	71,889	76,029
Building operations	98,674	80,649	78,740
Complaints & discipline	145,600	209,335	165,825
Meetings, conferences & travel	133,030	121,217	145,153
Awards & contributions	26,100	75,998	23,686
NAPRA levy	63,000	62,479	60,956
College of Pharmacy levy	153,100	161,400	154,800
M3P expenses	87,240	75,470	80,034
	2,235,296	2,324,661	2,214,826
Excess (deficiency) of revenue over expenses before other items	(35,037)	48,896	(7,429)
Other items			
Amortization (Note 5)	(44,508)	(52,705)	(51,407)
Loss from DIA Management Group Ltd. (Note 6)	-	(992)	(1,687)
Unrealized gain on marketable securities	-	40,721	57,780
	(44,508)	(12,976)	4,686
Excess (deficiency) of revenue over expenses	$ (79,545)	$ 35,920	$ (2,743)

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	Total 2017	Total 2016 (Note 12)
Balance, beginning of year	$ 145,824	$ 2,391,712	$ 69,704	**$ 2,607,240**	$ 2,609,983
Excess (deficiency) of revenue over expenses	(52,705)	88,625	-	**35,920**	(2,743)
Purchase of capital assets	61,227	(41,523)	(19,704)	**-**	-
Interfund transfer (Note 7)	-	50,000	(50,000)	**-**	-
Balance, end of year	**$ 154,346**	**$ 2,488,814**	**$ -**	**$ 2,643,160**	$ 2,607,240

See accompanying notes to the non-consolidated financial statements.

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

December 31	2017	2016 (Note 12)
Assets		
Current		
Cash	**$ 688,185**	$ 1,592,199
Marketable securities (Note 3)	**2,783,982**	1,755,309
Accounts receivable	**218,578**	67,324
Prepaid expenses	**8,136**	114
Due from DIA Management Group Ltd. (Note 4)	**214,404**	213,818
	3,913,285	3,628,764
Capital assets (Note 5)	**154,346**	145,824
Investment in DIA Management Group Ltd. (Note 6)	**932,578**	933,571
	$ 5,000,209	$ 4,708,159
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 132,478**	$ 103,400
Goods and services tax payable	**90,307**	85,965
Deferred income (Note 8)	**2,134,264**	1,911,554
	2,357,049	2,100,919
Net assets		
Invested in capital assets	**154,346**	145,824
Internally restricted	**-**	69,704
Unrestricted	**2,488,814**	2,391,712
	2,643,160	2,607,240
	$ 5,000,209	$ 4,708,159

On behalf of the Members of Council

____________________ Councillor ____________________ Councillor

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

Year ended December 31	**2017**	2016
Operating		
Cash receipts	**$ 2,479,259**	$ 2,398,916
Cash paid to suppliers and employees	**(2,334,094)**	(2,238,071)
	145,165	160,845
Investing		
Purchase of capital assets	**(61,227)**	(45,702)
Purchase of marketable securities, net	**(987,952)**	(83,373)
	(1,049,179)	(129,075)
(Decrease) increase in cash	**(904,014)**	31,770
Cash		
Beginning of year	**1,592,199**	1,560,429
End of year	**$ 688,185**	$ 1,592,199

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.

Internally restricted funds consisted of the building fund and a legal defence fund. The building fund was used to record funds internally restricted for use in the event of a renovation or re-location, and the legal defence fund was used to record funds internally restricted for legal defence purposes.

2. Summary of significant accounting policies (continued)

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.

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.

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 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.

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 2017 year end as disclosed below:

	2017 Market	**2017 Cost**	2016 Market	2016 Cost
Common shares	**$ 317,024**	**$ 283,773**	$ 335,793	$ 301,684
Fixed income	**1,272,924**	**1,279,599**	935,947	951,549
Mutual funds	**785,032**	**784,385**	188,335	187,726
Preferred shares	**314,760**	**301,708**	286,477	289,684
Foreign securities	**94,242**	**80,779**	8,757	11,649
	$ 2,783,982	**$ 2,730,244**	$ 1,755,309	$ 1,742,292

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 1.72% (2016: 1.86%) to 5.95% (2016: 5.95%) and mature between January 8, 2018 and March 5, 2041.

4. 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 (2016: $12) in rent for Pharmacy House 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

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	$ 42,754	$ 30,221	$ 37,957	$ 21,700
Computer software	60,268	57,904	57,431	57,431
Office equipment	139,364	53,607	123,787	40,405
Renovations and leasehold improvements	151,510	111,498	113,495	109,129
Lower level renovations	147,538	133,858	147,537	105,718
	541,434	387,088	480,207	334,383
Net book value	**$ 154,346**		$ 145,824	

Breakdown of amortization expense is as follows:

	2017 Budget (Unaudited - Note 11)	**2017 Actual**	Actual 2016
Computer hardware	**$ 4,900**	**$ 8,521**	$ 10,937
Computer software	**600**	**473**	600
Office equipment	**9,500**	**13,202**	10,069
Renovations and leasehold improvements	**-**	**2,369**	293
Lower level renovations	**29,508**	**28,140**	29,508
	$ 44,508	**$ 52,705**	$ 51,407

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 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 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, 2017 and December 31, 2016 and for the years then ended are as follows:

	2017	2016
Financial position		
Total assets	**$ 283,792**	$ 284,198
Total liabilities	**(216,404)**	(215,818)
Total net assets	**$ 67,388**	$ 68,380
Results of operations		
Total revenue	**$ 12**	$ 12
Total expenses	**(1,004)**	(1,699)
Deficiency of revenue over expenses	**$ (992)**	$ (1,687)
Cash flows		
Cash from operating activities	**$ (1,004)**	$ (1,687)
Cash from financing activities	**586**	1,014
Decrease in cash flows	**$ (418)**	$ (673)

7. Interfund transfer

Net assets of the College that were internally restricted for legal defence purposes ($50,000) have been transferred to unrestricted net assets. It was determined during the year that a reserve is no longer required for these purposes.

8. Deferred income

	2017	2016
Fees	**$ 2,131,051**	$ 1,908,341
ICPD-OMFC Project	**3,213**	3,213
Net contributions deferred	**$ 2,134,264**	$ 1,911,554

Fees is composed of the following amounts:

	2017	2016
Balance, beginning of year	**$ 1,908,341**	$ 1,773,261
Amount recognized in operations	**(1,908,341)**	(1,773,261)
Amount received relating to the following year	**2,131,051**	1,908,341
Balance, end of year	**$ 2,131,051**	$ 1,908,341

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

	2017	2016
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

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, 2017.

(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 continue their membership.

9. 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.

10. 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 year are $5,987.

11. Budget amounts

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

12. Comparative figures

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