

College of Pharmacists of British Columbia
Financial Statements
Year ended February 28, 2023

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Year ended February 28, 2023

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Independent Auditor's Report

**To the Board of Directors of
College of Pharmacists of British Columbia**

Opinion

We have audited the financial statements of the College of Pharmacists of British Columbia (the "College"), which comprise the Statement of Financial Position as at February 28, 2023, and the Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the College as at February 28, 2023, and its results of operations, changes in net assets and 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 Financial Statements* section of this report. We are independent of the College of Pharmacists of British Columbia in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements

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

In preparing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 auditor's report to the related disclosures in the 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 College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia

June 26, 2023

College of Pharmacists of British Columbia
Statement of Financial Position

For the year ended February 28

2023

2022

Assets

Current

Cash and cash equivalents	\$ 2,893,612	\$ 1,704,822
Short-term investments (Note 2)	347,985	944,757
Accounts receivable	127,441	154,588
Prepaid expenses and deposits	149,302	373,367
	<u>3,518,340</u>	<u>3,177,534</u>
Interest in College Place Joint Venture (Note 3)	1,575,194	1,443,208
Long-term investments (Note 2)	4,223,540	3,993,102
Development costs	-	36,988
Tangible capital assets (Note 4)	269,082	464,387
	<u>\$ 9,586,156</u>	<u>\$ 9,115,219</u>

Liabilities and Net Assets



Current

Accounts payable and accrued liabilities (Note 5)	\$ 966,610	\$ 715,813
Current portion of capital lease obligations	9,767	12,006
Deferred revenue (Note 6)	6,320,737	5,999,356
	<u>7,297,114</u>	<u>6,727,175</u>
Capital lease obligations	-	9,767
	<u>7,297,114</u>	<u>6,736,942</u>

Net Assets

Unrestricted net assets	29,727	-
Restricted Fund	1,974,530	1,901,950
Invested in tangible capital assets	259,315	442,614
College Place Joint Venture (CPJV) replacement reserve	25,470	33,713
	<u>2,289,042</u>	<u>2,378,277</u>
	<u>\$ 9,586,156</u>	<u>\$ 9,115,219</u>

On behalf of the Board:

 Director
 Director

The accompanying notes are an integral part of these financial statements.

College of Pharmacists of British Columbia
Statement of Operations

For the year ended February 28	2023	2022
Revenues		
Pharmacy fees	\$ 4,006,853	\$ 3,840,861
Pharmacist fees	5,648,107	5,363,410
Technician fees	1,074,428	1,004,636
Other	110,744	209,001
College Place Joint Venture income (Note 3)	96,136	75,597
Grants	3,120	3,120
Investment income	113,804	98,066
Total revenues	11,053,192	10,594,691
Expenses		
Board and Registrar's office	493,366	392,784
Communications and engagement	72,073	89,854
Complaints and investigations	298,234	198,751
Finance and administration	2,038,853	1,829,785
Grant distribution	-	7,000
Policy and legislation	3,553	13,609
Practice reviews	49,953	14,525
Quality assurance	52,757	48,319
Registration and licensure	160,528	227,169
Salaries and benefits	7,683,692	7,796,014
Amortization	281,175	206,996
Total expenses	11,134,184	10,824,806
Deficiency of revenues over expenses	\$ (80,992)	\$ (230,115)

College of Pharmacists of British Columbia
Statement of Changes in Net Assets
For the Year ended February 28, 2023

	Invested in Tangible Capital Assets	CPJV Replacement Reserve	Unrestricted	Restricted Fund	2023 Total	2022 Total
Balance, beginning of year	\$442,614	\$33,713	-	\$1,901,950	\$2,378,277	\$2,622,820
Deficiency of revenue over expenses	(244,187)	-	163,195	-	(80,992)	(230,115)
Investment in tangible capital assets	48,882	-	(48,882)	-	-	-
Transfers from Unrestricted Fund	-	-	(72,580)	72,580	-	-
Share of CPJV replacement reserve	-	(8,243)	-	-	(8,243)	(14,428)
Repayment of capital lease principal	12,006	-	(12,006)	-	-	-
Balance, end of year	\$259,315	\$25,470	29,727	\$1,974,530	\$2,289,042	\$2,378,277

The accompanying notes are an integral part of these financial statements.

College of Pharmacists of British Columbia
Statement of Cash Flows

For the year ended February 28 **2023** **2022**

Cash provided by (used in)

Operating activities

Deficiency of revenues over expenses	\$ (80,992)	\$ (230,115)
Items not affecting cash		
Amortization of tangible capital assets	244,187	166,598
Amortization of development costs	36,988	40,398
Share of College Place Joint Venture Income	(96,136)	(75,597)
Loss on disposition of tangible capital assets	-	1,083
	104,047	(97,633)
Changes in non-cash working capital		
Accounts receivable	27,147	(33,168)
Prepaid expenses and deposits	224,065	(63,978)
Accounts payable and accrued liabilities	250,797	(82,640)
Deferred revenue	321,381	380,637
	927,437	103,218

Financing activity

Capital lease repayments	(12,006)	(10,946)
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Investing activities

Purchase of tangible capital assets	(48,882)	(24,443)
Net proceeds on disposal of investments	366,334	(98,585)
Advances from College Place Joint Venture	(44,093)	38,552
	273,359	(84,476)

Increase in cash and cash equivalents for the year	1,188,790	7,796
Cash and cash equivalents, beginning of year	1,704,822	1,697,026
Cash and cash equivalents, end of year	\$ 2,893,612	\$ 1,704,822

College of Pharmacists of British Columbia

Notes to the Financial Statements

February 28, 2023

1. Summary of Significant Accounting Policies

a) Nature of Operations

The College of Pharmacists of British Columbia ("the College") is a regulatory body for pharmacists, pharmacy technicians and pharmacies of British Columbia to set and enforce professional standards for the profession. The College is designated under the Health Professions Act. For income tax purposes, the College is treated as a not-for-profit organization and is thereby exempt from income tax.

b) Basis of Accounting

The financial statements have been prepared by management using Canadian accounting standards for not-for-profit organizations ("ASNPO").

c) Use of Estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates included in these financial statements consist of the estimated useful life of tangible capital assets and the completeness of accounts payable and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

d) Revenue Recognition

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

License and registration fees received are deferred and recognized as revenue over the year.

Investment income is recognized as it accrues, in accordance with the stated terms of each financial instrument.

e) Interest in College Place Joint Venture

The College Place Joint Venture (CPJV) is a jointly controlled enterprise in which the College holds 30% interest and another not-for-profit organization, the BC College of Oral Health Professionals, hold a 70% interest. The College accounts for its joint venture using the equity method.

College of Pharmacists of British Columbia
Notes to the Financial Statements

February 28, 2023

1. Significant Accounting Policies - Continued

f) Cash and Cash Equivalents

Cash and cash equivalents consist of bank balances and redeemable guaranteed investment certificates ("GICs") of terms of less than 90 days at purchase.

g) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. In the event that facts and circumstances indicate that the College's tangible capital assets no longer have any long-term service potential to the College, the excess of the asset's net carrying amount over any residual value is recognized as an expense in the statement of operations. Cost includes all amounts related to the acquisition and improvements of the capital assets including replacement of equipment. Tangible capital assets are amortized at the following annual rates:

Leasehold improvements	Straight-line over 10 years
Furniture and fixtures	Straight-line over 10 years
Office equipment	Straight-line over 5 years
Computer	Straight-line over 3 years
Software	Straight-line over 2 years.

h) Capital Leases

Leases which transfer substantially all the benefits and inherent risk related to the ownership of the property leased to the College are capitalized by recording as assets and liabilities the present value of the payments required under the leases.

i) Net Assets Held in Reserves

The restricted reserve fund represents net assets held in reserves that are internally restricted to provide a funding source for future financial obligations where the timing of the obligations cannot be precisely predicted, and to provide funding to address financial risks for which the timing and probability of a given event is uncertain. All reserves are approved by the College Board and are disclosed on the statement of financial position as net assets.

College of Pharmacists of British Columbia
Notes to the Financial Statements

February 28, 2023

1. Summary of Significant Accounting Policies - Continued

j) Financial Instruments

The College initially measures its financial assets and financial liabilities at fair value. The College subsequently measures all of its financial assets and financial liabilities at cost or amortized cost.

Financial assets measured at cost or amortized cost include cash and cash equivalents, accounts receivables and investments.

Financial liabilities measured at cost or amortized cost include accounts payable and accrued liabilities.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income.

k) Employee Future Benefits

The College and its employees make contributions to the Municipal Pension Plan which is a multi-employer joint trusted plan. This plan is a defined benefit plan, providing pension or retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. As the assets and liabilities of the plan are not segregated by institution the plan is accounted for as a defined contribution plan and any College contributions to the plan are expensed as incurred.

College of Pharmacists of British Columbia
Notes to the Financial Statements

February 28, 2023

2. Investments

Investments consist of guaranteed investment certificates ("GICs") with interest from 0.85% to 4.6% (2022 - 0.85% to 3.21%) with maturity dates from May 17, 2023 to July 13, 2027. GICs that matured between year-end and the date of the financial statement approval were reinvested under similar terms.

3. Interest in College Place Joint Venture

The College entered into an agreement dated March 3, 1989 to purchase 30% interest in a jointly controlled enterprise set up to acquire and develop a property. The College occupies space in the building and pays rent to College Place Joint Venture (CPJV). Included in Finance and Administrative expense is rent and operating costs paid to CPJV in amount of \$370,417 (2022: \$350,282).

The assets, liabilities, revenues and expenses of the joint venture at February 28, 2023 and for the year then ended are as follows:

	<u>100%</u> <u>Joint Venture</u>	<u>College</u> <u>Share</u>
Balance sheet		
Assets		
Current assets	\$ 595,253	\$ 89,307
Tangible capital assets and other assets	5,155,803	1,546,741
	\$ 5,751,056	\$ 1,636,048
Liabilities and equity		
Total liabilities	\$ 202,847	\$ 60,854
Total equity	5,548,209	1,575,194
	\$ 5,751,056	\$ 1,636,048
Statement of operations		
Revenues	\$ 1,296,098	\$ 388,829
Expenses	975,639	292,693
	\$ 320,459	\$ 96,136

The College has two leases which expire on August 31, 2023. Rent payments associated with these leases in the 2024 fiscal year are \$161,900. The College is currently renegotiating these leases.

College of Pharmacists of British Columbia
Notes to the Financial Statements

February 28, 2023

4. Tangible Capital Assets

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Leasehold improvements	\$ 1,252,658	\$ 1,103,235	\$ 149,423	\$ 319,105
Furniture and fixtures	385,271	348,930	36,341	50,526
Office equipment	266,604	243,996	22,608	41,188
Computer	484,702	423,992	60,710	53,568
Software	360,167	360,167	-	-
	\$ 2,749,402	\$ 2,480,320	\$ 269,082	\$ 464,387

5. Accounts Payable and Accrued Liabilities

Included in accounts payables and accrued liabilities is \$93,229 (2022 - \$27,951) of government remittances payable.

6. Deferred Revenue

Deferred revenue represents the subsequent year's pharmacy licenses and registration fees received prior to year end.

College of Pharmacists of British Columbia Notes to the Financial Statements

February 28, 2023

7. Municipal Pension Plan

The College and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan) (the "Plan"). The Board of Trustees, representing Plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2021, the Plan has about 227,000 active members and approximately 118,000 retired members.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and adequacy of the funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the Plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as of December 31, 2021, indicated a \$3.76 billion funding surplus for basic pension benefits on a going concern basis. As a result of the 2021 basic account actuarial valuation surplus, the rate stabilization account, which was set up to help offset potential future contribution rate increases, has a balance of about \$2.5 billion.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and costs to individual employers participating in the Plan.

The College of Pharmacists of British Columbia paid \$494,995 (2022 - \$548,158) for employer contributions to the plan in fiscal 2023. These contributions have been recorded as expenses on the Statement of Operations.

College of Pharmacists of British Columbia

Notes to the Financial Statements

February 28, 2023

8. Financial Instruments

The College's activities result in exposure to a variety of financial risks including risks related to credit, interest rate and liquidity risks. The risks that the College is exposed to this year are consistent with those identified in prior years.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The College is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of its investments (Note 2). Investments are all invested in fixed interest rate guaranteed investment certificates.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk is the risk that the counterparty to the transaction will not pay.

The College is also exposed to credit risk arising from the possibility that the financial institutions with which it maintains its cash balances and GICs will default. However, The College believes that its exposure to credit risk in relation to cash is low, as all of its cash and GICs are with reputable Canadian chartered financial institutions.

Liquidity Risk

Liquidity risk is the risk that the College encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the College will not have sufficient funds to settle a transaction on the due date, will be forced to sell financial assets at value, which is less than what they are worth, or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities and is mitigated by the College's investment in GICs as disclosed in Note 2.

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 periodically transacts with US vendors, consequently, some accounts payable are exposed to foreign exchange fluctuations. As at year end, there were no US dollar denominated accounts payable balances (2022 - \$nil) are denominated in US dollars and converted into Canadian dollars. The College of Pharmacists of British Columbia considers this risk to be acceptable.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The College of Pharmacists of British Columbia is exposed to market risk by way of a lack of diversification of its investments, which are entirely invested in fixed term and fixed interest rate GICs.

College of Pharmacists of British Columbia
Notes to the Financial Statements

February 28, 2023

9. Commitments

The College is committed to a contract for IT maintenance services, at a rate of \$9,493 per month, ending February 28, 2026. The College is committed to a contract for computer-based testing services, with fixed annual minimal fees of \$50,000 with annual rate adjustments set at 3%, ending December 31, 2025. The minimum payments of these commitments in each of the next three years are as follows:

Year	Amount
2023/24	168,554
2024/25	170,193
2025/26	<u>113,918</u>
	<u>\$ 452,665</u>

10. Contingent Liabilities

In the regular course of operations, legal claims are initiated against the College in varying and unspecified amounts. The outcome of any potential claims cannot reasonably be determined at this time. Any ultimate settlements will be recorded in the year when either the outcome of the potential claim can be reasonably determined or when settlement occurs, whichever occurs first.