



Financial Statements

College of Pharmacists of British Columbia

February 28, 2014

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the College of Pharmacists of British Columbia, which comprise the statement of financial position as at February 28, 2014, and the statements of changes in net assets, revenue and expenditures, and cash flows for the year then 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 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.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the 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 College'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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the College of Pharmacists of British Columbia as at February 28, 2014, 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.

Vancouver, Canada
June 20, 2014

Grant Thornton LLP

Chartered Accountants

College of Pharmacists of British Columbia

Statement of Financial Position

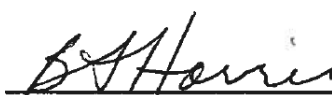
February 28	2014	2013 (Restated) Note 14
Assets		
Current		
Cash and cash equivalents	\$ 1,448,426	\$ 2,368,524
Short-term investments (Note 3)	10,181,286	8,830,863
Receivables (Note 4)	228,926	92,168
Prepays and deposits	<u>77,975</u>	<u>56,890</u>
	11,936,613	11,348,445
Investment in College Place Joint Venture (Note 5)	1,645,785	1,650,012
Development costs (Note 6)	75,460	106,338
Property and equipment (Note 7)	<u>506,433</u>	<u>476,003</u>
	\$ 14,164,291	\$ 13,580,798
Liabilities		
Current		
Payables and accruals (Note 8)	\$ 860,659	\$ 836,482
Current portion of capital lease obligations (Note 9)	16,838	45,706
Deferred revenue (Note 10)	2,991,724	2,962,866
Deferred contributions (Note 11)	<u>616,685</u>	<u>1,120,617</u>
	4,485,906	4,965,671
Capital lease obligations (Note 9)	<u>101,116</u>	<u>71,336</u>
	4,587,022	5,037,007
Net assets		
Invested in property and equipment	388,479	358,961
Restricted building fund	287,067	302,053
Other risks reserve	500,000	500,000
Joint venture reserve	200,000	200,000
Unrestricted net assets	<u>8,201,723</u>	<u>7,182,777</u>
	9,577,269	8,543,791
	\$ 14,164,291	\$ 13,580,798

Contingencies (Note 13)

On behalf of the Board



Director



Director

College of Pharmacists of British Columbia

Statement of Changes in Net Assets

Year ended February 28, 2014

	Invested in Property and Equipment	Restricted Building Fund	Other Risks Reserve	Joint Venture Reserve	Unrestricted	2014 Total	2013 Total
Balance, beginning of year	\$ 358,961	\$ 302,053	\$ 500,000	\$ 200,000	\$ 7,182,777	\$ 8,543,791	\$ 7,213,128
(Deficiency) excess of revenue over expenditures	(199,899)	62,213	-	-	1,171,164	1,033,478	1,330,663
Investment in property and equipment	229,417	(77,199)	-	-	(152,218)	-	-
Balance, end of year	\$ 388,479	\$ 287,067	\$ 500,000	\$ 200,000	\$ 8,201,723	\$ 9,577,269	\$ 8,543,791

See accompanying notes to the financial statements.

College of Pharmacists of British Columbia

Statement of Revenue and Expenditures

Year ended February 28

	2014	2013
		(Restated) Note 14
Revenue		
Pharmacy fees	\$ 1,640,283	\$ 1,600,574
Pharmacists fees	4,082,630	3,814,682
Technician fees	298,286	183,083
Other	1,233,773	1,143,703
Grants	726,432	445,695
Investment income	232,564	186,309
College Place Joint Venture income	196,589	83,062
Total revenue	<u>8,410,557</u>	<u>7,457,108</u>
Expenditures		
Board and registrar's office	507,788	387,704
Grant distribution	1,161,367	585,664
Registration and licensing	293,821	296,859
Quality assurance	68,440	77,849
Inspections	21,570	34,180
Legislation, discipline and investigations	465,534	667,886
Hospital pharmacy and practice	93,020	92,915
Public accountability and engagement	120,142	65,808
Finance and administration	1,054,539	904,185
Salaries and benefits	3,338,780	2,783,298
Total expenditures	<u>7,125,001</u>	<u>5,896,348</u>
Excess of revenue over expenditures before joint venture	1,285,556	1,560,760
Amortization	252,078	230,097
Excess of revenue over expenditures	<u>\$ 1,033,478</u>	<u>\$ 1,330,663</u>

College of Pharmacists of British Columbia

Statement of Cash Flows

Year ended February 28

2014

2013

(Restated)
Note 14

Cash derived from (used in)

Operating

Excess of revenue over expenditures	\$ 1,033,478	\$ 1,330,663
Amortization of property and equipment	199,899	185,678
Amortization of development costs	52,179	44,419
Unrealized loss on investments	-	1,725
Share of net income of College Place Joint Venture	<u>(196,589)</u>	<u>(83,062)</u>

1,088,967 1,479,423

Change in non-cash operating working capital

Receivables	(136,758)	114,579
Prepays and deposits	(21,085)	35,067
Payables and accruals	24,177	143,384
Deferred revenue	28,858	103,159
Deferred contributions	<u>(503,932)</u>	<u>(295,695)</u>

480,227 1,579,917

Financing

Capital lease repayments	<u>912</u>	<u>(44,371)</u>
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Investing

Purchase of property and equipment	(230,329)	(225,459)
Increase in development costs	(21,301)	(17,501)
Increase in investments	(1,350,423)	(2,476,812)
Investment in College Place Joint Venture	<u>200,816</u>	<u>102,870</u>

(1,401,237) (2,616,902)

Net decrease in cash and cash equivalents **(920,098)** (1,081,356)

Cash and cash equivalents, beginning of year 2,368,524 3,449,880

Cash and cash equivalents, end of year **\$ 1,448,426** \$ 2,368,524

College of Pharmacists of British Columbia

Notes to the financial statements

February 28, 2014

1. Nature of operations

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

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The following are significant accounting policies applied by the College:

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

The College follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the 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.

Licence and registration fees are recognized as revenue in the year to which the fee relates.

Investment in joint venture

The College accounts for its joint venture using the equity method.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and short-term deposits with maturities of three months or less.

Development costs

Program and implementation costs for the Pharmacy Technician Bridging program and SkilSure Solution enterprise software have been deferred and are amortized on a straight-line basis over five years. Should the conditions for deferral cease to exist, the costs will be charged as a period expense.

College of Pharmacists of British Columbia

Notes to the financial statements

February 28, 2014

2. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment of the College are recorded at cost and amortized over their estimated useful lives using the following rates:

Leasehold improvements	straight-line method over 25 years
Furniture and fixtures	straight-line over 10 years
Office equipment	straight-line over 5 to 10 years
Computer	straight-line over 3 years
Software	straight-line over 2 years

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.

Restricted building fund

A portion of dues assessed to pharmacists is restricted for office space renovation and upgrades.

Net assets held in reserves

Net assets held in reserves are internally restricted to provide a funding source for future capital 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 equity.

The other risks reserve was established to assist in funding any unexpected expenses arising from College operations or obligations.

The Joint Venture reserve was established to assist in funding any large capital expenditures required to maintain the upkeep of the building jointly owned by the College of Pharmacists of British Columbia and the College of Dental Surgeons of British Columbia.

College of Pharmacists of British Columbia

Notes to the financial statements

February 28, 2014

2. Summary of significant accounting policies (continued)

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 amortized cost, except for short-term investments, which are measured at fair value. Changes in fair value are recognized in the statement of revenue and expenditures.

Financial assets measured at amortized cost include cash and cash equivalents and receivables.

Financial liabilities measured at amortized cost include payables and accruals.

Financial instruments measured at fair value include short-term investments. Fair values are based on quoted market values where available from active markets; otherwise, fair values are estimated using a variety of valuation techniques and models. Purchase and sales of investments are recorded on the trade date.

3. Short-term investments

	2014		2013	
	Historical Cost	Market Value	Historical Cost	Market Value
Guaranteed investment certificates	\$ 10,037,497	\$ 10,181,286	\$ 8,656,364	\$ 8,736,939
Bonds	-	-	99,351	93,924
	<u>\$ 10,037,497</u>	<u>\$ 10,181,286</u>	<u>\$ 8,755,715</u>	<u>\$ 8,830,863</u>

Short-term investments consist of guaranteed investment certificates ("GICs") and bonds with interest rates from 1.10% to 3.85% (2013: 1.25% to 5.13%).

4. Receivables

	2014	2013
PharmaNet receivables	\$ 183,892	\$ 92,168
Other receivables	45,034	-
	<u>\$ 228,926</u>	<u>\$ 92,168</u>

College of Pharmacists of British Columbia

Notes to the financial statements

February 28, 2014

5. Joint venture

The College entered into an agreement dated March 3, 1989, to purchase 30% interest in a joint venture set up to acquire and develop a property. The College occupies space in the building and pays rent to the joint venture.

The assets, liabilities, revenues and expenses of the joint venture at February 28, 2014 and for the year then ended are as follows:

	<u>100%</u> <u>Joint Venture</u>	<u>30%</u> <u>College</u>
Balance sheet		
Assets		
Current assets	\$ 274,016	\$ 82,205
Property and equipment and other assets	<u>5,439,514</u>	<u>1,631,854</u>
	<u>\$ 5,713,530</u>	<u>\$ 1,714,059</u>
Liabilities and equity		
Total liabilities	\$ 84,814	\$ 68,274
Total equity	<u>5,628,716</u>	<u>1,645,785</u>
	<u>\$ 5,713,530</u>	<u>\$ 1,714,059</u>
Statement of operations		
Revenues	\$ 1,312,148	\$ 393,644
Expenses	<u>721,287</u>	<u>197,055</u>
Excess of revenue over expenditures	<u>\$ 590,861</u>	<u>\$ 196,589</u>

College of Pharmacists of British Columbia

Notes to the financial statements

February 28, 2014

6. Development costs

			<u>2014</u>	<u>2013</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
SkilSure Solution	\$ 38,802	\$ 7,760	\$ 31,042	\$ 17,501
Pharmacy Technician Bridging Program	<u>234,432</u>	<u>190,014</u>	<u>44,418</u>	<u>88,837</u>
	<u>\$ 273,234</u>	<u>\$ 197,774</u>	<u>\$ 75,460</u>	<u>\$ 106,338</u>

7. Property and equipment

			<u>2014</u>	<u>2013</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 665,361	\$ 468,470	\$ 196,891	\$ 143,569
Furniture and fixtures	294,375	192,935	101,440	101,560
Office equipment	157,174	19,439	137,735	127,307
Computer	355,946	308,059	47,887	54,323
Software	<u>146,722</u>	<u>124,242</u>	<u>22,480</u>	<u>49,244</u>
	<u>\$ 1,619,578</u>	<u>\$ 1,113,145</u>	<u>\$ 506,433</u>	<u>\$ 476,003</u>

At February 28, 2014, assets under capital lease with a cost of \$127,727 (2013: \$237,626) and accumulated amortization of \$12,773 (2013: \$118,183) are included in office equipment.

8. Payables and accruals

Payables and accruals include GST payable amounting to \$45,422 as at February 28, 2014 (2013: \$109,556).

College of Pharmacists of British Columbia

Notes to the financial statements

February 28, 2014

9. Capital lease obligations

The College is committed to pay annual leases for office equipment under lease agreements. The leases will expire in fiscal 2019. Minimum annual lease commitments are as follows:

2015	\$	16,838
2016		20,266
2017		24,516
2018		29,786
2019		<u>26,548</u>
		117,954
Less current portion		<u>16,838</u>
	\$	<u>101,116</u>

10. Deferred revenue

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

11. Deferred contributions

Deferred contributions represent the unamortized amount of grants received for future operating activities and programs. The amortization of deferred contributions is recorded as revenue in the statement of revenue and expenditures.

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 1,120,617	\$ 1,416,312
Amounts received	72,500	-
Less amounts amortized to revenue	<u>(576,432)</u>	<u>(295,695)</u>
Balance, end of year	<u>\$ 616,685</u>	<u>\$ 1,120,617</u>

12. Financial instruments

The estimated fair value of cash and cash equivalents, short-term investments, receivables, payables and accruals, and capital lease obligations approximate carrying values due to the relatively short-term nature of the instruments.

College of Pharmacists of British Columbia

Notes to the financial statements

February 28, 2014

12. Financial instruments (continued)

The carrying amounts of financial assets measured at amortized cost are \$1,677,352 as at February 28, 2014 (2013: \$2,460,692).

The carrying amounts of financial assets measured at fair value are \$10,181,286 as at February 28, 2014 (2013: \$8,830,863).

The carrying amounts of financial liabilities measured at amortized cost are \$860,659 as at February 28, 2014 (2013: \$836,482).

Market risk

Market risk is the potential for financial loss to the College from changes in the values of its financial instruments due to changes in interest rates, equity prices, currency exchange and other price risks. The investments of the College are not subject to significant market risk as substantially all of it are in GICs and denominated in Canadian dollars.

Credit risk

The College is exposed to the risk that a counterparty defaults or becomes insolvent. The only financial instrument that potentially subjects the College to concentrations of credit risk is its receivables.

The maximum exposure to credit risk in terms of receivables is \$228,926 as of February 28, 2014 (2013: \$92,168). Management believes that the College does not have a significant credit risk on their receivables.

Liquidity risk

Liquidity risk is the risk that the College cannot meet a demand for cash or fund its obligations as they come due. Maximum exposure to liquidity risk is \$978,613 as at February 28, 2014 (2013: \$953,524). Except for the obligation under capital lease balance of \$117,954, which will be paid until 2019 (Note 9), the College's liabilities are due to be paid in full before February 28, 2015.

13. Contingencies

There are claims pending in which the College is involved arising in the ordinary course of business. It is considered that the potential claims against the College resulting from such litigation would not materially affect the financial statements of the College. Any difference between the liability accrued by the College related to the claims and the amounts ultimately settled will be recorded in the period in which the claim is resolved.

College of Pharmacists of British Columbia

Notes to the financial statements

February 28, 2014

14. Change in accounting policy

The financial statements have been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to the investment in the College Place Joint Venture (the "Joint Venture") of which the College has a 30% share.

The new accounting policy is to recognize the investment by applying the equity method of accounting. The previous accounting policy was to recognize the investment by way of proportionate consolidation.

The new accounting policy was adopted on March 1, 2013 and has been applied retrospectively. Management has determined that the change in policy will result in the financial statements providing more relevant and no less reliable information because it leads to a more transparent treatment of the operations of both the College and the Joint Venture.

The impact of the change in accounting policy is set out below:

	<u>2013</u>		<u>2013</u>
	As Previously Stated	Adjustments	As Restated
Balance sheet			
Assets			
Current assets	\$ 11,499,591	\$ (151,146)	\$ 11,348,445
Investment in College Place Joint Venture	-	1,650,012	1,650,012
Property and equipment and other assets	<u>2,195,296</u>	<u>(1,612,955)</u>	<u>582,341</u>
	<u>\$ 13,694,887</u>	<u>\$ (114,089)</u>	<u>\$ 13,580,798</u>
Liabilities and equity			
Total liabilities	\$ 5,151,096	\$ (114,089)	\$ 5,037,007
Total equity	<u>8,543,791</u>	<u>-</u>	<u>8,543,791</u>
	<u>\$ 13,694,887</u>	<u>\$ (114,089)</u>	<u>\$ 13,580,798</u>
Statement of operations			
Revenues	\$ 7,371,299	\$ 2,747	\$ 7,374,046
Share of net income from College Place Joint Venture	-	83,062	83,062
Expenses	(5,794,601)	(101,747)	(5,896,348)
Amortization	<u>(246,035)</u>	<u>15,938</u>	<u>(230,097)</u>
Excess of revenue over expenditures	<u>\$ 1,330,663</u>	<u>\$ -</u>	<u>\$ 1,330,663</u>