

**College of Pharmacists of British Columbia**  
Financial Statements  
Year ended February 28, 2018

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Financial Statements  
Year ended February 28, 2018

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	<b>Contents</b>
<b>Independent Auditor's Report</b>	<b>2</b>
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Revenues and Expenses	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 15



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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 (the "College"), which comprise the Statement of Financial Position as at February 28, 2018 and the 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 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 entity'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 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 financial statements.

We believe the audit evidence we have obtained 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, 2018 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Other Matter

The comparative figures presented in these financial statements for the year ended February 28, 2017 were audited by another firm of Chartered Professional Accountants who expressed an unmodified opinion in their report dated June 23, 2017.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
June 15, 2018

**College of Pharmacists of British Columbia**  
Statement of Financial Position

February 28

2018

2017

**Assets**

**Current**

Cash and cash equivalents	\$ 1,352,336	\$ 1,018,076
Short-term investments (Note 2)	620,105	500,225
Accounts receivable (Note 3)	83,832	258,805
Prepaid expenses and deposits	143,266	111,038

2,199,539      1,888,144

Interest in College Place Joint Venture (Note 4)	1,583,191	1,617,274
Long-term investments (Note 2)	5,030,142	5,517,682
Development costs (Note 5)	484,343	388,832
Property and equipment (Note 6)	624,274	864,150

\$ 9,921,489      \$ 10,276,082

**Liabilities and Net Assets**

**Current**

Accounts payable and accrued liabilities (Note 7)	\$ 601,861	\$ 803,792
Current portion of capital lease obligations (Note 8)	26,548	29,786
Deferred revenue (Note 9)	4,407,800	3,505,305
Deferred contributions (Note 10)	170,711	180,948

5,206,920      4,519,831

Capital lease obligations	-	26,549
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5,206,920      4,546,380


**Net Assets**


Invested in property and equipment	597,726	807,815
College Place Joint Venture (CPJV) replacement reserve	43,679	-
Capital asset reserve	250,000	348,105
Legal reserve	500,000	750,000
Joint venture reserve	500,000	500,000
Automation reserve	500,000	750,000
Grants reserve	250,000	500,000
Operating reserve	1,000,000	1,500,000
Unrestricted net assets	1,073,164	573,782

4,714,569      5,729,702

\$ 9,921,489      \$ 10,276,082

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 Revenues and Expenses**

For the year ended February 28	2018	2017
<b>Revenues</b>		
Pharmacy fees	\$ 2,563,578	\$ 1,846,129
Pharmacist fees	3,612,656	3,247,138
Technician fees	626,632	552,499
Other	771,072	1,608,655
College Place Joint Venture income (Note 4)	99,992	125,409
Grants (Note 10)	71,487	165,237
Investment income	134,901	154,068
<b>Total revenues</b>	<b>7,880,318</b>	<b>7,699,135</b>
<b>Expenses</b>		
Board and Registrar's office	490,844	554,698
Communications and engagement	80,968	221,634
Complaints resolution	243,570	344,481
Finance and administration	1,698,832	1,708,330
Grant distribution	144,700	267,304
Policy and legislation	124,447	216,068
Practice reviews	134,030	127,167
Quality assurance	49,760	475,881
Registration, licensure and Pharmanet	307,871	281,166
Salaries and benefits	5,304,214	4,942,108
Amortization	359,894	391,355
<b>Total expenses</b>	<b>8,939,130</b>	<b>9,530,192</b>
<b>Deficiency of revenues over expenses</b>	<b>\$ (1,058,812)</b>	<b>\$ (1,831,057)</b>

College of Pharmacists of British Columbia  
Statement of Changes in Net Assets  
For the Year ended February 28, 2018

	Invested in Property and Equipment	CPJV replacement reserve	Capital Asset Reserve	Legal Reserve	Joint Venture Reserve	Automation Reserve	Grants Reserve	Operating Reserve	Unrestricted	2018 Total	2017 Total
Balance, beginning of year	\$807,815	\$ -	\$348,105	\$750,000	\$500,000	\$750,000	\$500,000	\$1,500,000	\$573,782	\$5,729,702	\$7,560,759
Deficiency of revenue over expenses	(265,733)	-	-	-	-	-	-	-	(793,079)	(1,058,812)	(1,831,057)
Investment in property and equipment	55,644	-	-	-	-	-	-	-	(55,644)	-	-
Share of CPJV replacement reserve	-	43,679	-	-	-	-	-	-	-	43,679	-
Transfers	-	-	(98,105)	(250,000)	-	(250,000)	(250,000)	(500,000)	1,348,105	-	-
Balance, end of year	\$597,726	\$43,679	\$250,000	\$500,000	\$500,000	\$500,000	\$250,000	\$1,000,000	\$1,073,164	\$4,714,569	\$5,729,702

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	2018	2017
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Deficiency of revenues over expenses	\$ (1,058,812)	\$ (1,831,057)
Items not affecting cash		
Amortization of property and equipment	265,735	280,591
Amortization of development costs	94,159	110,764
Share of net income of CPJV	(99,992)	(246,047)
	(798,910)	(1,685,749)
Changes in non-cash working capital		
Accounts receivable	(174,973)	(148,032)
Prepaid expenses and deposits	(32,228)	108,735
Accounts payable and accrued liabilities	201,931	(104,383)
Deferred revenue	902,495	472,256
Deferred contributions	(10,237)	(10,237)
	88,078	(1,367,410)
<b>Financing activity</b>		
Capital lease repayments	(29,787)	(24,515)
<b>Investing activities</b>		
Purchase of property and equipment	(25,859)	(273,150)
Increase in development costs	(189,670)	(335,226)
Decrease in investments	367,660	2,097,484
Advances from CPJV	123,838	178,383
	275,969	1,667,491
<b>Increase in cash and cash equivalents for the year</b>	334,260	275,566
<b>Cash and cash equivalents, beginning of year</b>	1,018,076	742,510
<b>Cash and cash equivalents, end of year</b>	\$ 1,352,336	\$ 1,018,076

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

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# College of Pharmacists of British Columbia

## Notes to the Financial Statements

February 28, 2018

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### 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 professions. 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 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. Significant estimates included in these financial statements consist of the estimated useful life of property, equipment and development costs. 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 includes interest revenue, realized gains and losses on sale of investments and unrealized gains and losses from changes in the fair market value of investments during the year.

#### 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 College of Dental Surgeons of British Columbia, hold a 70% interest. The College accounts for its joint venture using the equity method.



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**College of Pharmacists of British Columbia**  
**Notes to the Financial Statements**

**February 28, 2018**

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**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 less than 90 days at purchase.

**g) Development Costs**

Program and implementation costs for internally generated assets 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.

**h) Property and Equipment**

Property and equipment is recorded at cost less accumulated amortization. If events or circumstances indicate that the carrying value of the property and equipment may be impaired, a recoverability analysis is performed based upon estimated actual cash flows to be generated from the property and equipment. If the analysis indicates that the carrying value is not recoverable from future cash flows, the property and equipment is written down to estimated fair value and an impairment loss is recognized. Cost includes all amounts related to the acquisition and improvements of the property including replacement of equipment. Property and equipment is 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.

**i) 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.

**j) Net Assets Held in Reserves**

Net assets held in reserves 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 by the College Board and are disclosed on the statement of financial position as net assets.

The capital asset reserve was established to assist in funding any unanticipated leasehold improvements and furniture purchases.

The legal reserve was established to assist in funding any legal costs arising from an unexpected increase in the number of inquiry discipline cases.

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**College of Pharmacists of British Columbia**  
**Notes to the Financial Statements**

**February 28, 2018**

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**1. Summary of Significant Accounting Policies (Continued)**

**j) Net assets Held in Reserves (Continued)**

The joint venture reserve was established to assist in funding any large capital expenditures required to maintain the upkeep of the building owned by the CPJV.

The automation reserve was established to assist in funding unanticipated substantial maintenance, upgrading or replacement of IT equipment, software purchases, audiovisual equipment and telecommunications equipment.

The grants reserve was established to provide the opportunity to fund proposals for research project or training opportunities that support the College's Strategic Plan.

The operating reserve was established to assist in funding unanticipated operating expenditures and cashflow shortfalls.

**k) 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, except for investments, which are measured at fair value.

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

Financial liabilities measured at cost or amortized cost include payables and accruals and capital lease obligations.

Financial instruments measured at fair value include 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. Purchases and sales of investments are recorded on the trade date.

Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

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.

**l) 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, 2018

**2. Investments**

Investments consist of guaranteed investment certificates ("GICs") with interest from 1.70% to 2.55% (2017- 2% to 2.85%) with maturity dates from March 27, 2018 to July 13, 2022.

**3. Accounts Receivable**

	2018	2017
Ministry of Health grant receivable	\$ 50,000	\$ 255,953
Other receivables	33,832	2,852
	\$ 83,832	\$ 258,805

**4. 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 CPJV. Included in Finance and Administrative expense is rent and operating costs paid to CPJV in amount of \$284,900 which is recorded net of the College's 30% portion.

The assets, liabilities, revenues and expenses of the joint venture at February 28, 2018 and for the year then ended are as follows:

	100% Joint Venture	30% College
<b>Balance sheet</b>		
<b>Assets</b>		
Current assets	\$ 448,622	\$ 134,587
Property and equipment and other assets	4,987,874	1,496,362
	\$ 5,436,496	\$ 1,630,949
<b>Liabilities and equity</b>		
Total liabilities	\$ 159,193	\$ 47,758
Total equity	5,277,303	1,583,191
	\$ 5,436,496	\$ 1,630,949
<b>Statement of operations</b>		
Revenues	\$ 1,129,013	\$ 338,704
Expenses	795,705	238,712
	\$ 333,308	\$ 99,992

The College's lease expires on August 31, 2018 and rent payments until then are \$125,206.

**College of Pharmacists of British Columbia**  
Notes to the Financial Statements

February 28, 2018

5. Development Costs

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
SkilSure Solution	\$ 41,302	40,802	\$ 500	\$ 8,760
Pharmacy online renewal	62,185	37,311	24,874	37,311
Robbery prevention form	10,800	8,640	2,160	4,320
Mobile apps	35,000	14,000	21,000	28,000
Website	306,171	130,999	175,172	224,465
Online pre-registration	101,220	40,488	60,732	85,976
PODSA modernization	199,905	-	199,905	-
	<b>\$ 756,583</b>	<b>\$ 272,240</b>	<b>\$ 484,343</b>	<b>\$ 388,832</b>

6. Property and Equipment

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Leasehold improvements	\$ 1,043,265	\$ 653,660	\$ 389,605	\$ 449,734
Furniture and fixtures	343,729	262,911	80,818	97,334
Office equipment	301,430	237,884	63,546	122,477
Computer	347,922	281,513	66,409	142,357
Software	354,800	330,904	23,896	52,248
	<b>\$ 2,391,146</b>	<b>\$ 1,766,872</b>	<b>\$ 624,274</b>	<b>\$ 864,150</b>

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**College of Pharmacists of British Columbia**  
**Notes to the Financial Statements**

**February 28, 2018**

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**7. Accounts Payable and Accrued Liabilities**

Payables and accruals include GST payable amounting to \$56,920 (2017- \$53,614) as at February 28, 2018.

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**8. Capital Lease Obligations**

The College is committed to pay annual leases for office equipment under lease agreements. The leases will expire in fiscal 2019.

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**9. Deferred Revenue**

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

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**10. 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 expenses.

	<u>2018</u>		<u>2017</u>
Balance, beginning of year	\$ 180,948	\$	191,185
Grants received	50,000		20,000
Less amounts amortized to revenue	<u>(60,237)</u>		<u>(30,237)</u>
Balance, end of the year	<u>\$ 170,711</u>	<u>\$</u>	<u>180,948</u>

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**College of Pharmacists of British Columbia**  
**Notes to the Financial Statements**

February 28, 2018

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**11. Municipal Pension Plan**

The employer and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing the 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 are based on a formula. As at December 31, 2017, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan 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 is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation of the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The College of Pharmacists of British Columbia paid \$343,955 (2017 - \$296,255) for employer contributions to the plan in fiscal 2018. These contributions have been recorded as expenses on the Statement of Revenues and Expenses.

February 28, 2018

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## 12. Financial Instruments

The College's activities result in exposure to a variety of financial risks including risks related to credit and market, 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. Investments are all invested in 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 not exposed to any credit risk arising as the receivable is from the Government.

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

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**College of Pharmacists of British Columbia**  
**Notes to the Financial Statements**

**February 28, 2018**

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**13. Commitments**

The College is committed to a contract for IT maintenance services for 5 years, at a rate of \$8,790 per month, ending February 28, 2023.

Year	Amount
2019	\$ 105,480
2020	105,480
2021	105,480
2022	105,480
2023	<u>105,480</u>
	<u>\$ 527,400</u>

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**14. Comparative Figures**

Certain comparative figures have been reclassified to conform to the presentation used in the current year.