

PHARMACISTS MANITOBA INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of
Pharmacists Manitoba Inc.

We have audited the financial statements of Pharmacists Manitoba Inc., which comprise the statement of financial position as at December 31, 2018, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pharmacists Manitoba Inc. as at December 31, 2018, 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.

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 our report. We are independent of the Entity 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 audit opinion. In our opinion, the financial statements present fairly, in all material respects, the financial position of Pharmacists Manitoba Inc. as at December 31, 2018, and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal controls 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Independent 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 judgement 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 controls.

- Obtain an understanding of internal controls 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 Entity's internal controls.
- 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 Entity'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 Independent Auditor's Report. However, future events or conditions may cause the Entity 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 controls that we identify during our audit.




Winnipeg, Manitoba
March 12, 2019

Chartered Professional Accountants Inc.

**PHARMACISTS MANITOBA INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

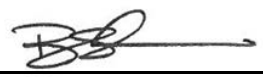
| December 31, | 2018 | 2017 |
|---|-------------------|------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 342,222 | \$ 363,729 |
| Trust fund, note 4 | 3,960 | 4,440 |
| Accounts receivable | 1,440 | 5,818 |
| Prepaid expenses | 17,503 | 19,966 |
| | 365,125 | 393,953 |
| INVESTMENTS, note 5 | 250,115 | 256,326 |
| PROPERTY AND EQUIPMENT, NOTE 6 | 21,403 | 27,443 |
| | \$ 636,643 | \$ 677,722 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities, note 7 | \$ 28,162 | \$ 29,511 |
| Deferred revenue, note 8 | 221,168 | 209,075 |
| Deferred contributions - Public relations committee, note 9 | 6,669 | 9,277 |
| Trust fund, note 4 | 3,960 | 4,440 |
| | 259,959 | 252,303 |
| NET ASSETS | | |
| Net investment in property and equipment, note 10 | 22,689 | 28,729 |
| Internally restricted funds, note 10 | 1,949 | 1,949 |
| Unrestricted surplus, note 10 | 352,046 | 394,741 |
| | 376,684 | 425,419 |
| | \$ 636,643 | \$ 677,722 |

Approved on behalf of the Board:



Executive Officer
March 12, 2019

Date



Executive Officer
March 12, 2019

Date

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**PHARMACISTS MANITOBA INC.
STATEMENT OF CHANGES IN NET ASSETS
AS AT DECEMBER 31, 2018**

| | Net Investment in Property and Equipment | Internally Restricted Funds | Unrestricted Surplus | Total 2018 | Total 2017 |
|--|---|-----------------------------------|-------------------------|-----------------------|---------------|
| Beginning balance | \$ 28,729 | \$ 1,949 | \$ 394,741 | \$ 425,419 | \$ 399,188 |
| (Deficit) excess revenue over expenditures | - | - | (48,735) | (48,735) | 26,231 |
| Purchase of property and equipment | 4,961 | - | (4,961) | - | - |
| Amortization of property and equipment | (11,001) | - | 11,001 | - | - |
| Ending balance | \$ 22,689 | \$ 1,949 | \$ 352,046 | \$ 376,684 | \$ 425,419 |

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**PHARMACISTS MANITOBA INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | 2018 Budget (Unaudited) | 2018 Actual | 2017 |
|---|--|------------------------|-------------------|
| REVENUE, PAGE 13 | \$ 629,000 | \$ 626,363 | \$ 653,508 |
| EXPENDITURES | | | |
| Accounting and legal | 12,500 | 13,756 | 13,691 |
| Amortization of property and equipment | 3,000 | 11,001 | 8,501 |
| Bank charges | 1,000 | 533 | 882 |
| Communication journal | 12,000 | 10,546 | 11,054 |
| Computer | 5,000 | 7,441 | 6,103 |
| Conferences and meetings | 20,000 | 18,589 | 19,907 |
| Continuing education | 500 | 25 | 454 |
| Credit card charges | 20,000 | 19,476 | 19,316 |
| Donations | 1,500 | 1,005 | 1,375 |
| Finance and human resources committee | 3,500 | 162 | 2,998 |
| Government relations | 108,000 | 111,206 | 48,359 |
| Honoraria | 17,500 | 15,890 | 20,350 |
| Insurance | 3,100 | 3,039 | 3,048 |
| Investment management fees | 5,000 | 4,759 | 4,188 |
| Lease | 26,000 | 35,288 | 25,730 |
| Members' benefit program | 21,000 | 18,994 | 20,388 |
| Memberships and dues | 3,250 | 2,694 | 2,079 |
| Office | 7,500 | 7,370 | 7,713 |
| Postage and delivery | 2,000 | 1,720 | 2,470 |
| Printing | 7,000 | 7,917 | 6,688 |
| Provincial conference expense | 101,000 | 87,354 | 105,252 |
| Public relations committee, note 9 | 7,000 | 8,227 | 7,962 |
| Salaries, wages, and benefits | 286,000 | 277,716 | 277,560 |
| Telephone | 6,500 | 5,110 | 6,402 |
| Vehicle | 4,000 | 4,308 | 3,185 |
| Website | 1,600 | 972 | 1,622 |
| | 685,450 | 675,098 | 627,277 |
| (DEFICIT) EXCESS REVENUE OVER EXPENDITURES | \$ (56,450) | \$ (48,735) | \$ 26,231 |

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**PHARMACISTS MANITOBA INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | 2018 | 2017 |
|---|-------------------|-------------------|
| CASH PROVIDED BY (USED IN) | | |
| OPERATIONS | | |
| (Deficit) Revenue in excess of expenditures | \$ (48,735) | \$ 26,231 |
| Amortization of property and equipment | 11,001 | 8,501 |
| Realized gain on disposal of investments | 75 | 5,377 |
| Unrealized loss on investments | 8,867 | (15,262) |
| Changes in non-cash working capital items | 14,497 | (5,378) |
| CASH (USED IN) PROVIDED BY OPERATIONS | (14,295) | 19,469 |
| INVESTING | | |
| Purchase of property and equipment | (4,961) | (9,254) |
| Additions, net of management fees | (2,731) | (5,395) |
| CASH USED IN INVESTING | (7,692) | (14,649) |
| FINANCING | | |
| Payments on long-term debt using administration fees | - | (4,028) |
| CASH (USED IN) PROVIDED BY OPERATIONS, INVESTING AND FINANCING | (21,987) | 792 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 368,169 | 367,377 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 346,182 | \$ 368,169 |
| CASH AND CASH EQUIVALENTS COMPRISED OF: | | |
| Cash | 342,222 | 363,729 |
| Trust fund | \$ 3,960 | \$ 4,440 |
| | \$ 346,182 | \$ 368,169 |

The accompanying Notes to Financial Statements are an integral part of these financial statements.

PHARMACISTS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. PURPOSE AND LEGAL FORM OF THE ORGANIZATION

Pharmacists Manitoba Inc. is a professional organization incorporated without share capital to enhance the recognition and compensation of professional services while inspiring excellence in practice.

The Organization is a not-for-profit organization exempt from tax under paragraph 149(1)(l) of the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations.

(b) Financial Instruments

The Organization's financial instruments consist of cash, funds held in trust, accounts receivable, investments, accounts payable and accrued liabilities. The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all financial assets and liabilities at amortized cost, except for investments which are measured at fair value.

Unrealized gains or losses from investments are recognized in the statement of operations.

(c) Revenue Recognition and Reporting

The Organization follows the deferral method of accounting for contributions which includes government funds for special projects. As such, restricted contributions designated for specific periods or purposes are deferred and recorded as revenue in the designated period or when the applicable expenditures are incurred. 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.

Contributions restricted for the purchase of property and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property and equipment.

The advertising fees and publication costs related to the Organization's published magazine are recognized as revenue and expenditures in the period that the magazine is published and distributed to its members.

Membership revenues collected are recognized based on their period of membership coverage. Memberships collected which relate to subsequent periods are deferred and recognized as revenue in the respective membership periods.

The collection (revenue) and the disbursement (expense) of malpractice insurance fees are offset (netted) on the financial statements.

PHARMACISTS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

(d) Property and Equipment

Property and equipment are stated at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives on a straight-line basis as follows:

| | |
|------------------------|----------------|
| Furniture and fixtures | 5 and 10 years |
| Computer equipment | 5 years |
| Computer software | 5 years |
| Leasehold improvements | 5 years |

(e) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ significantly from those estimates.

3. FINANCIAL INSTRUMENTS

The Organization, through its financial assets and liabilities, is exposed to various risks in the normal course of operations. The following analysis provides a measurement of those risks at year end:

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. The Organization's financial assets that are exposed to credit risk consist of cash, funds held in trust, investments and accounts receivable. The Organization's cash, funds held in trust, and investments are maintained with a large federally regulated financial institution in Canada and risk is therefore mitigated. The Organization, in the normal course of operations, is subject to credit risk from members. The maximum exposure to credit risk is the carrying value of accounts receivable on the balance sheet.

Market rate 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 Organization has a diversified portfolio of investments, which mitigates its market rate risk.

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they become due. The Organization holds a cash balance with a value that exceeds the total liabilities reported at year end, therefore liquidity risk is limited.

There have been no changes in the Organization's risk exposures from the prior year.

**PHARMACISTS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

4. TRUST FUND

The Organization administers the A. Langley Jones Leadership Award trust fund which awards scholarship money to selected University of Manitoba pharmacy students. The funds under administration are summarized as follows:

| | 2018 | 2017 |
|--------------------------------------|-----------------|-----------------|
| Receipts | \$ - | \$ - |
| Other | \$ 20 | \$ - |
| Expenditures | | |
| Scholarship | (500) | (500) |
| Bank charges | - | (20) |
| | \$ (500) | \$ (520) |
| Expenditures in excess of receipts | (480) | (520) |
| Trust fund, beginning of year | 4,440 | 4,960 |
| Trust fund, end of year | \$ 3,960 | \$ 4,440 |

5. INVESTMENTS

The Organization has investments which consist of fixed income and equity securities. The percentage of fixed income investment to total investment based on cost as at December 31, 2018 is 60% (2017 - 60%). Investment income earned is considered unrestricted income, to be used for the general benefit of the Organization's members.

| Investment | 2018 | 2017 |
|-------------------|-------------------|-------------------|
| Cash | \$ 5,878 | \$ 2 |
| Asset Class | | |
| Fixed Income | 151,020 | 154,242 |
| Equity | 93,217 | 102,082 |
| Total | \$ 250,115 | \$ 256,326 |

Investment activity for the year is as follows:

| | 2018 | 2017 |
|------------------------|-------------------|-------------------|
| Beginning balance | \$ 256,326 | \$ 241,046 |
| Transfers in | 5,633 | 6,474 |
| Investment Income | 2,095 | 3,329 |
| Realized loss | (75) | (5,377) |
| Unrealized (loss) gain | (8,867) | 15,262 |
| Management fee | (4,997) | (4,408) |
| Ending balance | \$ 250,115 | \$ 256,326 |

**PHARMACISTS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

6. PROPERTY AND EQUIPMENT

| | 2018 | | | 2017 | | |
|------------------------|-------------------|-----------------------------|---------------------------|------------------|-----------------------------|---------------------------|
| | Cost | Accumulated Amortization | Net Carrying Amount | Cost | Accumulated Amortization | Net Carrying Amount |
| Computer equipment | \$ 29,437 | \$ 27,017 | \$ 2,420 | \$ 28,674 | \$ 25,470 | \$ 3,204 |
| Computer software | 37,490 | 24,198 | 13,292 | 37,490 | 16,700 | 20,790 |
| Furniture and fixtures | 32,927 | 27,236 | 5,691 | 28,729 | 25,280 | 3,449 |
| Leasehold improvements | 1,200 | 1,200 | - | 1,200 | 1,200 | - |
| Total | \$ 101,054 | \$ 79,651 | \$ 21,403 | \$ 96,093 | \$ 68,650 | \$ 27,443 |

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2018 | 2017 |
|---------------------------|------------------|------------------|
| Accrued professional fees | \$ 8,950 | \$ 7,500 |
| Goods and services tax | (403) | (1,078) |
| Provincial sales tax | 8,824 | 36 |
| Trade | 10,791 | 23,053 |
| Total | \$ 28,162 | \$ 29,511 |

8. DEFERRED REVENUE

| | 2018 | 2017 |
|-----------------------------|-------------------|-------------------|
| Deferred conference income | \$ 13,090 | \$ - |
| Deferred membership revenue | 207,778 | 208,775 |
| Kaleigh Gregorash memorial | 300 | 300 |
| Total | \$ 221,168 | \$ 209,075 |

**PHARMACISTS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

9. DEFERRED CONTRIBUTION - PUBLIC RELATIONS COMMITTEE

The Organization created a Public Relations Committee for purposes of achieving the following objectives:

- To establish and maintain contact with the public, members, and stakeholders;
- To promote the interests and activities of Manitoba pharmacists using the media and other appropriate communication tools;
- To educate the public with respect to the services that pharmacists provide; and
- To inspire pharmacists to strive for excellence and promote safe, patient-centred care.

In 2018, deferred contributions from 2017 of \$9,277 were recognized into income. The annual Public Relations Committee funds of \$10,000 were instead designated to Government Relations Committee activities in 2018 and 2017.

Of the total 2018 Public Relations income, \$5,620 was designated for the following year and therefore was deferred.

The remaining Public Relations income was offset against expenses incurred of \$8,228, resulting in a surplus of \$1,049. This surplus has also been deferred to 2019, thus reducing revenue recognized in 2017 respecting the Public Relations Committee from \$9,277 to \$8,228 as reported on the schedule of revenue (see page 13).

| | 2018 | 2017 |
|--|-----------------|-----------------|
| Revenue | | |
| Corporate contributions deferred from prior year | \$ - | \$ 3,500 |
| Voluntary contributions deferred from prior year | 5,420 | 6,650 |
| Surplus deferred from prior year | 3,857 | 170 |
| Corporate contributions designated for current year | - | 1,500 |
| | 9,277 | 11,820 |
| Expenditures | | |
| Advertising | 3,710 | 315 |
| Office expense | - | 5,571 |
| Print media promotion | 4,518 | 2,077 |
| | 8,228 | 7,963 |
| Committee expenditures in excess of revenue | 1,049 | 3,857 |
| Surplus deferred to following year | 1,049 | 3,857 |
| Voluntary contributions collected current year and designated for following year | 5,620 | 5,420 |
| Total deferred contributions | \$ 6,669 | \$ 9,277 |

10. NET ASSETS

The by-laws of the Organization provide that net assets cannot be divided among the members individually. Any surplus of the Organization must only be used in promoting the Organization's objectives. Should the Organization dissolve or wind up, the remaining assets of the Organization must be distributed to an association(s) with similar objectives to the Organization or to such charitable Organizations as may be determined by the Board of Directors of the Organization.

**PHARMACISTS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. MALPRACTICE INSURANCE AND ADMINISTRATION FEES

The Organization collects malpractice insurance premiums from its members, and remits the premiums to Marsh Canada Limited, the insurance provider. The collection (revenue) and the disbursement (expense) of malpractice insurance fees are offset (netted) on the financial statements.

Effective 2018, the related administration fees collected by the Organization, remain with the Organization and are recorded as part of membership revenues.

12. LEASE COMMITMENT

In 2018, the Organization entered into a new lease agreement for the lease of a new office space. This new lease expires July 31, 2023 with an annual base rent of \$13,671.

The expected minimum lease payments over the next five years are as follows:

| | | |
|------|----|--------|
| 2019 | \$ | 13,671 |
| 2020 | \$ | 13,671 |
| 2021 | \$ | 13,671 |
| 2022 | \$ | 13,671 |
| 2023 | \$ | 7,975 |

The Organization is responsible for other monthly expenditures including common area costs, parking, storage rental and certain utilities.

**PHARMACISTS MANITOBA INC.
SCHEDULE OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | 2018 Budget (Unaudited) | 2018 | 2017 |
|---------------------------------------|--|-------------------|-------------------|
| Communication journal | \$ 25,000 | \$ 21,401 | \$ 25,543 |
| Continuing education | 500 | 611 | 78 |
| Friends of pharmacy | 1,000 | - | - |
| Government relations | 30,000 | 30,000 | 20,000 |
| Interest income | - | 1,866 | 1,669 |
| Investment income | 11,000 | 2,095 | 3,329 |
| Member administration fees, note 11 | - | - | 4,028 |
| Membership fees | 442,000 | 452,426 | 436,732 |
| Miscellaneous | 3,000 | 5,981 | 2,892 |
| Public relations committee, note 9 | 7,000 | 8,228 | 7,963 |
| Provincial conference | 109,500 | 112,697 | 141,389 |
| Realized loss on investments | - | (75) | (5,377) |
| Unrealized (loss) gain on investments | - | (8,867) | 15,262 |
| | \$ 629,000 | \$ 626,363 | \$ 653,508 |