

Financial Statements of

**ALBERTA COLLEGE OF
PHARMACY**

And Independent Auditors' Report thereon

Year ended December 31, 2021



KPMG LLP
2200, 10175-101 Street
Edmonton Alberta T5J 0H3
Canada
Tel (780) 429-7300
Fax (780) 429-7379

INDEPENDENT AUDITORS' REPORT

To the Council of the Alberta College of Pharmacy

Opinion

We have audited the financial statements of the Alberta College of Pharmacy which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Alberta College of Pharmacy at December 31, 2021, and its results of operations 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 “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Alberta College of Pharmacy 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 the 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 Alberta College of Pharmacy'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 Alberta College of Pharmacy or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Alberta College of Pharmacy's financial reporting process.

Auditors' 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 auditors' 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 the 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 Alberta College of Pharmacy'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 Alberta College of Pharmacy's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Alberta College of Pharmacy 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

March 15, 2022

ALBERTA COLLEGE OF PHARMACY

Statement of Financial Position

December 31, 2021, with comparative information for 2020


	2021	2020
Assets		
Current assets:		
Cash	\$ 112,429	\$ 507,607
Investments (note 2)	12,253,139	9,919,149
Accounts receivable (note 3)	83,707	61,904
Prepaid expenses	91,663	100,847
	<u>12,540,938</u>	<u>10,589,507</u>
Legal fees recoverable (note 4)	242,334	463,518
Property and equipment (note 5)	1,652,994	1,253,768
	<u>\$ 14,436,266</u>	<u>\$ 12,306,793</u>

Liabilities and Net Assets

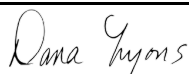
Current liabilities:		
Accounts payable and accrued liabilities	\$ 365,181	\$ 232,982
Deferred revenue (note 6)	5,092,718	4,635,961
Current portion of deferred lease inducement (note 7)	36,869	56,737
	<u>5,494,768</u>	<u>4,925,680</u>
Deferred lease inducement (note 7)	239,645	276,514
Net assets:		
Invested in property and equipment	1,376,480	920,517
Internally restricted (note 8)	1,886,000	1,886,000
Unrestricted	5,439,373	4,298,082
	<u>8,701,853</u>	<u>7,104,599</u>
Commitments and contingencies (note 10)		
Impact of COVID-19 (note 12)		
	<u>\$ 14,436,266</u>	<u>\$ 12,306,793</u>

See accompanying notes to financial statements.

On behalf of the Council:



Councilor



Councilor

ALBERTA COLLEGE OF PHARMACY

Statements of Operations

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Registration, annual permit and license fees (note 6)	\$ 9,244,643	\$ 8,369,552
Investment income (note 9)	668,414	375,252
Other income	380,366	271,739
Prescribing application fee	95,118	132,328
Legal fees assessed (note 4)	37,284	500,802
Grant income	-	43,000
	<u>10,425,825</u>	<u>9,692,673</u>
Expenditures:		
Operations (note 7)	2,638,033	2,626,839
Professional practice	1,687,018	1,547,010
Complaints resolution (note 4)	1,087,585	1,333,325
Registration and licensure	1,029,162	1,076,279
Competence	793,747	799,628
Governance and legislation	575,604	572,256
Communications	510,272	581,987
Amortization	328,604	244,738
Partnership administration	178,546	176,551
	<u>8,828,571</u>	<u>8,958,613</u>
Excess of revenue over expenditures	<u>\$ 1,597,254</u>	<u>\$ 734,060</u>

See accompanying notes to financial statements.

ALBERTA COLLEGE OF PHARMACY

Statement of Changes in Net Assets

Year ended December 31, 2021, with comparative information for 2020

	Invested in property and equipment	Internally restricted (note 8)	Unrestricted	2021	2020
Balance, beginning of year	\$ 920,517	\$ 1,886,000	\$ 4,298,082	\$ 7,104,599	\$ 6,370,539
Excess (deficiency) of revenue over expenditures	(275,141)	(237,321)	2,109,716	1,597,254	734,060
Investments in IT	667,707	(667,707)	-	-	-
Investment in property and equipment, net	63,397	-	(63,397)	-	-
Transfers, net (note 8)	-	905,028	(905,028)	-	-
	<u>\$ 1,376,480</u>	<u>\$ 1,886,000</u>	<u>\$ 5,439,373</u>	<u>\$ 8,701,853</u>	<u>\$ 7,104,599</u>

See accompanying notes to financial statements.

ALBERTA COLLEGE OF PHARMACY

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	\$ 1,597,254	\$ 734,060
Items not involving cash:		
Amortization	328,604	244,738
Loss (gain) on disposal of property and equipment	3,273	(5,446)
Realized (loss) gain on investments	11,369	(44,465)
Unrealized gains on investments	(531,876)	(128,935)
Amortization of deferred lease inducement	(56,737)	(76,606)
Change in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(21,803)	597
Decrease (increase) in prepaid expenses	9,184	(1,127)
Decrease (increase) in legal fees recoverable	221,184	(277,707)
Increase (decrease) in accounts payable and accrued liabilities	132,200	(63,421)
Increase in deferred revenue	456,757	437,126
	<u>2,149,409</u>	<u>818,814</u>
Investing:		
Purchases of investments, net of withdrawals	(1,813,483)	(466,675)
Proceeds on disposal of property and equipment	1,167	8,887
Purchase of property and equipment	(732,271)	(478,511)
	<u>(2,544,587)</u>	<u>(936,299)</u>
Decrease in cash	(395,178)	(117,485)
Cash, beginning of year	507,607	625,092
Cash, end of year	<u>\$ 112,429</u>	<u>\$ 507,607</u>

See accompanying notes to financial statements.

ALBERTA COLLEGE OF PHARMACY

Notes to Financial Statements

Year ended December 31, 2021

The Alberta College of Pharmacy ("ACP") is constituted under the *Health Professions Act* ("HPA") to govern its regulated members in a manner that protects and serves the public interest.

ACP governs pharmacists, pharmacy technicians, and pharmacies in Alberta to serve, support, and protect the public's health and well-being. Its vision is healthy Albertans through excellence in pharmacy practice. It does this through the following key lines of work:

- Registration - ensuring that only qualified pharmacists and pharmacy technicians are licensed, and that all pharmacies provide a practice environment that supports quality practice and patient safety.
- Competence - ensuring that all pharmacy professionals continue active learning to maintain their knowledge and skills at the highest level possible.
- Professional practice - supporting pharmacy professionals in meeting and exceeding the standards of practice, with the goal of providing quality care to patients.
- Complaints resolution - managing the complaints resolution process related to pharmacists, pharmacy technicians, and pharmacies.

ACP is a non-profit organization and accordingly, is exempt from payment of income taxes.

1. Significant accounting policies:

ACP follows Canadian accounting standards for not-for-profit organizations, which is Part III of the CPA Canada Handbook - Accounting, in preparing its financial statements. ACP's significant accounting policies are as follows:

(a) Revenue recognition:

Revenues from registration, annual permit and license fees, and revenues earned from prescribing application fees are recognized in the year in which the related services are provided, the amount to be received or receivable can be reasonably estimated, and collection is reasonably assured.

Investment income includes dividend and interest income, realized gains and losses on investments and unrealized gains and losses on investments and is recognized as it is earned.

Legal fees assessed and other income are recognized as revenue when the amount to be received or receivable can be reasonably estimated and collection is reasonably assured.

ACP applies for financial assistance under available government programs. Government assistance is recognized as grant revenue in the year which the related expenses are incurred.

ALBERTA COLLEGE OF PHARMACY

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. ACP has elected to carry its fixed income securities at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, ACP determines if there is a significant adverse change in the expected amount of timing of future cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount ACP expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Property and equipment:

Property and equipment are recorded at cost, less accumulated amortization. ACP provides amortization on its property and equipment using the following methods and annual rates:

Asset	Basis	Rate
Furniture and equipment	Declining balance	20%
Automotive equipment	Declining balance	30%
Computer equipment	Declining balance	30%
Website development	Declining balance	30%
Continuing competence module	Declining balance	30%
Leasehold improvements	Straight-line	Term of lease
Information management system	Straight-line	10 years
Structured practical training module	Declining balance	30%

ALBERTA COLLEGE OF PHARMACY

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(c) Property and equipment (continued)

Assets under development are not amortized until the asset is available for use.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value.

(d) Leases:

Leases are classified as either capital or operating leases. Leases that transfer substantially all of the benefits and inherent risks of ownership of property to the Organization are accounted for as capital leases. At the inception of the capital lease, an asset is recorded together with its related long-term obligation to reflect the acquisition and financing. All other leases are accounted for as operating leases.

Lease inducements received for the purchase of capital assets are recognized as reductions in amortization expense on a straight-line basis over the term of the related lease. Deferred lease inducements represent the unamortized value of tenant inducements.

(e) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the provision for doubtful accounts receivable, the valuation of legal fees recoverable and the carrying amount and useful life of property and equipment. Actual results could differ from those estimates.

ALBERTA COLLEGE OF PHARMACY

Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Investments:

	2021	2020
Cash	\$ 9,060	\$ 2,018,507
Accrued interest receivable	171,971	171,335
Canadian investment savings accounts and money market funds	2,978,162	531,183
Foreign investment savings accounts and money market funds	104,248	99,350
Canadian equities	1,346,610	1,095,667
Foreign equities	1,716,117	1,424,143
Guaranteed Investment Certificates with interest rates ranging from 0.6% to 3.31% (2020 - 0.60% to 3.31%) and maturity dates ranging from Feb 2022 to October 2026 (2019 - March 2021 to October 2024)	5,926,971	4,578,964
	<u>\$ 12,253,139</u>	<u>\$ 9,919,149</u>

3. Accounts receivable:

Included in accounts receivable are government remittances receivable of \$19,830 (2020 - \$9,400), which includes amounts for GST.

4. Legal fees recoverable:

During the year, ACP assessed legal fees of \$411,542 (2020 - \$214,269) that were deemed not collectable and are not recorded as legal fees recoverable.

ALBERTA COLLEGE OF PHARMACY

Notes to Financial Statements (continued)

Year ended December 31, 2021

5. Property and equipment:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 332,308	\$ 256,425	\$ 75,883	\$ 93,118
Automotive equipment	155,074	117,843	37,231	53,179
Computer equipment	317,075	194,331	122,744	103,267
Website development	85,157	80,244	4,913	7,013
Continuing competence module	26,000	23,500	2,500	3,568
Leasehold improvements	892,776	600,099	292,677	357,183
Information management system	1,474,053	360,537	1,113,516	631,398
Structured practical training module	21,000	17,470	3,530	5,042
	<u>\$ 3,303,443</u>	<u>\$ 1,650,449</u>	<u>\$ 1,652,994</u>	<u>\$ 1,253,768</u>

6. Deferred revenue:

	2021	2020
Deferred permit and license fees, beginning of year	\$ 4,635,961	\$ 4,198,835
Amounts received during the year	9,701,400	8,806,678
Amounts recognized as revenue during the year	(9,244,643)	(8,369,552)
Deferred permit and license fees, end of year	<u>\$ 5,092,718</u>	<u>\$ 4,635,961</u>

ALBERTA COLLEGE OF PHARMACY

Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Deferred lease inducement:

	2021	2020
Deferred lease inducement, beginning of year	\$ 333,251	\$ 409,857
Amounts recognized against operations expenditures during the year	(56,737)	(76,606)
Deferred lease inducement	276,514	333,251
Current portion of deferred lease inducement	36,869	56,737
Deferred lease inducement, end of year	\$ 239,645	\$ 276,514

8. Internally restricted net assets:

ACP has established the following reserve funds which shall be maintained at these levels per Council policies:

	2021	2020
Information technology	\$ 800,000	\$ 800,000
Non-recurring legal costs	500,000	500,000
Capital expenditures	300,000	300,000
Practice research	250,000	250,000
Patient relations program	36,000	36,000
	\$ 1,886,000	\$ 1,886,000

In the current year, ACP used \$667,707 of the IT reserve funds, \$228,321 of the non-recurring legal cost funds and \$9,000 of the patient relations program funds during the year, with the amounts replenished by a transfer from unrestricted assets.

ALBERTA COLLEGE OF PHARMACY

Notes to Financial Statements (continued)

Year ended December 31, 2021

9. Investment income:

	2021	2020
Unrealized gains on investments	\$ 531,876	\$ 128,935
Interest	98,945	125,340
Dividends	48,962	76,512
Realized gains on investments	(11,369)	44,465
	\$ 668,414	\$ 375,252

10. Commitments and contingencies:

ACP is committed to certain operating leases and contracts, as follows:

	(a) Premises	(b) Equipment	(c) Service Agreements	Total
2022	\$ 245,760	\$ 5,527	\$ 560,542	\$ 811,829
2023	245,760	5,527	77,806	329,093
2024	255,318	5,527	77,806	338,651
2025	264,876	5,527	-	270,403
2026 and thereafter	927,066	5,527	-	932,593
	\$ 1,938,780	\$ 27,635	\$ 716,154	\$ 2,682,569

(a) ACP has an operating lease for its office premises which expires June 2029 and a term parking agreement which extends to the end of the operating lease. ACP is responsible for their proportionate share of operating costs related to the office premises lease.

(b) ACP leases a photocopier with a related service contract that expires in 2026.

(c) ACP entered into a contract in the previous year for the ongoing development and completion of their information management system and the project is expected to be completed in 2022. ACP also has software maintenance and support contracts which expire December 2022 and an extended contract for the hosting of its information management system which expires April 2025.

ACP is also financially committed to a partnership with the National Association of Pharmacy Regulatory Authorities (NAPRA), who provides services complementary to ACP's mandate. The funds transferred to this partnership are reflected in Partnership Administration.

ALBERTA COLLEGE OF PHARMACY

Notes to Financial Statements (continued)

Year ended December 31, 2021

11. Financial risks:

(a) Credit risk:

Credit risk is the risk of financial loss to ACP if a customer or party to a financial instrument fails to meet its obligation and arises principally from ACP's accounts receivable and legal fees recoverable. The maximum amount of credit risk exposure is limited to the carrying value of the balances disclosed in these financial statements. ACP monitors the aging of trade receivables and legal fees recoverable and an allowance for credit losses is provided in the period in which the losses become known. There has been no change to credit risk exposure from the prior year.

(b) Price risk:

Income and financial returns on investments are exposed to price risks. Price risk is comprised of interest rate, foreign exchange and market risk. Interest rate risk relates to the possibility that the investments will change in value due to the future fluctuations in market interest rates. Foreign exchange risk relates to the possibility that the investments will change in value due to fluctuations in foreign currencies. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market place.

These risks are managed by ACP's investment policies, which prescribe the investment asset mix including the degree of liquidity and concentration and the amount of foreign content. In addition, ACP manages its interest rate, credit and currency risk by engaging a professional investment advisor to manage its marketable securities portfolio. There has been no change to price risk exposure from the prior year.

12. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus.

In the current year, the economic climate improved as a result of ongoing vaccination efforts but the emergence of variants continue to give rise to uncertainty as it pertains to the financial position of the ACP. The ACP continues to closely monitor the COVID-19 developments and evaluates the impact it on its operations, with the ultimate impact and duration to be unknown.