

Financial Statements of

**ALBERTA COLLEGE
OF PHARMACY**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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

INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 “**Auditor's Responsibilities for the Audit of the Financial Statements**” section of our auditor's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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

April 27, 2023

ALBERTA COLLEGE OF PHARMACY

Statement of Financial Position

December 31, 2022, with comparative information for 2021

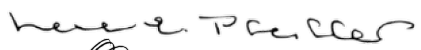
	2022	2021
Assets		
Current assets:		
Cash	\$ -	\$ 112,429
Investments (note 2)	12,163,969	12,253,139
Accounts receivable (note 3)	107,377	83,707
Prepaid expenses	160,699	91,663
	<u>12,432,045</u>	<u>12,540,938</u>
Legal fees recoverable (note 4)	382,865	242,334
Property and equipment (note 5)	2,007,793	1,652,994
	<u>\$ 14,822,703</u>	<u>\$ 14,436,266</u>

Liabilities and Net Assets


Current liabilities:		
Bank indebtedness	\$ 47,467	\$ -
Accounts payable and accrued liabilities	308,467	365,181
Deferred revenue (note 6)	5,362,950	5,092,718
Current portion of deferred lease inducement (note 7)	36,869	36,869
	<u>5,755,753</u>	<u>5,494,768</u>
Deferred lease inducement (note 7)	202,776	239,645
Net assets:		
Invested in property and equipment	1,768,152	1,376,480
Internally restricted (note 8)	1,886,000	1,886,000
Unrestricted	5,210,022	5,439,373
	<u>8,864,174</u>	<u>8,701,853</u>
Commitments and contingencies (note 10)		
	<u>\$ 14,822,703</u>	<u>\$ 14,436,266</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, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Registration, annual permit and license fees (note 6)	\$ 9,869,899	\$ 9,244,643
Legal fees assessed (note 4)	439,486	37,284
Other income	275,981	380,366
Prescribing application fee	97,216	95,118
Investment (loss) income (note 9)	(192,512)	668,414
	<u>10,490,070</u>	<u>10,425,825</u>
Expenditures:		
Operations (note 7)	3,197,110	2,638,033
Professional practice	1,858,336	1,687,018
Complaints resolution (note 4)	1,104,207	1,087,585
Registration and licensure	1,077,026	1,029,162
Competence	1,025,268	793,747
Governance and legislation	885,812	575,604
Communications	578,169	510,272
Amortization	415,850	328,604
Partnership administration	185,971	178,546
	<u>10,327,749</u>	<u>8,828,571</u>
Excess of revenue over expenditures	<u>\$ 162,321</u>	<u>\$ 1,597,254</u>

See accompanying notes to financial statements.

ALBERTA COLLEGE OF PHARMACY

Statement of Changes in Net Assets

Year ended December 31, 2022, with comparative information for 2021

	Invested in property and equipment	Internally restricted (note 8)	Unrestricted	2022	2021
Balance, beginning of year	\$ 1,376,480	\$ 1,886,000	\$ 5,439,373	\$ 8,701,853	\$ 7,104,599
Excess (deficiency) of revenue over expenditures	(383,915)	(227,917)	774,153	162,321	1,597,254
Investments in IT	677,298	(677,298)	-	-	-
Investment in property and equipment, net	98,289	-	(98,289)	-	-
Transfers, net (note 8)	-	905,215	(905,215)	-	-
	\$ 1,768,152	\$ 1,886,000	\$ 5,210,022	\$ 8,864,174	\$ 8,701,853

See accompanying notes to financial statements. Note 8 explains the use and replenishment of ACP's internally restricted reserves.

ALBERTA COLLEGE OF PHARMACY

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	\$ 162,321	\$ 1,597,254
Items not involving cash:		
Amortization	415,850	328,604
Loss (gain) on disposal of property and equipment	4,938	3,273
Realized (loss) gain on investments	-	11,369
Unrealized gains on investments	494,005	(531,876)
Amortization of deferred lease inducement	(36,869)	(56,737)
Change in non-cash operating working capital:		
Increase in accounts receivable	(23,670)	(21,803)
Decrease (increase) in prepaid expenses	(69,036)	9,184
Decrease (increase) in legal fees recoverable	(140,531)	221,184
Increase (decrease) in accounts payable and accrued liabilities	(56,714)	132,200
Increase in deferred revenue	270,231	456,757
	<u>1,020,525</u>	<u>2,149,409</u>
Investing:		
Purchases of investments, net of withdrawals	(404,834)	(1,813,483)
Proceeds on disposal of property and equipment	2,258	1,167
Purchase of property and equipment	(777,845)	(732,271)
	<u>(1,180,421)</u>	<u>(2,544,587)</u>
Decrease in cash	(159,896)	(395,178)
Cash, beginning of year	112,429	507,607
Cash, end of year	<u>\$ (47,467)</u>	<u>\$ 112,429</u>

See accompanying notes to financial statements.

ALBERTA COLLEGE OF PHARMACY

Notes to Financial Statements

Year ended December 31, 2022

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, 2022

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, 2022

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, 2022

2. Investments:

	2022	2021
Cash	\$ 11,984	\$ 9,060
Accrued interest receivable	175,241	171,971
Canadian investment savings accounts and money market funds	3,152,640	2,978,162
Foreign investment savings accounts and money market funds	8,904	104,248
Canadian equities	1,506,502	1,346,610
Foreign equities	1,545,495	1,716,117
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)	5,763,203	5,926,971
	\$ 12,163,969	\$ 12,253,139

3. Accounts receivable:

Included in accounts receivable are government remittances receivable of \$28,144 (2021 - \$19,830), which includes amounts for GST.

4. Legal fees recoverable:

During the year, ACP assessed legal fees of \$Nil (2021 - \$411,542) 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, 2022

5. Property and equipment:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 350,284	\$ 270,978	\$ 79,306	\$ 75,883
Automotive equipment	191,611	134,493	57,118	37,231
Computer equipment	317,172	199,460	117,712	122,744
Website development	85,157	81,720	3,437	4,913
Continuing competence module	26,000	24,256	1,744	2,500
Leasehold improvements	892,776	639,123	253,653	292,677
Information management system	2,151,351	659,002	1,492,349	1,113,516
Structured practical training module	21,000	18,526	2,474	3,530
	<u>\$ 4,035,351</u>	<u>\$ 2,027,558</u>	<u>\$ 2,007,793</u>	<u>\$ 1,652,994</u>

6. Deferred revenue:

	2022	2021
Deferred permit and license fees, beginning of year	\$ 5,092,718	\$ 4,635,961
Amounts received during the year	10,140,131	9,701,400
Amounts recognized as revenue during the year	(9,869,899)	(9,244,643)
Deferred permit and license fees, end of year	<u>\$ 5,362,950</u>	<u>\$ 5,092,718</u>

ALBERTA COLLEGE OF PHARMACY

Notes to Financial Statements (continued)

Year ended December 31, 2022

7. Deferred lease inducement:

	2022	2021
Deferred lease inducement, beginning of year	\$ 276,514	\$ 333,251
Amounts recognized against operations expenditures during the year	(36,869)	(56,737)
Deferred lease inducement	239,645	276,514
Current portion of deferred lease inducement	36,869	36,869
Deferred lease inducement, end of year	\$ 202,776	\$ 239,645

8. Internally restricted net assets:

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

	2022	2021
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 \$677,298 of the IT reserve funds and \$227,917 of the non-recurring legal cost 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, 2022

9. Investment income:

	2022	2021
Unrealized loss on investments	\$ (494,005)	\$ 531,876
Interest	229,195	98,945
Dividends	61,892	48,962
Realized gains on investments	-	(11,369)
Other	10,406	-
	<u>\$ (192,512)</u>	<u>\$ 668,414</u>

10. Commitments and contingencies:

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

	(a) Premises	(b) Equipment	c) IT Subscriptions	Total
2023	\$ 251,640	\$ 5,527	\$ 332,208	\$ 589,375
2024	261,198	5,527	191,040	457,765
2025	270,756	5,527	72,700	348,983
2026	270,756	5,527	-	276,283
2027 and thereafter	676,890	-	-	676,890
	<u>\$ 1,731,240</u>	<u>\$ 22,108</u>	<u>\$ 595,948</u>	<u>\$ 2,349,296</u>

(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 has entered into various service and maintenance agreements that expire between 2023 and 2026.

ACP entered into a contract in the previous year for the ongoing development and completion of an information management system. The project is expected to be completed and launched in 2023. The estimated remaining cost to complete is \$142,000.

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, 2022

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.