

ONTARIO PHARMACISTS ASSOCIATION

Financial Statements

Year Ended December 31, 2021

ONTARIO PHARMACISTS ASSOCIATION

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Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of Ontario Pharmacists Association

Opinion

We have audited the financial statements of Ontario Pharmacists Association (the Association), which comprise the statement of financial position - general and insurance fund as at December 31, 2021, and the statements of revenues and expenditures, 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 the Association as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 report. We are independent of the Association in accordance with 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 ASNPO, 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 these financial statements.

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Independent Auditor's Report to the Board of Directors and Members of Ontario Pharmacists Association
(continued)

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 Association'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 Association'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 Association 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 control that we identify during our audit.

Mississauga, Ontario
April 25, 2022

McCarney Group LLP

McCARNEY GROUP LLP
Chartered Professional Accountants
Licensed Public Accountants

ONTARIO PHARMACISTS ASSOCIATION
Statement of Financial Position - General and Insurance Fund
As at December 31, 2021

	General Fund	Insurance Fund	2021	2020
ASSETS				
Current				
Cash	\$ 3,122,180	\$ 173,604	\$ 3,295,784	\$ 3,083,201
Miscellaneous receivables	303,652	-	303,652	210,508
Inter-fund receivables	-	802,416	802,416	907,465
Prepaid expenses and deposits	93,515	-	93,515	194,886
	3,519,347	976,020	4,495,367	4,396,060
INVESTMENTS <i>(Note 2)</i>	6,200,270	-	6,200,270	5,875,245
TANGIBLE CAPITAL AND INTANGIBLE ASSETS <i>(Note 3)</i>	516,364	-	516,364	560,723
	\$ 10,235,981	\$ 976,020	\$ 11,212,001	\$ 10,832,028
LIABILITIES				
Current				
Accounts payable and accrued liabilities <i>(Note 4)</i>	\$ 812,335	\$ 31,559	\$ 843,894	\$ 805,702
Deferred occupancy costs <i>(Note 5)</i>	6,698	-	6,698	14,754
Inter-fund payables	802,416	-	802,416	907,465
Membership fees received in advance	2,401,978	-	2,401,978	2,507,278
Insurance premiums received in advance	-	944,461	944,461	967,562
Programs under administration <i>(Note 6)</i>	227,470	-	227,470	217,455
	4,250,897	976,020	5,226,917	5,420,216
Net Assets				
Net assets invested in tangible capital and intangible assets	516,364	-	516,364	560,723
Unrestricted net assets	5,468,720	-	5,468,720	4,851,089
	5,985,084	-	5,985,084	5,411,812
	\$ 10,235,981	\$ 976,020	\$ 11,212,001	\$ 10,832,028

COMMITMENTS *(Note 9)*

COVID-19 *(Note 13)*

ON BEHALF OF THE BOARD

Chair

Chief Financial Officer

See notes to financial statements

ONTARIO PHARMACISTS ASSOCIATION

Statement of Revenues and Expenditures

Year Ended December 31, 2021

	2021	2020
REVENUES		
Memberships and subscriptions	\$ 2,743,273	\$ 2,806,722
Professional development	965,601	939,165
Insurance administration fee <i>(Note 7)</i>	569,779	558,262
Interest and investment income	264,204	312,780
Medical writing and service	129,328	102,190
Affiliated partners	138,871	93,224
Conference	199,961	15,000
	5,011,017	4,827,343
EXPENSES		
Salaries and benefits	3,408,157	3,259,459
Occupancy costs	498,271	492,762
Public and government relations	211,516	305,202
Computer service	194,924	165,747
Professional development	171,656	117,933
Amortization	124,170	117,199
Conference	94,623	19,816
Bank and credit card charges	94,187	98,712
Membership services	63,270	160,614
Committee, district and other meetings	60,490	71,789
General office	49,611	62,988
Investment management fee	46,845	45,394
Legal and audit	37,924	32,087
Insurance	35,986	34,247
Staff and board training	25,088	19,496
Board meetings	14,476	32,348
Corporate branding	5,926	35,531
	5,137,120	5,071,324
DEFICIENCY OF REVENUES OVER EXPENSES FROM OPERATIONS	(126,103)	(243,981)
OTHER INCOME (EXPENSES)		
Fair market value adjustment on investments	258,514	287,785
Covid subsidies <i>(Note 12)</i>	472,971	571,749
IT transformation	(32,110)	(92,700)
	699,375	766,834
EXCESS OF REVENUES OVER EXPENSES	\$ 573,272	\$ 522,853

See notes to financial statements

ONTARIO PHARMACISTS ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2021

	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 5,411,812	\$ 4,888,959
Excess of revenues over expenses	573,272	522,853
NET ASSETS - END OF YEAR	\$ 5,985,084	\$ 5,411,812

ONTARIO PHARMACISTS ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 573,272	\$ 522,853
Items not affecting cash:		
Amortization	124,170	117,199
Amortization of deferred occupancy costs	(8,056)	(4,591)
Fair market value adjustment on investments	(258,514)	(287,785)
	430,872	347,676
Changes in non-cash working capital:		
Miscellaneous receivables	(93,144)	(126,601)
Prepaid expenses and deposits	101,371	105,483
Accounts payable and accrued liabilities	38,194	(200,145)
Membership fees received in advance	(105,300)	(29,242)
Insurance premiums received in advance	(23,101)	(104,176)
Programs under administration	10,015	(21,197)
	(71,965)	(375,878)
Cash flows from operating activities	358,907	(28,202)
INVESTING ACTIVITIES		
Purchases of tangible capital and intangible assets <i>(Note 8)</i>	(79,811)	(136,583)
Purchase of investments	(66,513)	(24,305)
Cash flows from investing activities	(146,324)	(160,888)
INCREASE (DECREASE) IN CASH	212,583	(189,090)
CASH - BEGINNING OF YEAR	3,083,201	3,272,291
CASH - END OF YEAR	\$ 3,295,784	\$ 3,083,201
REPRESENTED BY:		
General Fund	\$ 3,122,180	\$ 2,978,067
Insurance Fund	173,604	105,134
	\$ 3,295,784	\$ 3,083,201

See notes to financial statements

ONTARIO PHARMACISTS ASSOCIATION

Notes to Financial Statements

December 31, 2021

The Ontario Pharmacists Association (the Association) represents the views and interests of pharmacists and pharmacists-in-training across the province. The Association works to advance the pharmacy profession as a vital healthcare provider through advocacy, innovation and support services.

The Ontario Pharmacists Association is incorporated without share capital as a not-for-profit organization under the Income Tax Act.

1. SUMMARY OF ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Measurement uncertainty

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the Association's best information and judgment. Actual results could differ from these estimates.

Examples of significant estimates include:

- the useful lives of tangible capital and intangible assets; and
- the accrual of liabilities.

Fund accounting

These financial statements have been prepared using fund accounting whereby the revenue and expenditures relating to particular activities are grouped together and reflected in a separate fund.

The General Fund records transactions related to the Association's general operating activities.

The Insurance Fund was established to administer the voluntary health, long-term disability and life insurance plans for all pharmacist members of the Association. The cash balance is not available to the Association, as it represents policy holders' premiums which are remitted to the insurance companies in the succeeding accounting period. For administering the insurance plans, the Association receives a fee based on a percentage of the insurance premiums collected. This fee is recorded as revenue in the General Fund and is available for use by the General Fund.

Investments

Investments are in managed portfolios through an investment firm, operating under approved policies.

Revenue recognition

The Association's membership and subscription year is from January 1 to December 31. Any memberships and subscriptions collected in the year prior to the membership and subscription year are reported as membership fees received in advance.

The program revenues are recognized as services are performed. Funds received in advance are deferred and recognized as revenue when related services are performed.

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ONTARIO PHARMACISTS ASSOCIATION

Notes to Financial Statements

December 31, 2021

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

Tangible capital and intangible assets

Tangible capital and intangible assets are recorded at cost less accumulated amortization. Amortization is provided using the following:

	<u>Rate</u>	<u>Method</u>
Computer hardware	30%	declining balance
Computer software	5 years	straight-line
Furniture and equipment	20%	declining balance
Website	5 years	straight-line
Leaseholds	10 years	straight-line

The Association applies a partial year of amortization for tangible capital and intangible assets acquired or disposed of during the year and acquisitions are not amortized until placed into use. The Association regularly reviews its tangible capital and intangible assets to eliminate obsolete items.

Impairment of long-lived assets

The Association reviews long-lived assets such as tangible capital and intangible assets whenever events or changes in circumstances indicate that the carry value of an asset is greater than the net recoverable value calculated as the net future undiscounted cash flows related to that asset. When indicators of impairment exist and the carrying value is greater than the net recoverable value, an impairment is recognized to the extent that the fair value is below carrying value.

Deferred occupancy costs

The Association's premises operating lease obligations over the 10 years ending August 2026 include base rent escalations and free rent, which are amortized on a straight-line basis over the term of the lease.

Pension

The Association's employees are members of a defined contribution pension plan. Pension expense is recognized in the year in which the employee service occurs.

Financial instruments

Measurement

The Association initially measures its financial assets and financial liabilities at fair value, except for related party financial instruments, which are measured based on the nature of the financial instrument and may, depending on the circumstances, be either at:

- fair value
- the cost of the related party financial instrument
- the cost of the consideration exchanged for the related party financial instrument

The Association subsequently measures its non-related party financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenues over expenditures.

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

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ONTARIO PHARMACISTS ASSOCIATION

Notes to Financial Statements

December 31, 2021

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

Financial liabilities measured at amortized cost includes accounts payable and accrued liabilities.

The Association's financial assets measured at fair value include investments.

Except for any related party financial liabilities indexed to a measure of the Association's financial performance or to changes in the value of the Association's equity, the subsequent measurement of a related party financial instrument is based on how the financial instrument was initially measured. If the Association initially measured the financial instrument at cost, it is subsequently measured using the cost method.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenues over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

Transaction costs

The Association recognizes its transaction costs in excess of revenues over expenditures in the year incurred. However, financial instruments that will not be subsequently measured at fair values are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

2. INVESTMENTS

The Association has invested an initial \$6,000,000 with Connor Clark and Lunn into managed portfolios of pooled funds in March 2011. The funds invested are done so in accordance with structured and Board approved investment policies. These policies look to provide a conservative approach and the results are reported throughout the year to the Audit and Finance Committee and to the Board.

Long-term investments comprise the following:

	2021	2020
<u>Pooled funds</u>		
Fixed income	\$ 2,868,438	\$ 2,998,242
Canadian equity	1,615,510	1,249,386
Global equity	1,716,322	1,627,617
	\$ 6,200,270	\$ 5,875,245

As at December 31, 2021 the investment accounts included \$1,565,735 (2020 - \$1,307,221) of unrealized fair market gains in the General Fund balance. Since inception, \$2,850,000 has been withdrawn from the initial capital and previously undistributed income as needed for working capital, specific projects or capital items such as leasehold improvements for new premises. Throughout the year \$Nil (2020 - \$Nil) was withdrawn from the investments for working capital requirements. On an annual basis, the majority of the investment income is used in operations. Any investment income or funds not required for working capital may be recommended by the Audit and Finance Committee for Board approval to be directed to investments.

ONTARIO PHARMACISTS ASSOCIATION

Notes to Financial Statements

December 31, 2021

3. TANGIBLE CAPITAL AND INTANGIBLE ASSETS

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Computer hardware	\$ 792,566	\$ 741,496	\$ 51,070	\$ 55,112
Computer software	901,697	808,691	93,006	46,210
Furniture and equipment	296,548	243,589	52,959	66,199
Website	281,132	210,207	70,925	91,568
Leaseholds	532,297	283,893	248,404	301,634
	\$ 2,804,240	\$ 2,287,876	\$ 516,364	\$ 560,723

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The balance of the Association's accounts payable and accrued liabilities include general payables and government remittances payable. These include amounts owing for payroll, employee health and sales taxes:

	2021	2020
General payables	\$ 529,514	\$ 459,803
Government remittances payable	314,380	345,899
	\$ 843,894	\$ 805,702

5. DEFERRED OCCUPANCY COSTS

The head offices of the Association moved location on August 26, 2016 to 155 University Avenue in downtown Toronto. The Association had entered into a combined 10-year sublease and then lease with landlord Great West Life at this location, which includes base rent escalations and leasehold inducements and/or free rent. The landlord will provide leasehold inducements or free rent to the Association in the amount of \$155,910 when our lease with them is effected in November 2021. The Association is currently in discussion with the Landlord as to whether this will be a cash payment or free rent in 2022. These amounts were deferred and are being amortized to occupancy costs on a straight-line basis over the term of the lease. At December 31, 2021, deferred occupancy costs totalled \$6,698 (2020 - \$14,754).

6. PROGRAMS UNDER ADMINISTRATION

The Ontario Pharmacists Association has partnered with the Ministry of Health and Long Term Care (Ministry) and other parties to administer various programs. In the year 2021 total of \$567,539 (2020 - \$434,771) was advanced to administer the following programs, in addition to funds held at December 31, 2020:

- Methadone Program
- The Right Dose
- Education
- Injections & Immunization

At December 31, 2021, the General Fund has deferred \$227,470 to continue administering these programs in 2022. During the year, the Methadone, Cardiovascular and LGBTQ Care programs were completed based on the initial funding and proposal. A report for the Ministry program is provided to the Ministry of Health in accordance with the Ministry's reporting requirements.

ONTARIO PHARMACISTS ASSOCIATION

Notes to Financial Statements

December 31, 2021

7. INSURANCE ADMINISTRATION FEE

	2021	2020
Insurance premiums received	\$ 3,837,019	\$ 3,773,264
Less: paid to insurance companies	(3,631,121)	(3,560,605)
Recoverable from (payable to) insurance companies	(8,305)	(12,216)
Insurance administration fee - Insurance Fund	197,593	200,443
- other	372,186	357,819
	\$ 569,779	\$ 558,262

The insurance administration fee - Insurance Fund, is determined as a percentage of the total insurance premiums collected by the Association on behalf of the Insurance Fund during the year. Insurance administration fee - other is determined as a percentage of the total insurance premiums received directly by the insurance company during the year. Beginning in 2008, the Association introduced prescription drug coverage, and in doing so, has outsourced the collection of a large portion of the group health premiums to a third party administrator to facilitate monthly billing and electronic claims processing. The premiums related to the insurance administration fee - other were approximately \$9,246,065 (2020 - \$8,864,506).

8. PURCHASE OF TANGIBLE CAPITAL AND INTANGIBLE ASSETS

	2021	2020
Computer hardware	\$ 14,695	\$ -
Computer software	65,116	36,684
Website	-	99,899
	\$ 79,811	\$ 136,583

9. COMMITMENTS

The Ontario Pharmacists Association is committed to sublease office space located in downtown Toronto, commencing September 1, 2016 and expiring October 31, 2021. In addition, the Association is committed to lease the same office space for a period commenced November 1, 2021 and expiring August 31, 2026.

The Ontario Pharmacists Association is committed under the terms of leases for its premises to the following minimum amounts i.e. base rent:

2022	\$ 234,471
2023	234,471
2024	234,471
2025	234,471
2026	156,314
	\$ 1,094,198

In addition to the above base rent, the Association is obligated under the terms of lease to pay additional rent representing its proportional share of the premises' costs and expenses which include taxes, dues and levies, and operating and utility costs. Additional rent is paid in instalments on a monthly basis and is adjusted with reference to a calendar year of 12 months. Total additional rent expected for 2022, amounts to approximately \$265,000. For 2021, the additional rent was \$263,800.

ONTARIO PHARMACISTS ASSOCIATION

Notes to Financial Statements

December 31, 2021

10. CAPITAL MANAGEMENT

The Association's capital comprises its net asset balances in the General Fund and the Insurance Fund. The Association's objectives in managing its capital are to safeguard its net assets and to maintain a sufficient level of funds to ensure that members' and other stakeholders' requirements are met.

The Association manages its capital structure based on the level of funds received through membership fees, insurance administration and investment returns. Prudent investment policies are in place to ensure that the Association's investments are safeguarded against loss. The Association reviews its capital management approach on an ongoing basis.

There were no changes in the Association's approach to capital management in the year ended December 31, 2021.

11. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2021.

(a) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Association is exposed to other price risk through its investment in Canadian and Global equities.

(b) Credit risk

The Association is exposed to credit risk on the accounts receivable from sponsors, government and members. Based on past history and knowledge of the current accounts, the Association does not have any significant credit exposure with respect to any individual sponsors, government or member.

(c) Currency risk

The Association is not exposed to significant currency risk arising from its financial instruments, except as it relates foreign exchange impact to the fair value of the global equity component of its investments.

(d) Interest rate risk

The Association is exposed to interest rate risk primarily on its fixed interest rate financial instruments. The extent of the Association's exposure to risk did not change significantly from the prior year.

(e) Liquidity risk

Liquidity risk is the risk that the Association will have difficulty in paying its financial liabilities. The Association meets its obligations as they come due, primarily from cash flows from operations and the drawdown of investments if necessary.

ONTARIO PHARMACISTS ASSOCIATION

Notes to Financial Statements

December 31, 2021

12. COVID RELATED SUBSIDIES

During the year, the Association met eligibility criteria as outlined by Canada Revenue Agency to receive non-refundable assistance with respect to the cost of salaries and occupancy costs as part of the COVID-19 support programs.

13. COVID-19

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Association in the future periods.

14. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.