

THE MANITOBA VETERINARY MEDICAL ASSOCIATION

Financial Statements

Year Ended June 30, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of The Manitoba Veterinary Medical Association

Qualified Opinion

We have audited the financial statements of The Manitoba Veterinary Medical Association (the Organization), which comprise the statement of financial position as at June 30, 2019, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2019, 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.

Basis for Qualified Opinion

The prior year's engagement was a review of the financial statements. We were not engaged to perform audit procedures on the opening balances at June 30, 2018 and as such the scope of the June 30, 2019 audit was limited. As the level of assurance for a review is lower than that of an audit, and the opening balances were not audited, we cannot opine on the impact of those opening balances on revenues and expenditures, changes in net assets and cash flows for the year ended June 30, 2019.

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 Organization 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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.



Independent Auditor's Report to the Members of The Manitoba Veterinary Medical Association *(continued)*

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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. 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 Organization'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 Organization'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 Organization 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.

Winnipeg, Manitoba
January 8, 2020


Chartered Professional Accountants Inc.

THE MANITOBA VETERINARY MEDICAL ASSOCIATION

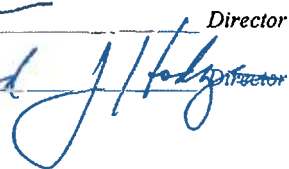
Statement of Financial Position

June 30, 2019

	2019	2018 <i>(Restated - Note 1)</i>
ASSETS		
CURRENT		
Cash <i>(Note 5)</i>	\$ 429,566	\$ 453,239
Accounts receivable	25,607	3,303
Goods and services tax recoverable	544	743
Prepaid expenses	28,679	22,571
	484,396	479,856
FIXED ASSETS <i>(Note 6)</i>	112,735	127,493
LOAN RECEIVABLE <i>(Note 7)</i>	35,000	-
LONG TERM INVESTMENTS <i>(Note 8)</i>	362,238	356,743
	\$ 994,369	\$ 964,092
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 14,698	\$ 12,004
Accounts payable - MVTA <i>(Note 10)</i>	-	4,267
Deferred income	244,552	226,891
Current portion of long term debt <i>(Note 9)</i>	9,450	9,450
	268,700	252,612
LONG TERM DEBT <i>(Note 9)</i>	66,936	76,386
	335,636	328,998
NET ASSETS	658,733	635,094
	\$ 994,369	\$ 964,092

ON BEHALF OF THE BOARD

 Director

 Director

THE MANITOBA VETERINARY MEDICAL ASSOCIATION
Statement of Revenues and Expenditures
Year Ended June 30, 2019

	2019	2018 <i>(Restated - Note 1)</i>
REVENUES		
Association membership dues	\$ 453,094	\$ 426,700
Central Canadian Veterinary Conference	139,640	151,513
Clinic inspections	18,780	12,070
Association membership dues - legal	13,810	13,960
Allowance - CVMA insurance program	9,879	8,554
The Post	9,844	11,115
Continuing education	6,605	22,214
Commission - CVMA	5,183	5,129
Exam revenue	4,825	4,950
Other	4,515	4,332
Advertising revenues	3,484	8,919
Consulting fees	2,287	3,414
Fees - specialty clinics	1,930	1,855
Directory advertising	1,413	1,394
Dispensing bags and prescription forms	-	20
	675,289	676,139
EXPENSES (Schedule 1)	657,247	639,973
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	18,042	36,166
OTHER INCOME (EXPENSES)		
Mutual fund distribution income	5,495	3,815
Loss on disposal of fixed assets	-	(320)
Loss on sale of long term investments	-	(1,885)
Interest income	102	198
	5,597	1,808
EXCESS OF REVENUES OVER EXPENSES	\$ 23,639	\$ 37,974

THE MANITOBA VETERINARY MEDICAL ASSOCIATION

Statement of Changes in Net Assets

Year Ended June 30, 2019

	Unrestricted Fund	Investment in Fixed Assets	Internally Restricted Legal Fund	2019	2018
NET ASSETS -					
BEGINNING OF YEAR					
As previously reported	\$ 230,771	\$ 116,793	\$ 264,591	\$ 612,155	\$ 597,120
Accounting differences <i>(Note 1)</i>	12,239	10,700	-	22,939	-
As restated	243,010	127,493	264,591	635,094	597,120
Excess of revenues over expenses	41,871	(18,284)	52	23,639	37,974
Asset additions	(3,526)	3,526	-	-	-
Board approved transfers <i>(Note 14)</i>	(25,000)	-	25,000	-	-
	-	-	-	-	-
NET ASSETS - END OF					
YEAR	\$ 256,355	\$ 112,735	\$ 289,643	\$ 658,733	\$ 635,094

THE MANITOBA VETERINARY MEDICAL ASSOCIATION

Statement of Cash Flows

Year Ended June 30, 2019

	2019	2018 <i>(Restated - Note 1)</i>
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 23,639	\$ 37,974
Items not affecting cash:		
Amortization of fixed assets	18,284	16,172
Loss on disposal of fixed assets	-	320
Loss on sale of long term investment	-	1,885
	41,923	56,351
Changes in non-cash working capital:		
Accounts receivable	(22,304)	1,706
Goods and services tax recoverable	199	(658)
Prepaid expenses	(6,108)	(2,147)
Loan and note receivable	(35,000)	-
Accounts payable and accrued liabilities	2,694	2,724
Accounts payable - MVTA	(4,267)	-
Deferred income	17,661	11,020
	(47,125)	12,645
Cash flow from (used in) operating activities	(5,202)	68,996
INVESTING ACTIVITIES		
Purchase of fixed assets	(3,526)	(134,228)
Proceeds on disposal of fixed assets	-	2,040
Mutual fund distribution income	(5,495)	(3,815)
Cash flow used by investing activities	(9,021)	(136,003)
FINANCING ACTIVITIES		
Proceeds from long term debt	-	94,500
Repayment of long term debt	(9,450)	(8,664)
Cash flow from (used by) financing activities	(9,450)	85,836
INCREASE (DECREASE) IN CASH FLOW	(23,673)	18,829
CASH - BEGINNING OF YEAR	453,239	434,410
CASH - END OF YEAR (Note 16)	\$ 429,566	\$ 453,239

THE MANITOBA VETERINARY MEDICAL ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2019

1. ACCOUNTING DIFFERENCES

During the current year it was noted that the prior year's long term investments were not adjusted to the year-end market value and the amortization rate of the leasehold improvements was calculated based on a five year straight-line method instead of the ten year rate as per the policy. As a result, the long term investments at June 30, 2018 were understated by \$12,239 and fixed assets were understated by \$10,700 . The comparative figures have been restated to correct this error.

On the statement of revenues and expenditures for the year ended June 30, 2018, loss on sale of long term investments has been decreased by \$12,239, amortization expense has been decreased by \$10,700 and excess revenues over expenditures have been increased by \$22,939.

2. PURPOSE OF THE ASSOCIATION

The Manitoba Veterinary Medical Association (MVMA) is the regulatory and professional organization for the veterinary profession in Manitoba. The mission of MVMA is to provide regulatory governance and to empower our members to champion the art and science of veterinary medicine. Legislated by the Province of Manitoba's Veterinary Medical Act, the MVMA is supported by its over 800 veterinarian and veterinary technologist members. Members come to MVMA to obtain and renew their licenses/registrations. The MVMA also regulates the practice of veterinary medicine in Manitoba and ensures that Manitobans have access to qualified veterinary care. Finally, the organization advocates for animal health, grows public awareness of veterinary medicine and keeps members informed and connected to national and international veterinary communities.

The Association is a non-share, not-for-profit corporation established in the Manitoba jurisdiction and exempt from tax under paragraph 149(1)(1) of the Income Tax Act.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

(continues)

THE MANITOBA VETERINARY MEDICAL ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund accounting

The Manitoba Veterinary Medical Association follows the deferral method of accounting for contributions whereby restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred or in which the related event occurs. Deferred contributions pertaining to the purchase of fixed assets are amortized using the same methods and rates as the fixed assets acquired. The Association maintains three funds as follows:

Unrestricted Net Assets

The unrestricted net assets are comprised of the net unrestricted revenues and expenses.

Invested in Fixed Assets

The invested in fixed assets are comprised of the net revenues and expenses specifically relating to investments in fixed assets.

Internally Restricted - Legal Fund

The internally restricted - legal fund is comprised of the net revenues and expenses to finance legal expenses related to peer review, Practice Inspections, Practice Standards (PIPS), and safeguarding the profession.

Contributed services

No amount has been reflected in the statements for contributed services since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers have contributed significant amounts of their time in the Association's activities.

Long term investments

Long-term investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of excess (deficiency) of revenue over expenses.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(continues)

THE MANITOBA VETERINARY MEDICAL ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets

Fixed assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Computer equipment	45% to 55%	declining balance method
Furniture and fixtures	20%	declining balance method
Leasehold improvements	10 years	straight-line method
Signage	20%	declining balance method

Fixed assets acquired during the year but not placed into use are not amortized until they are placed into use. Fixed assets are amortized at one-half the normal rate in the year of acquisition.

Revenue recognition

The organization follows the deferral method of accounting for contributions.

- services are provided to members; association dues, invoiced to members on a calendar year basis, are reported as income for the period to which they pertain,
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- the ability to collect is reasonably assured.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial instruments measured at fair value consists of long term investments.

Financial instruments measured at amortized cost consists of accounts receivable, goods and services tax recoverable, loan receivable, accounts payable and accrued liabilities, accounts payable - MVTA and long term debt.

4. FINANCIAL INSTRUMENTS

The organization 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 organization's risk exposure and concentration as of June 30, 2019. It is the opinion of management that the organization is not exposed to significant credit or liquidity risk.

(continues)

THE MANITOBA VETERINARY MEDICAL ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2019

4. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, and accounts payable and accrued liabilities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The organization is mainly exposed to other price risk.

5. CASH

Cash is comprised of bank balances in both chequing and savings accounts. Both bank balances generate interest at rates of 0.02% (0.02% in 2018) for balances \$25,000 and over.

Cash includes an internally restricted fund of \$289,643 (\$264,591 in 2018) for purposes of legal expenses that may be incurred by the Association for peer review, PIPS, and safeguarding the profession.

The Association holds substantially all of its cash balance with one financial institution. The cash balance is in excess of the Canadian Deposit Insurance Corporation amount of \$100,000 increasing a cash concentration risk with a risk of loss.

THE MANITOBA VETERINARY MEDICAL ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2019

6. FIXED ASSETS

	Cost	Accumulated amortization	2019 Net book value
Computer equipment	\$ 34,986	\$ 32,422	\$ 2,564
Furniture and fixtures	50,149	25,798	24,351
Leasehold improvements	106,997	21,400	85,597
Signage	3,806	3,583	223
	\$ 195,938	\$ 83,203	\$ 112,735

	Cost	Accumulated amortization	2018 Net book value
Computer equipment	\$ 32,738	\$ 30,822	\$ 1,916
Furniture and fixtures	46,479	19,391	27,088
Leasehold improvements	143,482	45,271	98,211
Signage	3,806	3,528	278
	\$ 226,505	\$ 99,012	\$ 127,493

7. LOAN RECEIVABLE

Loan receivable consists of an agreement with the Canadian Animal Blood Bank Inc. (CABB). The loan approved by the Board of Directors of MVMA, is non-interest bearing, unsecured and repayable with annual payments of \$7,000 commencing in 2024 and concluding in 2028.

8. LONG TERM INVESTMENTS

Long term investments consist of an investment savings mutual fund with a cost of \$362,238 (\$356,743 in 2018) and a market value of \$362,239 (\$356,744 in 2018).

THE MANITOBA VETERINARY MEDICAL ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2019

9. LONG TERM DEBT

	2019	2018
Western Drug Distribution Center loan bearing no interest repayable in monthly payments of \$788. The loan matures on August 2, 2027.	\$ 76,386	\$ 85,836
Amounts payable within one year	(9,450)	(9,450)
	\$ 66,936	\$ 76,386

Principal repayment terms are approximately:

2020	\$ 9,450
2021	9,450
2022	9,450
2023	9,450
2024	9,450
Thereafter	<u>29,136</u>
	<u>\$ 76,386</u>

10. CENCAN - RELATED PARTY TRANSACTION

Manitoba Veterinary Medical Association (MVMA) and Manitoba Veterinary Technologists Association (MVTA) agreed to internally track a 'rainy day' fund from the net profits of the CenCan annual conference as a 'cushion or buffer' amount to offset revenue swings and to contribute to high profile speakers. Annually, MVMA pays 25% of conference's net profit to MVTA and the MVTA portion of the reserve is taken from their profit share. In order to internally track this amount, the MVMA records it as a payable to MVTA. The amount withheld may be slightly more or less than 25% as costs associated to MVTA activities at the conference may be added/deducted to/from the MVTA reserve share. In the current year the reserve was fully utilized for the conference. No additional reserve will be set-up going forward.

	2019	2018
Opening balance	\$ 19,022	\$ 19,022
Allocated to conference expenses	(14,755)	-
Allocated to MVTA	(4,267)	-
	\$ -	\$ 19,022

11. CVMA MEMBERSHIP DUES

The MVMA provides collection services to the Canadian Veterinary Medical Association (CVMA). Professional dues collected for and remitted to the CVMA totalled \$126,202 (\$127,328 - 2018). These "custodial" transactions are excluded from presentation on the "Statement of Revenues and Expenditures". The Association receives approximately 4% (2018 - 4%) collection fee for this service from its national association, \$5,048 (\$5,129 - 2018).

THE MANITOBA VETERINARY MEDICAL ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2019

12. LEASE COMMITMENTS

The Association is in an office space lease with Midwest Veterinary Purchasing Cooperative Ltd. over a 10-year term which commenced July 1, 2017 and terminates July 31, 2027.

The Association leases a copier/printer on a 5 year term which commenced November 2015 and terminates October 2020. Payments are quarterly at a rate of \$706. In addition, there is a maintenance fee based on number of prints and is fixed over the term of the lease.

Future minimum lease payments as at June 30, 2019, are as follows:

	Office Lease	Office Equipment	Total
2020	\$ 45,225	\$ 2,825	\$ 48,050
2021	45,225	-	45,225
2022	45,225	-	45,225
2023	45,225	-	45,225
2024	45,225	-	45,225
Thereafter	\$ 151,875	\$ -	\$ 151,875

13. TRANSFERS TO LEGAL FUND

The transfers to the unrestricted fund to the legal fund is comprised of the following transactions:

	2019	2018
Funds transferred	\$ 25,000	\$ 9,832
Interest income	52	115
Net increase in Legal Fund	\$ 25,052	\$ 9,947

14. INTERNALLY RESTRICTED - LEGAL FUND

In 1997, the Province of Manitoba indicated that it wished to transfer responsibilities of the Veterinary Medical Board to the Manitoba Veterinary Medical Association. The Board oversaw the annual registration of veterinarians, the inspection of clinics, conducted investigations into complaints against veterinarians and conducted discipline hearings. The Province of Manitoba introduced legislation that transferred the Board's functions to the MVMA. There was an unrestricted contribution of \$90,000 from the Manitoba Government to the MVMA. These funds and related interest were moved into an internally restricted 'legal fund' in 2010. In the current fiscal year, the contributions to the fund were \$25,052 (2018 - \$9,947) which was comprised of amounts allocated from the unrestricted fund \$25,000 (2018 - \$9,832) and interest income \$52 (2018 - \$115). The contributions were segregated in an account separate from the operating bank account.

An MVMA Council resolution was passed in 2017, that stated the fund will be grown to a maximum of \$350,000 through member dues (transactions are detailed in Note 13). In 2018, the amount collected from members was reduced from \$50 to \$25 annually so as to grow the fund at a slower rate.

THE MANITOBA VETERINARY MEDICAL ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2019

15. **MARKETING ALLOCATION**

An MVMA Council budgeting item was discussed in 2018 to implement a marketing fund to be collected via a \$25 per member annual fee. No separate bank account will be set up and the amounts are part of unrestricted general revenues and expenses.

	2019	2018
Opening balance	\$ 4,548	\$ -
Funds collected	13,235	12,490
Funds used	-	(7,942)
Balance of Marketing Fund	\$ 17,783	\$ 4,548

16. **CASH**

	2019	2018
Cash	\$ 429,566	\$ 453,239

17. **COMPARATIVE FIGURES**

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

THE MANITOBA VETERINARY MEDICAL ASSOCIATION

Expenses

(Schedule 1)

Year Ended June 30, 2019

	2019	2018 (Restated - Note 1)
Accounting fees	\$ 12,637	\$ 6,285
Advertising and promotion	33,263	10,724
Amortization	18,284	16,172
Central Canadian Veterinary Conference expenses	126,544	127,827
Clinic inspections	9,499	9,333
Continuing education	16,074	20,759
Council expenses	8,923	10,665
Credit card charges	15,350	16,543
Equipment rentals	5,109	4,839
Exam expense	3,069	1,150
Governance and voting	2,610	-
HR General	8,091	792
Insurance	5,328	5,395
Interest and bank charges	1,420	1,898
Legal fees	56,842	32,420
MVMA meetings	23,966	29,168
MVMA strategic planning	2,966	13,116
Management fees	2,632	1,958
Newsletter	106	772
Office expenses	9,535	7,539
Payroll service fees	937	937
Postage and courier	3,472	2,294
Renovations	3,448	991
Rent and expense sharing	45,225	35,973
Repairs and maintenance	7,366	3,183
Salaries and wages	218,871	260,550
Scholarships	3,150	3,150
Staff training	1,634	1,741
Technology	4,945	6,570
Telephone	4,024	4,817
WCVM support	1,927	2,412
	\$ 657,247	\$ 639,973