

COLLEGE OF REGISTERED NURSES OF MANITOBA
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

**COLLEGE OF REGISTERED NURSES OF MANITOBA
FINANCIAL STATEMENTS
DECEMBER 31, 2020
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INDEPENDENT AUDITOR'S REPORT**To Council of College of Registered Nurses of Manitoba:****Opinion**

We have audited the financial statements of the College of Registered Nurses of Manitoba ("the College"), which comprise the statement of financial position as at December 31, 2020, and the statement of operations, changes in net financial assets, and cash flows for the year then ended, and the 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 College as at December 31, 2020, and its results of operations and its 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 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements for the year ended December 31, 2019 were audited by another auditor who expressed an unqualified opinion on those financial statements on March 6, 2020.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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 College'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 College or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (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 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 representing the underlying transactions and events in a manner that achieved 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
March 11, 2021**

Fort Group
**CHARTERED PROFESSIONAL
ACCOUNTANTS INC.**

**COLLEGE OF REGISTERED NURSES OF MANITOBA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 836,747	823,935
Investments (Note 3)	9,375,664	7,078,949
Receivables	3,278	17,047
Loan receivable (Note 4)	-	50,000
Prepays and other	<u>87,356</u>	<u>103,260</u>
	10,303,045	8,073,191
LOAN RECEIVABLE (Note 4)	391,774	421,943
PROPERTY AND EQUIPMENT (Note 5)	166,573	277,312
INTANGIBLE ASSETS (Note 6)	<u>219,542</u>	<u>448,787</u>
	<u>\$ 11,080,934</u>	<u>9,221,233</u>
LIABILITIES		
CURRENT LIABILITIES		
Payables and accruals (Note 8)	\$ 400,802	345,498
Deferred revenue from registration and other	5,879,236	5,607,544
Deferred revenue from levies (Note 9)	<u>1,381,860</u>	<u>1,385,964</u>
	7,661,898	7,339,006
PRE-RETIREMENT LEAVE LIABILITY (Note 10)	<u>266,598</u>	<u>232,529</u>
	<u>7,928,496</u>	<u>7,571,535</u>
NET ASSETS		
Invested in capital and intangible assets	386,115	726,099
Unrestricted	391,085	-
Internally restricted (Note 13)		
Capital Reserve	1,367,388	480,968
Legal and Sustainability Fund	<u>1,007,850</u>	<u>442,631</u>
	<u>3,152,438</u>	<u>1,649,698</u>
	<u>\$ 11,080,934</u>	<u>9,221,233</u>

APPROVED ON BEHALF OF COUNCIL:

C. Legare

Chair

K. Stansfield

Chief Executive Officer/Registrar

**COLLEGE OF REGISTERED NURSES OF MANITOBA
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
REVENUE		
Registration	\$ 5,958,273	5,734,257
Examination	94,680	96,660
Investment income (Note 4)	73,794	83,835
Other	<u>98,394</u>	<u>108,680</u>
	<u>6,225,141</u>	<u>6,023,432</u>
 EXPENSES		
Administration	1,403,035	1,116,703
Professional conduct	1,006,005	1,157,939
Practice	831,570	734,526
Communication	313,016	317,360
Information technology	423,786	457,293
Registration	620,841	629,792
Council	130,870	142,252
Building operations	438,715	468,634
Financial services	484,828	571,155
Office services	<u>117,944</u>	<u>149,936</u>
	<u>5,770,610</u>	<u>5,745,590</u>
 EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER REVENUE AND OTHER EXPENSES	 <u>454,531</u>	 <u>277,842</u>
 OTHER REVENUE		
Levies (Note 13)	1,423,872	1,438,506
Investment income on levies (Note 13)	<u>27,767</u>	<u>33,783</u>
	<u>1,451,639</u>	<u>1,472,289</u>
 OTHER EXPENSES		
Amortization of property and equipment	174,185	221,764
Amortization on intangible assets	229,245	226,653
Loss on disposal of property and equipment	<u>-</u>	<u>1,015</u>
	<u>403,430</u>	<u>449,432</u>
 EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	 <u>\$ 1,502,740</u>	 <u>\$ 1,300,699</u>

**COLLEGE OF REGISTERED NURSES OF MANITOBA
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020**

	INVESTED IN CAPITAL AND INTANGIBLE ASSETS	UNRESTRICTED	INTERNALLY RESTRICTED (Note 13)		2020	2019
			CAPITAL RESERVE	LEGAL AND SUSTAINABILITY FUND		
NET ASSETS, BEGINNING OF YEAR	\$ 726,099	-	480,968	442,631	1,649,698	348,999
Excess (deficiency) of revenue over expenses for the year	(403,430)	454,531	886,420	565,219	1,502,740	1,300,699
Interfund Transfer						
Sustainability Plan (\$551,598 in 2019)	-	-	-	-	-	-
Capital asset acquired (\$27,252 in 2019)	63,446	(63,446)	-	-	-	-
Intangible assets acquired (\$61,194 in 2019)	-	-	-	-	-	-
NET ASSETS, END OF YEAR	<u>\$ 386,115</u>	<u>391,085</u>	<u>1,367,388</u>	<u>1,007,850</u>	<u>3,152,438</u>	<u>1,649,698</u>

**COLLEGE OF REGISTERED NURSES OF MANITOBA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 1,502,740	1,300,699
Add non-cash item(s):		
Amortization of property and equipment	174,185	221,764
Amortization of intangible assets	229,245	226,653
Loss on disposal of equipment	-	1,015
Amortization of loan discount	<u>(19,831)</u>	<u>(21,186)</u>
	1,886,339	1,728,945
Change in non-cash working capital:		
Receivables	13,769	32,430
Prepays and other	15,904	(32,784)
Payables and accruals	55,304	42,468
Deferred revenue from registration and other	271,692	279,775
Deferred revenue from levies	(4,104)	1,944
Pre-retirement leave liability	<u>34,069</u>	<u>98</u>
	<u>2,272,973</u>	<u>2,052,876</u>
FINANCE AND INVESTING ACTIVITIES		
Investment acquisitions, net of dispositions	(2,296,715)	(1,819,155)
Principal payments received on loan receivable	100,000	-
Equipment acquisitions	(63,446)	(27,252)
Intangible asset acquisitions	<u>-</u>	<u>(61,194)</u>
	<u>(2,260,161)</u>	<u>(1,907,601)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	12,812	145,275
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>823,935</u>	<u>678,660</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 836,747</u>	<u>823,935</u>

**COLLEGE OF REGISTERED NURSES OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

1. ACCOUNTING ENTITY

The College of Registered Nurses of Manitoba ("the College") has as its mission to protect the public through quality registered nursing regulation. The Registered Nurses Act and Regulations of the Province of Manitoba set out the College's responsibilities until May 31, 2018 when it became governed under the Regulated Health Professions Act and the Practice of Registered Nursing Regulation.

The College is a not-for-profit organization exempt from taxes under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

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

An underlying assumption of the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

(a) Revenue Recognition

The College follows the deferral method of accounting for contributions.

Registration fees and levies revenue are recognized as revenue in the period that corresponds to the registration year to which they relate.

Application and examination fees received are recognized as revenue in the year the applicant completes the exam.

Investment revenue is recognized as revenue in the year earned and includes gains and losses resulting from changes in the fair value of investments.

Contributed services are not recognized in the financial statements. All other revenue is recognized in the year earned.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances, and credit card and debit card settlements due to the College.

(c) Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is recorded beginning in the later of the month of acquisition or when the asset is available for use. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20% to 33% declining balance basis
Leasehold improvements	10 years straight-line over the term of the lease plus one renewal period

**COLLEGE OF REGISTERED NURSES OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Intangible Assets

Intangible assets consist of computer software. Intangible assets are stated at cost less accumulated amortization. Amortization is recorded beginning in the later of the month of acquisition or when the asset is available for use. Amortization based on estimated useful life of the asset is calculated on a straight-line basis over a 3-year or 5-year period.

(e) Pension and Pre-retirement Leave Benefits

The College provides pension benefits and pre-retirement leave benefits to its employees.

Pre-retirement leave benefits are provided to certain qualifying employees. The benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are determined using the projected benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees will retire. Gains and losses are recognized in income immediately.

Pension benefits are provided to substantially all of the College employees. The College is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the pension plan described in Note 10.

(f) Financial Instruments

Financial instruments held by the College include cash and cash equivalents, investments, receivables, loan receivables and payables and accruals. The College initially measures its financial instruments at fair value when the asset or liability is first recognized. The College subsequently measures cash and cash equivalents, receivables, loan receivables and payables and accruals at cost or amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment. The College measures investments at fair value without any adjustments for transaction costs that may incur on sale or other disposal, with gains and losses recognized in operations.

(g) Use of Estimates

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Estimates include the present value of the loan receivable and pre-retirement leave, amounts payable for services not billed yet at the time these financial statements were approved and estimated useful life of capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. INVESTMENTS

	<u>2020</u>	<u>2019</u>
Savings		
Unrestricted	\$ 7,035,285	5,675,959
Capital Reserve	1,345,932	857,383
Legal and Sustainability Fund	<u>994,447</u>	<u>545,607</u>
	<u>\$ 9,375,664</u>	<u>7,078,949</u>

**COLLEGE OF REGISTERED NURSES OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

4. LOAN RECEIVABLE

During the year ended December 31, 2015, the College extended a loan to the Association of Regulated Nurses of Manitoba ("Association") in the amount of \$600,000. The loan is secured by a promissory note and General Security Agreement. The loan is interest-free unless the Association is in breach of their covenants and the College demands repayment, at which time interest would accrue at prime plus 1%, with an effective rate of 3.45% as at December 31, 2020. Repayment commenced on January 1, 2020 in the amount of \$50,000 per year with final payment due on January 1, 2031. The loan would be considered in default if financial covenants stipulated in the loan agreement are breached, repayment terms are breached, or funds are not used in accordance with the business plan and corporate objectives as initially defined.

The interest-free loan presented in the financial statements has been discounted using a discount rate of 4.70%. During the year, the College recognized \$19,831 (2019 - \$21,186) as revenue relating to amortization of discount on the loan receivable which is included in investment income. As at December 31, 2020, the loan receivable balance is \$391,774 (2019 - \$471,943) with \$nil presented as current assets, as the January 1, 2021 payment was paid in advance. As at December 31, 2020, the carrying value of the loan is \$500,000 (2019 - \$600,000).

5. PROPERTY AND EQUIPMENT

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Equipment	\$ 1,260,833	1,106,832	1,203,546	1,065,680
Leasehold improvements	<u>1,425,880</u>	<u>1,413,308</u>	<u>1,419,720</u>	<u>1,280,274</u>
	<u>2,686,713</u>	<u>2,520,140</u>	<u>2,623,266</u>	<u>2,345,954</u>
Net book value	\$ <u>166,573</u>		<u>277,312</u>	

6. INTANGIBLE ASSETS

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Computer software	\$ <u>1,988,986</u>	<u>1,769,444</u>	<u>1,988,986</u>	<u>1,540,199</u>
Net book value	\$ <u>219,542</u>		<u>448,787</u>	

7. LINE OF CREDIT

The College has an approved line of credit authorized to a maximum of \$200,000, bearing an interest rate of prime plus 1% being 3.45% at December 31, 2020. The balance outstanding on the line of credit at December 31, 2020 was \$Nil (2019 - \$Nil).

8. PAYABLES AND ACCRUALS

Included in payables and accruals is \$9,456 (2019 - \$5,117) in government remittances payable relating to payroll tax.

**COLLEGE OF REGISTERED NURSES OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

9. DEFERRED REVENUE FROM LEVIES

Deferred revenue from levies for internally restricted net assets levied in accordance with the Financial Sustainability Plan for the following fiscal year consists of the following at year end:

	<u>2020</u>	<u>2019</u>
Capital Reserve	\$ 844,470	846,978
Legal and Sustainability Fund	<u>537,390</u>	<u>538,986</u>
	<u>\$ 1,381,860</u>	<u>1,385,964</u>

10. EMPLOYER FUTURE BENEFITS

Multi-employer Defined Benefit Pension Plan

Substantially all of the employees of the College are members of the Healthcare Employees Pension Plan, a successor to the Manitoba Health Organization Inc. Plan ("the Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the contributions by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. Contributions to the Plan made during the year by the College on behalf of its employees amounted to \$294,698 (2019 - \$276,262) and are included as expenses in the statement of operations.

Pre-retirement Leave Plan

Employees are granted leave benefits based on meeting specific criteria. Pre-retirement leave benefits liability is estimated by management using best estimates to be \$266,598 as at December 31, 2020 (2019 - \$232,529) which are presented as a liability on the statement of financial position.

**COLLEGE OF REGISTERED NURSES OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

11. CONTINGENT LIABILITIES

The College has claims outstanding related to various matters arising in the ordinary course of its business. These matters are ongoing and their outcome and an estimate of loss, if any, is not determinable at the date of approval of these financial statements. The College has no reason to expect that the ultimate disposition of any of these matters will have a material adverse impact on its financial position, results of operations or its ability to carry on any of its business activities.

12. COMMITMENTS

The College has entered into a lease agreements for its office premises. The agreements require Organization to pay a proportionate share of property taxes and operating expenses. The College also has entered into contracts for software and maintenance services.

The future annual lease and contract payments for the College are as follows:

2021	\$	329,131
2022		285,589
2023		268,800
2024		268,800
2025		<u>156,800</u>
	\$	<u>1,309,120</u>

13. INTERNALLY RESTRICTED NET ASSETS

In prior years, Council approved the Financial Sustainability Plan that established the following restricted net assets:

Capital Reserve - The purpose of the Capital Reserve is to develop resources for future growth related to a new location, replacement of the membership database, and for unrestricted net assets deficit eradication.

Legal and Sustainability Fund - The purpose of the Legal and Sustainability Fund is to provide a reserve for one-time, unforeseen expenditures not within the budget.

These internally restricted amounts are not available for other purposes without approval of Council.

As at December 31, 2020, Council approved interfund transfers of \$nil (2019 - \$420,541) from the Capital Reserve to fund an operating cash flow deficiency and \$nil (2019 - \$131,057) to fund unforeseen legal expenses not within the approved budget.

The levies and investment income earned on funds were credited to the respective restricted net assets as follows during the year.

**COLLEGE OF REGISTERED NURSES OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

13. INTERNALLY RESTRICTED NET ASSETS (CONTINUED)

	<u>Capital Reserve</u>	<u>Legal and Sustainability Fund</u>	<u>Total</u>
Revenue			
Levies	\$ 870,144	553,728	1,423,872
Investment income	<u>16,276</u>	<u>11,491</u>	<u>27,767</u>
	886,420	565,219	1,451,639
Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over expenses for the year	\$ <u>886,420</u>	<u>565,219</u>	<u>1,451,639</u>

14. EXPENSES BY NATURE

The expenses by nature are as follows:

	<u>2020</u>	<u>2019</u>
Salaries, benefits and training	\$ 3,965,379	3,849,336
Office occupancy and operations	784,533	946,186
Software and data costs	212,149	193,794
Legal services and consultants	808,549	756,274
Amortization	<u>403,430</u>	<u>449,432</u>
	\$ <u>6,174,040</u>	<u>6,195,022</u>

15. FINANCIAL RISK MANAGEMENT

(a) Credit Risk

Credit risk is the risk that the College will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the College to significant concentrations of credit risk consist primarily of cash and cash equivalents, receivables, loan receivable and investments. The College is not exposed to significant credit risk as cash and cash equivalents are held in operating accounts, receivables are typically paid when due, the loan receivable is secured by a General Security Agreement with monthly monitoring of the loan performed by the College, and investments at December 31, 2020 are fully guaranteed. In addition, the College follows its investment policy to monitor the investments in an effort to minimize its exposure to credit risk.

(b) Liquidity Risk

Liquidity risk is the risk that the College will not be able to meet its obligations as they fall due. The College maintains adequate levels of working capital to ensure all its obligations can be met when they fall due by maintaining a portion of its investments in highly liquid investments. In addition, the College has an authorized line of credit.

**COLLEGE OF REGISTERED NURSES OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

16. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

17. UNCERTAINTY DUE TO COVID-19

The safety measures to combat COVID-19 (Coronavirus) and the government response continue to evolve and change quickly. It is management's opinion that the College has adequately adapted to the impact of this pandemic and will continue to maintain operations for the foreseeable future. While management will continue to monitor and evaluate the implications of the pandemic, it is difficult to predict the extent and duration this pandemic could have on the future finances and operations of the College.