



BRITISH COLUMBIA

College of Physicians  
and Surgeons of  
British Columbia



# FINANCIAL STATEMENTS

ANNUAL REPORT 2015/16

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# Transparent Objective Impartial Fair



2016 ANNUAL  
GENERAL MEETING

Friday, September 30, 2016  
*Vancouver Convention Centre*  
Vancouver, British Columbia

College of Physicians and  
Surgeons of British Columbia

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## INDEPENDENT AUDITORS' REPORT

To the Board of the College of Physicians and Surgeons of British Columbia

We have audited the accompanying financial statements of the College of Physicians and Surgeons of British Columbia, which comprise the statement of financial position as at February 29, 2016, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the College of Physicians and Surgeons of British Columbia as at February 29, 2016, 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.

*KPMG LLP*

Chartered Professional Accountants

May 26, 2016

Burnaby, Canada

# College of Physicians and Surgeons of British Columbia

## Statement of Operations

Year ended February 29, 2016, with comparative information for 2015

	2016	2015
<b>Revenue</b>		
Annual registrant and incorporation fees	\$ 20,623,215	\$ 19,395,469
Accreditation fees	4,314,095	4,099,661
Application and incorporation setup fees	979,315	738,536
Rental revenue (note 8)	835,465	918,397
Other income	480,671	366,791
Grants	476,458	465,000
Penalties, fines and costs	186,500	162,481
Preliminary assessment fees	171,315	130,800
Medical directory and provider registry	80,606	106,310
Assessment income	59,355	131,271
Investment income (note 7)	-	988,774
	<b>28,206,995</b>	<b>27,503,490</b>
<b>Expenses</b>		
Salaries and benefits	13,995,141	13,351,673
Assessments, accreditations and reviews	2,218,999	2,054,444
Amortization	1,798,893	1,678,865
Information technology	1,411,090	1,312,642
Occupancy costs	1,306,433	1,299,912
Board and committees	1,186,602	1,125,168
Professional fees	992,851	927,271
Miscellaneous	596,647	594,439
Grants and contributions	506,653	488,310
Office	498,906	519,916
Bank charges and credit card fees	457,251	442,529
Investment loss (note 7)	439,824	-
Library resources	383,970	374,319
Annual meeting, travel and training	350,285	352,078
Publications and website	173,563	156,336
	<b>26,317,108</b>	<b>24,677,902</b>
Excess of revenue over expenses before undernoted	1,889,887	2,825,588
Unrealized loss on investments	(373,986)	(39,049)
Pension transfer recovery (cost) (note 6 (b))	(205,000)	371,000
<b>Excess of revenue over expenses</b>	<b>\$ 1,310,901</b>	<b>\$ 3,157,539</b>

# College of Physicians and Surgeons of British Columbia

## Statement of Financial Position

As at February 29, 2016, with comparative information for 2015

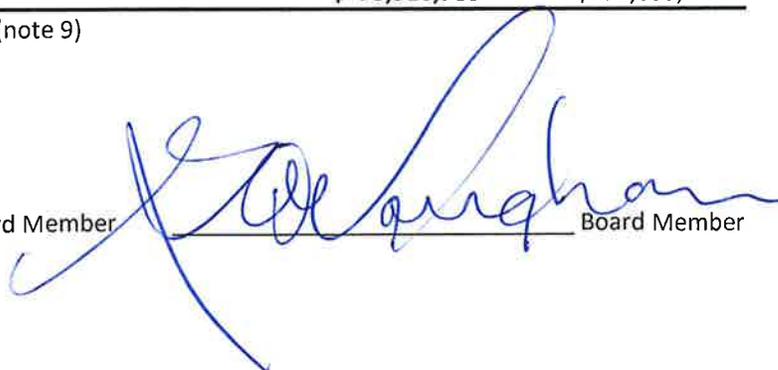
	2016	2015
<b>Assets</b>		
Current assets		
Cash	\$ 19,412,224	\$ 8,180,800
Short-term investments (note 3)	12,656,956	15,471,117
Accounts receivable	228,833	177,456
Prepaid expenses	825,683	726,710
Deposits	39,783	51,570
	<b>33,163,479</b>	<b>24,607,653</b>
Prepaid expenses – non-current	81,791	179,938
Long-term investments (note 3)	3,522,185	6,360,726
Intangible assets (note 4)	3,075,963	2,968,436
Property and equipment (note 5)	36,073,367	36,918,892
	<b>\$ 75,916,785</b>	<b>\$ 71,035,645</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 6(b))	\$ 4,775,390	\$ 5,051,288
Government remittances payable	2,909	918
Current portion of tenant deposits	74,169	-
Unearned revenue	24,085,274	19,820,936
Current portion of pension liabilities (note 6)	1,566,700	1,648,700
	<b>30,504,442</b>	<b>26,521,842</b>
Tenant deposits	-	88,938
Pension liabilities (note 6)	6,330,272	7,309,895
	<b>36,834,714</b>	<b>33,920,675</b>
<b>Net assets</b>		
Investment in property, equipment and intangible assets	39,149,330	39,887,328
Internally restricted	3,529,326	2,585,531
Deficit	(3,596,585)	(5,357,889)
	<b>39,082,071</b>	<b>37,114,970</b>
	<b>\$ 75,916,785</b>	<b>\$ 71,035,645</b>

Commitments and contingent liabilities (note 9)

Approved on behalf of the Board:



Board Member



Board Member

# College of Physicians and Surgeons of British Columbia

## Statement of Changes in Net Assets

Year ended February 29, 2016, with comparative information for 2015

	2016			2015	
	Investment in property, equipment and intangible assets	Internally restricted (note 2(f))	Unrestricted	Total	Total
<b>Fund balances, beginning of year</b>	<b>\$ 39,887,328</b>	<b>\$ 2,585,531</b>	<b>\$ (5,357,889)</b>	<b>\$ 37,114,970</b>	\$ 34,042,331
Interfund transfer (note 2(f))	-	1,638,000	(1,638,000)	-	-
Actuarial gains (losses) (note 6(c))	-	-	656,200	656,200	(84,900)
Excess of revenue over expenses	(1,798,893)	-	3,109,794	1,310,901	3,157,539
Changes in net assets invested in property, equipment and intangible assets	1,060,895	(694,205)	(366,690)	-	-
<b>Fund balances, end of year</b>	<b>\$ 39,149,330</b>	<b>\$ 3,529,326</b>	<b>\$ (3,596,585)</b>	<b>\$ 39,082,071</b>	\$ 37,114,970

# College of Physicians and Surgeons of British Columbia

## Statement of Cash Flows

Year ended February 29, 2016, with comparative information for 2015

	2016	2015
<b>Operating activities</b>		
Excess of revenue over expenses	\$ 1,310,901	\$ 3,157,539
Non-cash items		
Amortization	1,798,893	1,678,865
Provision for pension benefits	(405,423)	(183,469)
Unrealized loss on investments	373,986	39,049
	<b>3,078,357</b>	4,691,984
Change in operating working capital (note 10)	3,935,246	651,204
	<b>7,013,603</b>	5,343,188
<b>Investing activities</b>		
Purchase of property and equipment	(338,645)	(235,982)
Purchase of intangible assets	(722,250)	(1,042,317)
Net changes in investments	5,278,716	(11,281,431)
	<b>4,217,821</b>	(12,559,730)
Net (decrease) increase in cash	11,231,424	(7,216,542)
Cash, beginning of year	8,180,800	15,397,342
Cash, end of year	<b>\$ 19,412,224</b>	<b>\$ 8,180,800</b>

# College of Physicians and Surgeons of British Columbia

## Notes to the Financial Statements

February 29, 2016

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### 1. Purpose of the organization

The purpose of the College of Physicians and Surgeons of British Columbia (the “College”) is to set and enforce standards of practice and ethics within the medical profession in British Columbia.

The College is defined under the Health Professions Act (RSBC 1996) as a not-for-profit organization. As a not-for-profit organization, the College is not subject to income taxes.

### 2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) of the Chartered Professional Accountants Canada and include the following significant accounting policies:

(a) *Financial instruments*

The College initially measures its financial assets and financial liabilities at fair value when it becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments, other than investments, are measured at cost or amortized cost.

Investments are measured at fair value and any changes in fair value are recognized in the Statement of Operations in the period incurred.

Transaction costs related to the acquisition of financial instruments measured at fair value are expensed as incurred. Transaction costs related to the acquisition of other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the Statement of Operations as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the College recognizes in the Statement of Operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. If there is a significant adverse change in the expected 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 the College expects to realize by exercising its right to any collateral. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the Statement of Operations in the period the reversal occurs, not exceeding the initial carrying value.

# College of Physicians and Surgeons of British Columbia

## Notes to the Financial Statements (continued)

February 29, 2016

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### 2. Summary of significant accounting policies (continued)

(b) *Property and equipment*

Property and equipment are recorded at cost and amortized on the straight-line method over the following estimated useful lives:

Building	50 years
Building improvements	25 years
Furniture and equipment	8 years
Computer equipment	4 years

When property and equipment no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value.

(c) *Intangible assets*

The College's new database system and other software are recorded at cost and amortized over their useful lives of 7 years and 4 years, respectively. When an intangible asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value.

(d) *Pension plans*

Pension costs and obligations are accounted for as follows:

- (i) Defined benefit pension plans sponsored by the Canadian Medical Association (until December 31, 2013) and the British Columbia Public Service Pension Plan (started January 1, 2014) – cost is recognized using defined contribution plan accounting as these pension plans are multi-employer plans. Contributions are expensed as incurred.
- (ii) Supplementary defined benefit pension plan – cost is recognized based on an actuarial valuation using the projected benefit method, prorated on length of service salary and management's best estimate assumptions. Actuarial gains and losses are recognized directly into net assets in the period incurred.
- (iii) Supplementary defined contribution pension plan – cost is recognized using defined contribution accounting based on the College's notional contribution obligations and interest credits for the period. Contributions are expensed as incurred.

(e) *Revenue recognition*

The College follows the deferral method of accounting for revenue. Registrant fees, incorporation fees, accreditation fees, application and incorporation setup fees are recognized as revenue over the period of licensure, accreditation, or service provided when collection is reasonably assured. Rental and investment income are recorded as revenue

# College of Physicians and Surgeons of British Columbia

## Notes to the Financial Statements (continued)

February 29, 2016

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### 2. Summary of significant accounting policies (continued)

when the service is provided or the investment income is earned and reasonable assurance exists regarding measurement and collectability. Amounts received that relate to the period following the College's year end are recorded as unearned revenue. Externally restricted grant revenue, if any, is recognized as revenue when the associated services are provided or costs incurred, if the amount to be received can be reasonably estimated and collection is reasonably assured.

(f) *Internally restricted net assets*

Amounts set aside by approval of the Board of Directors are for the purpose of funding the continued development and implementation of a business process/technology renewal project. During fiscal year 2016, the Board of Directors internally restricted \$1,638,000 to further fund this project.

Investment income earned from the internally restricted funds is unrestricted.

(g) *Use of estimates*

The preparation of financial statements in conformance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods. Actual results could differ from these estimates. Significant estimates include the amortization period of property, equipment, and intangible assets, and the assumptions used regarding the actuarial valuation of the defined benefit pension obligations and the recording of accrued and contingent liabilities.

### 3. Investments

	2016	2015
Bond funds	\$ 16,179,141	\$ 14,400,570
Canadian equity dividend pool fund	-	3,431,273
Term deposit (1.09% matured on April 6, 2015)	-	4,000,000
<b>Total investments</b>	<b>16,179,141</b>	<b>21,831,843</b>
Short-term investments	12,656,956	15,471,117
Long-term investments	3,522,185	6,360,726
<b>Total investments</b>	<b>\$ 16,179,141</b>	<b>\$ 21,831,843</b>

# College of Physicians and Surgeons of British Columbia

## Notes to the Financial Statements (continued)

February 29, 2016

### 4. Intangible assets

			2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value		
Database system	\$ 3,807,174	\$ 974,309	\$ 2,832,865	\$ 2,625,548		
Other software	535,955	292,857	243,098	342,888		
	\$ 4,343,129	\$ 1,267,166	\$ 3,075,963	\$ 2,968,436		

### 5. Property and equipment

			2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value		
Land	\$ 9,009,000	\$ -	\$ 9,009,000	\$ 9,009,000		
Building	23,663,419	1,999,388	21,664,031	22,038,665		
Building improvements	4,715,799	757,535	3,958,264	4,089,936		
Furniture and equipment	2,571,203	1,344,253	1,226,950	1,445,343		
Computer equipment	1,215,065	999,943	215,122	335,948		
	\$ 41,174,486	\$ 5,101,119	\$ 36,073,367	\$ 36,918,892		

### 6. Pension plans

#### (a) CMA Pension Plan

Prior to January 1, 2014, employees of the College participated in either a defined benefit pension plan or a group registered retirement savings plan. The defined benefit pension plan was the Canadian Medical Association ("CMA") pension plan in which the College was a participating employer. This plan provides pension benefits based on length of service and best three-year average salary. On December 31, 2013, the College withdrew from the CMA Pension Plan.

#### (b) British Columbia Public Service Pension Plan

On January 1, 2014, the College enrolled all of its employees in the British Columbia Public Service Pension Plan ("BCPSPP"), a jointly trusted pension plan. The Public Service Pension Board of Trustees, representing plan members and employees, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan that provides pension benefits based on a formula using length of service and best five-year average salary. As at March 31, 2015, the plan has about 56,000 active members and approximately 43,000 retired members.

The latest actuarial valuation as at March 31, 2014, indicated a funding surplus of \$194 million for basic pension benefits. The next valuation date is scheduled for March 31, 2017, with results available in early 2018.

# College of Physicians and Surgeons of British Columbia

## Notes to the Financial Statements (continued)

February 29, 2016

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### *British Columbia Public Service Pension Plan (continued)*

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The College paid \$1,080,366 for employer contributions to the plan in fiscal year 2016. Contributions paid by employees were \$857,854.

In fiscal year 2014, the Board approved funding a potential shortfall up to \$2,416,000 to recognize existing employees' past service credits from the CMA Pension Plan to the BCPSPP, as well as the funding of an estimated \$800,000 deficiency in respect of existing pensioners under the CMA Pension Plan. In fiscal year 2015, the College reduced the provision for these costs by \$371,000. As a result of further calculations by the CMA Pension Plan's actuaries, and changes in the market value of these assets over time, the provision for these costs at February 29, 2016 were increased by \$205,000 to \$3,050,000, which is still less than the original estimated liability of \$3,216,000. This amount has been reflected in Accounts Payable and Accrued Liabilities.

As at February 29, 2016, the transfer of assets of College employees in the CMA Pension Plan to the BCPSPP was still pending approval from the Financial Services Commission of Ontario. As at May 2, 2016, approval had been received.

### *(c) Supplementary Pension Plans*

- (i) For executive officers hired prior to 2004, the supplementary pension arrangements provide for pensions determined on a defined benefit basis. This plan provides pension benefits, based on length of service and best three-year average salary, that are in excess of those that can be funded under a registered pension plan. The College pays supplementary defined benefits to its former executive officers as they fall due. As of February 29, 2016, no active executive officers were covered under the supplementary defined benefit arrangement.
- (ii) Since 2004, new executive officers have been provided with supplementary pension benefits determined on a defined contribution basis. Effective January 1, 2014, all current executive officers joined the BCPSPP and contribution credits to the College's supplementary defined contribution pension plan ceased. As a result of the current executive officers joining the BCPSPP, their account balances under the supplementary defined contribution pension plan will be transferred to the BCPSPP to purchase past service credits under that plan; however, as at February 29, 2016, this had not taken place.

An actuarial valuation to measure the College's accrued benefit obligation for its supplementary defined benefit and defined contribution pension plans is carried out as at each year end.

**College of Physicians and Surgeons of British Columbia**  
**Notes to the Financial Statements (continued)**  
February 29, 2016

**6. Pension plans (continued)**

(c) Supplementary Pension Plans (continued)

The following tables show the status of the College's supplemental pension plans:

	2016	2015
<b>Accrued benefit obligation</b>		
Balance at beginning of year	\$ 9,233,900	\$ 9,276,600
Benefits paid	(542,600)	(571,200)
Interest cost	190,100	443,600
Actuarial (gains) losses	(656,200)	84,900
Balance at end of year	<b>8,225,200</b>	9,233,900
<b>Pension liability</b>		
Accrued benefit obligation	<b>8,225,200</b>	9,233,900
Plan assets	(328,228)	(275,305)
Net pension liability	<b>7,896,972</b>	8,958,595
Current portion of pension liability	(1,566,700)	(1,648,700)
Long-term pension liability	<b>6,330,272</b>	7,309,895
<b>Pension expense</b>		
Funded pension plan, accounted for based on contributions	<b>1,080,366</b>	983,114
Interest cost	190,100	443,600
Expense included in salaries and benefits	<b>1,270,466</b>	1,426,714
Actuarial (gains) losses recognized in Statement of Changes in Net Assets	(656,200)	84,900
Pension expense recognized for year	<b>614,266</b>	1,511,614
<b>The College made contributions to the plans as follows:</b>		
Funded pension plans	<b>1,080,366</b>	983,114
Supplementary defined benefit plan	<b>542,600</b>	518,300
Supplementary defined contribution plan	-	52,900
Total contributions	<b>1,622,966</b>	1,554,314
<b>Significant assumptions used to measure costs and obligations for the supplementary defined benefit pension plans are as follows:</b>		
Discount rate	<b>3.6%</b>	3.2%
Indexation of pensions	<b>0.0%</b>	0.0%

# College of Physicians and Surgeons of British Columbia

## Notes to the Financial Statements (continued)

February 29, 2016

### 7. Investment income (loss)

Investment income combined with any realized (loss) gain on investments is comprised of the following:

	2016	2015
Net realized (loss) gain	\$ (1,094,260)	\$ 171,962
Dividends	247,186	360,288
Interest	407,250	456,524
Total investment (loss) income	\$ (439,824)	\$ 988,774

During the 2016 fiscal year, the College appointed a new investment advisor. Based on their recommendation, the College decided to further diversify its investment portfolio resulting in previously unrealized losses converted to realized losses of \$1,094,260.

### 8. Rental revenue

A lease agreement to rent out 2,312 square feet on one floor of the College's premises ended March 31, 2015 and the College has repurposed this space for its own use. The College also has a lease agreement to rent out 17,431 square feet on two floors of the building for a five year period ending August 31, 2016. Upon expiry of this lease, the College intends to repurpose approximately 20% of this space for its own use and continue to lease out the remaining space.

### 9. Commitments and contingent liabilities

The College has entered into a Letter of Credit agreement in the amount of \$7,488,000 (2015 - \$9,160,000) to secure the accrued pension benefits under the supplementary defined benefit and supplementary defined contribution plans offered to its former and existing executive officers. The Letter of Credit expires on August 31 of each year and is renewed to reflect new supplementary pension obligations. Collateral for this Letter of Credit is secured by the equity of the land and building.

The College has been named as a defendant in certain lawsuits and has been advised by legal counsel that these claims are without substantial merit. In the event the College is unsuccessful in defending any of these claims, the College has sufficient liability insurance to cover any legal obligation. When it is anticipated the College will ultimately incur a liability and the amount can be reasonably estimated, a provision is made in the financial statements.

# College of Physicians and Surgeons of British Columbia

## Notes to the Financial Statements (continued)

February 29, 2016

### 10. Change in operating working capital

	2016	2015
Accounts receivable	\$ (51,377)	\$ 137,469
Prepaid expenses	(826)	24,884
Deposits	11,787	(39,146)
Accounts payables and accrued liabilities	(275,898)	(113,793)
Government remittances payable	1,991	97
Tenants deposits	(14,769)	14,769
Unearned revenue	4,264,338	626,924
	<b>\$ 3,935,246</b>	<b>\$ 651,204</b>

### 11. Financial instruments

#### (a) Credit risk

Credit risk is the risk that a counterparty will fail to perform its obligations when they come due. The College is exposed to credit risk on its investments and accounts receivable. The College does not have significant accounts receivable exposure to any individual registrant and investments are held with well known, reputable Canadian financial institutions. There has been no change to this risk exposure from 2015.

#### (b) Interest rate risk

Interest rate risk is the risk that the value of the College's financial instruments will vary due to fluctuations in interest rates and the degree of volatility of these rates. The College is exposed to interest rate risk on a portion of its investments. The College does not use derivative instruments to reduce its exposure to fluctuations in market interest rates. There has been no change to this risk exposure from 2015.

#### (c) Liquidity risk

Liquidity risk is the risk that the College will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The College's objective is to have sufficient liquidity to meet its liabilities when they come due. The College monitors its cash balances and cash flows generated from operations to meet its requirements. As at February 29, 2016, the most significant financial liabilities are accounts payable and accrued pension liabilities. There has been no change to this risk exposure from 2015.



COLLEGE OF PHYSICIANS AND SURGEONS OF BRITISH COLUMBIA

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