



College of Physicians  
and Surgeons of  
British Columbia



2017/18  
**FINANCIAL  
STATEMENTS**



**2018 ANNUAL GENERAL MEETING**

Friday, September 14, 2018  
*Vancouver Convention Centre*  
Vancouver, British Columbia

College of Physicians and  
Surgeons of British Columbia

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**College of Physicians and Surgeons of British Columbia  
Financial Statements  
February 28, 2018**

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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 28, 2018, 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 28, 2018, 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*

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Chartered Professional Accountants

May 31, 2018

Burnaby, Canada

# College of Physicians and Surgeons of British Columbia

## Statement of Operations

Year ended February 28, 2018, with comparative information for 2017

	2018	2017
<b>Revenue</b>		
Annual registrant and incorporation fees	\$ 22,930,045	\$ 21,702,516
Annual accreditation fees	4,581,651	4,410,248
Other income	1,322,171	1,224,092
Application fees	1,318,950	1,249,850
Investment income (note 8)	891,497	951,929
Rental revenue	477,223	668,026
	<b>31,521,537</b>	<b>30,206,661</b>
<b>Expenses</b>		
Salaries and benefits	15,612,706	14,965,703
Assessments, accreditations and reviews	2,466,916	2,525,661
General and administrative	2,324,365	2,282,475
Amortization	1,999,826	1,901,379
Information technology	1,976,798	1,689,937
Occupancy costs	1,425,724	1,354,563
Board and committees	1,049,349	1,142,688
Professional fees	1,045,109	1,341,134
Library resources	427,517	440,633
	<b>28,328,310</b>	<b>27,644,173</b>
Excess of revenue over expenses before undernoted	\$ 3,193,227	2,562,488
Unrealized (loss) gain on investments	(152,771)	1,155,563
Pension transfer recovery (note 7 (a))	359,235	-
<b>Excess of revenue over expenses</b>	<b>\$ 3,399,691</b>	<b>\$ 3,718,051</b>

# College of Physicians and Surgeons of British Columbia

## Statement of Financial Position

As at February 28, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Current assets		
Cash	\$ 6,898,263	\$ 7,465,136
Short-term investments (note 4)	18,535,939	17,168,408
Accounts receivable	134,468	47,809
Prepaid expenses	804,808	705,323
Deposits	52,616	64,813
	<b>26,426,094</b>	<b>25,451,489</b>
Prepaid expenses – non-current	48,947	58,805
Long-term investments (note 4)	15,968,623	13,257,499
Intangible assets (note 5)	3,613,564	3,262,033
Property and equipment (note 6)	34,712,105	35,474,634
	<b>\$ 80,769,333</b>	<b>\$ 77,504,460</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,071,878	\$ 4,200,997
Government remittances payable	8,949	10,949
Current portion of tenant deposits	-	33,875
Unearned revenue	26,235,514	22,711,063
Current portion of pension liabilities (note 7(b))	498,900	1,697,400
	<b>28,815,241</b>	<b>28,654,284</b>
Tenant deposits – non-current	14,279	28,558
Pension liabilities – non-current (note 7(b))	5,670,200	6,188,496
	<b>34,499,720</b>	<b>34,871,338</b>
<b>Net assets</b>		
Investment in property, equipment and intangible assets	38,325,669	38,736,667
Internally restricted	3,889,902	3,478,902
Unrestricted	4,054,042	417,553
	<b>46,269,613</b>	<b>42,633,122</b>
	<b>\$ 80,769,333</b>	<b>\$ 77,504,460</b>

Subsequent event (note 9)

Commitments and contingent liabilities (note 10)

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 28, 2018, with comparative information for 2017

	2018			2017	
	Investment in property, equipment and intangible assets	Internally restricted (note 2(g))	Unrestricted	Total	Total
<b>Fund balances, beginning of year</b>	\$ 38,736,667	\$ 3,478,902	\$ 417,553	\$ 42,633,122	\$ 39,082,071
Interfund transfer (note 3)	-	1,763,000	(1,763,000)	-	-
Remeasurement gain (loss) for employee future benefits (note 7(b))	-	-	236,800	236,800	(167,000)
Excess of revenue over expenses	(1,999,826)	-	5,399,517	3,399,691	3,718,051
Changes in net assets invested in property, equipment and intangible assets	1,588,828	(1,352,000)	(236,828)	-	-
<b>Fund balances, end of year</b>	<b>\$ 38,325,669</b>	<b>\$ 3,889,902</b>	<b>\$ 4,054,042</b>	<b>\$ 46,269,613</b>	<b>\$ 42,633,122</b>

# College of Physicians and Surgeons of British Columbia

## Statement of Cash Flows

Year ended February 28, 2018, with comparative information for 2017

	2018	2017
<b>Operating activities</b>		
Excess of revenue over expenses	\$ 3,399,691	\$ 3,718,051
Non-cash items		
Amortization	1,999,826	1,901,379
Provision for pension benefits	(1,479,996)	(178,076)
Unrealized loss (gain) on investments	152,771	(1,155,563)
	<b>4,072,292</b>	<b>4,285,791</b>
Change in operating working capital (note 11)	<b>1,181,089</b>	<b>(1,652,960)</b>
	<b>5,253,381</b>	<b>2,632,831</b>
<b>Investing activities</b>		
Purchase of property and equipment	(390,054)	(555,867)
Purchase of intangible assets	(1,198,774)	(932,849)
Net changes in investments	(4,231,426)	(13,091,203)
	<b>(5,820,254)</b>	<b>(14,579,919)</b>
Net decrease in cash	<b>(566,873)</b>	<b>(11,947,088)</b>
Cash, beginning of year	<b>7,465,136</b>	<b>19,412,224</b>
Cash, end of year	<b>\$ 6,898,263</b>	<b>\$ 7,465,136</b>

# College of Physicians and Surgeons of British Columbia

## Notes to the Financial Statements

February 28, 2018

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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 28, 2018

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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	5 years

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

(c) *Intangible assets*

The College's database system and other software are recorded at cost and amortized over their useful lives of 7 years and 5 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) British Columbia Public Service Pension Plan – cost is recognized using defined contribution plan accounting as this is a multi-employer defined benefit pension plan. Contributions are expensed as incurred.
- (ii) Supplementary defined benefit pension plan – cost is recognized based on an actuarial valuation using the accumulated benefit method and management's best estimate assumptions. Any actuarial gain or loss is recognized in the Statement of Changes in 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.

(e) *Revenue recognition*

The College follows the deferral method of accounting for revenue. Registrant fees, incorporation fees, and accreditation fees are recognized as revenue over the period of licensure, accreditation, or service provided when collection is reasonably assured. Application fees, rental and investment income are recorded as revenue when the service is provided or the investment income is earned and reasonable assurance exists regarding measurement and collectability.

# College of Physicians and Surgeons of British Columbia

## Notes to the Financial Statements (continued)

February 28, 2018

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

(e) *Revenue recognition (continued)*

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) *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.

(g) *Internally restricted net assets*

Amounts designated and approved by the Board of Directors for the funding of special projects are included in internally restricted net assets. Investment income earned from the internally restricted funds is unrestricted.

### 3. Net assets restricted for special projects

During fiscal year 2018, the Board of Directors internally restricted \$1,763,000 to further fund continued development and implementation of a business process/technology renewal project.

### 4. Investments

	<b>2018</b>	2017
Bond funds	\$ 24,912,515	\$ 21,773,714
Canadian equities	5,188,568	5,337,553
US equities	2,708,930	2,302,879
International equities	1,694,549	1,011,761
<b>Total investments</b>	<b>\$ 34,504,562</b>	<b>\$ 30,425,907</b>
Short-term investments	\$ 18,535,939	\$ 17,168,408
Long-term investments	15,968,623	13,257,499
<b>Total investments</b>	<b>\$ 34,504,562</b>	<b>\$ 30,425,907</b>

# College of Physicians and Surgeons of British Columbia

## Notes to the Financial Statements (continued)

February 28, 2018

### 5. Intangible assets

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Database system	\$ 5,324,160	\$ 2,240,603	\$ 3,083,557	\$ 2,838,735
Other software	1,325,634	795,627	530,007	423,298
	\$ 6,649,794	\$ 3,036,230	\$ 3,613,564	\$ 3,262,033

### 6. Property and equipment

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 9,009,000	\$ -	\$ 9,009,000	\$ 9,009,000
Building	23,663,419	2,948,654	20,714,765	21,189,449
Building improvements	4,920,925	1,141,563	3,779,362	3,799,529
Furniture and equipment	2,786,123	1,897,954	888,169	1,152,744
Computer equipment	923,526	602,717	320,809	323,912
	\$ 41,302,993	\$ 6,590,888	\$ 34,712,105	\$ 35,474,634

### 7. Pension plans

#### (a) 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 trustee 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, 2017 the plan has 57,000 active members and 46,000 retired members.

The latest actuarial valuation for the BCPSPP as at March 31, 2017, indicated a surplus of \$1.9 billion for basic pension benefits. The next valuation is scheduled for March 31, 2020, with results available later in 2020.

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.

# College of Physicians and Surgeons of British Columbia

## Notes to the Financial Statements (continued)

February 28, 2018

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### 7. Pension plans (continued)

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

The College paid \$1,177,364 for employer contributions to the plan in fiscal year 2018 (\$1,112,830 in 2017). Contributions paid by employees in fiscal year 2018 were \$879,161 (\$830,737 in 2017).

Prior to January 1, 2014, the College and its employees participated in the Canadian Medical Association ("CMA") Pension Plan. In fiscal year 2014, the Board approved funding of \$3,216,000 for a potential shortfall to transfer existing employees' past service credits from the CMA Pension Plan to the BCPSPP as well as a deficiency in respect of existing pensioners under the CMA Pension Plan. In fiscal year 2018, the College and the CMA Pension Plan finalized negotiations to transfer existing employees' past service credits in the CMA Pension Plan to the BCPSPP and the net result was a pension transfer cost recovery of \$359,235.

(b) *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 28, 2018, 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. Balances held on behalf of the current executive officers under the supplementary defined contribution pension plan were included in the current portion of pension liabilities as at February 28, 2017. In fiscal year 2018, the supplementary defined contribution pension plan balances totalling \$1,169,000 were transferred to the BCPSPP.

# College of Physicians and Surgeons of British Columbia

## Notes to the Financial Statements (continued)

February 28, 2018

### 7. Pension plans (continued)

(b) *Supplementary Pension Plans (continued)*

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

The following tables show the status of the College's supplementary pension plan:

	2018	2017
<b>Accrued benefit obligation</b>		
Balance at beginning of year	\$ 8,249,000	\$ 8,225,200
Benefits paid	(516,100)	(529,400)
Transfer to the B.C. Public Service Pension Plan	(1,169,000)	-
Interest cost	231,900	386,200
Actuarial loss (gain)	(236,800)	167,000
Balance at end of year	\$ 6,559,000	\$ 8,249,000
<b>Pension liability</b>		
Accrued benefit obligation	\$ 6,559,000	\$ 8,249,000
Plan assets	(389,900)	(363,104)
Net pension liability	6,169,100	7,885,896
Current portion of pension liability	(498,900)	(1,697,400)
Long-term pension liability	\$ 5,670,200	\$ 6,188,496
<b>Pension expense</b>		
Funded pension plan, accounted for based on contributions	\$ 1,177,364	\$ 1,112,830
Interest cost	231,900	386,200
Expense included in salaries and benefits	1,409,264	1,499,030
Actuarial loss (gain) recognized in Statement of Changes in Net Assets	(236,800)	167,000
Pension expense recognized for year	\$ 1,172,464	\$ 1,666,030
<b>Significant assumptions used to measure costs and obligations for the supplementary defined benefit pension plan are as follows:</b>		
Discount rate	3.5%	3.4%
Indexation of pensions	0.0%	0.0%

# College of Physicians and Surgeons of British Columbia

## Notes to the Financial Statements (continued)

February 28, 2018

### 7. Pension plans (continued)

The College made contributions to the plans as follows:

	2018	2017
Funded pension plans	\$ 1,177,364	\$ 1,112,830
Supplementary defined benefit plan	516,100	529,400
Account balances under supplementary defined contribution plan transferred to B.C. Public Service Pension Plan	1,169,000	-
<b>Total contributions</b>	<b>\$ 2,862,464</b>	<b>\$ 1,642,230</b>

### 8. Investment income

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

	2018	2017
Net realized gain	\$ 77,964	\$ 288,469
Dividends	311,660	248,818
Interest	501,873	414,642
<b>Total investment income</b>	<b>\$ 891,497</b>	<b>\$ 951,929</b>

### 9. Subsequent event

Subsequent to the fiscal year ended February 28, 2018, the College sold one of its strata units comprising approximately 3,200 square feet.

### 10. Commitments and contingent liabilities

The College has entered into a Letter of Credit agreement in the amount of \$6,742,000 (\$6,862,000 in 2017) to secure the accrued pension benefits under the supplementary defined benefit pension plan provided to its former executive officers. The Letter of Credit expires on August 31 of each year and is renewed to reflect changes in the College's 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 28, 2018

### 11. Change in operating working capital

	2018	2017
Accounts receivable	\$ (86,659)	\$ 181,024
Prepaid expenses	(89,627)	143,346
Deposits	12,197	(25,030)
Accounts payables and accrued liabilities	(2,129,119)	(574,393)
Government remittances payable	(2,000)	8,040
Tenants deposits	(48,154)	(11,736)
Unearned revenue	3,524,451	(1,374,211)
	<b>\$ 1,181,089</b>	<b>\$ (1,652,960)</b>

### 12. 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 2017.

#### (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 2017.

#### (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 28, 2018, the most significant financial liabilities are accounts payable and accrued pension liabilities. There has been no change to this risk exposure from 2017.

### 13. Comparative Information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.





COLLEGE OF PHYSICIANS AND SURGEONS OF BRITISH COLUMBIA

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