



College of Physicians and Surgeons of British Columbia
Financial Statements **2018/19**

**College of Physicians and Surgeons of British Columbia
Financial Statements
February 28, 2019**

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the College of Physicians and Surgeons of British Columbia ("the Entity"), which comprise:

- the statement of operations for the year ended February 28, 2019
- the statement of financial position as at the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at February 28, 2019, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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.



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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, B.C.

May 17, 2019

College of Physicians and Surgeons of British Columbia

Statement of Operations

(Expressed in thousands of dollars)

Year ended February 28, 2019, with comparative information for 2018

	2019	2018
Revenues		
Annual registrant and incorporation fees	\$ 23,876	\$ 22,930
Annual accreditation fees	4,695	4,582
Application fees	1,266	1,319
Other income	1,139	1,322
Investment income (note 9)	1,008	891
Rental revenues	220	477
	32,204	31,521
Expenses		
Salaries and benefits	15,985	15,613
Assessments, accreditations and reviews	2,803	2,467
General and administrative	2,412	2,324
Information technology	2,281	1,977
Amortization	2,132	2,000
Occupancy costs	1,395	1,426
Board and committees	973	1,049
Professional fees	884	1,045
Library resources	424	427
	29,289	28,328
Excess of revenues over expenses before undernoted	2,915	3,193
Gain on sale of property and equipment (note 6)	1,101	-
Unrealized gain (loss) on investments	388	(152)
Pension transfer recovery (note 8(a))	-	359
Excess of revenues over expenses	\$ 4,404	\$ 3,400

See accompanying notes to financial statements.

College of Physicians and Surgeons of British Columbia

Statement of Financial Position

(Expressed in thousands of dollars)

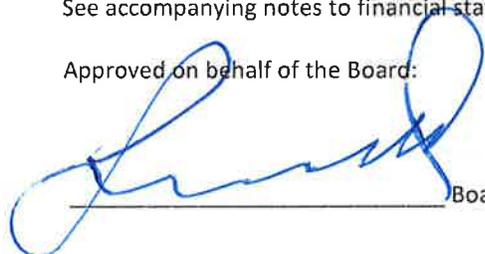
As at February 28, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 24,339	\$ 6,898
Short-term investments (note 4)	3,640	18,536
Accounts receivable	83	134
Prepaid expenses and deposits	799	858
	28,861	26,426
Prepaid expenses – non-current	325	49
Long-term investments (note 4)	18,378	15,969
Intangible assets (note 5)	3,477	3,613
Property and equipment (note 6)	32,509	34,712
	\$ 83,550	\$ 80,769
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	\$ 2,456	\$ 2,081
Unearned revenue	24,548	26,235
Current portion of pension liabilities (note 8(b))	499	499
	27,503	28,815
Tenant deposits	14	14
Pension liabilities – non-current (note 8(b))	5,457	5,670
	32,974	34,499
Net assets		
Investment in property, equipment and intangible assets	35,986	38,325
Internally restricted (note 3)	4,000	3,890
Unrestricted	10,590	4,055
	50,576	46,270
	\$ 83,550	\$ 80,769

Commitments and contingent liabilities (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:


Board Member


Board Member

College of Physicians and Surgeons of British Columbia

Statement of Changes in Net Assets

(Expressed in thousands of dollars)

Year ended February 28, 2019, with comparative information for 2018

				2019	2018
	Investment in property, equipment and intangible assets	Internally restricted (note 2(h))	Unrestricted	Total	Total
Fund balances, beginning of year	\$ 38,325	\$ 3,890	\$ 4,055	\$ 46,270	\$ 42,633
Interfund transfer (note 3)	-	898	(898)	-	-
Remeasurement (loss) gain for employee future benefits (note 8(b))	-	-	(98)	(98)	237
Excess (deficiency) of revenues over expenses	(2,132)	-	6,536	4,404	3,400
Changes in net assets invested in property, equipment and intangible assets (note 6)	(207)	(788)	995	-	-
Fund balances, end of year	\$ 35,986	\$ 4,000	\$ 10,590	\$ 50,576	\$ 46,270

See accompanying notes to financial statements.

College of Physicians and Surgeons of British Columbia

Statement of Cash Flows

(Expressed in thousands of dollars)

Year ended February 28, 2019, with comparative information for 2018

	2019	2018
Operating activities		
Excess of revenues over expenses	\$ 4,404	\$ 3,400
Non-cash items		
Amortization	2,132	2,000
Gain on sale of property and equipment	(1,101)	-
Provision for pension benefits	(311)	(1,480)
Unrealized (gain) loss on investments	(388)	152
	4,736	4,072
Changes in operating working capital (note 11)	(1,478)	1,181
	3,258	5,253
Investing activities		
Purchase of property and equipment	(992)	(390)
Purchase of intangible assets	(838)	(1,199)
Proceeds from sale of property and equipment	3,138	-
Net changes in investments	12,875	(4,231)
	14,182	(5,820)
Net increase (decrease) in cash and cash equivalents	17,441	(567)
Cash and cash equivalents, beginning of year	6,898	7,465
Cash and cash equivalents, end of year	\$ 24,339	\$ 6,898

See accompanying notes to financial statements

College of Physicians and Surgeons of British Columbia

(Tabular amounts expressed in thousands of dollars)

Notes to the Financial Statements

February 28, 2019

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.

(b) Cash and cash equivalents

Cash and cash equivalents include cash and term deposits with a maturity of three months or less from the date of acquisition.

College of Physicians and Surgeons of British Columbia

(Tabular amounts expressed in thousands of dollars)
Notes to the Financial Statements (continued)
February 28, 2019

2. Summary of significant accounting policies (continued)

(c) 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.

(d) 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.

(e) 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 of assumptions. Actuarial assumption changes resulting in remeasurement are recognized directly in the Statement of Net Assets in the period incurred.
- (iii) Supplementary defined contribution pension plan – cost is recognized using defined contribution accounting based on the College's estimated contribution obligations and interest credits for the period.

(f) 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
(Tabular amounts expressed in thousands of dollars)
Notes to the Financial Statements (continued)
February 28, 2019

2. Summary of significant accounting policies (continued)

(f) 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.

(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 revenue and expenses during the periods. Actual results could differ from these estimates. Significant estimates include the amortization period of property, equipment and intangible assets, the assumptions used regarding the actuarial valuation of the defined benefit pension obligations, and the recording of accrued and contingent liabilities.

(h) 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. Internally restricted net assets

During fiscal year 2019, the Board of Directors approved an interfund transfer to internally restricted net assets of \$898,000 for a total balance of \$4,000,000. The internally restricted net assets will fund the implementation of an Electronic Document Records Management System.

4. Investments

	2019	2018
Bond funds	\$ 10,935	\$ 24,912
Canadian equities	6,285	5,189
US equities	2,944	2,709
International equities	1,854	1,695
Total investments	\$ 22,018	\$ 34,505
Short-term investments	\$ 3,640	\$ 18,536
Long-term investments	18,378	15,969
Total investments	\$ 22,018	\$ 34,505

College of Physicians and Surgeons of British Columbia
(Tabular amounts expressed in thousands of dollars)
Notes to the Financial Statements (continued)
February 28, 2019

5. Intangible assets

			2019		2018	
	Cost	Accumulated amortization	Net book value		Net book value	
Database system	\$ 5,992	\$ 3,055	\$ 2,937	\$	3,083	
Other software	1,496	956	540		530	
	\$ 7,488	\$ 4,011	\$ 3,477	\$	3,613	

6. Property and equipment

			2019		2018	
	Cost	Accumulated amortization	Net book value		Net book value	
Land	\$ 8,301	\$ -	\$ 8,301	\$	9,009	
Building	22,445	3,293	19,152		20,715	
Building improvements	5,045	1,300	3,745		3,779	
Furniture and equipment	3,096	2,261	835		888	
Computer equipment	1,214	738	476		321	
	\$ 40,101	\$ 7,592	\$ 32,509	\$	34,712	

In fiscal year 2019, the College sold one of its strata units for proceeds of \$3,138,000. The gain on disposal of \$1,101,000 is recorded in unrestricted net assets.

7. Government remittances

Included in accounts payable and accrued liabilities are government remittances of \$1,000 (2018 - \$9,000) related to payroll.

8. 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, 2018 the plan had 62,000 active members and 48,000 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.

College of Physicians and Surgeons of British Columbia

(Tabular amounts expressed in thousands of dollars)

Notes to the Financial Statements (continued)

February 28, 2019

8. Pension plans (continued)

(a) *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 \$1,225,205 for employer contributions to the plan in fiscal year 2019 (2018 - \$1,177,364). Contributions paid by employees in fiscal year 2019 were \$932,854 (2018 - \$879,161).

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 these former executive officers as they fall due. As of February 28, 2019, no active executive officers were covered under the supplementary defined benefit arrangement. An actuarial valuation to measure the College's accrued benefit obligation for its supplementary defined benefit contribution plan is carried out at each year end.
- (ii) Since 2004, new executive officers had been provided with supplementary pension benefits determined on a defined contribution basis until January 1, 2014, when all of these executive officers joined the BCPSPP and contribution credits to the College's supplementary defined contribution pension plan ceased. Balances totalling \$1,169,000 held on behalf of these executive officers under the supplementary defined contribution pension plan were recorded under current liabilities in fiscal year 2018 and transferred to the BCPSPP in fiscal year 2019.

College of Physicians and Surgeons of British Columbia
(Tabular amounts expressed in thousands of dollars)
Notes to the Financial Statements (continued)
February 28, 2019

8. Pension plans (continued)

The following tables show the status of the College's defined benefit supplementary pension plan as well as figures related to the College's participation in the B.C. Public Service Pension Plan:

	2019	2018
Accrued benefit obligation		
Balance at beginning of year	\$ 6,559	\$ 8,249
Benefits paid	(499)	(516)
Provision for transfer to the B.C. Public Service Pension Plan	-	(1,169)
Interest cost	221	232
Actuarial loss (gain)	98	(237)
Balance at end of year	\$ 6,379	\$ 6,559
Pension liability		
Accrued benefit obligation	\$ 6,379	\$ 6,559
Plan assets	(423)	(390)
Net pension liability	5,956	6,169
Current portion of pension liability	(499)	(499)
Long-term pension liability	\$ 5,457	\$ 5,670
Pension expense		
Contributions to the B.C. Public Service Pension Plan	\$ 1,225	\$ 1,177
Interest cost	221	232
Expense included in salaries and benefits	1,446	1,409
Actuarial loss (gain) recognized in Statement of Changes in Net Assets	98	(237)
Pension expense recognized for year	\$ 1,544	\$ 1,172
Significant assumptions used to measure costs and obligations for the supplementary defined benefit pension plan are as follows:		
Discount rate	3.5%	3.5%
Indexation of pensions	0.0%	0.0%

The College made contributions to the plans above as follows:

BC Public Service Pension Plans	\$ 1,225	\$ 1,177
Supplementary defined benefit plan	499	516
Account balances under supplementary defined contribution plan transferred to B.C. Public Service Pension Plan	-	1,169
Total contributions	\$ 1,724	\$ 2,862

College of Physicians and Surgeons of British Columbia
(Tabular amounts expressed in thousands of dollars)
Notes to the Financial Statements (continued)
February 28, 2019

9. Investment income

Investment income is comprised of the following:

	2019	2018
Net realized (loss) gain	\$ (23)	\$ 78
Dividends	378	311
Interest	653	502
Total investment income	\$ 1,008	\$ 891

10. Commitments and contingent liabilities

- (a) The College has entered into a Letter of Credit agreement in the amount of \$6,195,000 (2018 - \$6,742,000) 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.
- (b) 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.

11. Changes in operating working capital

	2019	2018
Accounts receivable	\$ 51	\$ (87)
Prepaid expenses and deposits	(217)	(77)
Accounts payables and accrued liabilities	375	(2,131)
Tenants deposits	-	(48)
Unearned revenue	(1,687)	3,524
	\$ (1,478)	\$ 1,181

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 2018.

College of Physicians and Surgeons of British Columbia

(Tabular amounts expressed in thousands of dollars)
Notes to the Financial Statements (continued)
February 28, 2019

12. Financial instruments (continued)

(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 its cash equivalents and a portion of its investments primarily related to the bond fund holdings. 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 2018.

(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, 2019, the most significant financial liabilities are accounts payable and accrued liabilities, and accrued pension liabilities. There has been no change to this risk exposure from 2018.

13. Comparative information

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

A large, stylized graphic of a house with a gabled roof and several rectangular windows, rendered in various shades of gray. The house is positioned in the upper half of the page, with its roofline extending across the top. The windows are arranged in a way that suggests a multi-story building. The overall style is minimalist and architectural.

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