



College of Physicians and Surgeons of British Columbia

Financial Statements 2019/20

**College of Physicians and Surgeons of British Columbia
Financial Statements
February 29, 2020**

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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 29, 2020
- the statement of financial position as at February 29, 2020
- 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 29, 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 "***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, Canada

May 21, 2020

College of Physicians and Surgeons of British Columbia

Statement of Operations

(Expressed in thousands of dollars)

Year ended February 29, 2020, with comparative information for 2019

	2020	2019
Revenues		
Annual registrant and incorporation fees	\$ 24,961	\$ 23,876
Annual accreditation fees	4,913	4,695
Investment income (note 9)	1,540	1,008
Application fees	1,428	1,327
Other income	1,162	1,078
Rental income	312	220
	34,316	32,204
Expenses		
Salaries and benefits	17,474	15,938
Assessments, accreditations and reviews	3,261	2,803
General and administrative	2,417	2,412
Amortization	2,283	2,132
Information technology	2,161	2,281
Occupancy costs	1,408	1,395
Professional fees	1,296	931
Board and committees	1,293	973
Library resources	481	424
	32,074	29,289
Excess of revenues over expenses before undernoted	2,242	2,915
Gain on sale of property and equipment (note 6)	-	1,101
Unrealized gain on investments	270	388
Excess of revenues over expenses	\$ 2,512	\$ 4,404

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 29, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 22,639	\$ 24,339
Short-term investments (note 4)	1,485	3,640
Accounts receivable	87	83
Prepaid expenses and deposits	729	799
	24,940	28,861
Prepaid expenses – non-current	196	325
Long-term investments (note 4)	25,375	18,378
Intangible assets (note 5)	3,299	3,477
Property and equipment (note 6)	32,247	32,509
	\$ 86,057	\$ 83,550
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	\$ 2,322	\$ 2,456
Tenant deposits	14	-
Unearned revenue	24,982	24,548
Current portion of pension liabilities (note 8(b))	499	499
	27,817	27,503
Tenant deposits	9	14
Pension liabilities – non-current (note 8(b))	5,784	5,457
	33,610	32,974
Net assets		
Investment in property, equipment and intangible assets	35,546	35,986
Internally restricted (note 3)	3,834	4,000
Unrestricted	13,067	10,590
	52,447	50,576
	\$ 86,057	\$ 83,550

Commitments and contingent liabilities (note 10)

Subsequent event (note 14)

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 29, 2020, with comparative information for 2019

				2020	2019
	Investment in property, equipment and intangible assets	Internally restricted (note 3)	Unrestricted	Total	Total
Net assets, beginning of year	\$ 35,986	\$ 4,000	\$ 10,590	\$ 50,576	\$ 46,270
Interfund transfer (note 2(i))	-	(166)	166	-	-
Remeasurement loss for employee future benefits (note 8(b))	-	-	(641)	(641)	(98)
Excess (deficiency) of revenues over expenses	(2,283)	-	4,795	2,512	4,404
Changes in net assets invested in property, equipment and intangible assets	1,843	-	(1,843)	-	-
Net assets, end of year	\$ 35,546	\$ 3,834	\$ 13,067	\$ 52,447	\$ 50,576

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 29, 2020, with comparative information for 2019

	2020	2019
Operating activities		
Excess of revenues over expenses	\$ 2,512	\$ 4,404
Non-cash items		
Amortization	2,283	2,132
Gain on sale of property and equipment	-	(1,101)
Provision for pension benefits	(314)	(311)
Unrealized gain on investments	(270)	(388)
	4,211	4,736
Changes in operating working capital (note 11)	504	(1,478)
	4,715	3,258
Investing activities		
Purchase of property and equipment	(929)	(992)
Purchase of intangible assets	(914)	(838)
Proceeds from sale of property and equipment	-	3,138
Net changes in investments	(4,572)	12,875
	(6,415)	14,183
Net (decrease) increase in cash and cash equivalents	(1,700)	17,441
Cash and cash equivalents, beginning of year	24,339	6,898
Cash and cash equivalents, end of year	\$ 22,639	\$ 24,339

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 29, 2020

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 29, 2020

2. Summary of significant accounting policies (continued)

(c) Property and equipment

In March 2018, the Accounting Standards Board issued “Basis for Conclusions – Accounting Standards Improvements for Not-for-Profit Organizations” resulting in the introduction of Section 4433 *Tangible capital assets held by not-for-profit organizations*, which directs organizations to apply the accounting guidance of Section 3061, *Property, Plant and Equipment* in Part II of the Handbook. In doing so, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where applicable, to componentize capital assets when estimates can be made of the useful lives of the separate components. This section is applied on a prospective basis.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019. The implementation of these changes had no impact on the financial statements.

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 fair value or replacement cost.

(d) Intangible assets

In March 2018, the Accounting Standards Board issued “Basis for Conclusions – Accounting Standards Improvements for Not-for-Profit Organizations” resulting in the introduction of Section 4434, *Intangible assets held by not-for-profit organizations*, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expense should the net carrying value be higher than the intangible asset’s fair value or replacement cost. This section is applied on a prospective basis.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019. The implementation of these changes had no impact on the financial statements.

The College’s intangible assets include its database system and other software which have been 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 fair value or replacement cost.

College of Physicians and Surgeons of British Columbia

(Tabular amounts expressed in thousands of dollars)

Notes to the Financial Statements (continued)

February 29, 2020

2. Summary of significant accounting policies (continued)

(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 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 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.

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.

College of Physicians and Surgeons of British Columbia
(Tabular amounts expressed in thousands of dollars)
Notes to the Financial Statements (continued)
February 29, 2020

2. Summary of significant accounting policies (continued)

(i) *Interfund transfers:*

Transfers are made between funds as approved by the Board for internally restricted funds.

3. Internally restricted net assets

Internally restricted net assets include funds for the implementation of an Enterprise Content Management system to facilitate the management of electronic document and records.

4. Investments

	2020	2019
Bond funds	\$ 10,198	\$ 10,935
Canadian equities	9,957	6,285
US equities	4,945	2,944
International equities	1,760	1,854
Total investments	\$ 26,860	\$ 22,018
Short-term investments	\$ 1,485	\$ 3,640
Long-term investments	25,375	18,378
Total investments	\$ 26,860	\$ 22,018

Short-term investments include those investments held in operating accounts which the College intends to use in operations within the next fiscal year. Investments that are expected to be realized beyond the next fiscal year are classified as long term.

5. Intangible assets

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
Database system	\$ 6,802	\$ 3,974	\$ 2,828	\$ 2,937
Other software	1,600	1,129	471	540
	\$ 8,402	\$ 5,103	\$ 3,299	\$ 3,477

College of Physicians and Surgeons of British Columbia
(Tabular amounts expressed in thousands of dollars)
Notes to the Financial Statements (continued)
February 29, 2020

6. Property and equipment

			2020		2019	
	Cost	Accumulated amortization	Net book value		Net book value	
Land	\$ 8,301	\$ -	\$ 8,301	\$	8,301	
Building	22,445	3,743	18,702		19,152	
Building improvements	5,275	1,519	3,756		3,745	
Furniture and equipment	3,449	2,600	849		835	
Computer equipment	1,549	910	639		476	
	\$ 41,019	\$ 8,772	\$ 32,247	\$	32,509	

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 was recorded in unrestricted net assets.

7. Government remittances

Included in accounts payable and accrued liabilities are government remittances of \$2,000 (2019 - \$1,000) 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, 2019 the plan had 64,000 active members and 50,000 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.

The College paid \$1,331,129 for employer contributions to the plan in fiscal year 2020 (2019 - \$1,225,205). Contributions paid by employees in fiscal year 2020 were \$1,008,440 (2019 - \$932,854).

College of Physicians and Surgeons of British Columbia
(Tabular amounts expressed in thousands of dollars)
Notes to the Financial Statements (continued)
February 29, 2020

8. Pension plans (continued)

(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 29, 2020, 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 transferred to the BCPSPP in fiscal year 2019.

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:

	2020	2019
Accrued benefit obligation		
Balance at beginning of year	\$ 6,379	\$ 6,559
Benefits paid	(499)	(499)
Interest cost	215	221
Actuarial loss	641	98
Balance at end of year	\$ 6,736	\$ 6,379
Pension liability		
Accrued benefit obligation	\$ 6,736	\$ 6,379
Plan assets	(453)	(423)
Net pension liability	6,283	5,956
Current portion of pension liability	(499)	(499)
Long-term pension liability	\$ 5,784	\$ 5,457

College of Physicians and Surgeons of British Columbia
(Tabular amounts expressed in thousands of dollars)
Notes to the Financial Statements (continued)
February 29, 2020

8. Pension plans (continued)

	2020	2019
Pension expense		
Contributions to the B.C. Public Service Pension Plan	\$ 1,331	\$ 1,225
Interest cost	215	221
Expense included in salaries and benefits	1,546	1,446
Actuarial loss recognized in Statement of Changes in Net Assets	641	98
Pension expense recognized for year	\$ 2,187	\$ 1,544

Significant assumptions used to measure costs and obligations for the supplementary defined benefit pension plan are as follows:

Discount rate	2.5%	3.5%
Indexation of pensions	0.0%	0.0%

The College made contributions to the plans above as follows:

BC Public Service Pension Plans	\$ 1,331	\$ 1,225
Supplementary defined benefit plan	499	499
Total contributions	\$ 1,830	\$ 1,724

9. Investment income

Investment income is comprised of the following:

	2020	2019
Net realized gain (loss)	\$ 447	\$ (23)
Dividends	423	378
Interest	670	653
Total investment income	\$ 1,540	\$ 1,008

10. Commitments and contingent liabilities

- (a) The College has entered into a Letter of Credit agreement in the amount of \$5,980,000 (2019 - \$6,195,000) 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.

College of Physicians and Surgeons of British Columbia
(Tabular amounts expressed in thousands of dollars)
Notes to the Financial Statements (continued)
February 29, 2020

10. Commitments and contingent liabilities (continued)

- (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

	2020	2019
Accounts receivable	\$ (4)	\$ 51
Prepaid expenses and deposits	199	(217)
Accounts payables and accrued liabilities	(134)	375
Tenants deposits	9	-
Unearned revenue	434	(1,687)
	\$ 504	\$ (1,478)

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 2019.

(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 2019.

(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, 2020, 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 2019.

College of Physicians and Surgeons of British Columbia

(Tabular amounts expressed in thousands of dollars)

Notes to the Financial Statements (continued)

February 29, 2020

13. Comparative information

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

14. Subsequent event

Subsequent to February 29, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This situation presents uncertainty over the College's future cash flows and may affect the College's future operations. Potential impacts on the College's operations could include future decreases in investment income and valuation of investments. As this situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the College is not practicable at this time.



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