

**CPSBC**

College of  
Physicians and Surgeons  
of British Columbia



**Financial Statements 2021/22**



**College of Physicians and Surgeons of British Columbia  
Financial Statements  
February 28, 2022**

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## Independent auditor's report

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

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### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College of Physicians and Surgeons of British Columbia (the College) as at February 28, 2022 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### What we have audited

The College's financial statements comprise:

- the statement of operations for the year ended February 28, 2022;
- the statement of financial position as at February 28, 2022;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

### Independence

We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Comparative information

The financial statements of the College for the year ended February 28, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on May 28, 2021.

PricewaterhouseCoopers LLP  
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7  
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## **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 College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

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

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## **Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 College'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 College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to



the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
May 31, 2022

# College of Physicians and Surgeons of British Columbia

## Statement of Operations

(Expressed in thousands of dollars)

Year ended February 28, 2022, with comparative information for 2021

	2022	2021
<b>Revenues</b>		
Annual registrant and incorporation fees	\$ 27,052	\$ 25,888
Annual accreditation fees	5,119	4,798
Application fees	2,195	1,474
Investment income (note 7)	1,301	1,261
Other income	839	759
Rental income	208	261
	<b>36,714</b>	<b>34,441</b>
<b>Expenses</b>		
Salaries and benefits	20,511	19,210
Assessments, accreditations and reviews	3,448	2,313
Amortization	2,208	2,336
General and administrative (note 4)	1,836	2,016
Occupancy costs	1,534	1,351
Information technology	1,265	1,924
Professional fees (note 4)	1,150	1,236
Board and committees	992	943
Library resources	507	498
	<b>33,451</b>	<b>31,827</b>
Excess of revenues over expenses before undernoted	3,263	2,614
Unrealized gain on investments	196	772
<b>Excess of revenues over expenses</b>	<b>\$ 3,459</b>	<b>\$ 3,386</b>

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, 2022, with comparative information for 2021

	2022	2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 29,420	\$ 23,828
Short-term investments (note 6)	1,491	4,046
Accounts receivable	152	28
Prepaid expenses and deposits	1,028	889
	<b>32,091</b>	<b>28,791</b>
Prepaid expenses – non-current	42	200
Long-term investments (note 6)	32,568	26,932
Intangible assets (note 8)	3,819	3,525
Property and equipment (note 9)	30,543	31,548
	<b>\$ 99,063</b>	<b>\$ 90,996</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	\$ 2,905	\$ 2,336
Tenant deposits	8	12
Unearned revenue	30,675	26,323
Current portion of pension liabilities (note 11(b))	433	499
	<b>34,021</b>	<b>29,170</b>
Tenant deposits	11	9
Pension liabilities – non-current (note 11(b))	4,413	5,387
	<b>38,445</b>	<b>34,566</b>
<b>Net assets</b>		
Investment in property, equipment and intangible assets	34,362	35,073
Internally restricted (note 5)	26,256	21,357
	<b>60,618</b>	<b>56,430</b>
	<b>\$ 99,063</b>	<b>\$ 90,996</b>

Commitments and contingent liabilities (note 12)

See accompanying notes to financial statements.

Approved on behalf of the Board:

DocuSigned by:  
  
 Dr. B. Anne Priestman Board Member  
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DocuSigned by:  
  
 Dr. Chantal Léger Board Member  
5479778CB107421...

# College of Physicians and Surgeons of British Columbia

## Statement of Changes in Net Assets

(Expressed in thousands of dollars)

Year ended February 28, 2022, with comparative information for 2021

				2022	2021
	Investment in property, equipment and intangible assets	Internally restricted (note 5)	Unrestricted	Total	Total
<b>Net assets, beginning of year</b>	<b>\$ 35,073</b>	<b>\$ 21,357</b>	<b>\$ -</b>	<b>\$ 56,430</b>	<b>\$ 52,447</b>
Net assets of CPodS due to amalgamation (note 3)	-	-	-	-	568
Excess (deficiency) of revenues over expenses	(2,208)	-	5,667	3,459	3,386
Interfund transfer (note 2(i))	-	6,167	(6,167)	-	-
Remeasurement gain loss for retired employee future benefits (note 11(b))	-	-	729	729	29
Changes in net assets invested in property, equipment and intangible assets	1,497	(1,268)	(229)	-	-
<b>Net assets, end of year</b>	<b>\$ 34,362</b>	<b>\$ 26,256</b>	<b>\$ -</b>	<b>\$ 60,618</b>	<b>\$ 56,430</b>

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, 2022, with comparative information for 2021

	2022	2021
<b>Operating activities</b>		
Excess of revenues over expenses	\$ 3,459	\$ 3,386
Non-cash items		
Amortization	2,208	2,336
Provision for pension benefits	(313)	(368)
Unrealized gain on investments	(196)	(772)
	<b>5,158</b>	4,582
Changes in operating working capital (note 13)	4,816	1,161
	<b>9,974</b>	5,743
<b>Investing activities</b>		
Purchase of property and equipment	(199)	(534)
Cash from CPodS from amalgamation (note 3)	-	140
Purchase of intangible assets	(1,298)	(1,329)
Net changes in investments	(2,885)	(2,831)
	<b>(4,382)</b>	(4,554)
Net increase (decrease) in cash and cash equivalents	5,592	1,189
Cash and cash equivalents, beginning of year	23,828	22,639
Cash and cash equivalents, end of year	\$ 29,420	\$ 23,828
<b>Non-cash transactions:</b>		
Investments from CPodS from amalgamation (note 3)	\$ -	\$ 515
Non-cash working capital from CPodS from amalgamation (note 3)	-	(87)
	<b>\$ -</b>	<b>\$ 428</b>

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, 2022

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#### 1. Purpose of the organization and nature of operations

The purpose of the College of Physicians and Surgeons of British Columbia (the "CPSBC") is to regulate the practice of medicine and podiatry under the authority of provincial law. All physicians and podiatrists who practise in the province must be registrants of the CPSBC and meet expected standards of practice and conduct.

The CPSBC also administers several quality assurance and accreditation activities to ensure physicians remain competent throughout their professional lives, and the facilities they work in maintain standards of practice in health care.

The CPSBC is defined under the Health Professions Act (RSBC 1996) as a not-for-profit organization. As such, the CPSBC 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) Revenue recognition*

The CPSBC 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 CPSBC'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 are incurred, if the amount to be received can be reasonably estimated and collection is reasonably assured.

##### *(b) Financial instruments*

The CPSBC 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.

# College of Physicians and Surgeons of British Columbia

## (Tabular amounts expressed in thousands of dollars)

### Notes to the Financial Statements

February 28, 2022

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

With respect to financial assets measured at cost or amortized cost, the CPSBC 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 CPSBC 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.

##### (c) 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.

##### (d) 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

Capital assets are componentized when estimates can be made of the useful lives of the separate components.

The CPSBC reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the asset no longer has or has reduced long-term service potential to the organization. If such condition exists, an impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value or replacement cost.

##### (e) Intangible assets

The CPSBC's intangible assets include its database system (iMIS) and other software which have been recorded at cost and amortized over their useful lives of 7 years and 5 years, respectively.

The CPSBC reviews its intangible assets for impairment whenever events or changes in circumstances indicate that the asset no longer has or has reduced long-term service potential to the organization. If such conditions exist, an impairment loss is measured at the amount by which the carrying amount of the intangible asset exceeds 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

February 28, 2022

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

##### *(f) 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.

##### *(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. 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 a contingency reserve fund and the funding of special projects are included in internally restricted net assets. Investment income earned from the internally restricted funds is unrestricted.

##### *(i) Interfund transfers:*

Transfers of funds between net assets are made when it is considered appropriate and authorized by the Board.

#### 3. Amalgamation with the College of Podiatric Surgeons of British Columbia

In 2019, the Boards of the CPSBC and the College of Podiatric Surgeons of British Columbia (the “CPodS”), in coordination with the Ministry of Health of the Province of British Columbia (the “Ministry”), began working towards streamlining and modernizing health profession regulation in British Columbia. On August 31, 2020, the CPSBC amalgamated with the CPodS. The amalgamated colleges continue under the name College of Physicians and Surgeons of British Columbia.

As part of the amalgamation, the CPSBC assumed all assets and liabilities of the CPodS effective August 31, 2020 with the continuing operations of the amalgamated entity reflected in the Statement of Operations of the CPSBC subsequent to that date.

# College of Physicians and Surgeons of British Columbia

(Tabular amounts expressed in thousands of dollars)

## Notes to the Financial Statements

February 28, 2022

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### 3. Amalgamation with the College of Podiatric Surgeons of British Columbia (continued)

The following assets and liabilities of the CPodS were recorded at their carrying value which approximated their fair value as at August 31, 2020. The net assets contribution of \$568,000 was recorded as a direct increase to the net assets of the CPSBC.

(Expressed in thousands of dollars)	
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 140
Short-term investments	515
	<b>\$ 655</b>
<b>Liabilities and Net assets</b>	
Current liabilities	
Accounts payable	\$ 1
Unearned revenue	86
	<b>87</b>
Net assets	
Unrestricted	568
	<b>\$ 655</b>

### 4. Amalgamation costs

Amalgamation costs reflect a combination of incremental spending to support the 2020 amalgamation between the CPSBC and the CPodS. In 2020, \$130,000 was incurred for the amalgamation, including amounts spent on legal, accounting and audit, consulting and other general administrative costs.

### 5. Internally restricted net assets

Internally restricted net assets include contingency reserves to ensure the CPSBC has sufficient financial resources to continue operations in the event of a significant negative event, as well as funds for the continued implementation of an enterprise content management system to facilitate the management of electronic documents and records. During the fiscal year ended February 28, 2021, the Board passed a motion to internally restrict funds to be set aside for its contingency reserve. The contingency fund will be built up over time to a targeted balance based on a percentage of annual operating costs. Annual transfers to the contingency reserves will be authorized by the Board until the target minimum reserve amount is attained.

**College of Physicians and Surgeons of British Columbia**  
**(Tabular amounts expressed in thousands of dollars)**  
**Notes to the Financial Statements**  
February 28, 2022

**6. Investments**

	<b>2022</b>	<b>2021</b>
Recorded at fair value:		
Bond funds	\$ 13,280	\$ 11,302
Canadian equities	4,956	3,850
US equities	10,024	9,730
International equities	5,799	3,582
Recorded at amortized cost:		
Term deposits	-	2,514
<b>Total investments</b>	<b>\$ 34,059</b>	<b>\$ 30,978</b>
Short-term investments	\$ 1,491	\$ 4,046
Long-term investments	32,568	26,932
<b>Total investments</b>	<b>\$ 34,059</b>	<b>\$ 30,978</b>

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

**7. Investment income**

Investment income is comprised of the following:

	<b>2022</b>	<b>2021</b>
Net realized gain	\$ 528	\$ 325
Dividends	296	283
Interest	477	653
<b>Total investment income</b>	<b>\$ 1,301</b>	<b>\$ 1,261</b>

**8. Intangible assets**

	<b>2022</b>		<b>2021</b>	
	Cost	Accumulated amortization	Net book value	Net book value
Database system	\$ 7,047	\$ 5,471	\$ 1,576	\$ 2,156
Other software	3,983	1,740	2,243	1,369
	<b>\$ 11,030</b>	<b>\$ 7,211</b>	<b>\$ 3,819</b>	<b>\$ 3,525</b>

**College of Physicians and Surgeons of British Columbia**  
**(Tabular amounts expressed in thousands of dollars)**  
**Notes to the Financial Statements**  
February 28, 2022

**9. Property and equipment**

			<b>2022</b>			<b>2021</b>
	Cost	Accumulated amortization	<b>Net book value</b>		Net book value	
Land	\$ 8,301	\$ -	\$ <b>8,301</b>	\$	8,301	
Building	22,445	4,641	<b>17,804</b>		18,253	
Building improvements	5,275	1,965	<b>3,310</b>		3,533	
Furniture and equipment	3,603	3,046	<b>557</b>		715	
Computer equipment	2,129	1,558	<b>571</b>		746	
	\$ 41,753	\$ 11,210	\$ <b>30,543</b>	\$	31,548	

**10. Government remittances**

Included in accounts payable and accrued liabilities are government remittances of \$163,000 (2021 - \$60,000) for payroll related taxes.

**11. Pension plans**

*(a) British Columbia Public Service Pension Plan*

The CPSBC and its employees contribute to 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, 2021 the plan had 68,000 active members, 21,000 inactive members and 52,000 retired members.

The latest actuarial valuation for the BCPSPP as at March 31, 2020, indicated a surplus of \$2.7 billion for basic pension benefits. The next valuation is scheduled for March 31, 2023.

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 CPSBC paid \$1,543,000 for employer contributions to the plan in fiscal year 2022 (2021 - \$1,462,000). Contributions paid by employees in fiscal year 2022 were \$1,219,000 (2021 - \$1,146,000).

# College of Physicians and Surgeons of British Columbia

(Tabular amounts expressed in thousands of dollars)

## Notes to the Financial Statements

February 28, 2022

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### 11. Pension plans (continued)

#### (b) Supplementary Pension Plan

For senior staff 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 CPSBC pays supplementary defined benefits to these former senior staff as they fall due. As of February 28, 2022, no active members of senior staff were covered under the supplementary defined benefit arrangement. An actuarial valuation to measure the CPSBC's accrued benefit obligation for its supplementary defined benefit contribution plan is carried out at each year end.

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

	2022	2021
<b>Accrued benefit obligation</b>		
Balance at beginning of year	\$ 6,370	\$ 6,736
Benefits paid	(445)	(499)
Interest cost	166	162
Actuarial (gain) loss	(729)	(29)
Balance at end of year	\$ 5,362	\$ 6,370
<b>Pension liability</b>		
Accrued benefit obligation	\$ 5,362	\$ 6,370
Plan assets	(516)	(484)
Net pension liability	4,846	5,886
Current portion of pension liability	(433)	(499)
Long-term pension liability	\$ 4,413	\$ 5,387

**College of Physicians and Surgeons of British Columbia**  
**(Tabular amounts expressed in thousands of dollars)**  
**Notes to the Financial Statements**  
February 28, 2022

**11. Pension plans (continued)**

	<b>2022</b>	2021
<b>Pension expense</b>		
Contributions to the B.C. Public Service Pension Plan	\$ 1,543	\$ 1,462
Interest cost	166	162
Expense included in salaries and benefits	1,709	1,624
Actuarial (gain) loss recognized in Statement of Changes in Net Assets	(729)	(29)
Pension expense recognized for year	\$ 980	\$ 1,595

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

Discount rate	3.4%	2.7%
Indexation of pensions	0.0%	0.0%

The CPSBC made contributions to the plans above as follows:

	<b>2022</b>	2021
BC Public Service Pension Plans	\$ 1,543	\$ 1,462
Supplementary defined benefit plan	477	529
Total contributions	\$ 2,020	\$ 1,991

**12. Commitments and contingent liabilities**

- (a) The CPSBC has entered into a letter of credit agreement in the amount of \$5,453,000 (2021 - \$6,308,000) to secure the accrued pension benefits under the supplementary defined benefit pension plan provided to its former senior staff. The Letter of Credit expires on August 31 of each year and is renewed to reflect changes in the CPSBC's supplementary pension obligations. Collateral for this letter of credit is secured by the equity of the land and building.
- (b) The CPSBC 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 CPSBC is unsuccessful in defending any of these claims, the CPSBC has sufficient liability insurance to cover any legal obligation. When it is anticipated that the CPSBC 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**  
**(Tabular amounts expressed in thousands of dollars)**  
**Notes to the Financial Statements**  
February 28, 2022

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**13. Changes in operating working capital**

	<b>2022</b>	2021
Accounts receivable	\$ (124)	\$ 59
Prepaid expenses and deposits	19	(164)
Accounts payables and accrued liabilities	569	13
Tenants deposits	-	(2)
Unearned revenue	4,352	1,255
	<b>\$ 4,816</b>	<b>\$ 1,161</b>

**14. Financial instruments**

*(a) Credit risk*

Credit risk is the risk that a counterparty will fail to perform its obligations when they come due. The CPSBC is exposed to credit risk on its investments and accounts receivable. The CPSBC does not have significant accounts receivable exposure to any individual registrant and investments are held with well known, reputable Canadian financial institutions.

*(b) Liquidity risk*

Liquidity risk is the risk that the CPSBC will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The CPSBC's objective is to have sufficient liquidity to meet its liabilities when they come due. The CPSBC monitors its cash balances and cash flows generated from operations to meet its requirements. As at February 28, 2022, the most significant financial liabilities are accounts payable and accrued liabilities, and accrued pension liabilities.

*(c) Market risk*

Market risk is the risk that changes in market prices, as a result of changes in foreign exchange rates, interest rates, equity prices and valuation of appraisal-based assets, will affect the CPSBC's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the return.

*i. Currency risk:*

Investments in foreign securities are exposed to currency risk due to fluctuations in foreign exchange rates. The CPSBC is exposed to currency risk on its foreign market common stock, as the prices denominated in foreign currencies are converted to Canadian dollars in determining fair value. The CPSBC controls currency risk by maintaining a geographically diversified portfolio. From time to time, the CPSBC's external investment fund managers may hold balances in cash and cash equivalents denominated in non-Canadian currencies. The currency risk related to these balances is not significant.

# College of Physicians and Surgeons of British Columbia

## (Tabular amounts expressed in thousands of dollars)

### Notes to the Financial Statements

February 28, 2022

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#### 14. Financial instruments (continued)

##### *ii. Interest rate risk*

Interest rate risk is the risk that the value of the CPSBC's financial instruments will vary due to fluctuations in interest rates and the degree of volatility of these rates. The CPSBC is exposed to interest rate risk on its cash equivalents and a portion of its investments primarily related to the bond fund holdings. The CPSBC does not use derivative instruments to reduce its exposure to fluctuations in market interest rates.

##### *iii. Equity price risk:*

Equity price risk is the risk that the fair value of equity financial instruments will fluctuate due to changes in market prices. The CPSBC is exposed to equity price risk on its investments in equities. The objective of the CPSBC's investment policy is to manage equity price risk by maintaining a portfolio which is diversified across geographic and industry sectors.

The implications of the Russian invasion of Ukraine has increased economic uncertainty and risk that may have significant financial reporting implications for the CPSBC. This situation presents uncertainty over the CPSBC's future cash flows. Potential impacts on the CPSBC's operations could include 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 is not known, an estimate of the financial effect on the CPSBC is not practicable at this time.

There has been no change to the above risk exposures outlined above from 2021 other than the Russian invasion of Ukraine, as described above.

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