



Grant Thornton

Financial Statements

College of Physicians and Surgeons of Nova Scotia

December 31, 2017

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Independent auditor's report

Grant Thornton LLP
Nova Centre, North Tower
1000-1675 Grafton Street
Halifax, NS
B3J 0E9
T +1 902 421 1734
F +1 902 420 1068
www.GrantThornton.ca

To the members of the
College of Physicians and Surgeons of Nova Scotia

We have audited the accompanying financial statements of the College of Physicians and Surgeons of Nova Scotia, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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 in our audit 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 Nova Scotia as at December 31, 2017, 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.

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

Halifax, Canada
March 23, 2018

College of Physicians and Surgeons of Nova Scotia
Statement of financial position

December 31 2017 2016

Assets

Current

Cash and cash equivalents	\$ 283,816	\$ 77,323
Short-term investments (note 3)	4,672,272	4,869,968
Dues and other receivables	18,521	15,896
Prepaid expenses	<u>75,064</u>	<u>40,615</u>
	5,049,673	5,003,802

Investments (note 4)	4,214,735	3,944,616
Capital assets (note 5)	<u>380,155</u>	<u>423,656</u>

	\$ <u>9,644,563</u>	\$ <u>9,372,074</u>
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Liabilities

Current

Payables and accruals	\$ 117,791	\$ 105,777
Deferred revenue	<u>5,056,012</u>	<u>4,871,509</u>
	5,173,803	4,977,286

Deferred lease inducement	<u>4,556</u>	<u>7,771</u>
	<u>5,178,359</u>	<u>4,985,057</u>

Net assets

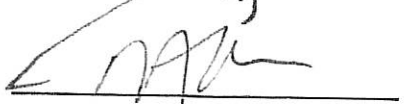
Internally restricted	4,214,735	3,944,616
Unrestricted	<u>251,469</u>	<u>442,401</u>
	<u>4,466,204</u>	<u>4,387,017</u>

	\$ <u>9,644,563</u>	\$ <u>9,372,074</u>
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Commitments (note 7)

On behalf of the Council


 _____ President


 _____ Registrar & CEO

College of Physicians and Surgeons of Nova Scotia

Statement of operations

Year ended December 31	2017	2016
Revenues		
Licensing fees	\$ 5,317,375	\$ 5,221,373
Certificates of professional conduct	49,900	55,200
Professional incorporation fees	194,225	194,950
Other income	3,545	3,220
Investment income – unrestricted	27,304	30,371
Methadone maintenance program (note 6)	<u>24,362</u>	<u>18,991</u>
	<u>5,616,711</u>	<u>5,524,105</u>
Expenditures		
Administration	2,096,531	1,951,416
Communications	267,575	277,708
Council	197,387	164,488
Occupancy	350,374	382,684
Physician performance	938,277	858,016
Professional conduct	1,536,408	893,681
Registration	<u>421,091</u>	<u>467,437</u>
	<u>5,807,643</u>	<u>4,995,430</u>
(Deficit) surplus from operations	(190,932)	528,675
Internally restricted revenues		
Gain on investments	215,147	282,238
Investment income	<u>54,972</u>	<u>57,221</u>
	<u>270,119</u>	<u>339,459</u>
Excess of revenues over expenditures	\$ <u>79,187</u>	\$ <u>868,134</u>

College of Physicians and Surgeons of Nova Scotia

Statement of changes in net assets

Year ended December 31

	Internally restricted				
	Reserve	Capital & Special Projects	Unrestricted	2017 Total	2016 Total
Net assets, beginning of year	\$ 2,888,318	\$ 1,056,298	\$ 442,401	\$ 4,387,017	\$ 3,518,883
Excess (deficiency) of revenues over expenditures	<u>180,376</u>	<u>89,743</u>	<u>(190,932)</u>	<u>79,187</u>	<u>868,134</u>
Net assets, end of year	<u>\$ 3,068,694</u>	<u>\$ 1,146,041</u>	<u>\$ 251,469</u>	<u>\$ 4,466,204</u>	<u>\$ 4,387,017</u>

See accompanying notes to the financial statements.

College of Physicians and Surgeons of Nova Scotia

Statement of cash flows

Year ended December 31

2017

2016

Increase (decrease) in cash and cash equivalents

Operating		
Excess of revenues over expenditures	\$ 79,187	\$ 868,134
Amortization	136,491	140,150
Amortization of deferred lease inducements	(3,215)	(3,216)
Change in fair value of investments	<u>(215,146)</u>	<u>(282,238)</u>
	(2,683)	722,830
Change in non-cash operating working capital:		
Short-term investments	197,696	(180,372)
Dues and other receivables	(2,625)	744
Prepaid expenses	(34,449)	2,509
Payables and accruals	12,014	(389,741)
Deferred revenue	<u>184,503</u>	<u>82,972</u>
	<u>354,456</u>	<u>238,942</u>
Investing		
Net increase in long-term investments	(54,973)	(257,221)
Purchase of capital assets	<u>(92,990)</u>	<u>(106,846)</u>
	<u>(147,963)</u>	<u>(364,067)</u>
Net increase (decrease) in cash and cash equivalents	206,493	(125,125)
Cash and cash equivalents		
Beginning of year	<u>77,323</u>	<u>202,448</u>
End of year	\$ <u>283,816</u>	\$ <u>77,323</u>

See accompanying notes to the financial statements.

College of Physicians and Surgeons of Nova Scotia

Notes to the financial statements

December 31, 2017

1. Nature of operations

The College of Physicians and Surgeons of Nova Scotia (the "Organization") is a Not-for-Profit Organization, established under the Medical Act of Nova Scotia. The Organization serves as the licensing and regulatory body for the medical profession within the Province of Nova Scotia. The Organization is a registered non-profit under the Income Tax Act and accordingly is exempt from income taxes.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The significant accounting policies are detailed as follows:

Restriction on net assets

Effective 1996, the Organization began following a policy of appropriating surplus for future commitments. Surplus is allocated based on projected future requirements. Unrestricted net assets are available for future general use of the Organization.

Internally restricted net assets are funds which the Council has restricted for the purpose of covering expenditures in excess of the Organization's operating budget. Internally restricted funds are not available for other purposes without the approval of the Finance and Audit Committee and Council.

The Reserve fund is maintained to finance authorized or unanticipated expenses that may arise at any time. The goal of the Reserve fund is to approximate 50% of the Organization's annual budgeted expenditures.

The Capital and Special Projects account is an internally restricted fund that is maintained to fund authorized capital or special projects, to be approved by Council.

Financial instruments

Initial measurement

The Organization's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred. Financial instruments consist of cash and cash equivalents, receivables, short-term and long-term investments, payables and accruals and deferred revenue.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for investments held, which are measured at fair value. The financial instruments measured at amortized cost are cash and cash equivalents, receivables, payables and accruals and deferred revenue.

College of Physicians and Surgeons of Nova Scotia

Notes to the financial statements

December 31, 2017

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

For financial assets measured at cost or amortized cost, the Organization regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

The Organization's main financial instrument risk exposure is detailed as follows:

Liquidity risk

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Market risk

Market risk refers to the impact on the Organization's cash flows due to fluctuations in interest rates and debt and equity markets. The primary risk exposures relate to investments held in foreign currencies, interest rate volatility, and equity market volatility. The Organization has formal policies and procedures in place governing asset mix and setting limits on the proportion of each asset class within the investment portfolios.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances on deposit with financial institutions.

Investments

Investments reported at fair value consist of equity instruments that are quoted in an active market, as well as any investments in debt or equity securities that the Organization designated to be measured at fair value. Such designation must be made when the investment is initially recognized. This designation is irrevocable. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

The Organization holds investments in pooled funds, equities and long-term bonds and records these at fair value. The change in fair value year-over-year is reflected in revenue and expense.

Investments in interest-bearing securities relating to the investment of temporary cash surpluses are measured at fair value.

Investment denominated in foreign currencies are translated using rates of exchange in effect at the statement of financial position date.

Capital assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

College of Physicians and Surgeons of Nova Scotia

Notes to the financial statements

December 31, 2017

2. Summary of significant accounting policies (continued)

Capital assets (continued)

Capital assets are amortized using the following methods and rates:

Furniture and equipment	20%	declining balance
Computer hardware and software	30%	declining balance
Leasehold improvements	15 years	straight line

Deferred revenue

Deferred revenue includes licensing fees, professional incorporation fees, and education fees relating to the period after December 31. The Organization invoices and collects annual fees in advance of the year to which the fees relate.

Revenues

The Organization follows the deferral method of accounting for contributions.

Licensing fees, professional incorporation fees, certificates of professional conduct and supervision fees are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, the services have been provided and collection is reasonably assured. Investment income is recognized as revenue when earned. Recoveries of hearing expenses are recorded when received.

Use of estimates

The preparation of the financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Items subject to significant management estimates include useful lives of capital assets and the fair market value of investments.

Allocation of expenses

The Organization records a number of its expenses by departments or programs. The costs of each program or department include the costs of personnel and other expenses that are directly related to the department or program.

3. Short-term investments	<u>2017</u>	<u>2016</u>
Money market funds, savings accounts and GICs	\$ <u>4,672,272</u>	\$ <u>4,869,968</u>

College of Physicians and Surgeons of Nova Scotia

Notes to the financial statements

December 31, 2017

4. Investments	<u>2017</u>	<u>2016</u>
Fixed income securities and funds with yields between 0.75% and 4.65%, and maturities between September 2018 and December 2048	\$ 1,003,756	\$ 1,395,852
Canadian equities and equity funds	2,484,588	2,084,447
US equities and equity funds	513,751	485,433
Other international equities	135,782	79,021
Cash	<u>76,858</u>	<u>(100,137)</u>
	<u>\$ 4,214,735</u>	<u>\$ 3,944,616</u>

5. Capital assets			<u>2017</u>	<u>2016</u>
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>
Furniture and equipment	\$ 721,236	\$ 614,639	\$ 106,597	\$ 103,721
Computer hardware and software	910,803	686,898	223,905	282,444
Leasehold improvements	<u>132,262</u>	<u>82,609</u>	<u>49,653</u>	<u>37,491</u>
	<u>\$ 1,764,301</u>	<u>\$ 1,384,146</u>	<u>\$ 380,155</u>	<u>\$ 423,656</u>

6. Government funding

During the year, the Organization received \$Nil (2016 - \$55,288) of funding from the Nova Scotia Department of Health and Wellness for use in administering the Methadone Maintenance Support program as the program ended in March 2017. Unused funds received in the prior year were returned to the Nova Scotia Department of Health and Wellness.

7. Commitments

The Organization leases office space. The lease expires April 29, 2019 and the annual basic rent and common area costs approximate \$339,000.

The College has entered into a new lease commencing May 1, 2019 for a 12 year term, expiring April 30, 2031.

Minimum payments required over the next five years for the base rent of the premises leased are as follows:

2018	\$ 339,000
2019	424,000
2020	467,000
2021	467,000
2022	467,000

8. Pension plan

The Organization has a defined contribution pension plan in which programs are established to provide retirement income to employees. The Organization's policy is to fund these retirement plan costs as incurred. The current service costs are expensed in the year they are paid.