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Financial statements of  
The College of Family  
Physicians of Canada

May 31, 2021

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## Independent Auditor's Report

To the Members of  
The College of Family Physicians of Canada

### Opinion

We have audited the financial statements of The College of Family Physicians of Canada (the "College"), which comprise the statement of financial position as at May 31, 2021 and the statement of revenue and expenses, changes in members' equity and cash flows for the year then ended, and a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as at May 31, 2021, 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.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 are independent of the College 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 audit 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 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.

### 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 GAAS 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 GAAS, 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.

Chartered Professional Accountants  
Licensed Public Accountants  
\_\_\_\_\_, 2021

# The College of Family Physicians of Canada

## Statement of financial position

As at May 31, 2021

	Notes	2021 \$	2020 \$
<b>Assets</b>			
Current assets			
Cash		<b>9,272,279</b>	1,428,096
Restricted cash	2	<b>80,698</b>	162,992
Short-term investments		<b>1,000,000</b>	2,500,000
Accounts receivable		<b>564,931</b>	817,284
Prepaid expenses and other current assets		<b>1,790,485</b>	2,520,782
		<b>12,708,393</b>	7,429,154
Long-term investments	3	<b>29,295,992</b>	25,654,947
Capital assets	4	<b>5,923,804</b>	7,735,913
		<b>47,928,189</b>	40,820,014
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	10	<b>2,902,093</b>	3,390,491
Funds held for external projects	2	<b>80,698</b>	162,992
Deferred revenue	5	<b>4,819,290</b>	6,056,717
		<b>7,802,081</b>	9,610,200
Employee future benefits and employee future non-pension benefits	6	<b>1,804,800</b>	2,282,400
		<b>9,606,881</b>	11,892,600
<b>Members' equity</b>			
Reserve fund	8	<b>38,321,308</b>	28,927,414
		<b>47,928,189</b>	40,820,014

The accompanying notes are an integral part of the financial statements.

**The College of Family Physicians of Canada**  
**Statement of revenue and expenses**  
Year ended May 31, 2021

	Year ended May 31, 2021			Year ended May 31, 2020		
	Revenue \$	Expenses \$	NET \$	Revenue \$	Expenses \$	NET \$
Membership revenue	26,611,004	—	26,611,004	24,503,276	—	24,503,276
<b>Programs NOT Supported through Member Fees</b>						
Family Medicine Forum	1,537,781	2,459,669	(921,888)	3,709,411	5,163,786	(1,454,375)
Non Member Mainpro Participants	2,692,266	2,360,810	331,456	2,594,062	2,347,947	246,115
Self Learning	2,159,216	1,286,462	872,754	1,746,013	1,112,995	633,018
Investment Income	3,666,460	—	3,666,460	239,000	—	239,000
	<b>10,055,723</b>	<b>6,106,941</b>	<b>3,948,782</b>	<b>8,288,486</b>	<b>8,624,728</b>	<b>(336,242)</b>
<b>Certification and Assessment</b>						
Family Medicine Exam	6,035,646	6,524,044	(488,398)	1,298,454	2,695,357	(1,396,903)
Certificate of Added Competence plus Emergency Medicine Exam	644,769	1,314,719	(669,950)	865,689	1,707,340	(841,651)
Alternate Pathways plus Pearls CE	713,294	555,622	157,672	808,975	452,768	356,207
	<b>7,393,709</b>	<b>8,394,385</b>	<b>(1,000,676)</b>	<b>2,973,118</b>	<b>4,855,465</b>	<b>(1,882,347)</b>
<b>Core Member Programs Supported through Member Fees</b>						
Continuing Professional Development	344,461	5,501,934	(5,157,473)	323,599	5,151,030	(4,827,431)
Canadian Family Physician Journal	1,015,207	3,484,350	(2,469,143)	968,693	3,223,379	(2,254,686)
Health Policy & Government Relations	—	1,533,377	(1,533,377)	—	1,438,524	(1,438,524)
Education	—	4,028,156	(4,028,156)	—	3,635,948	(3,635,948)
Accreditation	—	1,539,241	(1,539,241)	—	1,662,870	(1,662,870)
Research	9,162	2,365,072	(2,355,910)	7,724	2,358,298	(2,350,574)
Programs and Practice Support	613,547	5,072,845	(4,459,298)	28,286	3,924,842	(3,896,556)
Besroure Centre	16,580	1,150,539	(1,133,959)	67,024	940,441	(873,417)
Foundation of Advancing Family Medicine	72,482	1,423,575	(1,351,093)	—	990,826	(990,826)
Federal Wage Subsidy	2,673,634	—	2,673,634	—	—	—
	<b>4,745,073</b>	<b>26,099,089</b>	<b>(21,354,016)</b>	<b>1,395,326</b>	<b>23,326,158</b>	<b>(21,930,832)</b>
	<b>48,805,509</b>	<b>40,600,415</b>	<b>8,205,094</b>	<b>37,160,206</b>	<b>36,806,351</b>	<b>353,855</b>

The accompanying notes are an integral part of the financial statements.

**The College of Family Physicians of Canada**  
**Statement of changes in members' equity**  
Year ended May 31, 2021

	Invested in capital assets \$	Unrestricted \$	Reserve fund \$	2021 Total \$	2020 Total \$
Notes					
<b>Members' equity, beginning of year</b>	<b>7,735,913</b>	<b>(7,735,913)</b>	<b>28,927,414</b>	<b>28,927,414</b>	28,892,559
Excess of revenue over expenses	<b>(2,864,621)</b>	<b>11,069,715</b>	—	<b>8,205,094</b>	353,855
Remeasurements and other items	—	—	<b>1,188,800</b>	<b>1,188,800</b>	(319,000)
Capital asset additions	<b>1,052,512</b>	<b>(1,052,512)</b>	—	—	—
Transfers	—	<b>(8,205,094)</b>	<b>8,205,094</b>	—	—
<b>Members' equity, end of year</b>	<b>5,923,804</b>	<b>(5,923,804)</b>	<b>38,321,308</b>	<b>38,321,308</b>	28,927,414

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# The College of Family Physicians of Canada

## Statement of cash flows

Year ended May 31, 2021

	Notes	2021 \$	2020 \$
<b>Operating activities</b>			
Excess of revenue over expenses		8,205,094	353,855
Amortization		2,864,592	1,509,078
Loss on disposal		29	—
Employee future benefits and employee future non-pension benefits (net of remeasurements and other items \$1,188,800; \$(319,000) in 2020)		711,200	(501,900)
Change in unrealized gains on investments		(2,436,457)	631,680
		<b>9,344,458</b>	1,992,713
Change in non-cash operating working capital	9	(825,469)	(11,110,593)
		<b>8,518,989</b>	(9,117,880)
<b>Investing activities</b>			
Purchase of capital assets		(1,052,512)	(2,651,777)
(Increase)/Decrease in long-term investments		(1,204,588)	(594,231)
Sale of short-term investments		1,500,000	9,000,000
		<b>(757,100)</b>	5,753,992
Increase (decrease) in cash		7,761,889	(3,363,888)
Cash, beginning of year		1,591,088	4,954,976
<b>Cash, end of year</b>		<b>9,352,977</b>	1,591,088
<b>Represented by</b>			
Cash and cash equivalents		9,272,279	1,428,096
Restricted cash		80,698	162,992
		<b>9,352,977</b>	1,591,088
<b>Supplemental cash flow information</b>			
Interest received		500,826	415,515

The accompanying notes are an integral part of the financial statements.



# The College of Family Physicians of Canada

## Notes to the financial statements

May 31, 2021

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The College of Family Physicians of Canada (the "College"), founded in 1954, was incorporated in 1960 by Special Act of Parliament and, in 1968, was granted letters patent under the Canada Corporations Act and was continued under the Canada Not-for-Profit Corporations Act on June 1, 2014. The College was established to sustain and improve the professional qualifications of members of the medical profession who are engaged in family practice in Canada through education, research, and the publication of journals.

The College is a not-for-profit organization and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

### 1. Significant accounting policies

#### (a) Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations published by the Chartered Professional Accountants of Canada, using the deferral method of accounting for restricted contributions.

These financial statements do not include the results of operations and assets and liabilities of each of the provincial chapters of the College (the "Chapters").

#### (b) Revenue

Membership fees are billed annually to members with the effective date of July 1<sup>st</sup> as the renewal date. Any new members joining during the year are billed at a pro-rata fee from the date they joined to the next June 30<sup>th</sup>. A similar approach is followed for Non-Member MainPro Participants (NMMPs). Deferred membership fees represent unearned funds received as membership fees. Revenue for Examinations, professional development, Family Medicine Forum and other are recognized as revenue in the year in which the related expenses are incurred.

#### (c) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight-line basis as follows:

Furniture and fixtures	15 years
Office equipment	5 years
Computer equipment	3 years
Software	3-8 years
Leasehold improvements	Over term of lease

For the purposes of financial reporting, the accounting treatment for capital assets is as follows: all movable and fixed equipment having a useful life in excess of one year and a unit or grand total cost in excess of \$1,000; all leasehold improvements having a useful life in excess of one year and a total cost in excess of \$20,000 and software development having a useful life in excess of one year and a cost in excess of \$5,000 per project will be capitalized. Equipment costing less than \$1,000 is amortized at 100% in the year of acquisition. Capital assets not ready for use are not amortized.

**1. Significant accounting policies (continued)**

*(d) Employee future benefits*

The cost of pension benefits earned by employees is actuarially determined using the most recently completed actuarial valuation prepared for funding purposes (but not one prepared using a solvency, wind-up, or similar valuation basis) for measuring its defined benefit plan obligations. A funding valuation is prepared in accordance with pension legislation and regulations, generally to determine required cash contributions to the plan.

The College recognizes:

- the defined benefit obligation, net of the fair value of any plan assets, adjusted for any valuation allowance, in the statement of financial position; and
- the costs of the plans for the year.

*(e) Financial instruments*

The College's financial assets are comprised of cash, restricted cash, short-term and long-term investments, accounts receivable, and accrued interest receivable. Financial liabilities are comprised of accounts payable and accrued liabilities and funds held for external projects.

Financial assets and financial liabilities are initially recognized at fair value when the College becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for equities quoted in active markets, which are carried at fair value. The College has elected to use the fair value option to measure all of its investments. Any subsequent changes in fair value are recorded in the statement of revenue and expenses.

Fair value of investments is determined as follows: fixed income and equity securities are valued at year-end quoted bid prices where available. Where quoted bid prices are not available, estimated fair values are calculated using comparable securities. Transaction costs are expensed as incurred.

*(f) Use of estimates*

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include allowance for doubtful accounts, accrued liabilities, deferred revenue, employee future benefits and employee future non-pension benefits, and amortization expense.

**2. Restricted cash**

Restricted cash includes amounts held in bank accounts and are restricted for eligible expenditures on external projects.

Amounts being held for external projects are as follows:

	<b>2021</b>	2020
	<b>\$</b>	<b>\$</b>
Continuing Medical Education research Initiatives in HIV care	—	48,938
Coalition for Physician Learning & Practice Improvement ("CPLPI")	—	39,879
Association of Canadian Chairs in Family Medicine ("ACCFM")	<b>48,525</b>	39,742
Family Medicine National Education Administrators ("FMNEA")	<b>30,210</b>	31,905
	<b>1,963</b>	2,528
	<b>80,698</b>	162,992

**3. Long-term investments**

Long-term investments consist of the following:

	<b>Market value</b>	<b>2021 Cost</b>	Market value	2020 Cost
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Fixed income	<b>16,544,845</b>	<b>16,343,526</b>	15,551,138	15,856,713
Equity portfolio	<b>12,751,147</b>	<b>7,636,803</b>	10,103,809	6,919,028
	<b>29,295,992</b>	<b>23,980,329</b>	25,654,947	22,775,741

The College has investments in bonds and other government secured certificates with varying dates of maturity, as well as investments in equity instruments. These investments yield returns at rates ranging from 0.2% to 6.5% (1.0% to 6.5% in May 31, 2020 per annum).

The College holds securities, which are subject to market risk, interest rate risk, and cash flow risk. These risks will also impact future cash flow streams, including dividends, gains, and losses, and interest income.

The value of equities changes with stock market conditions, which are affected by general economic and market conditions. The value of securities will vary with developments within specific governments and corporations, which issue the security.

The value of fixed income securities will generally increase if interest rates decrease and decrease if interest rates increase. Changes in interest rates may also affect the value of equity securities. The College does not enter into any derivative instrument arrangements for hedging or for speculative purposes.

**3. Long-term investments (continued)**

Further information on the fixed income securities is as set out below:

	<b>Market value</b>	<b>2021 Annual yield</b>	Market value	2020 Annual yield
	\$	%	\$	%
Term to maturity				
One to three years	<b>5,944,059</b>	<b>1.14</b>	5,491,770	1.91
Greater than three years	<b>10,600,786</b>	<b>2.73</b>	10,059,368	2.65
	<b>16,544,845</b>		15,551,138	

**4. Capital assets**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2021 Net book value</b>	2020 Net book value
	\$	\$	\$	\$
Computer equipment and software	<b>13,976,602</b>	<b>8,413,282</b>	<b>5,563,320</b>	7,042,958
Leasehold improvements	<b>2,995,762</b>	<b>2,833,348</b>	<b>162,414</b>	476,426
Office equipment	<b>714,889</b>	<b>618,252</b>	<b>96,637</b>	104,294
Furniture and fixtures	<b>174,009</b>	<b>72,576</b>	<b>101,433</b>	112,236
	<b>17,861,262</b>	<b>11,937,458</b>	<b>5,923,804</b>	7,735,914

**5. Deferred revenue**

The College defers revenue in certain cases, as these amounts have been paid in advance of the completion of the particular program, examination, or service to be provided. These amounts will be recorded as revenue when earned. Deferred revenue is comprised of the following:

	<b>2021</b>	2020
	\$	\$
Membership fees	<b>2,154,557</b>	1,391,996
Examination fees	<b>1,412,005</b>	3,676,580
Self learning program	<b>903,312</b>	479,689
Maintenance of proficiency ("MainPro") non-member	<b>191,976</b>	96,805
Pearls certification eligibility	<b>157,440</b>	145,140
Family Medicine Forum ("FMF")	—	266,507
	<b>4,819,290</b>	6,056,717

**6. Employee future benefits and employee future non-pension benefits**

The College maintains a pension plan for certain employees, which provides benefits, the greater of a defined benefit or defined contribution plan. The College also offers certain employees other supplemental benefits in a non-funded plan. The following significant actuarial assumptions were employed to determine the periodic pension expense and the accrued benefit obligation:

	<b>Registered pension plan</b>	<b>Supplemental benefits</b>	<b>2021 Future non-pension benefits</b>
Discount rate, beginning of year	<b>4.95%</b>	<b>4.95%</b>	<b>2.00%</b>
Discount rate, end of year	<b>4.95%</b>	<b>4.95%</b>	—
Assumed rate of compensation increase	<b>3.85%</b>	<b>3.85%</b>	—

	<b>Registered pension plan</b>	<b>Supplemental benefits</b>	<b>2020 Future non-pension benefits</b>
Discount rate, beginning of year	4.30%	4.30%	2.00%
Discount rate, end of year	4.95%	4.95%	2.00%
Assumed rate of compensation increase	3.85%	3.85%	—

	<b>Registered pension plan</b>	<b>Supplemental benefits</b>	<b>Future non-pension benefits</b>	<b>2021 Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accrued benefit obligation, beginning of year	<b>10,320,100</b>	<b>1,996,300</b>	<b>1,320,000</b>	<b>13,636,400</b>
Service cost	<b>488,700</b>	<b>115,300</b>	<b>675,260</b>	<b>1,279,260</b>
Interest cost	<b>522,500</b>	<b>104,000</b>	—	<b>626,500</b>
Benefits paid	<b>(505,500)</b>	<b>(21,400)</b>	<b>(117,260)</b>	<b>(644,160)</b>
Actuarial gain	<b>(162,400)</b>	<b>(5,500)</b>	—	<b>(167,900)</b>
Accrued benefit obligation, end of year	<b>10,663,400</b>	<b>2,188,700</b>	<b>1,878,000</b>	<b>14,730,100</b>
Fair value of assets, end of year	<b>12,925,300</b>	—	—	<b>12,925,300</b>
Employee future benefits liability, end of year	<b>2,261,900</b>	<b>(2,188,700)</b>	<b>(1,878,000)</b>	<b>(1,804,800)</b>

**6. Employee future benefits and employee future non-pension benefits (continued)**

	Registered pension plan \$	Supplemental benefits \$	Future non-pension benefits \$	2020 Total \$
Accrued benefit obligation, beginning of year	10,026,400	1,813,100	1,955,000	13,794,500
Service cost	498,500	109,900	(527,719)	80,681
Interest cost	503,900	94,700	—	598,600
Benefits paid	(688,100)	(21,400)	(107,281)	(816,781)
Actuarial gain	(20,600)	—	—	(20,600)
Accrued benefit obligation, end of year	10,320,100	1,996,300	1,320,000	13,636,400
Fair value of assets, end of year	11,354,000	—	—	11,354,000
Employee future benefits liability, end of year	1,033,900	(1,996,300)	(1,320,000)	(2,282,400)

The expense recognized in the statement of revenue and expenses for the year ended May 31, 2021, for the defined benefit pension plan was \$27,845 (\$22,965 in 2020), for the defined contribution plan was \$567,661 (\$534,363 in 2020), and for the supplemental benefits was \$219,260 (\$204,560 in 2020).

**7. Lease commitments**

Future minimum rental payments, including taxes and maintenance charges on office premises and office equipment required under operating leases that have terms in excess of one year, are as follows:

	Office equipment \$	Office rent, including taxes and maintenance \$	Total \$
2022	33,078	2,020,491	2,053,569
2023	30,058	2,064,815	2,094,873
2024	29,052	2,110,861	2,139,913
2025	29,052	2,158,698	2,187,750
2026	29,052	2,299,437	2,328,489
Thereafter	9,684	11,608,964	11,618,648
	159,976	22,263,266	22,423,242

**8. Reserve fund**

The reserve fund has been established to provide for unanticipated decreases in revenue or increases in administrative and operating costs of the College. These funds are administered by the College through the Executive Committee under policies established and approved by the Board of Directors.

	<b>2021</b>	2020
	\$	\$
Balance, beginning of year	<b>28,927,414</b>	28,892,559
Transfer from Unrestricted fund Excess of revenue over expenses before reserve transfers	<b>8,205,094</b>	353,855
Net transfer from reserve fund before the undernoted	<b>8,205,094</b>	353,855
Transfer from unrestricted fund	<b>1,188,800</b>	(319,000)
Net transfer to reserve fund	<b>9,393,894</b>	34,855
Balance, end of year	<b>38,321,308</b>	28,927,414

**9. Change in non-cash operating working capital**

	<b>2021</b>	2020
	\$	\$
Accounts receivable	<b>252,353</b>	(20,904)
Prepaid expenses and other current assets	<b>730,297</b>	(840,250)
Accounts payable and accrued liabilities	<b>(488,398)</b>	(315,169)
Funds held for external projects	<b>(82,294)</b>	39,556
Deferred revenue	<b>(1,237,427)</b>	(9,973,826)
	<b>(825,469)</b>	(11,110,593)

**10. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities is nil (nil in 2020) with respect to government remittances.

## **11. Contingencies and guarantees**

The College is exposed through various programs to possible litigations matters. Although the College is not currently involved in any new litigation, adequate provision has been made for these matters and, accordingly, their ultimate disposition is not expected to have a material effect on its operations or financial position.

The College has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements, the College agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on, or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

Indemnity has been provided to all directors and/or officers, employees, volunteers, or members of any duly constituted committee of the College for various items including, but not limited to, all costs to settle suits or actions due to association with the College, subject to certain restrictions. The College has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director, officer, employee, volunteer, or member of any committee of the College. The maximum amount of any potential future payment cannot be reasonably determined.

In the normal course of business, the College has entered into agreements that include indemnities in favor of third parties, marketing agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements, and service agreements. These indemnification agreements may require the College to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the College from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, the College has not made any significant payments under such or similar indemnification agreements, and therefore, no amount has been accrued in the financial statements with respect to these agreements.

## **12. Related party transactions**

The College supports the financial requirements for the salaries and operating costs of The Foundation for Advancing Family Medicine ("FAFM"). The College has a separate and distinct Board of Directors, which makes requests to the FAFM for fundraising for the College's priorities; the FAFM reviews such requests for feasibility before approving and proceeding. The College has an economic interest in the FAFM, as the FAFM raises/solicits funds for various projects undertaken by the College.



## **12. Related party transactions (continued)**

The FAFM was established in 1994 and granted letters of patent under the Canada Corporations Act and it was continued under the Canada Not-for-profit Corporations Act on June 1, 2014. The FAFM mandate is to actively seek sources of funding in order to stimulate and support, at a high level, the science, art, and practice of family medicine. The FAFM is a registered charity organization and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

During the year ended May 31, 2021, the College contributed nil (\$11,500 in 2020) towards the Foundation's Awards program costs, nil (nil in 2020) towards legal expenses and nil (\$93,699 in 2020) representing the Board of Directors approved policy with respect to a share in the surplus generated by Family Medicine Forum. In addition, the College incurred \$791,069 (\$567,399 in 2020) of operational, administrative and shared expenses on behalf of the Foundation. Related party transactions are measured at the exchange amount.

## **13. Full cost accounting**

### *Allocation of centralized and shared expenses and revenues*

The College allocates its centralized and shared expenses and revenues on a functional basis to individual programs offered by the College to its members and others. The method is described in the Budget Principles that are reviewed by the Board of Directors on an annual basis. These allocations are done as a series of steps as follows:

#### *Step 1:*

Design and development expenses and revenues related to Certification and Assessment are allocated to the following programs, using the ratio of individual direct program expenses and revenues to the total direct program expenses:

- Family Medicine Certification Examination
- Certificates of Added Competence (includes Emergency Medicine Examination)
- Alternative Pathways plus Pearls CE

#### *Step 2:*

Continuing Professional Development expenses and revenues are allocated to the following programs, using the ratio of the number of Non-Member Mainpro+ Participants (NMMPs) as compared to the number of Members that must meet Mainpro+ requirements per licensing bodies and the requirements to maintain membership in the College:

- NMMPs
- Members' Continuing Professional Development expenses

#### *Step 3:*

Centralized and shared expenses are allocated between NMMPs and Members based upon the ratio of NMMPs to Members.

### **13. Full cost accounting (continued)**

*Allocation of centralized and shared expenses and revenues (continued)*

*Step 4:*

Centralized and shared expenses and revenues allocated in Step 3 to Members are further distributed to the following programs, using the ratio of individual direct program expenses and revenues to the total direct program expenses and revenues:

- Family Medicine Exam
- Certificate of Added Competence plus Emergency Medicine Exam
- Alternate Pathways plus Pearls CE
- FMF - Family Medicine Forum
- Non-Member Mainpro Participants
- Self-Learning
- Continuing Professional Development
- Canadian Family Physician Journal
- Health Policy & Government Relations
- Education
- Accreditation
- Research
- Programs and Practice Support
- Besrour Centre
- Foundation for Advancing Family Medicine

Centralized and shared expenses and revenues include:

- Governance and Strategy which combines:
  - Office of the CEO
  - Other Meetings and Events (exclusive of FMF)
- Membership Services which combines:
  - Marketing & Membership Services
  - Communications
- Corporate Services which combines:
  - Human Resources
  - Finance & Asset Management
- Information Technology - Infrastructure and Business Solutions Combined

**13. Full cost accounting (continued)**

*Allocation of centralized and shared expenses and revenues (continued)*

The centralized and shared expenses have been allocated as follows:

	<b>Certificate and Assessment</b>	<b>Programs not supported through Member Fees</b>	<b>Core Member Programs</b>	<b>2021 Total</b>
	\$	\$	\$	\$
Membership services	<b>1,070,781</b>	<b>1,130,718</b>	<b>3,325,478</b>	<b>5,526,977</b>
Governance and strategy	<b>360,805</b>	<b>381,001</b>	<b>1,120,537</b>	<b>1,862,343</b>
Corporate services	<b>979,128</b>	<b>1,033,936</b>	<b>3,040,835</b>	<b>5,053,899</b>
Information technology	<b>780,843</b>	<b>824,551</b>	<b>2,425,030</b>	<b>4,030,424</b>
<b>Total</b>	<b>3,191,557</b>	<b>3,370,206</b>	<b>9,911,880</b>	<b>16,473,643</b>

	Certificate and Assessment	Programs not supported through Member Fees	Core Member Programs	2020 Total
	\$	\$	\$	\$
Membership services	592,504	1,410,986	2,846,448	4,849,938
Governance and strategy	229,640	546,865	1,103,215	1,879,720
Corporate services	416,607	992,107	2,001,424	3,410,138
Information technology	443,626	1,056,450	2,131,227	3,631,303
<b>Total</b>	<b>1,682,377</b>	<b>4,006,408</b>	<b>8,082,314</b>	<b>13,771,099</b>

The centralized and shared revenues have been allocated as follows:

	<b>Certificate and Assessment</b>	<b>Programs not supported through Member Fees</b>	<b>Core Member Programs</b>	<b>2021 Total</b>
	\$	\$	\$	\$
Membership services	<b>99,811</b>	<b>135,746</b>	<b>27,963</b>	<b>263,520</b>
Governance and strategy	<b>45,451</b>	<b>61,815</b>	<b>12,734</b>	<b>120,000</b>
Corporate services	<b>59,297</b>	<b>80,646</b>	<b>16,613</b>	<b>156,556</b>
<b>Total</b>	<b>204,559</b>	<b>278,207</b>	<b>57,310</b>	<b>540,076</b>

	Certificate and Assessment	Programs not supported through Member Fees	Core Member Programs	2020 Total
	\$	\$	\$	\$
Membership services	62,668	174,706	29,411	266,785
Governance and strategy	14,094	39,291	6,615	60,000
Corporate services	38,001	105,942	17,834	161,777
<b>Total</b>	<b>114,763</b>	<b>319,939</b>	<b>53,860</b>	<b>488,562</b>

**14. Reclassification**

Revenues and expenses reported in prior year's financial statements have been reclassified to conform to the current year's presentation.

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