
Financial statements of
The College of Family
Physicians of Canada

May 31, 2018

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Independent Auditor's Report

To the Members of
The College of Family Physicians of Canada

We have audited the accompanying financial statements of the College of Family Physicians of Canada (the "College"), which comprise the statement of financial position as at May 31, 2018, and the statements of revenue and expenses, changes in members' equity, 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 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 as at May 31, 2018, 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.



Chartered Professional Accountants
Licensed Public Accountants
October 1, 2018

The College of Family Physicians of Canada

Statement of financial position

As at May 31, 2018

	Notes	2018	2017
		\$	\$
Assets			
Current assets			
Cash		5,727,205	3,977,522
Restricted cash	2	176,963	280,341
Short-term investments		9,000,000	9,000,000
Accounts receivable		1,123,317	1,149,256
Prepaid expenses and other current assets		1,422,107	839,986
		17,449,592	15,247,105
Long-term investments	3	24,307,958	23,705,388
Capital assets	4	5,364,149	6,154,433
		47,121,699	45,106,926
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	4,056,559	4,706,287
Funds held for external projects	2	176,963	280,341
Deferred revenue	5	15,131,377	15,705,432
		19,364,899	20,692,060
Employee future benefits and employee future non-pension benefits	6	1,263,300	1,173,200
		20,628,199	21,865,260
Lease commitments	7		
Members' equity			
Invested in capital assets		5,364,149	6,154,433
Unrestricted		(5,364,149)	(6,154,433)
Reserve fund	8	26,493,500	23,241,666
		26,493,500	23,241,666
		47,121,699	45,106,926

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

Approved by the Board

_____, Director

_____, Director

The College of Family Physicians of Canada

Statement of revenue and expenses

Year ended May 31, 2018

	Notes	2018	2017
		\$	\$
Revenue			
Membership fees		23,237,863	21,963,994
Examinations		6,792,564	6,159,074
Continuing professional development ("CPD") and Programs/Practice Support ("PPS")		5,560,894	5,688,549
Family Medicine Forum ("FMF")		3,703,289	3,242,952
Canadian Family Physician ("CFP") and other publications		841,775	984,550
Other departments		696,601	719,438
Change in unrealized gains on investments		602,570	1,129,938
Investment income - short-term investments		176,985	109,080
Investment income - long-term investments		(34,108)	589,062
		41,578,433	40,586,637
Expenses			
CPD/PPS		5,606,888	5,732,799
Examinations		4,759,509	4,740,284
Membership services		4,022,113	3,887,583
FMF		3,462,766	3,213,220
Information technology and website communications		2,862,912	2,537,750
Undergraduate and postgraduate education		2,723,251	2,919,499
Corporate services		2,702,616	3,064,075
CFP and other publications		2,047,013	1,917,366
Executive		1,990,692	2,214,436
Communications		1,556,177	1,451,370
Research		1,381,128	1,111,562
Certification and evaluation		1,209,715	1,470,978
Health policy and government relations		1,061,202	914,979
Finance and asset management		948,304	912,297
Communities for Practice in Family Medicine ("CPFM")		681,659	651,435
Honours and awards		379,961	336,843
Foundation for Advancing Family Medicine ("FAFM")	12	362,738	251,039
Other meetings		313,354	361,903
Alternative route to certification		258,401	339,527
		38,330,399	38,028,945
Excess of revenue over expenses		3,248,034	2,557,692

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, 2018

	Notes	2018			2017	
		Invested in capital assets	Unrestricted	Reserve fund	Total	
		\$	\$	\$	\$	
Members' equity, beginning of year		6,154,433	(6,154,433)	23,241,666	23,241,666	20,858,774
Excess (deficiency) of revenue over expenses		(1,544,572)	4,792,606	—	3,248,034	2,557,692
Remeasurements and other items	8	—	—	3,800	3,800	(174,800)
Capital asset write offs		(25,218)	25,218	—	—	—
Capital asset additions		779,506	(779,506)	—	—	—
Transfers	8	—	(3,248,034)	3,248,034	—	—
Members' equity, end of year		5,364,149	(5,364,149)	26,493,500	26,493,500	23,241,666

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

The College of Family Physicians of Canada

Statement of cash flows

Year ended May 31, 2018

	Notes	2018	2017
		\$	\$
Operating activities			
Excess of revenue over expenses		3,248,034	2,557,692
Amortization		1,544,572	1,547,124
Capital asset write offs		25,218	—
Employee future benefits and employee future non-pension benefits (net of remeasurements and other items of \$3,800 (\$174,800 in 2017))		93,900	344,600
Change in unrealized gains on investments		(602,570)	(1,129,938)
		4,309,154	3,319,478
Change in non-cash operating working capital	9	(1,883,343)	2,194,277
		2,425,811	5,513,755
Financing activities			
Increase in long-term investments		—	(606,102)
Purchase of short-term investments		—	(4,500,000)
		—	(5,106,102)
Investing activity			
Purchase of capital assets		(779,506)	(2,199,298)
Increase (decrease) in cash		1,646,305	(1,791,645)
Cash, beginning of year		4,257,863	6,049,508
Cash, end of year		5,904,168	4,257,863
Represented by			
Cash		5,727,205	3,977,522
Restricted cash		176,963	280,341
		5,904,168	4,257,863
Supplemental cash flow information			
Interest received		478,468	431,397

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, 2018

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 on the birthday of the respective member and are recognized evenly over the 12-month period, which the membership fees cover. 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. Capital assets not ready for use are not amortized.

(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.

1. Significant accounting policies (continued)

(d) Employee future benefits (continued)

The College recognizes:

- (i) 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
- (ii) 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 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.

(g) Expense categorization

The expenses in the schedule attached to the financial statements are categorized by cost centre and by program/activity and type of expense.

The College of Family Physicians of Canada

Notes to the financial statements

May 31, 2018

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:

	2018	2017
	\$	\$
Future of Medical Education in Canada ("FMEC-CPD")	76,763	172,842
Continuing Medical Education research	48,938	48,938
Initiatives in HIV care	39,879	39,879
Association of Canadian Chairs in Family Medicine ("ACCFM")	10,858	18,012
Family Medicine National Education Administrators ("FMNEA")	525	670
	176,963	280,341

3. Long-term investments

Long-term investments consist of the following:

	2018		2017	
	Market value	Cost	Market value	Cost
	\$	\$	\$	\$
Fixed income	14,772,547	15,102,112	14,737,636	14,671,012
Equity portfolio	9,535,411	6,482,163	8,967,752	6,032,734
	24,307,958	21,584,275	23,705,388	20,703,746

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 interest at rates ranging from 1.35% to 4.81% (0.67% to 5.64% in May 31, 2017 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:

	2018		2017	
	Market value	Annual yield	Market value	Annual yield
	\$	%	\$	%
Term to maturity				
One to three years	4,492,286	1.94	4,549,915	1.54
Greater than three years	10,280,261	3.24	10,187,721	3.22
	14,772,547		14,737,636	

4. Capital assets

	2018			2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment and software	7,867,887	3,687,254	4,180,633	4,650,737
Leasehold improvements	2,823,708	1,817,057	1,006,651	1,349,719
Office equipment	602,268	511,261	91,007	59,462
Furniture and fixtures	129,480	43,622	85,858	94,515
	11,423,343	6,059,194	5,364,149	6,154,433

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:

	2018	2017
	\$	\$
Membership fees	10,647,903	10,779,114
Maintenance of proficiency ("Mainpro") non-member	1,553,980	1,700,474
Examination fees	1,233,562	1,443,160
Self learning program	895,591	908,624
Family Medicine Forum ("FMF")	507,561	623,295
Pearls certification eligibility	149,916	104,840
Leasehold improvement allowance	117,750	117,750
Canadian Family Physician ("CFP")	25,114	28,175
	15,131,377	15,705,432

The College of Family Physicians of Canada

Notes to the financial statements

May 31, 2018

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:

	2018		
	Registered pension plan	Supplemental benefits	Future non-pension benefits
Discount rate, beginning of year	4.75%	4.75%	2.00%
Discount rate, end of year	4.30%	4.30%	2.00%
Assumed rate of compensation increase	3.90%	3.90%	—
Remaining service life (in years)	6	5	—

	2017		
	Registered pension plan	Supplemental benefits	Future non-pension benefits
Discount rate, beginning of year	4.75%	4.75%	4.75%
Discount rate, end of year	4.50%	4.50%	2.00%
Assumed rate of compensation increase	4.00%	4.00%	—
Remaining service life (in years)	7	6	—

	2018			
	Registered pension plan	Supplemental benefits	Future non-pension benefits	Total
	\$	\$	\$	\$
Accrued benefit obligation, June 1, 2017	9,286,000	1,316,600	1,710,000	12,312,600
Service cost	626,000	118,800	88,641	833,441
Interest cost	409,300	61,300	—	470,600
Benefits paid	(943,900)	(20,600)	(118,641)	(1,083,141)
Transfer from defined contribution plan	158,500	—	—	158,500
Actuarial loss	(28,500)	(9,700)	—	(38,200)
Accrued benefit obligation, May 31, 2018	9,507,400	1,466,400	1,680,000	12,653,800
Fair value of assets, end of year	11,390,500	—	—	11,390,500
Employee future benefits liability, May 31, 2018	1,883,100	(1,466,400)	(1,680,000)	(1,263,300)

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

	2017			
	Registered pension plan	Supplemental benefits	Future non-pension benefits	Total
	\$	\$	\$	\$
Accrued benefit obligation, June 1, 2016	9,288,900	1,314,700	1,220,000	11,823,600
Service cost	732,800	116,600	590,160	1,439,560
Interest cost	434,400	67,700	—	502,100
Benefits paid	(2,392,700)	(13,300)	(100,160)	(2,506,160)
Transfer from defined contribution plan	641,800	—	—	641,800
Curtailment	—	—	—	—
Actuarial loss	580,800	(169,100)	—	411,700
Accrued benefit obligation, May 31, 2017	9,286,000	1,316,600	1,710,000	12,312,600
Fair value of assets, end of year	11,139,400	—	—	11,139,400
Employee future benefits liability, May 31, 2017	1,853,400	(1,316,600)	(1,710,000)	(1,173,200)

The expense recognized in the statement of revenue and expenses for the year ended May 31, 2018, for the defined benefit pension plan was \$379,231 (\$469,288 in 2017), for the defined contribution plan was \$431,791 (\$378,409 in 2017), and for the supplemental benefits was \$160,789 ((\$153,891) in 2017).

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
	\$	\$	\$
2019	88,837	2,096,210	2,185,047
2020	88,837	2,106,208	2,195,045
2021	83,486	1,416,935	1,500,421
2022	25,302	—	25,302
Thereafter	—	—	—
	286,462	5,619,353	5,905,815

The College of Family Physicians of Canada

Notes to the financial statements

May 31, 2018

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.

	2018	2017
	\$	\$
Balance, beginning of year	23,241,666	20,858,774
Transfer from		
Unrestricted fund		
Excess of revenues over expenses before reserve transfers	2,679,572	2,611,004
Interest income	(34,108)	589,062
Unrealized gain on investments	602,570	1,129,938
	3,248,034	4,330,004
Transfer to		
Unrestricted fund		
CPD program development	—	(157,750)
Exam reserve	—	(330,400)
Strategic Initiatives	—	(830,229)
Human resources	—	(55,864)
Renovation - amortization	—	(348,615)
Information Technology	—	(49,454)
	—	(1,772,312)
Net transfer from reserve fund before the undernoted	3,248,034	2,557,692
Transfer from unrestricted fund	3,800	(174,800)
Transfer from Member's General Fund	—	
Net transfer to reserve fund	3,251,834	2,382,892
Balance, end of year	26,493,500	23,241,666

9. Change in non-cash operating working capital

	2018	2017
	\$	\$
Accounts receivable	25,939	(136,905)
Prepaid expenses and other current assets	(582,121)	(94,674)
Accounts payable and accrued liabilities	(649,728)	617,629
Funds held for external projects	(103,378)	41,768
Deferred revenue	(574,055)	1,766,459
	(1,883,343)	2,194,277

10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include nil (nil in 2017) 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.

- (a) 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.
- (b) 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.
- (c) 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.

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, 2018, the College contributed \$21,500 (\$21,500 in 2017) towards the Awards program costs and paid for the FAFM's operating expenses in the amount of \$362,738 (\$251,039 in 2017).

The College of Family Physicians of Canada

Schedule of expenses

Year ended May 31, 2018

	2018			2017	
	Salaries and benefits	Operating	Committee	Total	
	\$	\$	\$	\$	
Continuing Professional Development ("CPD") and Programs/Practice support ("PPS")	2,327,017	3,156,004	123,867	5,606,888	5,732,799
Examinations	1,028,361	3,529,497	201,651	4,759,509	4,740,284
Membership services	1,526,216	2,181,053	314,844	4,022,113	3,887,583
Family Medicine Forum ("FMF")	783,431	2,623,883	55,452	3,462,766	3,213,220
Information technology and website communications	1,736,957	1,125,955	—	2,862,912	2,537,750
Undergraduate and postgraduate education	1,462,969	956,104	304,178	2,723,251	2,919,499
Corporate services	1,630,253	1,072,363	—	2,702,616	3,064,075
CFP and other publications	1,065,850	978,620	2,543	2,047,013	1,917,366
Executive	1,298,557	435,629	256,506	1,990,692	2,214,436
Communications	1,195,776	360,401	—	1,556,177	1,451,370
Research	945,806	384,120	51,202	1,381,128	1,111,562
Certification and evaluation	822,116	254,040	133,559	1,209,715	1,470,978
Health policy and government relations	635,917	365,931	59,354	1,061,202	914,979
Finance and asset management	698,288	245,195	4,820	948,303	912,297
Communities of Practice in Family Medicine ("CPFM")	410,956	117,739	152,964	681,659	651,435
Honours and awards	308,031	71,930	—	379,961	336,843
Foundation for Advancing Family Medicine ("FAFM")	309,142	53,596	—	362,738	251,039
Other meetings	241,960	71,394	—	313,354	361,903
Alternative route to certification	138,187	120,215	—	258,402	339,527
	18,565,790	18,103,669	1,660,940	38,330,399	38,028,945