Grant Thornton

Financial Statements

College of Physicians and Surgeons of Nova Scotia

December 31, 2018

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Grant Thornton

Independent auditor's report

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

Opinion

We have audited the financial statements of College of Physicians and Surgeons of Nova Scotia ("the Organization"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of College of Physicians and Surgeons of Nova Scotia as at December 31, 2018, and its 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. 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 Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 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 Organization'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 Organization'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 Organization 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.

Grant Thornton LLP

Halifax, Canada
March 29, 2019

Chartered Professional Accountants
Licensed Public Accountants

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

December 31		2018		2017
Assets				
Current				
Cash and cash equivalents	$	**66,315**	$	283,816
Short term investments (note 3)		**5,514,389**		4,672,272
Dues and other receivables		**43,668**		18,521
Prepaid expenses		**38,682**		75,064
		5,663,054		5,049,673
Investments (note 4)		**4,274,713**		4,214,735
Capital assets (note 5)		**296,550**		380,155
	$	**10,234,317**	$	9,644,563
Liabilities				
Current				
Payables and accruals	$	**112,826**	$	117,791
Deferred revenue		**5,407,687**		5,056,012
		5,520,513		5,173,803
Deferred lease inducement		**1,340**		4,556
		5,521,853		5,178,359
Net assets				
Internally restricted		**4,274,713**		4,214,735
Unrestricted		**437,751**		251,469
		4,712,464		4,466,204
	$	**10,234,317**	$	9,644,563

Commitments (note 6)

On behalf of the Council

_________________________ President

_________________________ Registrar & CEO

See accompanying notes to the financial statements.

College of Physicians and Surgeons of Nova Scotia
Statement of operations

Year ended December 31	2018	2017
Revenues		
Licensing fees	$ 5,638,687	$ 5,317,375
Certificates of professional conduct	83,900	49,900
Professional incorporation fees	191,225	194,225
Other income	4,525	3,545
Investment income – unrestricted	42,118	27,304
Methadone maintenance program	-	24,362
	5,960,455	5,616,711
Expenditures		
Administration	1,964,111	2,096,531
Communications	257,357	267,575
Council	162,514	197,387
Occupancy	365,972	350,374
Physician performance	802,868	938,277
Professional conduct	1,382,353	1,536,408
Registration	588,998	421,091
	5,524,173	5,807,643
Surplus (deficit) from operations	436,282	(190,932)
Internally restricted revenues		
(Loss) gain on investments	(289,378)	215,147
Investment income	99,356	54,972
	(190,022)	270,119
Excess of revenues over expenditures	$ 246,260	$ 79,187

See accompanying notes to the financial statements.

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	**2018 Total**	2017 Total
Net assets, beginning of year	$ 3,068,694	$ 1,146,041	$ 251,469	**$ 4,466,204**	$ 4,387,017
Transfers during the year	250,000	-	(250,000)	**-**	-
Excess (deficiency) of revenues over expenditures	(137,516)	(52,506)	436,282	**246,260**	79,187
Net assets, end of year	$ 3,181,178	$ 1,093,535	$ 437,751	**$ 4,712,464**	$ 4,466,204

College of Physicians and Surgeons of Nova Scotia
Statement of cash flows

Year ended December 31	2018	2017
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenues over expenditures	**$ 246,260**	$ 79,187
Amortization	**129,204**	136,491
Amortization of deferred lease inducements	**(3,216)**	(3,215)
Change in fair value of investments	**289,378**	(215,146)
	661,626	(2,683)
Change in non-cash operating working capital:		
Short term investments	**(842,117)**	197,696
Dues and other receivables	**(25,147)**	(2,625)
Prepaid expenses	**36,382**	(34,449)
Payables and accruals	**(4,965)**	12,014
Deferred revenue	**351,675**	184,503
	177,454	354,456
Investing		
Net increase in long term investments	**(349,356)**	(54,973)
Purchase of capital assets	**(45,599)**	(92,990)
	(394,955)	(147,963)
Net (decrease) increase in cash and cash equivalents	**(217,501)**	206,493
Cash and cash equivalents		
Beginning of year	**283,816**	77,323
End of year	**$ 66,315**	$ 283,816

See accompanying notes to the financial statements.

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, dues and other 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, dues and other receivables, payables and accruals and deferred revenue.

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.

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

	2018	2017
Money market funds, savings accounts and GICs	$ **5,514,389**	$ 4,672,272

4. Investments

	2018	2017
Fixed income securities and funds with yields between 1.00% and 4.65%, and maturities between September 2019 and December 2048	**$ 1,074,220**	$ 1,003,756
Canadian equities and equity funds	**2,361,280**	2,484,588
US equities and equity funds	**617,194**	513,751
Other international equities	**118,557**	135,782
Cash	**103,462**	76,858
	$ 4,274,713	$ 4,214,735

5. Capital assets

	Cost	Accumulated depreciation	2018 Net book value	2017 Net book value
Furniture and equipment	$ 726,463	$ 636,481	**$ 89,982**	$ 106,597
Computer hardware and software	930,476	757,021	**173,455**	223,905
Leasehold improvements	152,962	119,849	**33,113**	49,653
	$ 1,809,901	$ 1,513,351	**$ 296,550**	$ 380,155

6. Commitments

The Organization leases office space. The lease expires May 31, 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 13 year term, expiring April 30, 2032.

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

2019	$ 424,000
2020	466,000
2021	466,000
2022	506,000
2023	530,000

7. 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.