

The Manitoba College of Family Physicians Inc.
Financial Statements
September 30, 2013 and 2012

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Independent Auditors' Report

To the Members of
The Manitoba College of Family Physicians Inc.

We have audited the accompanying financial statements of The Manitoba College of Family Physicians Inc., which comprise the statements of financial position as at September 30, 2013, September 30, 2012 and October 1, 2011, and the statements of operations and changes in net assets and statements of cash flows for the years ended September 30, 2013 and September 30, 2012, 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.

Auditors' 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 Manitoba College of Family Physicians Inc. as at September 30, 2013, September 30, 2012 and October 1, 2011, and the results of its operations and its cash flows for the years ended September 30, 2013 and September 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.



The Manitoba College of Family Physicians Inc.
Statements of Operations and Changes in Net Assets

Years ended September 30 2013 2012

Revenue		
Annual Scientific Assembly (Page 11)	\$ 174,095	\$ 132,978
CME administration fees	10,550	14,694
College maintenance grant	47,403	35,100
Ethical review fees	30,100	28,200
Family medicine interest group	2,254	3,018
Interest	11,172	11,360
Membership fees	<u>158,465</u>	<u>153,604</u>
	<u>434,039</u>	<u>378,954</u>
Expenses		
Annual Scientific Assembly (Page 11)	165,404	140,660
Administrative expenses (Page 12)	<u>241,868</u>	<u>166,321</u>
	<u>407,272</u>	<u>306,981</u>
Excess of revenue over expenses from operations	26,767	71,973
Pension plan expense (Note 5)	<u>34,958</u>	<u>13,717</u>
(Deficiency) excess of revenue over expenses	<u>\$ (8,191)</u>	<u>\$ 58,256</u>

	<u>Unrestricted</u>	<u>Internally Restricted</u>	<u>2013</u>	<u>2012</u>
Balance, beginning of years	\$ 468,253	\$ 56,330	\$ 524,583	\$ 466,327
(Deficiency) excess of revenue over expenses	<u>(8,191)</u>	<u>-</u>	<u>(8,191)</u>	<u>58,256</u>
Balance, end of years	<u>\$ 460,062</u>	<u>\$ 56,330</u>	<u>\$ 516,392</u>	<u>\$ 524,583</u>

See accompanying notes to the financial statements.



**The Manitoba College of Family Physicians Inc.
Statements of Financial Position**

	September 30, 2013	September 30, 2012	October 1, 2011
Assets			
Current			
Cash	\$ 106,868	\$ 92,917	\$ 44,598
Short-term investments	418,240	390,177	324,786
Receivables	20,915	14,262	14,764
Accrued interest	13,362	11,967	2,121
Prepaid expenses	<u>2,943</u>	<u>2,861</u>	<u>2,153</u>
	562,328	512,184	388,422
Long-term investments	<u>131,706</u>	<u>150,000</u>	<u>200,000</u>
	<u>\$ 694,034</u>	<u>\$ 662,184</u>	<u>\$ 588,422</u>
Liabilities			
Current			
Payables and accruals	\$ 6,677	\$ 4,000	\$ 4,000
Government remittances payable	500	-	3,380
Pension plan obligation (Note 5)	<u>91,288</u>	<u>56,330</u>	<u>42,613</u>
	98,465	60,330	49,993
Deferred revenue	<u>79,177</u>	<u>77,271</u>	<u>72,102</u>
	<u>177,642</u>	<u>137,601</u>	<u>122,095</u>
Net assets			
Unrestricted	460,062	468,253	466,327
Internally restricted	<u>56,330</u>	<u>56,330</u>	<u>-</u>
	<u>516,392</u>	<u>524,583</u>	<u>466,327</u>
	<u>\$ 694,034</u>	<u>\$ 662,184</u>	<u>\$ 588,422</u>

Commitment (Note 6)

On behalf of the Board

 Director

 Director

See accompanying notes to the financial statements.

The Manitoba College of Family Physicians Inc.
Statements of Cash Flows

Years ended September 30

2013

2012

Cash derived from (applied to)

Operations

(Deficiency) excess of revenue over expenses	\$ (8,191)	\$ 58,256
Change in non-cash operating working capital (Note 7)	<u>31,910</u>	<u>5,454</u>
	<u>23,719</u>	<u>63,710</u>

Investing

Purchase of investments	(399,946)	(340,177)
Proceeds from disposal of investments	<u>390,178</u>	<u>324,786</u>
	<u>(9,768)</u>	<u>(15,391)</u>

Net increase in cash **13,951** 48,319

Cash

Beginning of years	<u>92,917</u>	<u>44,598</u>
End of years	<u>\$ 106,868</u>	<u>\$ 92,917</u>

See accompanying notes to the financial statements.

The Manitoba College of Family Physicians Inc.
Notes to the Financial Statements
September 30, 2013 and 2012

1. Nature of operations

The Manitoba College of Family Physicians Inc. (the College) is incorporated under the laws of Manitoba as a company without share capital and its activities consist of the following:

- (a) to sustain and improve the professional qualifications of members of the medical profession who are engaged in the practice of family medicine in Manitoba;
- (b) to enlighten and direct public opinion in Manitoba in relation to the practice of family medicine;
- (c) to encourage and assist in the provision of a high standard of teaching and training for undergraduate medical students who may become engaged in the practice of family medicine; and
- (d) to publish and encourage the publication of journals, reports and treatises on matters relating to the practice of family medicine.

As a not-for-profit entity, the College is exempt from tax under the *Income Tax Act*.

2. Summary of significant accounting policies

The College follows Canadian accounting standards for not-for-profit organizations in preparing its financial statements. The significant accounting policies used are as follows:

Fund accounting

Revenues and expenses relating to general operations as well as the Annual Scientific Assembly are reported in the **unrestricted fund**. Net assets set aside to fund the future pension obligation are reported in the **internally restricted fund**.

Revenue recognition

The College follows the deferral method of accounting for contributions.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Membership fees revenues are recognized over the term of the membership.

Annual Scientific Assembly revenue is recognized when the event is held.

CME administration fees and ethical review fees revenues are recognized at the time the service is performed.

Interest income is recognized as it is accrued on the individual investments.

The Manitoba College of Family Physicians Inc.
Notes to the Financial Statements
September 30, 2013 and 2012

2. Summary of significant accounting policies - continued

Investments

Investments are comprised of fixed income securities. Fixed income securities are initially recognized at fair value and subsequently measured at amortized cost. Purchases and sales of investments are recognized using settlement date accounting.

The College's primary investment objective is capital preservation. Portfolio allocations have therefore been heavily weighted in fixed income securities to meet the stated objective. Expected rate of return from the investment portfolio is dependent on current interest rates offered in the open market. The investment portfolio's allocations and returns are reviewed on an annual basis by the College's Executive Committee.

Equipment

Equipment is fully expensed in the year of acquisition in accordance with section 4431 of the CPA Canada Handbook. Equipment includes computer equipment. During the year, acquisitions of \$2,134 (2012 - \$Nil) were expensed in the statement of operations.

Employee future benefits

The College uses the deferral and amortization approach to account for its defined benefit pension plan. Under this approach, the College determines the accrued benefit obligation based on an actuarial report prepared specifically for accounting purposes.

Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Actuarial gains (losses) arise from the difference between the actual long-term rate of return on plan assets for a period and the expected long-term rate for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is less than one year (2012 - less than two years).

The accrued benefit obligation is based on the most recent actuarial valuation report prepared for accounting purposes. In the years between valuations, the College uses a roll-forward technique to estimate the accrued benefit obligation.

The pension plan obligation reported in the statement of financial position is the difference between the accrued benefit obligation and the fair value of plan assets.

The Manitoba College of Family Physicians Inc.
Notes to the Financial Statements
September 30, 2013 and 2012

2. Summary of significant accounting policies - continued

Accounting estimates

The preparation of the financial statements in conformity 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments

It is management's opinion that the College is not exposed to significant credit, currency, interest rate, liquidity, market or price risks arising from its financial instruments.

Allocation of expenses

The College classifies its expenditures between administrative and Annual Scientific Assembly and allocates contract wages from administration to the Annual Scientific Assembly.

Contract wages are allocated based on the proportionate amount of time spent on activities of the Assembly.

3. Impact of the change in the basis of accounting

Effective October 1, 2012, the College adopted the requirements of the Chartered Professional Accountants (CPA) Canada Handbook - Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations. These are the College's first financial statements prepared in accordance with these accounting standards for not-for-profit organizations (ASfNPO) and the transitional provisions of Section 1501, First-time Adoption by Not-for-Profit Organizations have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended September 30, 2013, the comparative information presented in these financial statements for the year ended September 30, 2012 and in the preparation of an opening ASfNPO statement of financial position at October 1, 2011 (the College's date of transition).

The College issued financial statements for the year ended September 30, 2012 using generally accepted accounting principles prescribed by CPA Canada Handbook - Accounting Part V. The adoption of ASfNPO had no impact on the previously reported assets, liabilities, and net assets of the College, and accordingly, no adjustments have been recorded in the comparative statements of financial position, statements of operations, changes in net assets and the statements of cash flows. Certain of the College's disclosures included in these financial statements reflect the new disclosure requirements of ASfNPO.

The Manitoba College of Family Physicians Inc.
Notes to the Financial Statements
September 30, 2013 and 2012

4. Change in accounting policy

Effective October 1, 2012, the College adopted the recommendations of the CPA Canada Handbook Section 4470 Disclosure of Allocated Expenses by Not-for-Profit Organizations. Section 4470 provides standards for how expenses may be allocated among functions of an organization and the disclosure required. The adoption of this new standard does not have material impact on the College's financial statements and does not result in any changes to the values previously reported in these financial statements.

5. Pension plan

The College participates in a defined benefit pension plan which provides pension benefits to an employee. The pension plan is based on years of service and employment income.

The College measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at September 30 of each year. The most recent actuarial valuation of the pension plans for funding purposes was as of December 31, 2012.

On January 1, 2013, the plan was amended to become a pure defined benefit plan for all members who are part of the hybrid provisions of the pension plan. As a result, for service accrued prior to January 1, 2013, benefits will be based on the hybrid provisions of the plan while, for service effective on or after January 1, 2013, members will accrue benefits based on defined benefit provisions only.

Reconciliation of the funded status of the pension benefit plan:

	<u>2013</u>	<u>2012</u>
Accrued benefit obligation	\$ 115,550	\$ 116,916
Less: fair value of plan assets	<u>(24,389)</u>	<u>(19,378)</u>
Funded status of plan - deficit	91,161	97,538
Balance of unamortized amounts	<u>-</u>	<u>(8,388)</u>
Accrued benefit liability	91,161	89,150
Unamortized net actuarial gain (loss)	<u>127</u>	<u>(32,820)</u>
Accrued benefit liability, net of valuation allowance	<u>\$ 91,288</u>	<u>\$ 56,330</u>

Plan assets consist of:

Cash and cash equivalents	<u>\$ 24,389</u>	<u>\$ 19,046</u>
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The Manitoba College of Family Physicians Inc.
Notes to the Financial Statements
September 30, 2013 and 2012

5. Pension plan - continued

The pension cost recognized in the year is as follows:

	<u>2013</u>	<u>2012</u>
Current service costs	\$ 11,963	\$ 4,513
Interest on accrued benefit obligation	5,155	4,439
Amortization of past service costs	7,049	5,411
Expected return on plan assets	(1,213)	(1,246)
Amortization of net actuarial gain	14,100	600
Employee contributions	<u>(2,096)</u>	<u>-</u>
	<u>\$ 34,958</u>	<u>\$ 13,717</u>

The significant actuarial assumptions used are as follows:

Discount rate	4.0%
Expected long-term rate of return on plan assets	5.75%
Rate of compensation increase	3.0%

The actual pension funding deficit will remain unknown until the date of retirement of the employee covered by the plan. Management has determined that the appropriate level of resources exist within the College to extinguish any residual liability should the pension's assets fail to increase sufficiently to satisfy the pension's obligations.

The plan contains a defined contribution component for service accrued prior to January 1, 2013. Employee contributions are matched by the employer to a maximum of 10%. During the fiscal year ended September 30, 2013, the College incurred \$4,699 (2012 - \$1,537) toward the employer portion of the pension's defined contribution.

6. Lease commitment

The College has an office lease agreement with monthly rental payments of \$1,886. The lease agreement expires on August 31, 2014, with the option of a renewal for another 5 year agreement.

7. Change in non-cash operating working capital

	<u>2013</u>	<u>2012</u>
Receivables and accrued interest	\$ (8,049)	\$ (12,724)
Prepaid expenses	(82)	(708)
Payables and accruals	3,177	-
Deferred revenue	1,906	5,169
Pension plan obligation	<u>34,958</u>	<u>13,717</u>
	<u>\$ 31,910</u>	<u>\$ 5,454</u>

The Manitoba College of Family Physicians Inc.
Notes to the Financial Statements
September 30, 2013 and 2012

8. Comparative figures

Certain balances of the preceding year have been reclassified to conform with the current year's financial statement presentation.

The Manitoba College of Family Physicians Inc.
Schedules of Revenue and Expenses - Annual Scientific Assembly
Years ended September 30 2013 2012

Revenue		
Exhibitors' fees	\$ 44,189	\$ 42,360
Registration fees	129,406	79,868
Educational grants	<u>500</u>	<u>10,750</u>
	<u>174,095</u>	<u>132,978</u>
Expenses		
Audio/visual	12,308	13,891
Committee chair	3,000	3,000
Committee honorariums	6,534	11,235
Committee meeting expense	235	341
Contract wages	19,202	-
Entertainment	435	5,000
Equipment purchases	96	101
Exhibits	7,402	8,630
Hotel accommodation and meals	31,937	28,728
Meeting space	11,800	13,100
Office supplies	1,759	2,953
Office insurance	723	690
Postage	2,412	1,741
President's banquet	8,802	3,206
Printing	3,061	2,123
Rent	11,314	10,966
Speakers	22,492	15,167
Sundry	1,183	856
Telephone and facsimile	1,216	1,121
Wages and benefits	<u>19,493</u>	<u>17,811</u>
	<u>165,404</u>	<u>140,660</u>
Excess (deficiency) of revenue over expenses	<u>\$ 8,691</u>	<u>\$ (7,682)</u>

See accompanying notes to the financial statements.

The Manitoba College of Family Physicians Inc.
Schedules of Expenses - Administrative Expenses

Years ended September 30

2013

2012

			(Note 8)
Administrative Expenses			
Audit fee	\$ 3,407	\$ 3,236	
Bank charges	18	146	
Board honoraria	21,075	19,225	
CME administration	4,543	4,500	
Claude Murphy CME Award	3,000	3,000	
College awards	8,673	1,529	
College special events	-	13,443	
Contract wages	79,142	25,463	
Courier expenses	187	283	
Equipment purchases	2,430	101	
Equipment repairs	223	239	
Family Medicine Interest Group	3,668	3,018	
Insurance	723	690	
Legal fees	-	1,115	
Local meetings - expenses, travel, etc.	8,295	5,780	
Membership fees	842	1,161	
National meetings - expenses, travel, etc.	1,151	1,836	
Newsletter postage	897	3,603	
Newsletter production costs	1,012	4,203	
Office supplies	678	613	
Postage	1,734	2,719	
Press release	2,003	2,003	
Printing	2,393	1,533	
Rent	11,879	11,531	
Medical student & resident functions	1,454	1,000	
Specialist Project	721	-	
Stationery	2,041	1,418	
Sundry	434	495	
Telephone and facsimile	1,265	1,136	
Wages and benefits	<u>77,980</u>	<u>51,302</u>	
	<u>\$ 241,868</u>	<u>\$ 166,321</u>	

See accompanying notes to the financial statements.

