

Financial Statements of

**VICTORIA DIVISION OF
FAMILY PRACTICE SOCIETY**

Year ended March 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Victoria Division of Family Practice Society

Report on the Financial Statements

We have audited the accompanying financial statements of Victoria Division of Family Practice Society, which comprise the statement of financial position as at March 31, 2018, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising 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 our 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, we consider 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 Victoria Division of Family Practice Society at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting principles applied by Victoria Division of Family Practice Society in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
June 27, 2018

VICTORIA DIVISION OF FAMILY PRACTICE SOCIETY

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,725,659	\$ 1,573,695
Term deposits	-	20,000
Accounts receivable	125,990	251,139
Inventories	-	2,661
Prepaid expenses	3,019	3,019
	<u>1,854,668</u>	<u>1,850,514</u>
Equipment (note 2)	1,449	3,002
	<u>\$ 1,856,117</u>	<u>\$ 1,853,516</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 484,051	\$ 342,421
Deferred revenue (note 4)	1,343,746	1,484,052
	<u>1,827,797</u>	<u>1,826,473</u>
Deferred capital contributions (note 5)	1,449	3,002
Net assets	26,871	24,041
Commitments (note 6)		
Economic dependence (note 7)		
	<u>\$ 1,856,117</u>	<u>\$ 1,853,516</u>

VICTORIA DIVISION OF FAMILY PRACTICE SOCIETY

Statement of Operations and Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenues:		
Infrastructure	\$ 1,252,637	\$ 1,204,023
Residential Care Initiative	1,234,344	941,112
A GP For Me	-	378,585
MHSU	360,579	346,956
Transitions in Care	206,210	247,764
Regional retention and recruitment	19,203	105,150
CYMHSU	43,242	94,939
Patient Medical Home	110,036	58,987
MHSU Publication sales	29,720	13,759
Recognition of deferred capital contributions	3,727	3,003
Interest	2,830	2,767
Cost recoveries from other Divisions	8,300	-
	<u>3,270,828</u>	<u>3,397,045</u>
Expenditures:		
Wages and benefits	1,276,176	1,034,799
Physicians	507,751	706,374
RCI payments (note 8)	860,049	641,199
Contractors	221,712	486,184
Administration	187,544	229,221
Event expenses	87,867	149,660
Meeting expenses	69,393	59,360
Conference expenses	22,889	28,877
Travel expenses	10,017	28,317
Other program expenses	20,873	17,351
Amortization	3,727	3,003
	<u>3,267,998</u>	<u>3,384,345</u>
Excess of revenue over expenses	2,830	12,700
Net assets, beginning of year	24,041	11,341
Net assets, end of year	<u>\$ 26,871</u>	<u>\$ 24,041</u>

See accompanying notes to financial statements.

VICTORIA DIVISION OF FAMILY PRACTICE SOCIETY

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 2,830	\$ 12,700
Items not involving cash:		
Amortization of equipment	3,727	3,003
Amortization of deferred capital contributions	(3,727)	(3,003)
	2,830	12,700
Changes in non-cash operating working capital:		
Decrease in term deposits	20,000	-
Decrease (increase) in accounts receivable	125,149	(27,684)
Decrease (increase) in inventories	2,661	(2,661)
Increase in prepaid expenses	-	(2,226)
Increase in accounts payable and accrued liabilities	141,631	8,240
Decrease in deferred revenue	(140,307)	(87,084)
	151,964	(98,715)
Financing:		
Increase in deferred capital contributions	2,174	-
Investing:		
Purchase of equipment	(2,174)	-
Increase (decrease) in cash and cash equivalents	151,964	(98,715)
Cash and cash equivalents, beginning of year	1,573,695	1,672,410
Cash and cash equivalents, end of year	\$ 1,725,659	\$ 1,573,695

See accompanying notes to financial statements.

VICTORIA DIVISION OF FAMILY PRACTICE SOCIETY

Notes to Financial Statements

Year ended March 31, 2018

Nature of operations:

Victoria Division of Family Practice Society (the "Society") was incorporated under the Society Act (British Columbia) on November 28, 2011 and transitioned to the new Societies Act (British Columbia) on December 9, 2016.

The purpose of the Society is to work with health system partners to address common health care goals. The Society is a non-profit organization (exempt from income taxes under the Income Tax Act (Canada)).

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition:

The Society follows the deferral method of accounting for contributions.

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

Externally restricted funding is recognized as revenue in the year in which the related expenses are incurred.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short term deposits which are highly liquid with original maturities of less than three months at the date of acquisition. These financial assets are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(c) Inventories:

Inventories are measured at the lower of cost and net realizable value.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

VICTORIA DIVISION OF FAMILY PRACTICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Investment income:

Investment income, which is recorded on the accrual basis, includes interest income.

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(g) Equipment:

Equipment is stated at cost, less accumulated amortization. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Computer equipment	Straight-line	3 years

Equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value.

VICTORIA DIVISION OF FAMILY PRACTICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Equipment:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 11,181	\$ 9,732	\$ 1,449	\$ 3,002

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$8,670 (2017 - \$7,363), which includes amounts payable for payroll related taxes.

4. Deferred revenue:

Deferred revenue represents the unspent portion of contributions received during the year. Changes in the deferred revenue balances are as follows:

	Opening balance	Net funding received	Interfund transfers	Revenue recognized	Ending balance
Infrastructure	\$ 177,994	\$ 1,214,475	\$ -	\$ (1,252,637)	\$ 139,832
Transition in					
Care	136,947	138,654	-	(206,210)	69,391
Regional					
retention and					
recruitment	30,149	-	-	(19,203)	10,946
CYMHSU					
Collaborative	43,242	-	-	(43,242)	-
MHSU	148,069	261,416	-	(360,579)	48,906
Residential care					
initiatives	916,638	1,346,400	-	(1,234,344)	1,028,694
Patient Medical					
Home	31,013	125,000	-	(110,036)	45,977
	\$ 1,484,052	\$ 3,085,945	\$ -	\$ (3,226,251)	\$ 1,343,746

VICTORIA DIVISION OF FAMILY PRACTICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Deferred capital contributions:

Unamortized deferred capital revenue represents the portion of externally restricted contributions used to acquire property, plant and equipment that will be recognized as revenue in future periods over the remaining useful life of the assets.

	Balance, beginning of year	Funding received	Revenue recognized	Balance, end of year
Infrastructure	\$ 3,002	\$ 2,174	\$ (3,727)	\$ 1,449

6. Commitments:

The Society is committed under operating leases for office premises. Future minimum lease payments under these agreements are as follows:

2019	\$ 34,500
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7. Economic dependence:

The Society receives all of its funding through the General Practice Services Committee, a joint initiative of the Government of BC and the BC Medical Association ("BCMA"), doing business as Doctors of BC. Future operations of the Society depend on the annual infrastructure funding agreement with the General Practice Services Committee.

8. Residential care initiative

Included in residential care initiative payments are amounts paid to physicians of \$803,401 (2017 - \$640,897).

VICTORIA DIVISION OF FAMILY PRACTICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Employee, director and contractor remuneration:

The BC Societies Act came into effect on November 28, 2016. The Act has a requirement for the disclosure in the financial statements of the remuneration of directors, employees and contractors for financial statements prepared after November 28, 2016. For employee and contractor remuneration the requirement is to disclose amounts paid to individuals whose remuneration was greater than \$75,000. For the fiscal year ending March 31, 2018, the Society paid remuneration of \$825,507 (2017 - \$1,021,348) to 7 (2017 - 10) individuals, each of whom received total annual remuneration of \$75,000 or greater.

For director remuneration the requirement is to disclose all directors that the Society has paid for the fiscal year ending March 31, 2018. The disclosure includes the directors' position or title, the amount of remuneration for acting as a director of the board, as well as the amount of remuneration for acting in another capacity.

	Remuneration for acting in other capacity	Remuneration for board services	Total remuneration
Board Co-Chair	\$ 25,605	\$ 48,880	\$ 74,485
Board Co-Chair	-	54,460	54,460
Treasurer	21,530	32,335	53,865
Director	18,459	25,188	43,647
Former Director	14,524	23,895	38,419
Director	-	20,906	20,906
Secretary	-	18,240	18,240
Director	-	16,753	16,753
Director	5,904	7,757	13,661
Director	5,011	7,534	12,545

Remuneration for acting in other capacity includes remuneration paid while not an active board member and payments for clinical services.

VICTORIA DIVISION OF FAMILY PRACTICE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

10. Financial risks and concentration of risk:

(a) Credit risk:

For cash and cash equivalents, term deposits and accounts receivable the Society's credit risk is limited to the carrying value on the balance sheet. The Society assesses the credit quality of the counter parties, dealing only with high credit quality financial institutions, taking into account their financial position, past experience, and other factors.

(b) Liquidity risk:

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

(c) Other financial instrument risks:

Management believes that the Society is not exposed to significant interest or currency risks from these financial instruments.

11. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect the prior year deficiency of revenue over expenses.