
Financial statements of Medical Council of Canada

March 31, 2019

Independent Auditors' Report	1-2
Statement of financial position	3
Statement of operations	4
Statement of changes in net assets	5
Statement of cash flows	6
Notes to the financial statements	7-16
Schedules	
Schedule 1 – Schedule of revenue	17
Schedule 2 – Schedule of expenses	18-19

Independent Auditors' Report

To the Board of Directors of
the Medical Council of Canada

Opinion

We have audited the financial statements of the Medical Council of Canada, which comprise the statement of financial position as at March 31, 2019, 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 (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 Medical Council of Canada as at March 31, 2019, 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 Medical Council of Canada 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.

Other Matter

The financial statements for the year ended March 31, 2018 were audited by another auditor whose report dated June 27, 2018, expressed an unmodified opinion on these financial statements.

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 Medical Council of Canada'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 Medical Council of Canada or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Medical Council of Canada'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 Medical Council of Canada'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 Medical Council of Canada'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.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountant
June 26, 2019

Medical Council of Canada
Statement of financial position
As at March 31, 2019

	Notes	2019 \$	2018 \$
Assets			
Current assets			
Cash		7,965,867	5,201,007
Accounts receivable		700,994	2,020,020
Prepaid expenses		248,256	256,542
		8,915,117	7,477,569
Investments	4	19,882,465	19,084,276
Tangible and intangible capital assets	5	25,067,837	25,238,808
Pension asset	7	213,000	2,228,000
Accounts receivable - Long term		569,165	—
		54,647,584	54,028,653
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		2,294,516	2,440,636
Deferred exam fees		16,302,851	16,782,437
		18,597,367	19,223,073
Pension liability	7	1,602,000	1,515,000
		20,199,367	20,738,073
Net assets			
Unrestricted	6	1,630,380	301,772
Invested in tangible and intangible capital assets		25,067,837	25,238,808
Internally restricted		7,750,000	7,750,000
		34,448,217	33,290,580
		54,647,584	54,028,653

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

Approved by the Board

 Director

 Director

Medical Council of Canada

Statement of operations

Year ended March 31, 2019

	Budget \$ (Unaudited)	2019 \$	2018 \$ (Restated) (Note 3)
Revenue (Schedule)			
Core Competency Assessment	29,525,451	30,776,534	29,708,410
Physician Registry	6,496,393	8,296,424	6,925,633
Grants	946,518	1,896,518	2,892,047
Administration and service fees	908,192	1,646,261	1,774,874
Investment income	1,000,000	843,302	2,359,956
Other	132,606	332,706	161,987
In-practice competency Assessment	532,500	128,492	156,604
	39,541,660	43,920,237	43,979,511
Expenses (Schedule)			
Salaries and consulting services	21,665,197	20,516,733	19,146,013
Exam delivery and administration costs	9,359,929	9,511,185	8,767,749
Office administration	3,805,733	4,331,181	4,828,766
Projects	1,253,638	2,454,351	3,953,943
Source verification	1,439,363	1,861,476	1,456,473
Amortization of tangible and intangible capital assets	894,109	893,997	671,710
Exam development	795,258	593,336	496,274
Council governance	389,390	398,125	346,230
Research and development	320,500	178,842	206,632
Other expenses	153,500	125,736	140,700
	40,076,617	40,864,962	40,014,490
Excess (deficiency) of revenue over expenses before the undernoted	(534,957)	3,055,275	3,965,021
Other income (expenses)			
Unrealized gains (losses) on investments	—	637,895	(1,801,170)
Rent	36,582	32,467	26,636
Loss on sale of tangible capital assets	—	—	—
	36,582	670,362	(1,774,534)
Excess (deficiency) of revenue over expenses	(498,375)	3,725,637	2,190,487

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

Medical Council of Canada

Statement of changes in net assets

Year ended March 31, 2019

					2019
	Balance, beginning of year \$	Excess (deficiency) of revenue over expenses \$	Pension remeasure- ments \$	Transfers to (from) \$	Balance, end of year \$
Unrestricted	301,772	3,896,608	(2,568,000)	—	1,630,380
Invested in tangible and intangible capital assets	25,238,808	(170,971)	—	—	25,067,837
Internally restricted					
Item Bank self-insurance	1,000,000	—	—	—	1,000,000
Pension special payment	500,000	—	—	—	500,000
Supplemental Executive Retirement Plans (SERP)	1,515,000	87,000	—	—	1,602,000
Contingency	1,485,000	(87,000)	—	—	1,398,000
Strategic Themes	3,250,000	—	—	—	3,250,000
	7,750,000	—	—	—	7,750,000
	33,290,580	3,725,637	(2,568,000)	—	34,448,217
					2018
	Balance, beginning of year \$	Excess (deficiency) of revenue over expenses \$	Pension remeasure- ments \$	Transfers to (from) \$	Balance, end of year \$
Unrestricted	1,470,533	(Restated) (Note 3) 2,716,239	(Restated) (Note 3) (3,885,000)	—	301,772
Invested in tangible and intangible capital assets	25,764,560	(525,752)	—	—	25,238,808
Internally restricted					
Item Bank self-insurance	500,000	—	—	500,000	1,000,000
Pension special payment	3,000,000	—	—	(2,500,000)	500,000
Supplemental Executive Retirement Plans (SERP)	1,400,000	—	—	115,000	1,515,000
Contingency	1,600,000	—	—	(115,000)	1,485,000
Strategic Themes	1,250,000	—	—	2,000,000	3,250,000
	7,750,000	—	—	—	7,750,000
	34,985,093	2,190,487	(3,885,000)	—	33,290,580

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

Medical Council of Canada**Statement of cash flows**

Year ended March 31, 2019

	2019	2018
	\$	\$
Operating activities		
Excess of revenue over expenses	3,725,637	2,190,487
Items not involving cash		
Amortization of tangible and intangible capital assets	893,997	671,710
Unrealized (gain) loss on investments	(637,895)	1,801,170
Gain on disposal of investments	(37,479)	(1,812,920)
Decrease in pension asset	2,015,000	2,774,000
Pension - remeasurements and other items	(2,568,000)	(3,885,000)
Decrease in pension liability	87,000	115,000
Change in non-cash operating working capital items	132,441	508,999
	3,610,701	2,363,446
Investing activity		
Purchases of investments	(9,506,059)	(24,800,047)
Sales of investments	9,383,234	19,487,117
Acquisition of tangible and intangible capital assets	(723,026)	(145,958)
	(845,851)	(5,458,888)
Net increase (decrease) in cash	2,764,850	(3,095,442)
Cash, beginning of year	5,201,007	8,296,449
Cash end of year	7,965,857	5,201,007

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

1. Purpose of the Organization

The Medical Council of Canada's ("the MCC") original purpose was to establish and promote a qualification in medicine, known as the Licentiate of the Medical Council of Canada, such that holders thereof are acceptable to provincial licensing authorities for the issuance of a license to practice medicine. At the time of incorporation, its role expanded to include the initiation and promotion of research and development in the evaluation of medical knowledge and competence of undergraduate and graduate medical students and practitioners of medicine and of other health sciences.

Vision

Striving for the highest level of medical care for Canadians through excellence in evaluation of physicians.

Mission

With the key stakeholders, the MCC:

- Develops, validates and implements tools and strategies to evaluate physician's competence; and
- Maintains a national registry of physicians and their qualifications throughout their professional careers.

The MCC was incorporated without share capital under Part II of the *Canada Corporations Act*. Effective October 7, 2013, the MCC continued their articles of incorporation from the *Canada Corporations Act* to the *Canada Not-for-profit Corporations Act*. The MCC is a registered charity and as such is exempt from income tax under Section 149(1)(f) of the *Income Tax Act* (Canada).

2. Accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook – Accounting* and include the following significant accounting policies:

(a) Basis of presentation

These financial statements reflect the operations of the MCC. These financial statements do not include the revenue, expenses, assets and liabilities of the MCC's related entity. The Medical Identification Number for Canada Inc. related party information is disclosed in Note 8.

(b) Revenue recognition

The MCC follows the deferral method of accounting for contributions for not-for-profit organizations. Restricted contributions are deferred and are recognized as revenue in the period in which related expenses are incurred. Examination fees are recognized as revenue when the examination takes place. All other revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Evaluating examination fees which are inactive for a period of three years are forfeited by candidates and are recorded as revenue.

2. Accounting policies (continued)

(c) Tangible and intangible capital assets

Tangible and intangible capital assets are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives as follows:

Assets	Useful life
Tangible capital assets	
Building - Thomas Spratt	40 years
Furniture and equipment	10 years
Computer equipment	3 years
Intangible capital assets	
Computer software	3 years

A full year's amortization expense is taken in the year of acquisition.

When a tangible or intangible capital asset no longer contributes to the MCC's ability to provide services, its carrying amount is written down to its residual value.

(d) Employee future benefits

The MCC participates in a defined benefit pension plan, the Canadian Medical Association (CMA) Pension Plan, and also provides supplemental pension arrangements to certain employees. The MCC is also an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. Pension benefits are based on length of service and final average earnings.

The MCC uses the simplified method to account for the above plans. Under the simplified method, the accrued benefit obligation is based on an actuarial valuation report prepared for funding purposes. The MCC accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension benefits. The actuarial determination of the accrued benefit obligations for pensions benefits uses the projected benefit method prorated on service (which incorporates management's assumptions used for funding purposes, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the CMA Pension Plan assets, which are recorded at fair value, and accrued benefit obligation do not coincide with the MCC's fiscal year, therefore a roll forward technique is used to estimate the amounts at each period end. The measurement date of the supplemental pension arrangements' accrued benefit obligation coincides with the MCC's fiscal year. The most recent actuarial valuation of the defined benefit pension plan for funding purposes was as of January 1, 2018, and the next required valuation will be started as of January 1, 2021.

The MCC recognizes the accrued benefit obligation net of the fair value of the plan amounts adjusted for any valuation allowance in the statement of financial position. The cost of the plan, comprising (i) changes in the accrued benefit obligation other than those resulting from benefit payments to plan members and net of any employee contributions; and (ii) the actual return on plan assets is recorded in the statement of operations. Remeasurement gains and losses are recognized in the statement of changes in net assets.

2. Accounting policies (continued)

(e) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The MCC has elected to carry all investments at fair value.

Sales and purchases of investments are recorded on the trade date. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight-line method.

Financial assets are assessed for indicators of impairment on an annual basis at the end of the fiscal year. Where an indicator of impairment is present, the MCC 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 MCC 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 impairment charge.

(f) Expenses

In the statement of operations, the MCC presents its expenses by function with the exception of salaries and consulting services and amortization of tangible and intangible capital assets, which are presented separately.

Expenses are recognized in the period incurred and are recorded in the function to which they are directly related. The MCC does not allocate expenses between functions after initial recognition.

Expenses are disclosed by object for each function in the schedule of expenses.

(g) 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 that 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 revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Significant management estimates include the assumptions used in determining the pension asset and liability, the collectability of accounts receivable, the valuation of investments, the useful lives of capital assets, the amount of certain accruals, and contingent liabilities.

(h) Budget figures

Budget amounts disclosed in the statement of operations and schedule of expenses are based on the original budget of the MCC approved by the Executive Board on September 19, 2017. Budget figures are unaudited.

3. Restatement of comparative figures

During the year, the MCC updated its accounting policy on employee future benefits in order to present pension remeasurements directly in the statement of changes in net assets, as prescribed by section 3463 - Reporting employee future benefits by not-for-profit organizations of CPA Canada Handbook, Part III. In prior years, the MCC included the remeasurements in statement of operations. As a result, comparative figures were restated. This change in accounting policy did not result in any changes to the pension liability and pension asset presented in the statement of financial position as at March 31, 2018. The impact of this change in accounting policy is as follows.

	March 31, 2018 \$
Deficiency of revenue over expenses as previously reported for the year ended March 31, 2018	(1,694,513)
Reclassification of pension remeasurements to the statement of changes in net assets	3,885,000
Restated excess of revenue over expenses for the year ended March 31, 2018	<u>2,190,487</u>

4. Investments

	Market \$	2019 Cost \$	Market \$	2018 Cost \$
Equities	11,196,153	10,673,416	10,472,054	10,447,479
Bonds and mutual funds	5,689,655	5,623,748	8,612,222	8,653,584
Mortgages	2,996,657	2,964,193	—	—
	<u>19,882,465</u>	<u>19,261,357</u>	<u>19,084,276</u>	<u>19,101,063</u>

Investments are managed by investment managers in accordance with an investment policy approved by the MCC. The MCC's investment policy limits investments to fixed income securities with a rating of BBB or better, short-term investments with a rating of R-1 or better and equity investments that are reasonably liquid. Except for federal and provincial bonds, not more than 10% of the manager's portfolio can be invested in bonds or shares of a single issuer. Furthermore, no more than 10% of the bond portfolio can be invested in bonds rated BBB.

5. Tangible and intangible capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
	\$	\$	\$	\$
Tangible capital assets				
Land	2,011,226	—	2,011,226	2,011,226
Building	24,261,197	1,817,580	22,443,617	23,049,477
Furniture and equipment	315,812	199,075	116,737	149,625
Computer equipment	1,734,382	1,238,125	496,257	28,480
Intangible capital assets				
Computer software	236,334	236,334	—	—
	28,558,951	3,491,114	25,067,837	25,238,808

Cost and accumulated amortization as at March 31, 2018 amounted to \$27,835,925 and \$2,597,117, respectively.

The MCC has a standby letter of credit for \$43,914 relating to the construction of the new building, as required by the City of Ottawa, to cover potential municipal taxes. The MCC has drawn \$nil as at March 31, 2019 (nil in 2018).

6. Net assets

The MCC considers its capital to consist of net assets. The MCC's overall objective is to effectively use resources to maximize the ability to achieve its vision, fund tangible and intangible capital assets, future projects and ongoing operations. The MCC manages net assets by establishing internally restricted funds and appropriating amounts to the restricted funds for anticipated future projects, contingencies and other capital requirements. These allocations are disclosed in the statement of changes in net assets.

The MCC is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended March 31, 2018.

Internally restricted net assets

Net assets are internally restricted for specific operating and capital purposes as authorized by the MCC at the annual meeting. Internally restricted balances are supported by a clear statement of purpose, specific level of funding required, and a projected time frame for the accumulation and draw down of the balance at the time established.

The purpose of any internally restricted balance is consistent with the objectives of the MCC's strategic initiatives and operating plans, as well as identified risks to the achievement of these objectives.

7. Employee future benefits

(a) CMA Pension Plan

The MCC is a participating employer in the Canadian Medical Association (CMA) Pension Plan. The CMA Pension Plan is funded by contributions from participating employers and from plan members.

The Supplemental Executive Retirement Plans (SERPs) are unfunded arrangements, sponsored by the MCC.

7. Employee future benefits (continued)

(a) CMA Pension Plan (continued)

The CMA Pension Plan and SERPs are defined benefit pension plans.

The MCC has adopted an annual measurement date of March 31 for estimating the accounting surplus or deficit and establishing benefit costs for the fiscal period.

(i) Plan assets and obligations

The reconciliation of the funded status of the defined benefit pension plan to the amount recorded in the financial statements is as follows:

(1) Pension assets (liability)

	CMA Pension Plan \$	2019 Supplemental Executive Retirement Plans \$	CMA Pension Plan \$	2018 Supplemental Executive Retirement Plans \$
Plan assets at fair value	29,918,000	—	27,114,000	—
Accrued benefit obligation	(29,705,000)	(1,602,000)	(24,886,000)	(1,515,000)
	213,000	(1,602,000)	2,228,000	(1,515,000)

(2) Accrued benefit obligation

	CMA Pension Plan \$	2019 Supplemental Executive Retirement Plans \$	CMA Pension Plan \$	2018 Supplemental Executive Retirement Plans \$
Accrued benefit obligation, beginning of year	24,886,000	1,515,000	19,294,000	1,400,000
Current service cost	1,242,000	95,000	1,066,000	84,000
Interest cost	1,369,000	53,000	1,177,000	51,000
Employee contributions	784,000	—	759,000	—
Benefits paid	(1,336,000)	(76,000)	(859,000)	(76,000)
Actuarial loss	2,801,000	13,000	3,488,000	55,000
Administrative expense included in service cost	(92,000)	—	(98,000)	—
Interest expense in addition to interest cost	51,000	2,000	59,000	1,000
Accrued benefit obligation, end of year	29,705,000	1,602,000	24,886,000	1,515,000

7. Employee future benefits (continued)

(a) CMA Pension Plan (continued)

(i) Plan assets and obligations (continued)

(3) Plan assets

	CMA Pension Plan \$	2019 Supplemental Executive Retirement Plans \$	CMA Pension Plan \$	2018 Supplemental Executive Retirement Plans \$
Plan assets at fair value, beginning of year	27,114,000	—	24,296,000	—
Actual return on plan assets	1,491,000	—	1,482,000	—
Employer contributions	1,658,000	76,000	1,816,000	76,000
Employee contributions	784,000	—	759,000	—
Benefits paid	(1,336,000)	(76,000)	(859,000)	(76,000)
Administrative expense included in service cost	(92,000)	—	(98,000)	—
Return on plan assets in addition to interest income	299,000	—	(282,000)	—
Plans assets at fair value, end of year	29,918,000	—	27,114,000	—

(ii) Net benefit cost and remeasurements

The components of the net benefit cost included in salaries and benefits expense are recorded on the statement of operations and remeasurements are included in the statement of changes in net assets.

	CMA Pension Plan \$	Supplemental Executive Retirement Plans \$	2019 Total \$	CMA Pension Plan \$	Supplemental Executive Retirement Plans \$	2018 Total \$
Current service cost	1,242,000	95,000	1,337,000	1,066,000	84,000	1,150,000
Finance cost (revenue)	(122,000)	53,000	(69,000)	(305,000)	51,000	(254,000)
Net benefit cost	1,120,000	148,000	1,268,000	761,000	135,000	896,000
Expected return on plan assets	(299,000)	—	(299,000)	282,000	—	282,000
Actuarial loss	2,852,000	15,000	2,867,000	3,547,000	56,000	3,603,000
Remeasurements	2,553,000	15,000	2,568,000	3,829,000	56,000	3,885,000

7. Employee future benefits (continued)

(a) CMA Pension Plan (continued)

(iii) Assumptions

The significant actuarial assumptions adopted include:

	2019		2018	
	CMA Pension Plan	Supplemental Executive Retirement Plans	CMA Pension Plan	Supplemental Executive Retirement Plans
	%	%	%	%
Discount rate - accrued benefit obligation	5.60	3.30	5.50	3.50
Discount rate - pension expense	5.50	3.50	6.10	3.60
Rate of compensation increase	3.00	4.25	3.00	4.25

In accordance with the *Pension Benefits Act of Ontario*, a defined benefit pension plan must establish a provision for adverse deviation ("PfAD"). For entities who have elected to use the pension funding valuation for determining their employee future benefit, the PfAD must be included in the accrued benefit obligation. The MCC's accrued benefit obligation includes \$2,992,000 of PfAD as at March 31, 2019. This change in accounting estimate has been accounted for prospectively.

(iv) Plan assets

Plan assets, at market value, available to provide for plan benefits at the measurement date are invested as follows:

	2019	2018
	%	%
Debt securities	29	34
Equity securities	56	56
Cash and short-term securities	—	10
Mortgages	15	—
	100	100

(v) Defined benefit plan

The latest funding actuarial valuation of the pension plan for funding purposes was performed as at January 1, 2018. The next actuarial valuation will be initiated as at January 1, 2021, in accordance with the requirements of the *Pension Benefits Act* (Ontario).

As part of the regulations governing provincially regulated pension plans in Ontario, pension plans must meet certain solvency requirements, which assume the plans, are wound up/liquidated as of the valuation date. The actuarial valuation performed as at January 1, 2018 reported a net actuarial loss of \$2,102,000, based on economic assumptions applicable on January 1, 2018.

7. Employee future benefits (continued)

(b) Healthcare of Ontario Pension Plan

All new employees hired after December 2017 of the MCC are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan"). This Plan is a multiemployer, defined benefit pension plan. Employer contributions to the Plan during the year amounted to \$163,844 (\$7,151 in 2018). These amounts are included in salaries and benefits in the statement of operations.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent annual actuarial funding valuation of the Plan as at December 31, 2017 indicates the Plan is fully funded.

8. Related party transactions

The MCC exercises significant influence over the Medical Identification Number for Canada Corporation (MINC) by virtue of its ability to appoint 50% of their Board of Directors. The Executive Director of the MCC also sits on the Board of Directors of MINC as a Director. MINC is incorporated under the *Canada Corporations Act* and is a non-profit organization under subsection 149(1)(l) of the *Income Tax Act*. MINC was created to establish and maintain a unique physician identifier for every individual in the Canadian medical education and practice systems. The MCC recorded a \$27,500 (\$55,094 in 2018) expense for funding to MINC during the period.

9. Financial risk management

(a) Credit risk

The MCC is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Credit exposure is minimized by dealing mostly with creditworthy counterparties such as governments and public companies.

The MCC assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in an allowance for doubtful accounts. At period end, there were no amounts allowed for in accounts receivable.

(b) Interest rate risk

The MCC is exposed to interest rate risk with respect to its interest-bearing investments as disclosed in Note 3.

(b) Foreign currency and liquidity risks

The MCC believes that it is not exposed to significant foreign currency or liquidity risks arising from its financial instruments.

There have been no changes to the risk exposures from 2018.

10. Comparative information

Certain comparative information related to expenses has been reclassified to conform with the current year's financial statement presentation.

Medical Council of Canada

Schedule 1 – Schedule of revenue

Year ended March 31, 2019

	Budget \$	2019 \$	2018 \$
	(Unaudited)		
Core Competency Assessment			
MCC Qualifying Examination, Part I	6,882,661	6,339,385	6,513,685
MCC Qualifying Examination, Part II	13,104,000	12,539,670	12,590,251
MCC Evaluating Examination	2,618,500	4,098,804	4,984,745
National Assessment Collaboration Examination	5,037,610	5,948,215	4,545,440
Certified Examination in Family Medicine Administration	689,280	681,382	684,254
MCC Qualifying Examination, Part I Self-Administered	51,100	56,840	298,935
National Assessment Collaboration's Practice-Ready Assessment	443,500	441,680	91,100
Practice Test Portal	698,800	670,558	
	29,525,451	30,776,534	29,708,410
Physician Registry	6,496,393	8,296,424	6,925,633
Administration and service fees			
Administration fees	261,450	637,923	509,571
Service fees	621,742	851,133	843,132
Forfeited fees	25,000	157,205	422,171
	908,192	1,646,261	1,774,874
Grants	946,518	1,896,518	2,892,047
In-practice competency Assessment			
MCC 360-Multisource Feedback	532,500	128,492	156,604
Investment income			
Realized gain (loss) on investment	500,000	(37,479)	1,812,920
Interest income	500,000	880,781	547,036
Net change in fair value	—	637,895	(1,801,170)
	1,000,000	1,481,197	558,786
Rent	36,582	32,467	26,636
Other	132,606	332,706	161,987
	169,188	365,173	188,623
	39,578,242	44,590,599	42,204,977

Medical Council of Canada

Schedule 2 – Schedule of expenses

Year ended March 31, 2019

	Budget \$	2019 \$	2018 \$
	(Unaudited)		
Salaries and consulting services			
Salaries and benefits	21,111,571	20,089,667	18,643,057
Consulting services	553,626	427,066	502,956
	21,665,197	20,516,733	19,146,013
Exam delivery and administration costs			
MCC Qualifying Examination, Part I	532,570	606,662	600,817
MCC Qualifying Examination, Part II	6,086,336	5,668,212	5,404,422
National Assessment			
Collaboration Examination	2,327,800	2,791,347	2,197,579
MCC Evaluating Examination	223,610	299,439	414,118
Certification Examination in Family			
Medicine Administration	189,613	144,861	150,813
Support Tools	—	664	—
	9,359,929	9,511,185	8,767,749
Office administration			
Bank service charges	892,500	1,023,458	961,424
Employee travel and liaisons	473,920	354,126	484,431
Condominium unit	369,502	576,836	469,923
Employee development	273,000	230,936	316,004
Legal	200,000	452,586	745,557
General	196,950	212,850	229,406
Computer software	572,140	647,345	774,133
Office communications	201,072	175,590	201,347
Computer equipment rentals and maintenance	117,500	99,121	140,429
Office supplies	240,580	248,448	191,909
Insurance	54,400	59,906	36,638
Subscriptions and memberships	93,769	75,060	100,117
Audit fees	42,000	60,260	48,348
Postage and courier	50,000	87,617	68,220
AMR Advisory Committee	28,400	11,923	14,951
Foreign exchange loss	—	15,119	45,929
	3,805,733	4,331,181	4,828,766
Exam development			
Test Committees	375,632	198,462	306,309
Central Examination Committee	173,575	184,874	163,939
PAS Standard Setting	140,000	91,349	12,629
NAC3 Committee	90,276	108,222	—
Revision of objectives	15,775	10,429	13,397
	795,258	593,336	496,274
Projects			
MCC Qualifying Examination, Part I International	978,561	1,952,440	2,183,510
National Assessment Collaboration's practice-ready assessment	—	3,199	837,949
MCC 360-Multisource Feedback	275,077	101,936	206,161
Self-Administered Examination	—	396,776	726,323
	1,253,638	2,454,351	3,953,943
Balance forward	36,879,755	37,406,786	37,192,745

Medical Council of Canada

Schedule 2 – Schedule of expenses (continued)

Year ended March 31, 2019

	Budget \$	2019 \$	2018 \$
	(Unaudited)		
Balance forward	36,879,755	37,406,786	37,192,745
Council governance			
Annual Meeting	162,500	257,858	205,031
Executive Board and Council Meetings	141,890	92,912	90,525
Council planning initiatives - Technical Advisory Committee	—	(1,427)	—
Awards	—	2,386	3,206
Research and Development Committee	85,000	46,396	47,468
	389,390	398,125	346,230
Source verification	1,439,363	1,861,476	1,456,473
Research and development			
Research and development	320,500	178,842	206,632
Amortization of tangible and intangible capital assets	894,109	893,997	671,710
Other expenses			
Other corporate membership	123,500	98,236	85,606
Medical Identification Number for Canada	30,000	27,500	55,094
	153,500	125,736	140,700
	40,076,617	40,864,962	40,014,490