

Insurance Council of British Columbia
Financial Statements
For the year ended May 31, 2008

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For the year ended May 31, 2008

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BDO Dunwoody LLP
Chartered Accountants

600 Cathedral Place
925 West Georgia Street
Vancouver BC Canada V6C 3L2
Telephone: (604) 688-5421
Fax: (604) 688-5132
Email: vancouver@bdo.ca
www.bdo.ca

Auditors' Report

To the Members of the Insurance Council of British Columbia

We have audited the Statement of Financial Position of the Insurance Council of British Columbia as at May 31, 2008 and the Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended. These financial statements are the responsibility of the Council's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Insurance Council of British Columbia as at May 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, British Columbia
June 27, 2008

Insurance Council of British Columbia
Statement of Financial Position

May 31 **2008** **2007**

Assets

Current

Cash (Note 1)	\$ 3,019,484	\$ 383,217
Accounts receivable	43,369	35,897
Prepaid expenses	52,639	57,160
	3,115,492	476,274

Investments (Note 2)	577,554	606,436
Property and equipment (Note 3)	265,104	316,259
	\$ 3,958,150	\$ 1,398,969

Liabilities and Net Assets

Liabilities

Current

Accounts payable and accrued liabilities	\$ 527,740	\$ 269,532
Pending application fees	182,805	70,718
Deferred revenue	3,066,560	623,116
Tenant inducement	5,218	5,218
	3,782,323	968,584

Tenant inducement	15,656	20,874
	3,797,979	989,458

Net Assets

Investment in property and equipment	265,104	316,259
Unrestricted	(104,933)	93,252
	160,171	409,511
	\$ 3,958,150	\$ 1,398,969

Approved on behalf of Council:


 _____ Member

 _____ Member

Insurance Council of British Columbia
Statement of Operations

For the year ended May 31	2008	2007
Revenue (Schedule)	\$ 3,241,843	\$ 2,368,537
Expenses		
Advertising	10,704	11,935
Amortization	91,735	106,315
Automobile and travel	57,354	56,086
Data processing and information system maintenance	108,088	113,698
Equipment rentals and service	10,786	9,587
Exam room rental	52,364	41,746
Hearings	108,689	153,834
Insurance	18,569	18,980
Loss on disposal of property and equipment	10,013	-
Maintenance	7,604	12,134
Meetings	166,187	187,486
Office and miscellaneous	28,293	32,180
Postage and delivery	88,758	72,551
Proctor and marker fees	90,255	78,090
Professional fees	152,628	174,798
Rent	293,285	265,241
Salaries and benefits	2,089,136	1,951,942
Stationery, printing and supplies	67,597	73,048
Telephone	25,417	25,195
Training	13,721	15,178
	3,491,183	3,400,024
Deficiency of revenue over expenses	\$ (249,340)	\$ (1,031,487)

Insurance Council of British Columbia
Statement of Changes in Net Assets

For the year ended May 31, 2008

	Investment in		Total	
	Property and Equipment	Unrestricted	2008	2007
Balance, beginning of year	\$ 316,259	\$ 93,252	\$ 409,511	\$ 1,440,998
Deficiency of revenue over expenses	-	(249,340)	(249,340)	(1,031,487)
Amortization of property and equipment	(91,735)	91,735	-	-
Purchase of property and equipment	50,593	(50,593)	-	-
Loss on disposal of property and equipment	(10,013)	10,013	-	-
Balance, end of year	\$ 265,104	\$ (104,933)	\$ 160,171	\$ 409,511

Insurance Council of British Columbia
Statement of Cash Flows

For the year ended May 31 2008 2007

Cash provided by (used in)

Operating activities

Deficiency of revenue over expenses	\$ (249,340)	\$ (1,031,487)
Items not involving cash		
Amortization	91,735	106,315
Decrease in rent expense from tenant inducement	(5,218)	(5,218)
Loss on disposal of property and equipment	10,013	-
Changes in non-cash operating working capital (Note 4)	2,810,788	(446,496)

2,657,978 **(1,376,886)**

Investing activities

Decrease in investments	28,882	1,598,112
Purchase of property and equipment	(50,593)	(235,442)

(21,711) **1,362,670**

Decrease in cash during the year

2,636,267 **(14,216)**

Cash, beginning of year

383,217 **397,433**

Cash, end of year

\$ 3,019,484 **\$ 383,217**

Insurance Council of British Columbia Summary of Significant Accounting Policies

May 31, 2008

- General** The Insurance Council of British Columbia ("Council") is constituted under the *Financial Institutions Act of British Columbia* (the "Act"). Council determines the qualification and suitability of applicants for licensing as insurance agents, insurance salespersons and insurance adjusters; administers examinations to such applicants; and issues the respective licences. In addition, Council investigates complaints and determines any required disciplinary action.
- As well as making fee assessments against licensees and insurers to fund its expenses, Council collects fees prescribed under the Act on behalf of the provincial government.
- Fund Accounting** Council follows the deferral method of accounting whereby restricted revenues are deferred and recognized at the time of the related expenditures. Unrestricted revenues are recorded when earned or received.
- With the exception of the Investment in Property and Equipment, there are no restrictions over the net assets of Council.
- Property and Equipment** Property and equipment are recorded at historical cost and amortized using the straight-line method over their estimated useful lives, commencing when they are put into use, over the following periods:
- | | |
|-------------------------|-------------|
| Furniture and equipment | 10 years |
| Leasehold improvements | 10 years |
| Computer hardware | 5 years |
| Computer software | 2 - 3 years |
- Revenue Recognition** Revenue from Council fees - Licensees is recognized over the term of the licence. In 2008 fiscal, annual licensing fees were prorated to May 31, 2008 in preparation for continuous licensing and an annual filing date of June 1, commencing in 2009 fiscal.
- Receivables from licensees for Council fees billed but not collected prior to the year-end are not recognized in the accounts, as renewal is at the discretion of the licensee.
- Financial Instruments** In April 2005, the Accounting Standards Board issued new Handbook sections on financial instruments, Section 3855 and Section 3861. Section 3855 Financial Instruments – Recognition and Measurement address when financial instruments should be recognized and how they should be measured. Section 3861 Financial Instruments – Disclosure and Presentation provides standards for how financial instruments should be classified on financial statements and the disclosure requirements. These Handbook sections were effective for fiscal year ends reporting on or after September 30, 2007. Council has adopted both of the sections for the fiscal year ended May 31, 2008.

Insurance Council of British Columbia Summary of Significant Accounting Policies

May 31, 2008

Financial Instruments (cont.)

Council's financial instruments consist of cash, accounts receivable, investments, and accounts payable and accrued liabilities. These financial instruments are accounted for as follows:

Held-for-trading

Cash is designated as held-for-trading and recorded at fair value.

Held-to-maturity

Investments are classified as held-to-maturity. The investments are fixed maturity financial assets that Council has both the intention and the ability to hold to maturity. These assets are initially recognized at their fair value which is determined by published price quotations. Held-to-maturity assets are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Loans and receivables

Accounts receivable are classified as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment. The fair value of accounts receivable approximate the carrying value due to the short term nature.

Other financial liabilities

Accounts payable and accrued liabilities have been classified as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment. The fair values of all other financial liabilities approximate the carrying value due to the short term nature.

It is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Insurance Council of British Columbia Summary of Significant Accounting Policies

May 31, 2008

**Pending Application
Fees**

Pending application fees represent amounts collected for Council fees - Licensees where the licence has not been issued prior to the fiscal year-end.

Tenant Inducement

Tenant inducement represents amounts received upon signing a new office premises lease. Such amounts are recognized as reduction of rent expense on a straight-line basis over the lease term.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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. Actual results could differ from management's best estimates as additional information becomes available in the future.

**New Accounting
Pronouncements**

Recent accounting pronouncements that have been issued but are not yet effective and have a potential implication for Council are as follows:

General standards on financial statement presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern.

These changes are effective for Council's fiscal year beginning June 1, 2008. Council does not expect the adoption of these changes to have a material impact on its financial statements.

Financial Instruments

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for Council's fiscal year beginning June 1, 2009. Council is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Insurance Council of British Columbia
Notes to Financial Statements

May 31, 2008

1. Cash

The Council's bank accounts are held at one chartered bank and one credit union earning interest at tiered and market rates, respectively.

2. Investments

Investments of \$550,000 represent three- to five-year term investments with two Canadian life insurers, no one of which holds more than 62% (2007 - 50%) of the total invested. The weighted average term to maturity is 340 days (2007 - 608 days). The weighted average effective interest rate is 3.34% (2007 - 3.41%).

The Council's investments are reinvested upon maturity at interest rates available at the time. As a result, fluctuation in interest rates on such investments will affect interest income earned.

3. Property and Equipment

	2008		2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 264,240	\$ 130,655	\$ 133,585	\$ 158,235
Leasehold improvements	72,705	26,375	46,330	53,600
Computer hardware	128,444	75,068	53,376	52,952
Computer software	89,769	57,956	31,813	51,472
	\$ 555,158	\$ 290,054	\$ 265,104	\$ 316,259

Included in computer software cost is \$25,600 of asset not subject to amortization as it was acquired in 2008 fiscal for use in 2009 fiscal.

4. Statement of Cash Flows

	2008	2007
Changes in non-cash operating working capital:		
Accounts receivable	\$ (7,472)	\$ 19,176
Prepaid expenses	4,521	(20,366)
Accounts payable and accrued liabilities	258,208	47,457
Pending application fees	112,087	(52,901)
Deferred revenue	2,443,444	(439,862)
	\$ 2,810,788	\$ (446,496)

Insurance Council of British Columbia Notes to Financial Statements

May 31, 2008

5. Commitments

Council has an operating lease with respect to its office premises until May 2012, as well as certain commitments for networking and technical support services until March 2009. The following annual payments are required in respect of these commitments, including estimated operating costs and property taxes on rented premises:

2009	\$ 299,000
2010	289,000
2011	289,000
2012	<u>289,000</u>
	<u>\$ 1,166,000</u>

6. Pension Plan

Council maintains a defined contribution pension plan for its employees. During the year, the Council paid \$73,857 (2007 - \$59,240) for employer contributions to the plan.

7. Change in Accounting Policy - Financial Instruments

Effective June 1, 2007, Council adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards. CICA 3855 Financial Instruments - Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. CICA 3861 Financial Instruments Disclosures and Presentation and CICA 3865 Hedges discuss the presentation and disclosure of these items. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

Amendments to CICA 4400 Not-For-Profit Organizations require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets. Council does not have any transactions which qualify for hedge accounting.

Transactions entered into prior to the adoption of these recommendations have not been retroactively designated. In accordance with the transitional provisions, the prior year comparative figures have not been restated.

Pursuant to the requirements of these financial instruments standards, Council now classifies and recognizes its financial assets and liabilities as described in the Summary of Significant Accounting Policies. Upon adoption, Council remeasured its held-for-trading financial assets at their fair value, and its loans and receivables and other financial liabilities at their amortized cost. These changes had no significant impact to these financial statements.

Insurance Council of British Columbia
Schedule of Revenue

For the year ended May 31 2008 2007

Revenue

Council fees - Licensees	\$ 2,510,874	\$ 1,781,223
Council fees - Insurers	244,000	221,400
Examination fees	268,990	228,316
Interest and other	217,979	137,598
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	\$ 3,241,843	\$ 2,368,537
