

Insurance Council of British Columbia
Financial Statements
For the year ended May 31, 2009

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For the year ended May 31, 2009

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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, 2009 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, 2009 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 26, 2009

Insurance Council of British Columbia
Statement of Financial Position

May 31 **2009** **2008**

Assets

Current

Cash (Note 1)	\$ 3,821,922	\$ 3,019,484
Short-term investments (Note 2)	751,296	472,129
Accounts receivable	175	43,369
Prepaid expenses	34,524	52,639

4,607,917 **3,587,621**

Long-term investments (Note 2)

1,027,314 **105,425**

Property and equipment (Note 3)

222,154 **265,104**

\$ 5,857,385 **\$ 3,958,150**

Liabilities and Net Assets

Liabilities

Current

Accounts payable and accrued liabilities	\$ 587,005	\$ 527,740
Pending application fees	138,939	182,805
Deferred revenue	3,590,805	3,066,560
Tenant inducement	5,218	5,218

4,321,967 **3,782,323**

Tenant inducement

10,438 **15,656**

4,332,405 **3,797,979**

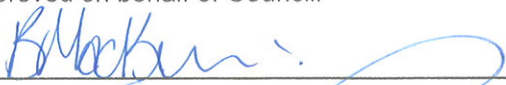
Net Assets


Investment in property and equipment	222,154	265,104
Unrestricted	1,302,826	(104,933)

1,524,980 **160,171**

\$ 5,857,385 **\$ 3,958,150**

Approved on behalf of Council:


_____ Member


_____ Member

Insurance Council of British Columbia
Statement of Operations

For the year ended May 31	2009	2008
Revenue (Schedule)	\$ 5,067,090	\$ 3,241,843
Expenses		
Amortization	79,529	91,735
Data processing and information system maintenance	122,534	108,088
Equipment rentals and service	10,408	10,786
Hearings	125,971	108,689
Insurance	34,159	18,569
Loss on disposal of property and equipment	2,122	10,013
Maintenance	7,450	7,604
Meetings	146,074	166,187
Office and miscellaneous	59,590	38,997
Postage and delivery	70,312	88,758
Professional fees	239,519	133,264
Qualifying examinations	179,800	161,983
Rent	306,908	293,285
Salaries and benefits	2,187,817	2,089,136
Stationery, printing and supplies	50,934	67,597
Telephone	24,794	25,417
Training	11,086	13,721
Travel	43,274	57,354
	3,702,281	3,491,183
Excess (deficiency) of revenue over expenses	\$ 1,364,809	\$ (249,340)

Insurance Council of British Columbia
Statement of Changes in Net Assets

For the year ended May 31, 2009

	Investment in Property and Equipment		Unrestricted		Total	
	2009	2008	2009	2008	2009	2008
Balance, beginning of year	\$ 265,104	\$ (104,933)	\$ 160,171	\$ 409,511		
Excess (deficiency) of revenue over expenses for the year	-	1,364,809	1,364,809	(249,340)		
Amortization of property and equipment	(79,529)	79,529	-	-		
Purchase of property and equipment	38,701	(38,701)	-	-		
Loss on disposal of property and equipment	(2,122)	2,122	-	-		
Balance, end of year	\$ 222,154	\$ 1,302,826	\$ 1,524,980	\$ 160,171		

Insurance Council of British Columbia
Statement of Cash Flows

For the year ended May 31 **2009** **2008**

Cash provided by (used in)

Operating activities

Excess (deficiency) of revenue over expenses for the year	\$ 1,364,809	\$ (249,340)
Items not involving cash		
Amortization	79,529	91,735
Decrease in rent expense from tenant inducement	(5,218)	(5,218)
Loss on disposal of property and equipment	2,122	10,013
Changes in non-cash operating working capital (Note 4)	<u>600,952</u>	<u>2,810,788</u>

2,042,194 2,657,978

Investing activities

(Increase) decrease in investments	(1,201,056)	28,882
Purchase of property and equipment	<u>(38,700)</u>	<u>(50,593)</u>

(1,239,756) (21,711)

Increase in cash during the year

802,438 2,636,267

Cash, beginning of year

3,019,484 383,217

Cash, end of year

\$ 3,821,922 \$ 3,019,484

Insurance Council of British Columbia Summary of Significant Accounting Policies

May 31, 2009

General The Insurance Council of British Columbia ("Council") is constituted under the Financial Institutions Act of British Columbia (the "Act") and is a tax-exempt body under Section 149 of the *Income Tax 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 internal restriction for 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.

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.

Examination revenue is non-refundable and is recognized when the application fee is received.

Fines revenue and investigation costs recovered, which are included in interest and other revenue, are recognized when collection is reasonably assured.

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

Held-for-trading

Cash and short-term investments are designated as held-for-trading and recorded at fair value.

Insurance Council of British Columbia Summary of Significant Accounting Policies

May 31, 2009

Financial Instruments (Continued)

Held-to-maturity

Long-term 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. The fair value of long-term investments is set out in Note 2.

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.

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.

Insurance Council of British Columbia Summary of Significant Accounting Policies

May 31, 2009

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:

CICA Handbook Section 1000, Financial Statement Concepts

Section 1000 has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for the Council's fiscal year beginning June 1, 2009. Council expects that this new standard will not significantly impact its financial reporting.

Financial Statement Presentation by Not-for-Profit Organizations

Section 4400 of the CICA Handbook has been amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets; and
- require that revenues and expenses must be recognized and presented on a gross basis when a not for profit organization is acting as a principal in transactions.

The new requirements are effective for Council's fiscal year beginning June 1, 2009. Council is currently assessing the impact of the new standard.

Disclosure of Related Party Transactions by Not-for-Profit Organizations

Section 4460 of the CICA Handbook has been amended to be consistent with the related party accounting rules for private and public enterprises.

These new rules will be effective for Council's fiscal year beginning June 1, 2009 but are not expected to have any significant impact to Council's reporting.

Insurance Council of British Columbia
Summary of Significant Accounting Policies

May 31, 2009

**New Accounting
Pronouncements
(Continued)**

Disclosure of Allocated Expenses by Not-for-Profit Organizations

Section 4470 of the CICA Handbook establishes disclosure standards for not for profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. Particular emphasis is made to allocation fundraising and general administration expenses.

These new rules will be effective for Council's fiscal year beginning June 1, 2009 but are not expected to have any significant impact to Council's reporting.

Insurance Council of British Columbia
Notes to the Financial Statements

May 31, 2009

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

Short-term investments are held with several credit unions and Canadian life insurers in the form of savings accounts and GICs. GICs have interest rates from 1.00% to 3.57% (2008 - 3.10% to 3.80%).

Long-term investments represent three to five year term investments held with various Canadian life insurers, no one of which holds more than 25% (2008 - 62%) of the total invested. The weighted average term to maturity is 1,089 days (2008 - 340 days). The weighted average effective interest rate is 3.42% (2008 - 3.34%). The fair value of these investments at May 31, 2009 was \$1,028,630 (2008 - \$105,425).

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

	2009		2008	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 211,847	\$ 99,535	\$ 112,312	\$ 133,585
Leasehold improvements	72,705	33,641	39,064	46,330
Computer hardware	128,344	77,063	51,281	53,376
Computer software	51,420	31,923	19,497	31,813
	\$ 464,316	\$ 242,162	\$ 222,154	\$ 265,104

Insurance Council of British Columbia
Notes to the Financial Statements

May 31, 2009

4. Changes in Non-Cash Operating Working Capital

	<u>2009</u>	<u>2008</u>
Accounts receivable	\$ 43,193	\$ (7,472)
Prepaid expenses	18,115	4,521
Accounts payable and accrued liabilities	59,265	258,193
Pending application fees	(43,866)	112,087
Deferred revenue	524,245	2,443,459
	<u>\$ 600,952</u>	<u>\$ 2,810,788</u>

5. Commitments

Council has an operating lease with respect to its office premises until May 2012. The following annual payments are required in respect of the office premises, including estimated operating costs and property taxes on rented premises:

2010	\$ 289,000
2011	289,000
2012	<u>289,000</u>
	<u>\$ 867,000</u>

6. Pension Plan

Council maintains a defined contribution pension plan for its employees. During the year, the Council paid \$66,907 (2008 - \$73,857) for employer contributions to the plan.

7. Capital Disclosures

Council considers its capital to be its net assets: investment in property and equipment and unrestricted balances. Council's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide services to its members. Annual budgets are developed and monitored to ensure the Council's capital is maintained at an appropriate level. The Council is not subject to externally imposed capital requirements.

Insurance Council of British Columbia
Schedule of Revenue

For the year ended May 31 2009 2008

Revenue

Council fees - Licensees	\$ 4,153,654	\$ 2,510,874
Council fees - Insurers	498,000	244,000
Examination fees	274,950	268,990
Interest and other	140,486	217,979
	<hr/>	
	\$ 5,067,090	\$ 3,241,843
