

**Insurance Council of British Columbia  
Financial Statements  
For the year ended May 31, 2013**

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Financial Statements  
For the year ended May 31, 2013**

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## Independent Auditor's Report

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### To the Members of the Insurance Council of British Columbia

We have audited the accompanying financial statements of the Insurance Council of British Columbia, which comprise the Statements of Financial Position as at May 31, 2013, May 31, 2012 and June 1, 2011, and the Statements of Operations, Changes in Net Assets and Cash Flows for the years ended May 31, 2013 and May 31, 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.

### Auditor's 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 Insurance Council of British Columbia as at May 31, 2013, May 31, 2012 and June 1, 2011 and the results of its operations and its cash flows for the years ended May 31, 2013 and May 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

*BDO Canada LLP*

Chartered Accountants

Vancouver, British Columbia  
August 30, 2013

**Insurance Council of British Columbia  
Statement of Financial Position**

	May 31 2013	May 31 2012	June 1 2011
<b>Assets</b>			
<b>Current</b>			
Cash (Note 3)	\$ 3,391,592	\$ 3,576,811	\$ 4,455,023
Short-term investments (Note 4)	1,192,108	1,488,562	955,295
Accounts receivable	79,183	474,343	104,188
Prepaid expenses	44,722	68,511	39,987
	4,707,605	5,608,227	5,554,493
Long-term investments (Note 4)	3,893,150	3,093,047	2,884,615
Property and equipment (Note 5)	1,136,521	914,875	188,335
	\$ 9,737,276	\$ 9,616,149	\$ 8,627,443
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 785,562	\$ 666,239	\$ 602,747
Pending application fees	129,437	179,044	140,746
Deferred revenue	2,734,860	2,576,400	2,597,050
Tenant inducement	37,896	37,896	5,220
	3,687,755	3,459,579	3,345,763
Tenant inducement	303,165	341,061	-
	3,990,920	3,800,640	3,345,763
<b>Net Assets</b>			
Investment in property and equipment	1,136,521	914,875	188,335
Unrestricted	4,609,835	4,900,634	5,093,345
	5,746,356	5,815,509	5,281,680
	\$ 9,737,276	\$ 9,616,149	\$ 8,627,443

Approved on behalf of Council:



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Member

  



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Member

**Insurance Council of British Columbia  
Statement of Operations**

For the year ended May 31	2013	2012
Revenue (Schedule)	<u>\$ 4,523,000</u>	<u>\$ 4,562,461</u>
<b>Expenses</b>		
Advertising	7,295	10,067
Amortization	146,740	64,243
Data processing and information system maintenance	149,773	142,998
Equipment rentals and service	6,691	5,099
Hearings	103,866	130,886
Insurance	17,207	16,517
Loss on disposal of property and equipment	3,175	20,423
Maintenance	7,498	4,588
Meetings	187,787	210,740
Office and miscellaneous	63,769	73,275
Postage and delivery	49,634	45,191
Professional fees	362,352	276,145
Public relations	9,464	6,599
Qualifying examinations	172,145	198,728
Rent	466,253	324,907
Salaries and benefits	2,643,953	2,317,232
Sponsored public initiatives	30,000	20,498
Stationery, printing and supplies	70,558	57,946
Telephone	25,460	23,855
Training	11,951	14,768
Travel	56,582	63,927
	<u>4,592,153</u>	<u>4,028,632</u>
<b>Excess (deficiency) of revenue over expenses</b>	<u><b>\$ (69,153)</b></u>	<u><b>\$ 533,829</b></u>

**Insurance Council of British Columbia**  
**Statement of Changes in Net Assets**

	Investment in Property and Equipment	Unrestricted	Total
Balance, June 1, 2011	\$ 188,335	\$ 5,093,345	\$ 5,281,680
Excess of revenue over expenses for the year	-	533,829	533,829
Amortization of property and equipment	(64,243)	64,243	-
Purchase of property and equipment	811,206	(811,206)	-
Carrying value of property and equipment disposed of	(20,423)	20,423	-
Balance, May 31, 2012	914,875	4,900,634	5,815,509
Deficiency of revenue over expenses for the year	-	(69,153)	(69,153)
Amortization of property and equipment	(146,740)	146,740	-
Purchase of property and equipment	371,561	(371,561)	-
Carrying value of property and equipment disposed of	(3,175)	3,175	-
<b>Balance, May 31, 2013</b>	<b>\$ 1,136,521</b>	<b>\$ 4,609,835</b>	<b>\$ 5,746,356</b>

**Insurance Council of British Columbia**  
**Statement of Cash Flows**

**For the year ended May 31** **2013** **2012**

**Cash provided by (used in)**

**Operating activities**

Excess (deficiency) of revenue over expenses for the year	\$ (69,153)	\$ 533,829
Items not involving cash		
Amortization	146,740	64,243
Decrease in rent expense from tenant inducement	(37,896)	(6,985)
Loss on disposal of property and equipment	3,175	20,423
	42,866	611,510
Changes in non-cash operating working capital		
Accounts receivable	395,160	(370,155)
Prepaid expenses	23,789	(28,524)
Accounts payable and accrued liabilities	119,323	63,492
Pending application fees	(49,607)	38,298
Tenant inducement	-	380,722
Deferred revenue	158,460	(20,650)
	689,991	674,693

**Investing activities**

Increase in investments	(503,649)	(741,699)
Purchase of property and equipment	(371,561)	(811,206)
	(875,210)	(1,552,905)

**Decrease in cash during the year**

(185,219) (878,212)

**Cash, beginning of year**

3,576,811 4,455,023

**Cash, end of year**

**\$ 3,391,592 \$ 3,576,811**

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# Insurance Council of British Columbia

## Notes to the Financial Statements

May 31, 2013

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### 1. Significant Accounting Policies

#### (a) Purpose

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.

#### (b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO"). These are the Council's first financial statements prepared in accordance with ASNPO which have been applied retrospectively. An explanation of how the transition to ASNPO has changed the Council's financial position and financial performance is set out in Note 2.

#### (c) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Term deposits have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

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**Insurance Council of British Columbia**  
**Notes to the Financial Statements**

May 31, 2013

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**1. Significant Accounting Policies (Continued)**

(d) Revenue Recognition

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.

Revenue (Council fees - Licensees) is recognized over the term of the registration period.

Revenue (Council fees - First and re-applications) is recognized when the application is processed or when the licensee decides to not proceed with the application.

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 exam is written.

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

(e) 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	5-10 years
Computer hardware	5 years
Computer software	2 years

Leasehold improvements are amortized over the lease term.

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**Insurance Council of British Columbia**  
**Notes to the Financial Statements**

**May 31, 2013**

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**1. Significant Accounting Policies (Continued)**

(f) 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.

(g) Tenant Inducement

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

(h) Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates included in these financial statements are the useful lives of the property and equipment. Actual results could differ from management's best estimates as additional information becomes available in the future.

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**2. Adoption of Accounting Standards for Not-for Profit Organizations**

Effective June 1, 2012, the Council adopted the requirements of the new accounting framework, Canadian Accounting Standards for Not-For-Profit Organizations ("ASNPO") found in Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook. These are the Council's first financial statements prepared in accordance with this framework. The accounting policies set out in Note 1 - Significant Accounting Policies have been applied in preparing the financial statements for the year May 31, 2013, the comparative information presented in these financial statements for the year ended May 31, 2012 and the preparation of an opening ASNPO statement of financial position at the date of transition of June 1, 2011.

The Council issued financial statements for the year ended May 31, 2012 using general accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses and cash flows of the Council. As such, there are no charges to net assets at the date of transition of June 1, 2011. Excess of revenue over expenses reported in the Council's most recently issued financial statements is the same as the excess of revenue over expenses under ASNPO for the same period.

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**Insurance Council of British Columbia**  
**Notes to the Financial Statements**

**May 31, 2013**

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**3. Cash**

The Council's bank accounts are held at one chartered bank earning interest at market rates.

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**4. Investments**

Short-term investments are held with several credit unions and Canadian life insurers in the form of savings and daily interest fund accounts.

Long-term investments represent three- to five-year term investments held with various Canadian life insurers, no one of which holds more than 18% (2012 - 17% and 2011 - 14%) of the total invested. The weighted average term to maturity is 788 days (2012 - 864 days and 2011 - 765 days). The weighted average effective interest rate is 1.91% (2012 - 2.28% and 2011 - 2.85%).

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.

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**5. Property and Equipment**

	May 31, 2013		
	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 253,734	\$ 127,260	\$ 126,474
Leasehold improvements	904,153	84,668	819,485
Computer hardware	326,861	138,994	187,867
Computer software	79,919	77,224	2,695
	<u>\$ 1,564,667</u>	<u>\$ 428,146</u>	<u>\$ 1,136,521</u>

**Insurance Council of British Columbia**  
**Notes to the Financial Statements**

May 31, 2013

**5. Property and Equipment (Continued)**

	May 31, 2012		
	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 230,449	\$ 103,188	\$ 127,261
Leasehold improvements	736,268	3,029	733,239
Computer hardware	190,351	140,585	49,766
Computer software	76,325	71,716	4,609
	\$ 1,233,393	\$ 318,518	\$ 914,875

	June 1 2011		
	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 208,045	\$ 90,767	\$ 117,278
Leasehold improvements	72,705	48,174	24,531
Computer hardware	170,963	124,437	46,526
Computer software	74,128	74,128	-
	\$ 525,841	\$ 337,506	\$ 188,335

**6. Commitments**

Council has an operating lease with respect to its office premises until May 31, 2022. Pursuant to the terms of the lease, the Council will pay rent of an annual base rent plus its proportionate share of operating costs and property taxes. The annual base rent payments required in respect of the rented premises are as follows:

2014	\$ 280,532
2015	290,551
2016	290,551
2017	290,551
2018	310,589
Thereafter	1,242,356
	\$ 2,705,130

As at May 31, 2013, Council has consented to providing Quebec up to \$250,000 (2012 and 2011 - \$Nil) for the development of harmonizing the Life Licensing Qualification Program and developing a new pre-licensing course and exam.

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**Insurance Council of British Columbia**  
**Notes to the Financial Statements**

**May 31, 2013**

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**7. Pension Plan**

Council maintains a defined contribution pension plan for its employees. During the year, the Council paid \$86,082 (2012 - \$80,021) for employer contributions to the plan.

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**8. Financial Instruments Risks**

The Council through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at May 31, 2013.

(a) Credit Risk

Credit risk is the risk that the Council will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Council to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Council limits its exposure to credit risk by placing its cash and investments with high credit quality financial institutions, credit unions and life insurers, in accordance with investment policies adopted by the Board of Directors.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates and terms of cash and investments are as disclosed in Notes 3 and 4.

(c) Liquidity Risk

Liquidity risk is the risk that the Council will not be able to meet its obligations as they fall due. The Council maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

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**Insurance Council of British Columbia**  
**Schedule of Revenue**

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For the year ended May 31 2013 2012

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**Revenue**

Council fees - Licensees	\$ 2,748,088	\$ 2,762,831
Council fees - First and re-applications	899,530	897,560
Council fees - Insurers	470,000	468,000
Examination fees	243,625	249,450
Interest and other	161,757	184,620
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	\$ 4,523,000	\$ 4,562,461

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