

Insurance Council of British Columbia
Financial Statements
For the year ended May 31, 2014

**Insurance Council of British Columbia
Financial Statements
For the year ended May 31, 2014**

Contents

Independent Auditor's Report	2
Financial Statements	
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 - 11
Schedule of Revenue	12



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Independent Auditor's Report

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 Statement of Financial Position as at May 31, 2014, and the Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended 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, 2014 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.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
August 12, 2014

Insurance Council of British Columbia
Statement of Financial Position

May 31 2014 2013

Assets

Current

Cash (Note 2)	\$ 4,409,035	\$ 3,391,592
Short-term investments (Note 3)	1,859,861	1,192,108
Accounts receivable	58,618	79,183
Prepaid expenses	45,765	44,722

6,373,279 4,707,605

Long-term investments (Note 3)	2,446,700	3,893,150
Property and equipment (Note 4)	1,043,706	1,136,521

\$ 9,863,685 \$ 9,737,276

Liabilities and Net Assets

Liabilities

Current

Accounts payable and accrued liabilities	\$ 820,947	\$ 785,562
Pending application fees	138,168	129,437
Deferred council licensing revenue	2,821,025	2,734,860
Tenant inducement	37,896	37,896

3,818,036 3,687,755

Tenant inducement	265,270	303,165
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4,083,306 3,990,920

Net Assets

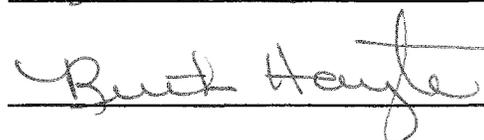
Investment in property and equipment	1,043,706	1,136,521
Unrestricted	4,736,673	4,609,835

5,780,379 5,746,356

\$ 9,863,685 \$ 9,737,276

Approved on behalf of Council:

 _____ Member

 _____ Member

Insurance Council of British Columbia
Statement of Operations

For the year ended May 31

2014

2013

Revenue (Schedule)	<u>\$ 4,608,926</u>	<u>\$ 4,523,000</u>
Expenses		
Advertising	7,516	7,295
Amortization	171,616	146,740
Data processing and information system maintenance	183,806	149,773
Equipment rentals and service	7,507	6,691
Hearings	106,593	103,866
Insurance	17,330	17,207
Loss on disposal of property and equipment	4,843	3,175
Maintenance	5,625	7,498
Meetings	162,361	187,787
Office and miscellaneous	64,679	63,769
Postage and delivery	55,790	49,634
Professional fees	367,616	362,352
Public relations	4,543	9,464
Qualifying examinations	168,857	172,145
Rent	471,979	466,253
Salaries and benefits	2,631,769	2,643,953
Sponsored public initiatives	-	30,000
Stationery, printing and supplies	56,086	70,558
Telephone	22,785	25,460
Training	5,816	11,951
Travel	57,786	56,582
	<u>4,574,903</u>	<u>4,592,153</u>
Excess (deficiency) of revenue over expenses	<u>\$ 34,023</u>	<u>\$ (69,153)</u>

Insurance Council of British Columbia
Statement of Changes in Net Assets

For the year ended May 31

	Investment in Property and Equipment	Unrestricted	2014	2013
Balance, beginning of year	\$ 1,136,521	\$ 4,609,835	\$ 5,746,356	\$ 5,815,509
Excess (deficiency) of revenue over expenses for the year	-	34,023	34,023	(69,153)
Amortization of property and equipment	(171,616)	171,616	-	-
Purchase of property and equipment	83,644	(83,644)	-	-
Loss on disposal of property and equipment	(4,843)	4,843	-	-
Balance, end of year	\$ 1,043,706	\$ 4,736,673	\$ 5,780,379	\$ 5,746,356

Insurance Council of British Columbia
Statement of Cash Flows

For the year ended May 31	2014	2013
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ 34,023	\$ (69,153)
Items not involving cash		
Amortization	171,616	146,740
Amortization of tenant inducement	(37,896)	(37,896)
Loss on disposal of property and equipment	4,843	3,175
	<u>172,586</u>	<u>42,866</u>
Changes in non-cash operating working capital		
Accounts receivable	20,565	395,160
Prepaid expenses	(1,043)	23,789
Accounts payable and accrued liabilities	35,386	119,323
Pending application fees	8,731	(49,607)
Deferred council licensing revenue	86,165	158,460
	<u>322,390</u>	<u>689,991</u>
Investing activities		
Decrease (increase) in investments	778,697	(503,649)
Purchase of property and equipment	(83,644)	(371,561)
	<u>695,053</u>	<u>(875,210)</u>
Increase (decrease) in cash during the year	1,017,443	(185,219)
Cash, beginning of year	<u>3,391,592</u>	<u>3,576,811</u>
Cash, end of year	\$ 4,409,035	\$ 3,391,592

Insurance Council of British Columbia
Notes to the Financial Statements

May 31, 2014

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 licensing fee assessments against licensees and insurers to fund its expenses, Council collects other 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").

(c) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. All short and long term investments 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 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.

Insurance Council of British Columbia
Notes to the Financial Statements

May 31, 2014

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 the related expenditures are incurred. 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 license 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 and forfeits the fee.

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 recoverable investigation costs, 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.

(f) Employee Future Benefits

The Council and its employees make contributions to a defined contribution pension plan. The Council matches all staff contributions up to 5% of gross earnings for all members and 6% for management. The Council's contributions to the Plan are expensed when incurred.

Insurance Council of British Columbia
Notes to the Financial Statements

May 31, 2014

1. Significant Accounting Policies (Continued)

(g) 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.

(h) Tenant Inducement

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

(i) 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.

2. Cash

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

3. 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 two to five year term investments held with various Canadian life insurers, no one of which holds more than 28% (2013 - 18%) of the total invested. The weighted average term to maturity is 709 days (2013 - 788 days). The weighted average effective interest rate is 1.78% (2013 - 1.91%).

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.

Insurance Council of British Columbia
Notes to the Financial Statements

May 31, 2014

4. Property and Equipment

			2014	2013
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 242,825	\$ 131,523	\$ 111,302	\$ 126,474
Leasehold improvements	926,735	176,178	750,557	819,485
Computer hardware	326,968	147,753	179,215	187,867
Computer software	70,710	68,078	2,632	2,695
	\$ 1,567,238	\$ 523,532	\$ 1,043,706	\$ 1,136,521

5. Commitments

a) 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:

2015	\$ 290,551
2016	290,551
2017	290,551
2018	310,589
2019	310,589
Thereafter	931,767
	\$ 2,424,598

b) As at May 31, 2014, Council has consented to providing the Quebec Council up to \$250,000 for the development of harmonizing the Life Licensing Qualification Program and developing a new pre-licensing course and exam.

6. Pension Plan

Council maintains a defined contribution pension plan for its employees. During the year, the Council paid \$86,943 (2013 - \$86,082) for employer contributions to the plan.

May 31, 2014

7. 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, 2014.

(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 investments 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 disclosed in Notes 2 and 3. The Council limits its exposure by diversifying the investments in high credit quality investments.

(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.

Insurance Council of British Columbia
Schedule of Revenue

For the year ended May 31 2014 2013

Revenue

Council fees - Licensees	\$ 2,861,362	\$ 2,748,088
Council fees - First and re-applications	855,880	899,530
Council fees - Insurers	476,000	470,000
Examination fees	243,200	243,625
Interest and other	172,484	161,757
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	\$ 4,608,926	\$ 4,523,000
