

Insurance Council of British Columbia
Financial Statements
For the year ended May 31, 2015

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For the year ended May 31, 2015

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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, 2015, 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, 2015 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 Professional Accountants

Vancouver, British Columbia
August 11, 2015

Insurance Council of British Columbia
Statement of Financial Position

May 31 2015 2014

Assets

Current

Cash (Note 2)	\$ 5,223,860	\$ 4,409,035
Short-term investments (Note 3)	1,451,113	1,859,861
Accounts receivable	76,373	58,618
Prepaid expenses	65,704	45,765

6,817,050 6,373,279

Long-term investments (Note 3)	2,072,797	2,446,700
Property and equipment (Note 4)	899,254	1,043,706

\$ 9,789,101 \$ 9,863,685

Liabilities and Net Assets

Liabilities

Current

Accounts payable and accrued liabilities	\$ 954,084	\$ 820,947
Pending application fees	189,177	138,168
Deferred council licensing revenue	2,786,825	2,821,025
Tenant inducement - current portion	37,896	37,896

3,967,982 3,818,036

Tenant inducement	227,374	265,270
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4,195,356 4,083,306

Net Assets

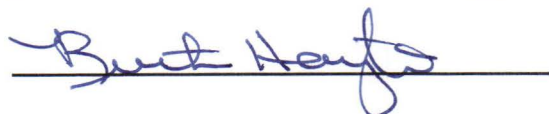
Investment in property and equipment	633,984	740,540
Unrestricted	4,959,761	5,039,839

5,593,745 5,780,379

\$ 9,789,101 \$ 9,863,685

Approved on behalf of Council:

 _____ Member

 _____ Member

Insurance Council of British Columbia
Statement of Operations

For the year ended May 31

2015

2014

Revenue (Schedule)	\$ 4,873,532	\$ 4,608,926
Expenses		
Advertising	5,433	7,516
Amortization	174,679	171,616
Data processing and information system maintenance	184,053	183,806
Data processing system planning costs (Note 5b)	207,322	-
Equipment rentals and service	9,322	7,507
Hearings	143,028	106,593
Insurance	17,514	17,330
Loss on disposal of property and equipment	-	4,843
Maintenance	7,402	5,625
Meetings	160,849	162,361
Office and miscellaneous	76,156	64,679
Postage and delivery	43,033	55,790
Professional fees	365,208	367,616
Public relations	-	4,543
Qualifying examinations	186,393	168,857
Rent	490,293	471,979
Salaries and benefits	2,853,921	2,631,769
Stationery, printing and supplies	43,766	56,086
Telephone	24,970	22,785
Training	9,548	5,816
Travel	57,276	57,786
	5,060,166	4,574,903
Excess (deficiency) of revenue over expenses	\$ (186,634)	\$ 34,023

Insurance Council of British Columbia
Statement of Changes in Net Assets

For the year ended May 31

	Investment in Property and Equipment	Unrestricted	2015	2014
Balance, beginning of year	\$ 740,540	\$ 5,039,839	\$ 5,780,379	\$ 5,746,356
Excess (deficiency) of revenue over expenses for the year	-	(186,634)	(186,634)	34,023
Amortization of property and equipment	(174,679)	174,679	-	-
Purchase of property and equipment	30,227	(30,227)	-	-
Amortization of tenant inducement	37,896	(37,896)	-	-
Balance, end of year	\$ 633,984	\$ 4,959,761	\$ 5,593,745	\$ 5,780,379

Insurance Council of British Columbia
Statement of Cash Flows

For the year ended May 31	2015	2014
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (186,634)	\$ 34,023
Items not involving cash		
Amortization	174,679	171,616
Amortization of tenant inducement	(37,896)	(37,896)
Loss on disposal of property and equipment	-	4,843
	(49,851)	172,586
Changes in non-cash operating working capital		
Accounts receivable	(17,755)	20,564
Prepaid expenses	(19,939)	(1,043)
Accounts payable and accrued liabilities	133,137	35,386
Pending application fees	51,009	8,731
Deferred council licensing revenue	(34,200)	86,165
	62,401	322,389
Investing activities		
Proceeds from maturity of investments	782,651	778,697
Purchase of property and equipment	(30,227)	(83,643)
	752,424	695,054
Increase in cash during the year	814,825	1,017,443
Cash, beginning of year	4,409,035	3,391,592
Cash, end of year	\$ 5,223,860	\$ 4,409,035

Insurance Council of British Columbia
Notes to the Financial Statements

May 31, 2015

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, 2015

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) are recognized when the application is processed or when the licensee decides to not proceed with the application and forfeits the fee.

Revenue (Council fees - Insurers) is recognized at the time the assessment is charged to the insurer.

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, 2015

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 earning interest at market rates.

3. Investments

Investments are held with Canadian life insurers in the form of term deposits.

Long-term investments represent two to five year term investments, none of which holds more than 34% (2014 - 28%) of the total invested. The weighted average term to maturity is 749 days (2014 - 709 days). The weighted average effective interest rate is 1.38% (2014 - 1.78%).

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, 2015

4. Property and Equipment

	2015		2014	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 265,820	\$ 157,159	\$ 108,661	\$ 111,302
Leasehold improvements	926,735	269,981	656,754	750,557
Computer hardware	325,720	192,314	133,406	179,215
Computer software	52,057	51,624	433	2,632
	\$ 1,570,332	\$ 671,078	\$ 899,254	\$ 1,043,706

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:

2016	\$ 290,551
2017	290,551
2018	310,589
2019	310,589
2020	310,589
Thereafter	621,178
	\$ 2,134,047

- b) During the year, Council incurred \$207,322 for preliminary system assessment consulting fees. On April 28, 2015, the Council entered into a signed agreement with KPMG LLP to provide system implementation support services in relation to the software upgrades to the Council's license management and accounting systems. The total value of the contract is \$290,000 plus GST to be paid as fees are incurred over an expected ten month timeline to completion.
- c) As at May 31, 2015, Council has consented to providing the Autorité des marchés financiers (the Quebec Council) up to \$553,600 for the development a harmonized 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 \$100,712 (2014 - \$86,943) for employer contributions to the plan.

Insurance Council of British Columbia
Notes to the Financial Statements

May 31, 2015

7. Subsequent Events

- a) On June 29, 2015, the Council entered into a license agreement to replace the Council's existing license management system software. The total value of the contract is \$307,605 plus applicable taxes with 50% of fees due upon contract acceptance and the remaining balance due within 90 days after acceptance. The Council also entered into a maintenance agreement for an annual fee of \$64,540 plus applicable taxes and for a term of five years.
 - b) On June 29, 2015, the Council entered into an agreement to liaise and implement the new license management system. The total value of the contract is \$434,775 plus applicable taxes and fees are to be paid as incurred.
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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, 2015.

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 various high credit quality financial institutions and life insurers, in accordance with investment policies adopted by the Board of Directors. As mentioned in Note 3, there is no term deposit which holds more than 34% (2014 - 28%) of the total invested with one life insurer.

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 fixed term deposits.

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 **2015** **2014**

Revenue

Council fees - Licensees	\$ 2,976,937	\$ 2,861,362
Council fees - First and re-applications	955,745	855,880
Council fees - Insurers	466,000	476,000
Examination fees	263,125	243,200
Interest and other	211,725	172,484
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	\$ 4,873,532	\$ 4,608,926
