

Insurance Councils of Saskatchewan
Financial Statements
December 31, 2016

Management's Responsibility

To the Members of Insurance Councils of Saskatchewan:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Governance/Finance Committee is composed entirely of Governors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the Members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and may meet periodically and separately with, both the Board and management to discuss their audit findings.

April 20, 2017



Executive Director

Independent Auditors' Report

To the Members of Insurance Councils of Saskatchewan:

We have audited the accompanying financial statements of Insurance Councils of Saskatchewan, which comprise the statement of financial position as at December 31, 2016, 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.

Auditors' 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 auditors' 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 Insurance Councils of Saskatchewan as at December 31, 2016 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 4, 2016.

Regina, Saskatchewan

April 20, 2017

MNP LLP

Chartered Professional Accountants


MNP


Insurance Councils of Saskatchewan
Statement of Financial Position


As at December 31, 2016

	2016	2015
Assets		
Current		
Cash	177,206	512,579
Short-term investments (Note 3)	491,013	366,015
Accounts receivable	17,163	4,221
Accrued interest	3,720	9,222
Prepaid expenses	4,002	5,477
	693,104	897,514
Investments (Note 3)	663,467	1,021,589
Capital assets (Note 4)	156,903	73,456
Intangible assets (Note 5)	1,676,389	1,213,820
	3,189,863	3,206,379
Liabilities		
Current		
Accounts payable and accruals	64,926	91,998
Deferred tenant inducement (Note 6)	12,982	15,858
Annual license renewal fees received in advance (Note 7)	87,970	77,735
	165,878	185,591
Net Assets		
Unrestricted net assets	790,693	1,183,512
Invested in property and equipment and intangible assets	1,833,292	1,287,276
Litigation reserve - internally restricted (Note 8)	200,000	200,000
Software development reserve - internally restricted (Note 9)	200,000	350,000
	3,023,985	3,020,788
	3,189,863	3,206,379

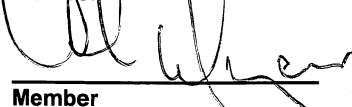
Approved on behalf of the Council



Member


Member


Member


Member


Member


Member

The accompanying notes are an integral part of these financial statements

Insurance Councils of Saskatchewan Statement of Operations

For the year ended December 31, 2016

	2016	2015
Revenue		
Licence fees	1,653,150	1,602,135
Investment income	44,801	22,333
Examination fees	63,960	99,595
Investigative cost recovery	24,930	10,460
Investigative fines and penalties	41,422	34,480
Course provider fees	15,640	14,740
Rental income	14,000	20,300
Miscellaneous	500	250
	1,858,403	1,804,293
Expenses		
Amortization on capital assets	47,888	24,699
Amortization on intangible assets	256,459	181,467
Audit and legal fees	34,827	35,902
Bank charges	40,428	36,661
Bond/insurance	4,145	3,856
Committee meetings	50,396	48,923
Complaints	5,200	8,352
Computer	88,564	97,400
Consultants	44,275	56,993
Council meetings - GICS	51,553	46,248
Council meetings - Hail	2,820	1,348
Council meetings - Life	39,370	38,086
Examination	23,066	15,109
Investigation	11,474	10,439
Miscellaneous	3,740	801
Office supplies	27,129	24,533
Postage and courier	22,824	17,737
Rent expense	99,279	95,466
Salaries	773,182	663,476
Telephone	10,424	10,217
	1,637,043	1,417,713
Excess of revenue over expenses before other items	221,360	386,580
Other items		
Write-down on intangible assets <i>(Note 5)</i>	(218,163)	-
Excess of revenue over expenses	3,197	386,580

The accompanying notes are an integral part of these financial statements

Insurance Councils of Saskatchewan
Statement of Changes in Net Assets
For the year ended December 31, 2016

	Unrestricted Net Assets	Invested in Property and Equipment and Intangible Assets	Litigation Reserve - Internally Restricted	Software Development Reserve - Internally Restricted	2016 Total	2015 Total
Net assets, beginning of year	1,183,512	1,287,276	200,000	350,000	3,020,788	2,634,208
Excess of revenue over expenses	525,707	(522,510)	-	-	3,197	386,580
	1,709,219	764,766	200,000	350,000	3,023,985	3,020,788
Investment in long-lived assets	(1,068,526)	1,068,526	-	-	-	-
Interfund transfer of software development reserve (Note 9)	150,000	-	-	(150,000)	-	-
	(700,363)	1,068,526	-	(150,000)	-	-
Net assets, end of year	790,693	1,833,292	200,000	200,000	3,023,985	3,020,788

The accompanying notes are an integral part of these financial statements

Insurance Councils of Saskatchewan Statement of Cash Flows

For the year ended December 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	3,197	386,580
Amortization on capital assets	47,888	24,699
Amortization on intangible assets	256,459	181,467
Write-down on intangible assets	218,163	-
Change in fair value and unrealized gains on sale of investments	(3,658)	27,049
Deferred tenant inducement recognized	(2,876)	(2,876)
	519,173	616,919
Changes in working capital accounts		
Accounts receivable	(12,943)	19,371
Accrued interest	5,502	(1,044)
Prepaid expenses	1,475	(2,405)
Accounts payable and accruals	(27,072)	66,799
Annual licence renewal fees received in advance	10,235	(1,810)
	496,370	697,830
Investing		
Purchase of capital assets	(131,326)	(19,923)
Purchase of investments	(318,423)	(470,212)
Proceeds on disposal of investments	555,206	423,553
Purchase of intangible assets	(937,200)	(248,836)
	(831,743)	(315,418)
(Decrease) increase in cash resources	(335,373)	382,412
Cash resources, beginning of year	512,579	130,167
Cash resources, end of year	177,206	512,579

The accompanying notes are an integral part of these financial statements

Insurance Councils of Saskatchewan

Notes to the Financial Statements

For the year ended December 31, 2016

1. Incorporation and nature of the organization

Insurance Councils of Saskatchewan ("ICS") was established by regulation pursuant to the Saskatchewan Insurance Amendment Act, 1985, as a not-for-profit organization and is exempt from income tax under Section 149 of the Income Tax Act.

ICS issues annual licenses to individual and agency licencees in accordance with the licensing powers delegated to it by the Superintendent of Insurance.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets and intangible assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the methods listed below at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Computer hardware	straight-line	30 %
Computer software	straight-line	100 %
Furniture and equipment	declining balance	20 %
Leasehold improvements	straight-line	lease term

Intangible asset

An intangible asset subject to amortization is recorded at cost. Contributed intangible assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the method listed below at a rate intended to amortize the cost of intangible asset over its estimated useful life.

	Method	Rate
Software development costs	straight-line	10 %

An intangible asset not subject to amortization is recorded at cost, less any permanent write-down. Contributed intangible assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

When an intangible asset no longer contributes to ICS' ability to provide services, its carrying amount is written down to residual value, if any.

Insurance Councils of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2016

2. Significant accounting policies (cont'd)

Long-lived assets

Long-lived assets consist of capital assets and intangible assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When ICS determines that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Revenue recognition

Licence fees are recognized in the period the price is determinable and collection is reasonably assured.

Fees received in advance are deferred and recognized as income in the period in which the licence is issued.

All other revenue is recognized in the period it is earned, price is determinable and collection is reasonably assured.

Registered savings plan

ICS has made contributions of \$40,009 (2015 - \$35,296) to employees' registered savings plans. The contributions are expensed as incurred.

Financial instruments

ICS recognizes its financial instruments when ICS becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions*.

At initial recognition, ICS may irrevocably elect to subsequently measure any financial instrument at fair value.

ICS subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments. ICS subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of ICS' performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Insurance Councils of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2016

3. Investments

Short-Term Investments

	Rate	Maturity Date	Fair Value as at December 31, 2016	Fair Value as at December 31, 2015
Bank of Montreal savings account	Variable	N/A	88,856	83,752
CIBC high interest savings account	Variable	N/A	183,422	-
Renaissance high interest savings account	Variable	N/A	25	25
Cominar Real Estate bond	4.274%	June 15, 2017	50,491	-
Ford Credit Canada bond	3.320%	December 19, 2017	128,230	-
CIBC commercial paper	N/A	December 14, 2017	39,989	-
Brookfield Asset Mgmt Inc. bond	5.200%	September 8, 2016	-	145,225
National Bank bond	2.702%	December 15, 2016	-	137,012
			491,013	366,015

Long-Term Investments

	Rate	Maturity Date	Fair Value as at December 31, 2016	Fair Value as at December 31, 2015
Riocan Real Estate bond	2.870%	March 5, 2018	49,763	49,991
Veresen Inc. bond	4.000%	November 22, 2018	128,789	128,235
Canadian Western Bank commercial paper	3.077%	January 14, 2019	114,906	114,713
Manufacturers Life bond	2.819%	February 26, 2023	126,993	128,519
CIBC commercial paper	N/A	December 20, 2019	108,592	102,536
CIBC commercial paper	N/A	August 19, 2019	134,424	-
CIBC commercial paper	N/A	January 19, 2019	-	66,638
CIBC commercial paper	N/A	June 20, 2018	-	62,465
CIBC commercial paper	N/A	December 14, 2017	-	39,236
Bell Canada bond	5.000%	February 15, 2017	-	149,393
Ford Credit Canada bond	3.320%	December 19, 2017	-	128,674
Cominar Real Estate bond	N/A	June 15, 2017	-	51,189
			663,467	1,021,589

The adjustment to fair value at December 31, 2016 was an unrealized gain of \$3,658 (2015 - unrealized loss of \$27,049), which was recognized in investment income.

Insurance Councils of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2016

4. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	2016 Net book value	2015 Net book value
Computer hardware	196,503	98,740	97,763	31,025
Computer software	342,300	315,711	26,589	5,868
Furniture and equipment	98,544	69,985	28,559	30,393
Leasehold improvements	15,243	11,251	3,992	6,170
	652,590	495,687	156,903	73,456

5. Intangible assets

	<i>Cost</i>	<i>Accumulated Amortization</i>	2016 Net book value	2015 Net book value
Software development costs	1,967,003	290,615	1,676,389	1,213,820

During the year, ICS' computer system was being replaced by a new online system. Management determined that the former system was impaired and the remaining net book value of \$218,163 was written off. The cost of \$779,535 and accumulated amortization of \$561,372 have been removed from software development costs.

6. Deferred tenant inducement

	2016	2015
Tenant inducements included in lease agreement to be amortized over the term of the lease	12,982	15,858

7. Annual license renewal fees received in advance

ICS typically receives payments from agents and agencies relating to the following period's licence renewal fees. This is recorded as deferred revenue on the statement of financial position. The amount of licence renewal fees paid in advance for 2016 is \$87,970 (2015 - \$77,735).

8. Litigation reserve

ICS has internally restricted funds within the litigation reserve for purposes of providing for any ongoing legal costs associated with defending ICS' rights to licence and regulate insurance agents, agencies, and adjusters within the Province of Saskatchewan.

9. Software development reserve

ICS has internally restricted funds within the software development reserve for purposes of offsetting future software development costs. By reserving these funds, ICS intends to be able to continue normal operations during future replacement of their computer system without facing immediate cash flow issues. During 2016, the Board approved a transfer of \$150,000 out of the software development reserve to unrestricted net assets to cover a portion of expenses relating to the Online Renewal System.

Insurance Councils of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2016

10. Commitments

ICS has annual lease payments under the current operating lease for its office space for the next two years as follows:

2017	50,099
2018	33,400
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	83,499