

Insurance Councils of Saskatchewan
Financial Statements
December 31, 2017

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 13, 2018



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, 2017, 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, 2017 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.

Regina, Saskatchewan

April 13, 2018



Chartered Professional Accountants

Insurance Councils of Saskatchewan Statement of Financial Position

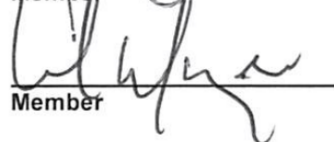
As at December 31, 2017

	2017	2016
Assets		
Current		
Cash	573,162	177,206
Short-term investments (Note 3)	365,353	491,013
Accounts receivable	17,852	17,163
Accrued interest	4,006	3,720
Prepaid expenses	3,132	4,002
	963,505	693,104
Investments (Note 3)	718,830	663,467
Capital assets (Note 4)	103,576	156,903
Intangible assets (Note 5)	1,584,909	1,676,389
	3,370,820	3,189,863
Liabilities		
Current		
Accounts payable and accruals	58,551	64,926
Deferred tenant inducement (Note 6)	10,106	12,982
Annual license renewal fees received in advance (Note 7)	85,255	87,970
	153,912	165,878
Net Assets		
Unrestricted net assets	1,028,423	790,693
Invested in property and equipment and intangible assets	1,688,485	1,833,292
Litigation reserve - internally restricted (Note 8)	200,000	200,000
Software development reserve - internally restricted (Note 9)	300,000	200,000
	3,216,908	3,023,985
	3,370,820	3,189,863

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, 2017

	2017	2016
Revenue		
Licence fees	1,700,220	1,653,150
Examination fees	84,655	63,960
Investigative fines and penalties	22,737	41,422
Investment income	21,886	44,801
Course provider fees	18,560	15,640
Investigative cost recovery	11,990	24,930
Miscellaneous	-	500
Rental income	-	14,000
	1,860,048	1,858,403
Expenses		
Amortization on capital assets	65,831	47,888
Amortization on intangible assets	239,094	256,459
Audit and legal fees	36,637	34,827
Bank charges	42,827	40,428
Bond/insurance	4,181	4,145
Committee meetings	62,727	50,396
Complaints	9,066	5,200
Computer	107,541	88,564
Consultants	16,945	44,275
Council meetings - GICS	43,750	51,553
Council meetings - Hail	22	2,820
Council meetings - Life	29,912	39,370
Examination	32,597	23,066
Investigation	10,428	11,474
Miscellaneous	5,307	3,740
Office supplies	24,789	27,129
Postage and courier	9,912	22,824
Rent expense	100,644	99,279
Salaries	814,917	773,182
Telephone	9,998	10,424
	1,667,125	1,637,043
Excess of revenue over expenses before other items	192,923	221,360
Other items		
Write-down on intangible assets <i>(Note 5)</i>	-	(218,163)
Excess of revenue over expenses	192,923	3,197

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, 2017

	<i>Unrestricted Net Assets</i>	<i>Invested in Property and Equipment and Intangible Assets</i>	<i>Litigation Reserve - Internally Restricted</i>	<i>Software Development Reserve - Internally Restricted</i>	<i>2017 Total</i>	<i>2016 Total</i>
Net assets, beginning of year	790,693	1,833,292	200,000	200,000	3,023,985	3,020,788
Excess of revenue over expenses	337,730	(144,807)	-	-	192,923	3,197
	1,128,423	1,688,485	200,000	200,000	3,216,908	3,023,985
Interfund transfer of software development reserve (Note 9)	(100,000)	-	-	100,000	-	-
Net assets, end of year	1,028,423	1,688,485	200,000	300,000	3,216,908	3,023,985

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, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	192,923	3,197
Amortization on capital assets	65,831	47,887
Amortization on intangible assets	239,094	256,459
Write-down on intangible assets	-	218,163
Change in fair value and unrealized gains on sale of investments	(3,931)	(3,658)
Deferred tenant inducement recognized	(2,876)	(2,876)
	491,041	519,172
Changes in working capital accounts		
Accounts receivable	(689)	(12,942)
Accrued interest	(286)	5,502
Prepaid expenses	870	1,475
Accounts payable and accruals	(6,376)	(27,072)
Annual licence renewal fees received in advance	(2,715)	10,235
	481,845	496,370
Investing		
Purchase of capital assets	(12,504)	(131,326)
Purchase of investments	(334,375)	(318,423)
Proceeds on disposal of investments	408,604	555,206
Purchase of intangible assets	(147,614)	(937,200)
	(85,889)	(831,743)
Increase (decrease) in cash resources	395,956	(335,373)
Cash resources, beginning of year	177,206	512,579
Cash resources, end of year	573,162	177,206

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, 2017

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.

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 \$41,320 (2016 - \$40,009) 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 which are at fair value.

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, 2017

3. Investments

Short-Term Investments

	Rate	Maturity Date	Fair Value as at December 31, 2017	Fair Value as at December 31, 2016
Bank of Montreal savings account	Variable	N/A	89,436	88,856
CIBC high interest savings account	Variable	N/A	-	183,422
Renaissance high interest savings account	Variable	N/A	-	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
Riocan Real Estate bond	2.87%	March 5, 2018	49,109	-
Veresen Inc. bond	4%	November 22, 2018	127,173	-
BMO Covered Call ETF (exchange traded fund)	Variable	N/A	99,635	-
			365,353	491,013

Long-Term Investments

	Rate	Maturity Date	Fair Value as at December 31, 2017	Fair Value as at December 31, 2016
Canadian Western Bank commercial paper	3.077%	January 14, 2019	114,114	114,906
Manufacturers Life bond	2.819%	February 26, 2023	126,200	126,993
CIBC commercial paper	N/A	December 20, 2019	110,106	108,592
CIBC commercial paper	N/A	August 19, 2019	129,890	134,424
Res CDN IMP BK OF Commerce fixed	3%	October 28, 2019	238,520	-
Veresen Inc. bond	N/A	June 20, 2018	-	128,789
Riocan Real Estate bond	N/A	December 14, 2017	-	49,763
			718,830	663,467

The adjustment to fair value at December 31, 2017 was an unrealized gain of \$3,928 (2016 - unrealized gain of \$3,658), which was recognized in investment income.

Insurance Councils of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2017

4. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2017 Net book value</i>	<i>2016 Net book value</i>
Computer hardware	200,841	128,223	72,618	97,763
Computer software	343,719	342,774	945	26,589
Furniture and equipment	105,296	76,880	28,416	28,559
Leasehold improvements	15,243	13,646	1,597	3,992
	665,099	561,523	103,576	156,903

5. Intangible assets

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2017 Net book value</i>	<i>2016 Net book value</i>
Software development costs	2,114,616	529,707	1,584,909	1,676,389

In 2016, ICS' computer system was replaced by a new online system and management determined a \$218,163 write off of the former system was required.

6. Deferred tenant inducement

	<i>2017</i>	<i>2016</i>
Tenant inducements included in lease agreement to be amortized over the term of the lease	10,106	12,982

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 2017 is \$85,255 (2016 - \$87,970).

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 2017, the Board approved a transfer of \$100,000 into the software development reserve from unrestricted net assets.

10. Commitments

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

2018	33,400
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11. Financial instruments

The ICS, as part of its operations, carries a number of financial instruments. It is management's opinion that the ICS is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. ICS' investments in corporate bonds exposes ICS to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.