

Insurance Council of Saskatchewan
Financial Statements
December 31, 2022

Management's Responsibility

To the Members of Insurance Council 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 Board of Directors is composed entirely of Directors who are neither management nor employees of the Council. 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 Council'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 meet periodically and separately with, both the Board and management to discuss their audit findings.

April 13, 2023



Executive Director

To the Members of Insurance Council of Saskatchewan:

Opinion

We have audited the financial statements of Insurance Council of Saskatchewan (the "Council"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Regina, Saskatchewan

April 13, 2023

MNP LLP

Chartered Professional Accountants

Insurance Council of Saskatchewan Statement of Financial Position

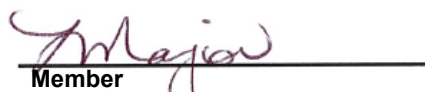
As at December 31, 2022

	2022	2021
Assets		
Current		
Cash	287,733	247,639
Short-term investments (Note 3)	501,269	781,035
Accounts receivable	2,209	2,801
Accrued interest	8,688	4,140
Prepaid expenses	11,135	13,479
	811,034	1,049,094
Capital assets (Note 4)	88,588	116,656
Intangible assets (Note 5)	1,547,981	1,382,384
Investments (Note 3)	972,821	866,919
	3,420,424	3,415,053
Liabilities		
Current		
Accounts payable and accruals	69,183	51,785
Deferred tenant inducement (Note 6)	8,132	9,567
Annual license renewal fees received in advance (Note 7)	96,850	81,850
	174,165	143,202
Net Assets		
Unrestricted net assets	609,691	872,811
Invested in property and equipment and intangible assets	1,636,568	1,499,040
Software development reserve - internally restricted	200,000	700,000
Litigation reserve - internally restricted	800,000	200,000
	3,246,259	3,271,851
	3,420,424	3,415,053

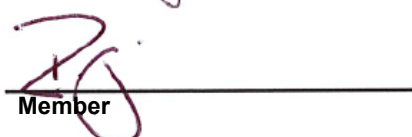
Approved on behalf of the Council


Member


Member


Member


Member


Member


Member

The accompanying notes are an integral part of these financial statements

Insurance Council of Saskatchewan Statement of Operations

For the year ended December 31, 2022

	2022	2021
Revenue		
Licence fees	2,046,825	1,974,098
Investigative fines and penalties	32,940	20,254
Course provider fees	25,780	27,060
Examination fees	8,495	16,995
Investigative cost recovery	7,160	8,689
Investment (loss) income	(14,937)	75,471
Miscellaneous	-	250
	2,106,263	2,122,817
Expenses		
Salaries	1,324,471	1,380,586
Amortization on intangible assets	187,665	130,246
Rent expense	132,061	131,112
Computer	101,918	119,359
Audit and legal fees	77,193	75,218
Bank charges	68,738	65,461
Committee meetings	53,757	38,328
Office supplies	40,715	42,834
Amortization on capital assets	31,123	41,163
Council meetings - GICS	28,117	26,453
Council meetings - Life	24,188	17,100
Consultants	23,113	13,455
Telephone	11,590	11,248
Bond/insurance	9,018	11,446
Miscellaneous	6,515	5,994
Postage and courier	6,371	6,191
Council meetings - Hail	2,570	1,260
Investigation	2,402	6,060
Examination	330	4,500
	2,131,855	2,128,014
Deficiency of revenue over expenses	(25,592)	(5,197)

The accompanying notes are an integral part of these financial statements

Insurance Council of Saskatchewan Statement of Changes in Net Assets

For the year ended December 31, 2022

	<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>	2022	<i>2021</i>
Net assets, beginning of year	872,811	1,499,040	200,000	700,000	3,271,851	3,277,048
Excess (deficiency) of revenue over expenses	(163,120)	137,528	-	-	(25,592)	(5,197)
	709,691	1,636,568	200,000	700,000	3,246,259	3,271,851
Interfund transfer of software development reserve (Note 9)	(100,000)	-	-	100,000	-	-
Net assets, end of year	609,691	1,636,568	200,000	800,000	3,246,259	3,271,851

The accompanying notes are an integral part of these financial statements

Insurance Council of Saskatchewan Statement of Cash Flows

For the year ended December 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(25,592)	(5,197)
Amortization on capital assets	31,123	41,163
Amortization on intangible assets	187,665	130,246
Change in fair value and unrealized loss on sale of investments	88,460	(43,528)
Deferred tenant inducement recognized	(1,435)	(1,435)
	280,221	121,249
Changes in working capital accounts		
Accounts receivable	591	1,870
Accrued interest	(4,547)	2,868
Prepaid expenses	2,344	(7,486)
Accounts payable and accruals	17,398	17,375
Annual licence renewal fees received in advance	15,000	(500)
	311,007	135,376
Investing		
Purchase of capital assets	(3,055)	(19,518)
Purchase of intangible assets	(353,265)	(428,461)
Purchase of investments	(841,809)	(284,319)
Proceeds on disposal of investments	927,216	469,000
	(270,913)	(263,298)
Increase (decrease) in cash resources	40,094	(127,922)
Cash resources, beginning of year	247,639	375,561
Cash resources, end of year	287,733	247,639

The accompanying notes are an integral part of these financial statements

Insurance Council of Saskatchewan

Notes to the Financial Statements

For the year ended December 31, 2022

1. Incorporation and nature of the organization

Insurance Council of Saskatchewan (the "Council") 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.

The Council's 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 over 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 plus all costs directly attributable to the acquisition.

Amortization is provided using the method 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 recognized separately from goodwill and 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 method at a rate intended to amortize the cost of intangible asset over its estimated useful life.

	Method	Rate
Software development costs	straight-line	10 years

An intangible asset recognized separately from goodwill and 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 the Council's ability to provide services, its carrying amount is written down to residual value, if any.

2. **Significant accounting policies** *(Continued from previous page)*

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 Council 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 \$66,872 (2021 - \$68,889) to employees' registered savings plans. The contributions are expensed as incurred.

Financial instruments

The Council recognizes financial instruments when the Council 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*.

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 Council of Saskatchewan Notes to the Financial Statements

For the year ended December 31, 2022

3. Investments

Short-Term Investments

	Rate	Maturity Date	Fair Value as at December 31, 2022	Fair Value as at December 31, 2021
BMO Covered Call ETF	Variable	N/A	93,631	105,482
Riocan Real Estate Series	3.73%	April 18, 2023	99,405	-
Altagas Ltd.	3.57%	June 12, 2023	59,489	-
Toronto Dominion Bank	1.91%	July 18, 2023	98,296	-
CIBC Mortgages Inc.	2.90%	August 11, 2023	40,770	-
NBC CDN Market	N/A	January 27, 2023	109,326	-
Renaissance High Interest Savings	N/A	N/A	352	284,318
Ford Credit Canada	2.71%	February 23, 2022	-	135,135
BMO S&P/TSX Composite	N/A	March 21, 2022	-	117,004
TD CDN DVRSF Cmpns Lnkd GR	N/A	August 2, 2022	-	139,096
			501,269	781,035

Long-Term Investments

	Rate	Maturity Date	Fair Value as at December 31, 2022	Fair Value as at December 31, 2021
Res CDN IMP BK Commerce Prin CYC	N/A	June 19, 2024	207,238	213,601
CIBC CDN Blue Chip Grwth Dep S68e	N/A	August 26, 2024	144,797	153,943
Peoples Trust Company	3.81%	April 29, 2025	102,552	-
RFA BK of CDA (Street CAP BK)	3.82%	April 29, 2026	102,559	-
Home Trust Co	3.88%	April 29, 2027	102,599	-
Concentra Bank	3.87%	April 29, 2027	96,436	-
CIBC Trust Corporation	4.60%	August 11, 2027	101,765	-
Bank of Nova Scotia	3.89%	January 18, 2029	114,875	121,795
NBC CDN Market	3.32%	January 27, 2023	-	112,549
Riocan Real Estate	3.73%	April 18, 2023	-	102,659
Altagas Ltd.	3.57	June 12, 2023	-	61,362
Toronto Dominion Bank	1.91%	July 18, 2023	-	101,010
			972,821	866,919

The adjustment to fair value at December 31, 2022 was an unrealized loss of \$88,460 (2021 - unrealized gain of \$43,528), which was recognized in investment income.

4. Capital assets

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Computer hardware	275,942	233,694	42,248	60,356
Computer software	365,429	365,429	-	900
Furniture and equipment	158,039	124,117	33,922	40,928
Leasehold improvements	34,707	22,289	12,418	14,472
	834,117	745,529	88,588	116,656

Insurance Council of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2022

5. Intangible asset

	Cost	Accumulated Amortization	2022 Net book value	2021 Net book value
Software development costs	3,210,256	1,662,275	1,547,981	1,382,384

6. Deferred tenant inducement

	2022	2021
Tenant inducements included in lease agreement to be amortized over the term of the lease	8,132	9,567

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 2022 is \$96,850 (2021 - \$81,850).

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 2022, the Board approved a transfer of \$100,000 (2021 - \$100,000) into the software development reserve from unrestricted net assets.

10. Commitments

The Council has entered into various lease agreements with estimated minimum annual payments as follows:

2023	57,400
2024	57,400
2025	57,400
2026	57,400
2027	57,400

11. Financial instruments

The Council, as part of its operations, carries a number of financial instruments. It is management's opinion that the Council 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.