

Insurance Councils of Saskatchewan
Financial Statements
December 31, 2020

Management's Responsibility

To the Members of Insurance Councils of Saskatchewan:

Management is responsible for the preparation and fair 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 Governors 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 may meet periodically and separately with, both the Board and management to discuss their audit findings.

May 13, 2021

 E-SIGNED by Ron Fullan

Executive Director

Independent Auditor's Report

To the Members of Insurance Councils of Saskatchewan:

Opinion

We have audited the financial statements of Insurance Councils of Saskatchewan (the "Council"), which comprise the statement of financial position as at December 31, 2020, 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, 2020, 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.

Independent Auditor's Report *(Continued)*

- 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

May 13, 2021

MNP LLP

Chartered Professional Accountants

Insurance Councils of Saskatchewan Statement of Financial Position

As at December 31, 2020

	2020	2019
Assets		
Current		
Cash	375,561	273,861
Short-term investments (Note 3)	148,127	191,826
Accounts receivable	4,670	3,355
Accrued interest	7,008	7,111
Prepaid expenses	5,993	7,217
	541,359	483,370
Capital assets (Note 4)	138,304	114,737
Investments (Note 3)	1,640,981	1,598,029
Intangible assets (Note 5)	1,084,166	1,302,745
	3,404,810	3,498,881
Liabilities		
Current		
Accounts payable and accruals	34,410	41,916
Deferred tenant inducement (Note 6)	11,002	12,437
Annual license renewal fees received in advance (Note 7)	82,350	79,200
	127,762	133,553
Significant event (Note 12)		
Net Assets		
Unrestricted net assets	1,254,578	1,247,846
Invested in property and equipment and intangible assets	1,222,470	1,417,482
Software development reserve - internally restricted	600,000	500,000
Litigation reserve - internally restricted	200,000	200,000
	3,277,048	3,365,328
	3,404,810	3,498,881

Approved on behalf of the Council


E-SIGNED by Anne Parker

Member


E-SIGNED by Ariel Dwyer

Member


E-SIGNED by Brian Dusyk

Member


E-SIGNED by Grant Laube

Member


E-SIGNED by Madeleine Robertson

Member


E-SIGNED by Ron Pugsley

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, 2020

	2020	2019
Revenue		
Licence fees	1,880,418	1,798,875
Investment income	81,247	100,404
Examination fees	57,825	80,394
Course provider fees	24,640	22,360
Investigative fines and penalties	13,000	67,935
Investigative cost recovery	2,310	13,420
	2,059,440	2,083,388
Expenses		
Salaries	1,281,530	1,096,912
Amortization on intangible assets	297,184	266,767
Rent expense	133,518	133,819
Computer	105,520	105,232
Bank charges	61,657	53,222
Office supplies	39,970	35,144
Amortization on capital assets	42,840	36,748
Committee meetings	41,353	48,027
Audit and legal fees	29,178	23,499
Consultants	23,761	25,855
Council meetings - Life	17,700	34,194
Council meetings - GICS	16,484	40,331
Examination	14,058	31,485
Telephone	13,737	11,663
Complaints	271	9,665
Investigation	10,102	14,887
Postage and courier	6,644	10,803
Miscellaneous	4,815	4,300
Bond/insurance	5,003	4,394
Council meetings - Hail	1,560	3,171
	2,146,885	1,990,118
Excess of (expenditures over revenue) revenue over expenses before other items	(87,445)	93,270
Other items		
Loss on disposal of capital assets	(835)	-
Excess of (expenditures over revenue) revenue over expenses	(88,280)	93,270

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, 2020

	<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>	2020	<i>2019</i>
Net assets, beginning of year	1,247,846	1,417,482	200,000	500,000	3,365,328	3,272,058
Excess of (expenditures over revenue) revenue over expenses	106,732	(195,012)	-	-	(88,280)	93,270
	1,354,578	1,222,470	200,000	500,000	3,277,048	3,365,328
Interfund transfer of software development reserve (Note 9)	(100,000)	-	-	100,000	-	-
Net assets, end of year	1,254,578	1,222,470	200,000	600,000	3,277,048	3,365,328

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, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Excess of (expenditures over revenue) revenue over expenses	(88,280)	93,270
Amortization on capital assets	42,840	36,748
Amortization on intangible assets	297,184	266,767
Change in fair value and unrealized loss on sale of investments	(41,213)	(64,019)
Loss on disposal of capital assets	835	-
Deferred tenant inducement recognized	(1,435)	(1,435)
	209,931	331,331
Changes in working capital accounts		
Accounts receivable	(1,315)	2,807
Accrued interest	103	(3,640)
Prepaid expenses	1,224	2,128
Accounts payable and accruals	(7,506)	11,734
Annual licence renewal fees received in advance	3,150	(1,915)
	205,587	342,445
Investing		
Purchase of capital assets	(67,242)	(37,547)
Purchase of investments	(212,230)	(822,790)
Proceeds on disposal of investments	254,190	708,000
Purchase of intangible assets	(78,605)	(124,225)
	(103,887)	(276,562)
Increase in cash resources	101,700	65,883
Cash resources, beginning of year	273,861	207,978
Cash resources, end of year	375,561	273,861

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, 2020

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 \$61,028 (2019 - \$48,522) 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*.

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, 2020

3. Investments

Short-Term Investments

	Rate	Maturity Date	Fair Value as at December 31, 2020	Fair Value as at December 31, 2019
BMO Covered Call ETF (exchange traded fund)	Variable	N/A	97,835	91,882
Laurentian Bank of Canada	2.75%	April 22, 2021	50,292	-
Ford Credit Canada	2.45%	May 7, 2020	-	99,944
			148,127	191,826

Long-Term Investments

	Rate	Maturity Date	Fair Value as at December 31, 2020	Fair Value as at December 31, 2019
Altagas Ltd	3.57%	June 12, 2023	62,979	61,644
Bank of Montreal	N/A	March 21, 2022	103,525	101,534
Bank of Nova Scotia Res CDN IMP BK	3.89%	January 18, 2029	126,844	121,949
Commerce Prin CYC CJ1	N/A	June 19, 2024	215,755	198,114
CIBC CDN Blue Chip Grwth Dep S68e	N/A	August 26, 2024	138,926	136,381
CIBC CDN Blue Chip Auto Dep NTS S1	N/A	March 11, 2025	-	108,909
Ford Credit Canada	2.71%	February 23, 2022	134,528	133,225
Laurentian Bank of Canada	2.75%	April 22, 2021	-	50,223
MCAP Commercial	5.00%	December 14, 2022	139,846	135,428
Riocan Real Estate	3.725%	April 18, 2023	105,540	103,497
Royal Bank of Canada	3.31%	January 20, 2026	60,061	60,667
Royal Bank of Canada	3.45%	September 29, 2026	131,662	131,601
Toronto Dominion Bank	N/A	August 2, 2022	107,592	105,622
Toronto Dominion Bank	1.909%	July 18, 2023	103,329	98,953
Toronto Dominion Bank	2.982%	September 30, 2025	-	50,282
Bank of Montreal	3.32%	June 1, 2026	101,112	-
NDC CDN Market	3.32%	January 27, 2023	109,282	-
			1,640,981	1,598,029

The adjustment to fair value at December 31, 2020 was an unrealized gain of \$41,213 (2019 - unrealized gain of \$64,019), which was recognized in investment income.

Insurance Councils of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2020

4. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2020 Net book value</i>	<i>2019 Net book value</i>
Computer hardware	263,856	194,613	69,243	57,469
Computer software	359,716	354,967	4,749	1,944
Furniture and equipment	153,268	105,626	47,642	46,683
Leasehold improvements	34,707	18,037	16,670	8,641
	811,547	673,243	138,304	114,737

5. Intangible assets

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2020 Net book value</i>	<i>2019 Net book value</i>
Software development costs	2,428,530	1,344,364	1,084,166	1,302,745

6. Deferred tenant inducement

	<i>2020</i>	<i>2019</i>
Tenant inducements included in lease agreement to be amortized over the term of the lease	11,002	12,437

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 2020 is \$82,350 (2019 - \$79,200).

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 2020, the Board approved a transfer of \$100,000 (2019 - \$100,000) into the software development reserve from unrestricted net assets.

Insurance Councils of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2020

10. Commitments

ICS renegotiated their office lease in September 2018, with a 10 year term ending August 1, 2028. ICS has annual lease payments under the current operating lease for its office space as follows:

2021	57,400
2022	57,400
2023	57,400
2024	57,400
2025	57,400

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.

12. Significant event

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Council as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada or other countries to fight the virus.