

**Insurance Council of Saskatchewan**  
**Financial Statements**  
*December 31, 2018*

## **Management's Responsibility**

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To the Members of Insurance Council 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 Governance/Finance Committee 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 1, 2019



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Executive Director

## Independent Auditor's Report

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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, 2018, 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, 2018, 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  
May 1, 2019

**MNP** LLP  
Chartered Professional Accountants

# Insurance Council of Saskatchewan Statement of Financial Position

*As at December 31, 2018*

	2018	2017
<b>Assets</b>		
<b>Current</b>		
Cash	207,978	573,162
Short-term investments (Note 3)	683,053	365,353
Accounts receivable	6,162	17,852
Accrued interest	3,471	4,006
Prepaid expenses	9,345	3,132
	<b>910,009</b>	963,505
<b>Investments (Note 3)</b>	<b>927,994</b>	718,830
<b>Capital assets (Note 4)</b>	<b>113,938</b>	103,576
<b>Intangible assets (Note 5)</b>	<b>1,445,286</b>	1,584,909
	<b>3,397,227</b>	3,370,820
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	30,182	58,551
Deferred tenant inducement (Note 6)	13,872	10,106
Annual license renewal fees received in advance (Note 7)	81,115	85,255
	<b>125,169</b>	153,912
<b>Net Assets</b>		
Unrestricted net assets	1,112,834	1,028,423
Invested in property and equipment and intangible assets	1,559,224	1,688,485
Software development reserve - internally restricted (Note 9)	400,000	300,000
Litigation reserve - internally restricted (Note 8)	200,000	200,000
	<b>3,272,058</b>	3,216,908
	<b>3,397,227</b>	3,370,820

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, 2018*

	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Licence fees	1,719,408	1,700,220
Examination fees	73,185	84,655
Investigative fines and penalties	35,708	22,737
Course provider fees	20,660	18,560
Investigative cost recovery	11,660	11,990
Miscellaneous	250	-
Investment (loss) income	(20,248)	21,886
	<b>1,840,623</b>	<b>1,860,048</b>
<b>Expenses</b>		
Salaries	897,011	814,917
Amortization on intangible assets	250,706	239,094
Computer	106,223	107,541
Rent expense	100,482	100,644
Consultants	56,286	16,945
Committee meetings	54,861	62,727
Council meetings - Life	53,351	29,912
Bank charges	47,297	42,827
Council meetings - GICS	39,438	43,750
Office supplies	39,008	24,789
Amortization on capital assets	34,366	65,831
Examination	32,352	32,597
Audit and legal fees	20,778	36,637
Telephone	10,743	9,998
Postage and courier	9,911	9,912
Investigation	9,710	10,428
Complaints	10,602	9,066
Miscellaneous	5,140	5,307
Bond/insurance	4,394	4,181
Council meetings - Hail	2,814	22
	<b>1,785,473</b>	<b>1,667,125</b>
<b>Excess of revenue over expenses</b>	<b>55,150</b>	<b>192,923</b>

*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, 2018*

	<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>	<b>2018</b>	<i>2017</i>
<b>Net assets, beginning of year</b>	<b>1,028,423</b>	<b>1,688,485</b>	<b>200,000</b>	<b>300,000</b>	<b>3,216,908</b>	3,023,985
<b>Excess of revenue over expenses</b>	<b>184,411</b>	<b>(129,261)</b>	-	-	<b>55,150</b>	192,923
	<b>1,212,834</b>	<b>1,559,224</b>	<b>200,000</b>	<b>300,000</b>	<b>3,272,058</b>	3,216,908
	<b>(100,000)</b>	-	-	<b>100,000</b>	-	-
<b>Net assets, end of year</b>	<b>1,112,834</b>	<b>1,559,224</b>	<b>200,000</b>	<b>400,000</b>	<b>3,272,058</b>	3,216,908

*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, 2018*

	<b>2018</b>	<b>2017</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess of revenue over expenses	55,150	192,923
Amortization on capital assets	34,366	65,831
Amortization on intangible assets	250,706	239,094
Change in fair value and unrealized loss (gains) on sale of investments	36,077	(3,931)
Deferred tenant inducement recognized	3,766	(2,876)
	<b>380,065</b>	<b>491,041</b>
Changes in working capital accounts		
Accounts receivable	11,690	(689)
Accrued interest	535	(286)
Prepaid expenses	(6,213)	870
Accounts payable and accruals	(28,369)	(6,376)
Annual licence renewal fees received in advance	(4,140)	(2,715)
	<b>353,568</b>	<b>481,845</b>
<b>Investing</b>		
Purchase of capital assets	(44,728)	(12,504)
Purchase of investments	(949,695)	(334,375)
Proceeds on disposal of investments	386,754	408,604
Purchase of intangible assets	(111,083)	(147,614)
	<b>(718,752)</b>	<b>(85,889)</b>
<b>(Decrease) increase in cash resources</b>	<b>(365,184)</b>	<b>395,956</b>
<b>Cash resources, beginning of year</b>	<b>573,162</b>	<b>177,206</b>
<b>Cash resources, end of year</b>	<b>207,978</b>	<b>573,162</b>

*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, 2018

## 1. Incorporation and nature of the organization

Insurance Council 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.

	<b>Method</b>	<b>Rate</b>
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.

	<b>Method</b>	<b>Rate</b>
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 \$38,369 (2017 - \$41,320) 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 Council of Saskatchewan**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2018*

**3. Investments**

**Short-Term Investments**

	<b>Rate</b>	<b>Maturity Date</b>	<b>Fair Value as at December 31, 2018</b>	<b>Fair Value as at December 31, 2017</b>
Bank of Montreal savings account	Variable	N/A	-	89,436
BMO Covered Call ETF (exchange traded fund)	Variable	N/A	<b>85,970</b>	99,635
Canadian Western Bank commercial paper	3.077%	January 14, 2019	<b>113,015</b>	-
CIBC commercial paper	N/A	August 19, 2019	<b>131,976</b>	-
CIBC commercial paper	N/A	December 20, 2019	<b>107,943</b>	-
Res CDN IMP BK OF Commerce fixed	3.00%	October 28, 2019	<b>244,149</b>	-
Riocan Real Estate bond	2.87%	March 5, 2018	-	49,109
Veresen Inc. bond	4.00%	November 22, 2018	-	127,173
			<b>683,053</b>	<b>365,353</b>

**Long-Term Investments**

	<b>Rate</b>	<b>Maturity Date</b>	<b>Fair Value as at December 31, 2018</b>	<b>Fair Value as at December 31, 2017</b>
Bank of Montreal	N/A	March 21, 2022	<b>93,013</b>	-
Canadian Imperial Bank of Commerce	N/A	February 23, 2024	<b>94,540</b>	-
Canadian Western Bank commercial paper	3.077%	January 14, 2019	-	114,114
CIBC Commercial paper	N/A	December 20, 2019	-	110,106
CIBC Commercial paper	N/A	August 19, 2019	-	129,890
Ford Credit Canada	2.45%	May 7, 2020	<b>98,264</b>	-
Ford Credit Canada	2.71%	February 23, 2022	<b>127,813</b>	-
Laurentian Bank of Canada	2.75%	April 22, 2021	<b>49,374</b>	-
Manufacturers Life bond	2.819%	February 26, 2023	-	126,200
MCAP Commercial	5.00%	December 14, 2022	<b>129,764</b>	-
Res CDN IMP BK OF Commerce fixed	3%	October 28, 2019	-	238,520
Royal Bank of Canada	3.31%	January 20, 2026	<b>60,260</b>	-
Royal Bank of Canada	3.45%	September 29, 2026	<b>129,829</b>	-
Toronto Dominion Bank	N/A	August 2, 2022	<b>95,174</b>	-
Toronto Dominion Bank	2.982%	September 30, 2025	<b>49,963</b>	-
			<b>927,994</b>	<b>718,830</b>

The adjustment to fair value at December 31, 2018 was an unrealized loss of \$36,077 (2017 - unrealized gain of \$3,931), which was recognized in investment income.

**Insurance Council of Saskatchewan**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2018*

**4. Capital assets**

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2018 Net book value</i>	<i>2017 Net book value</i>
Computer hardware	218,748	151,957	66,791	72,618
Computer software	345,281	344,370	911	945
Furniture and equipment	130,555	84,319	46,236	28,416
Leasehold improvements	15,243	15,243	-	1,597
	<b>709,827</b>	<b>595,889</b>	<b>113,938</b>	<b>103,576</b>

**5. Intangible assets**

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2018 Net book value</i>	<i>2017 Net book value</i>
Software development costs	2,225,699	780,413	1,445,286	1,584,909

**6. Deferred tenant inducement**

	<i>2018</i>	<i>2017</i>
Tenant inducements included in lease agreement to be amortized over the term of the lease	<b>13,872</b>	10,106

**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 2018 is \$81,115 (2017 - \$85,255).

**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 2018, the Board approved a transfer of \$100,000 (2017 - \$100,000) into the software development reserve from unrestricted net assets.

**Insurance Council of Saskatchewan**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2018*

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**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:

2019	57,400
2020	57,400
2021	57,400
2022	57,400
2023	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.