

INSURANCE COUNCILS OF SASKATCHEWAN

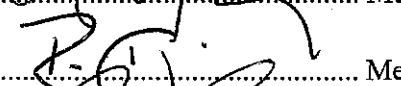
Statement of Financial Position


As at December 31, 2011

| | 2011 | 2010 |
|--|--------------|--------------|
| CURRENT ASSETS | | |
| Cash | \$ 174,976 | \$ 255,835 |
| Accrued interest receivable | 3,468 | 2,448 |
| Accounts receivable | 5,781 | 4,184 |
| Prepaid expenses | 7,262 | 644 |
| Short-term investments (Note 3) | 316,265 | 228,601 |
| | 507,752 | 491,712 |
| LONG-TERM INVESTMENTS (Note 3) | 636,247 | 315,682 |
| PROPERTY AND EQUIPMENT (Note 4) | 60,205 | 36,506 |
| INTANGIBLE ASSETS (Note 5) | 501,863 | 418,079 |
| | \$ 1,706,067 | \$ 1,261,979 |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 17,312 | \$ 15,871 |
| Annual license renewal fees received in advance | 82,755 | 81,960 |
| Deferred tenant inducement (Note 6) | 2,806 | - |
| | 102,873 | 97,831 |
| NET ASSETS | | |
| Unrestricted | 841,126 | 509,563 |
| Invested in property and equipment and intangible assets | 562,068 | 454,585 |
| Internally restricted litigation reserve (Note 8) | 200,000 | 200,000 |
| | 1,603,194 | 1,164,148 |
| | \$ 1,706,067 | \$ 1,261,979 |

ON BEHALF OF THE COUNCIL


..... Member


..... Member


..... Member

INSURANCE COUNCILS OF SASKATCHEWAN

Statement of Operations

Year ended December 31, 2011

| | 2011 | 2010 |
|--|-------------------|-------------------|
| REVENUE | | |
| License fees | \$ 1,225,853 | \$ 1,160,617 |
| Investment income | 12,260 | 17,554 |
| Examination fees | 48,575 | 39,990 |
| Investigative cost recovery | 65,250 | 3,620 |
| Investigative fines and penalties | 31,971 | 2,443 |
| Course provider fees | 12,978 | 11,160 |
| Rental income | 5,950 | - |
| | 1,402,837 | 1,235,384 |
| EXPENSES | | |
| Amortization - intangible assets | 56,859 | 41,197 |
| Amortization - property and equipment | 14,198 | 9,463 |
| Audit and legal fees | 18,788 | 11,005 |
| Bank charges | 15,676 | 12,220 |
| Bond / insurance | 4,574 | 5,689 |
| Complaints | 13,872 | 4,949 |
| Computer | 19,819 | 30,652 |
| Committee meetings | 18,144 | 14,960 |
| Consultants | 7,060 | 3,188 |
| Council meetings - GICS | 28,661 | 29,115 |
| - Hail | 3,470 | 4,908 |
| - Life | 13,082 | 13,484 |
| Examination | 11,709 | 6,825 |
| Investigation | 1,425 | 340 |
| Litigation expense | 45,399 | 11,439 |
| Miscellaneous | 1,150 | 2,031 |
| Office supplies | 21,927 | 20,740 |
| Postage and courier | 16,570 | 15,929 |
| Rent expense | 30,266 | - |
| Salaries | 564,306 | 528,291 |
| Shared services | 48,840 | 101,855 |
| Telephone | 7,996 | 8,891 |
| | 963,791 | 877,171 |
| EXCESS OF REVENUE OVER EXPENSES | \$ 439,046 | \$ 358,213 |

INSURANCE COUNCILS OF SASKATCHEWAN

Statement of Changes in Net Assets

Year ended December 31, 2011

| | <u>Unrestricted Net Assets</u> | <u>Invested in Property and Equipment and Intangible Assets</u> | <u>Internally Restricted Litigation Reserve</u> | <u>2011 Total</u> | <u>2010 Total</u> |
|------------------------------------|------------------------------------|---|---|-----------------------|-----------------------|
| Balance, beginning of year | \$ 509,563 | \$ 454,585 | \$ 200,000 | \$ 1,164,148 | \$ 805,935 |
| Excess of revenue over expenses | 510,103 | (71,057) | - | 439,046 | 358,213 |
| Investment in long-lived assets | (178,540) | 178,540 | - | - | - |
| Balance, end of year | \$ 841,126 | \$ 562,068 | \$ 200,000 | \$ 1,603,194 | \$ 1,164,148 |

INSURANCE COUNCILS OF SASKATCHEWAN

Statement of Cash Flows

Year ended December 31, 2011

| | 2011 | 2010 |
|--|-------------------|-------------------|
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES: | | |
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses | \$ 439,046 | \$ 358,213 |
| Items not affecting cash | | |
| Amortization - property and equipment | 14,198 | 9,463 |
| Amortization - intangible assets | 56,859 | 41,197 |
| Reinvested distributions | (33,551) | (6,493) |
| Change in fair value and gains on sale of investments | 19,851 | (3,951) |
| Changes in non-cash working capital | | |
| Accrued interest receivable | (1,020) | (1,085) |
| Accounts receivable | (1,597) | 380 |
| Prepaid expenses | (6,618) | 4,549 |
| Accounts payable and accrued liabilities | 1,441 | (1,400) |
| Deferred tenant inducement | 2,806 | - |
| Annual license renewal fees received in advance | 795 | (4,155) |
| | 492,210 | 396,718 |
| INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 105,471 | - |
| Purchase of investments | (500,000) | (200,000) |
| Purchase of property and equipment | (37,897) | (16,485) |
| Purchase of intangible assets | (140,643) | (71,333) |
| | (573,069) | (287,818) |
| FINANCING ACTIVITIES | | |
| Repayment of long-term debt | - | (6,000) |
| | - | (6,000) |
| NET (DECREASE) INCREASE IN CASH | (80,859) | 102,900 |
| CASH, BEGINNING OF YEAR | 255,835 | 152,935 |
| CASH, END OF YEAR | \$ 174,976 | \$ 255,835 |

INSURANCE COUNCILS OF SASKATCHEWAN

Notes to the Financial Statements

Year Ended December 31, 2011

1. PURPOSE OF INSURANCE COUNCILS OF SASKATCHEWAN

Insurance Councils of Saskatchewan ("ICS") issues annual licenses to individual and agency licencees in accordance with the licensing powers delegated to it by the Superintendent of Insurance. It 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.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following significant accounting principles:

a) *Use of estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Amounts involving the use of estimates include recoverability of accounts receivable, fair value of investments, and the useful lives of property and equipment. Actual results could differ from those estimates.

b) *Property and equipment*

Property and equipment are recorded at cost. When property and equipment are sold or retired, the related costs and accumulated amortization are removed from the respective accounts and any gain or loss is reflected in the statement of operations. Expenditures for repairs and maintenance are charged to operations as incurred. Leaseholds are amortized over the remaining term of the lease.

Property and equipment are amortized over their estimated useful lives using the following methods and rates:

| | |
|-------------------------|-------------------------|
| Furniture and equipment | 20% diminishing balance |
| Computer hardware | 30% straight line |

c) *Intangible assets*

Intangible assets are recorded at cost. Costs are capitalized only to the extent that their recovery is reasonably assured. These costs are amortized over the anticipated period of benefit beginning when the development reaches substantial completion as follows:

| | |
|----------------------------|--------------------|
| Software development costs | 10% straight line |
| Computer software | 100% straight line |

INSURANCE COUNCILS OF SASKATCHEWAN

Notes to the Financial Statements

Year Ended December 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Long-lived assets

Long-lived assets such as property and equipment and intangibles are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from the use and eventual disposition of the item. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value at the date of impairment.

e) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and ICS' designation of such instruments. Trade date accounting is used.

Not-for-profit organizations may elect to adopt Sections 3862, "Financial Instruments Disclosures", and 3863, "Financial Instruments Presentations" or continue applying Section 3861, "Financial Instruments Disclosures and Presentations". ICS has elected to not adopt Sections 3862 and 3863.

Classification

| | |
|---|-----------------------|
| Cash | Held-for-trading |
| Accrued interest receivable and accounts receivable | Loans and receivables |
| Investments | Held-for-trading |
| Accounts payable and accrued liabilities | Other liabilities |

Held-for-trading financial assets are carried at fair value with unrealized gains and losses included in the statement of operations.

Loans and receivables and other liabilities are recorded at amortized cost using the effective interest method. Carrying value for accrued interest receivable, accounts receivable and accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments.

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to loans and receivables and other liabilities are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

INSURANCE COUNCILS OF SASKATCHEWAN

Notes to the Financial Statements

Year Ended December 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Revenue recognition

License fees are recognized in the period the price is determinable and collection has occurred.

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

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

g) Registered savings plan

ICS has made contributions of \$23,080 (2010 - \$20,034) to employees' registered savings plans. The contributions are expensed as incurred.

h) Future accounting framework

The Accounting Standards Board has approved a new framework for not-for-profit organizations that is based on existing GAAP and incorporates the 4400 series of standards which relate to situations unique to the not-for-profit world. The new standards are available as of December 31, 2010 as part III of the Canadian Institute of Chartered Accountants ("CICA") Handbook – Accounting and are effective for reporting periods beginning on or after January 1, 2012. Early adoption is permitted.

INSURANCE COUNCILS OF SASKATCHEWAN

Notes to the Financial Statements

Year Ended December 31, 2011

3. INVESTMENTS

Short-Term Investments

| Bonds | Rate | 2011 | |
|---|----------|-------------------|------------|
| | | Maturity Date | Fair Value |
| Renaissance High Interest Savings Account | Variable | N/A | \$ 57,013 |
| Trimark Floating Rate Income Fund | Variable | N/A | 78,431 |
| Government of Canada | 5.25% | June 1, 2012 | 81,402 |
| Wells Fargo Financial Canada Corp. | 4.40% | December 12, 2012 | 99,419 |
| | | | \$ 316,265 |

Long-Term Investments

| Bonds | Rate | 2011 | |
|-------------------------------------|----------|--------------------|------------|
| | | Maturity Date | Fair Value |
| Bell Canada | 3.60% | December 2, 2015 | \$ 41,526 |
| Caterpillar financial Services Ltd. | 2.64% | December 2, 2013 | 40,603 |
| Canadian Imperial Bank of Commerce | Variable | May 20, 2014 | 49,673 |
| Canadian Imperial Bank of Commerce | 4.75% | December 22, 2014 | 43,267 |
| Canadian Imperial Bank of Commerce | Variable | September 22, 2015 | 58,296 |
| Canadian Imperial Bank of Commerce | Variable | May 11, 2016 | 68,593 |
| Canadian Imperial Bank of Commerce | Variable | December 14, 2017 | 39,334 |
| CitiGroup Financial Canada Inc. | 4.75% | March 17, 2014 | 78,003 |
| Finning International Inc. | 5.16% | September 3, 2013 | 58,926 |
| Laurentian Bank of Canada | 3.70% | November 2, 2015 | 70,878 |
| Province of Ontario | 4.75% | June 2, 2013 | 87,148 |
| | | | \$ 636,247 |

The adjustment to fair value at December 31, 2011 was an unrealized loss of \$(19,851) (2010 - unrealized gain of \$3,951) which was recognized in investment income.

INSURANCE COUNCILS OF SASKATCHEWAN

Notes to the Financial Statements

Year Ended December 31, 2011

3. INVESTMENTS (continued)

Short-Term Investments

| Bonds | Rate | 2010 | |
|---|----------|----------------|------------|
| | | Maturity Date | Fair Value |
| Renaissance High Interest Savings Account | Variable | N/A | \$ 50,313 |
| Trimark Floating Rate Income Fund | Variable | N/A | 77,346 |
| HSBC Financial Corp Ltd. | 4.80% | April 13, 2011 | 100,942 |
| | | | \$ 228,601 |

Long-Term Investments

| Bonds | Rate | 2010 | |
|------------------------------------|----------|--------------------|------------|
| | | Maturity Date | Fair Value |
| Canadian Imperial Bank of Commerce | Variable | May 20, 2014 | \$ 51,424 |
| Canadian Imperial Bank of Commerce | Variable | September 22, 2015 | 59,002 |
| Finning International Inc. | 5.16% | September 3, 2013 | 59,414 |
| Government of Canada | 5.25% | June 1, 2012 | 28,396 |
| Province of Ontario | 4.75% | June 2, 2013 | 58,503 |
| Wells Fargo Financial Canada Corp. | 4.40% | December 12, 2012 | 58,943 |
| | | | \$ 315,682 |

4. PROPERTY AND EQUIPMENT

| | Cost | Accumulated Amortization | Net Book Value | |
|-------------------------|------------|--------------------------|----------------|-----------|
| | | | 2011 | 2010 |
| Furniture and equipment | \$ 56,770 | \$ 26,002 | \$ 30,768 | \$ 20,358 |
| Computer hardware | 62,868 | 48,311 | 14,557 | 16,148 |
| Leasehold improvements | 15,243 | 363 | 14,880 | - |
| | \$ 134,881 | \$ 74,676 | \$ 60,205 | \$ 36,506 |

INSURANCE COUNCILS OF SASKATCHEWAN

Notes to the Financial Statements

Year Ended December 31, 2011

5. INTANGIBLE ASSETS

| | Cost | Accumulated Amortization | Net Book Value | |
|----------------------------|------------|-----------------------------|----------------|------------|
| | | | 2011 | 2010 |
| Software development costs | \$ 623,124 | \$ 121,261 | \$ 501,863 | \$ 418,079 |

Certain applications and systems software development costs have been capitalized amounting to \$140,643 in 2011 (\$71,333 in 2010).

6. DEFERRED TENANT INDUCEMENT

| | 2011 | 2010 |
|---|----------|------|
| The lease agreement includes tenant inducements which are amortized straight-line over the term of the lease. | \$ 2,806 | \$ - |

7. CAPITAL MANAGEMENT

ICS' primary source of capital is from net assets. ICS has a conservative investment policy which generally limits investments to government and provincial bonds rated A or higher.

8. LITIGATION RESERVE

Funds relating to the litigation reserve have been internally restricted for the purpose of providing for the ongoing legal costs associated with defending ICS' rights to license and regulate insurance agents, agencies and adjusters in the Province of Saskatchewan.

9. COMMITMENTS

ICS has annual lease payments under the operating lease for the premises for the next five years and thereafter as follows:

| | |
|------------|-------------------|
| 2012 | \$ 36,346 |
| 2013 | 38,311 |
| 2014 | 40,767 |
| 2015 | 46,660 |
| 2016 | 49,117 |
| Thereafter | 83,499 |
| | <u>\$ 294,700</u> |

INSURANCE COUNCILS OF SASKATCHEWAN

Notes to the Financial Statements

Year Ended December 31, 2011

10. FINANCIAL INSTRUMENTS

Significant Terms and Conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing and certainty of future cash flows. Significant terms and conditions for the other financial instruments are disclosed separately in those financial statements.

Credit risk

ICS is not exposed to credit risk as the receivables balance is not significant.

Market risk

The market risk associated with investments is minimized substantially by ensuring that these assets are invested in money market funds, mutual funds, and government and provincial bonds with a rating of A or higher.

Interest risk

ICS is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed rate instruments subject ICS to a fair value risk.

Currency risk

ICS does not conduct a significant portion of its operations in foreign currency.