

Insurance Council of Saskatchewan
Financial Statements
December 31, 2019

Management's Responsibility

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 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.

April 27, 2020



Executive Director

Independent Auditor's Report

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, 2019, 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, 2019, 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.

Independent Auditor's Report *continued*

- 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 27, 2020

MNP LLP

Chartered Professional Accountants

Insurance Council of Saskatchewan Statement of Financial Position

As at December 31, 2019

	2019	2018
Assets		
Current		
Cash	273,861	207,978
Short-term investments (Note 3)	191,826	683,053
Accounts receivable	3,355	6,162
Accrued interest	7,111	3,471
Prepaid expenses	7,217	9,345
	483,370	910,009
Capital assets (Note 4)	114,737	113,938
Investments (Note 3)	1,598,029	927,994
Intangible assets (Note 5)	1,302,745	1,445,286
	3,498,881	3,397,227
Liabilities		
Current		
Accounts payable and accruals	41,916	30,182
Deferred tenant inducement (Note 6)	12,437	13,872
Annual license renewal fees received in advance (Note 7)	79,200	81,115
	133,553	125,169
Subsequent event (Note 12)		
Net Assets		
Unrestricted net assets	1,247,846	1,112,834
Invested in property and equipment and intangible assets	1,417,482	1,559,224
Software development reserve - internally restricted	500,000	400,000
Litigation reserve - internally restricted	200,000	200,000
	3,365,328	3,272,058
	3,498,881	3,397,227

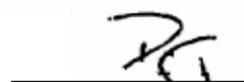
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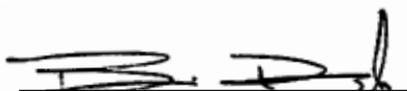
Member



Member



Member



Director

The accompanying notes are an integral part of these financial statements

Insurance Council of Saskatchewan Statement of Operations

For the year ended December 31, 2019

	2019	2018
Revenue		
Licence fees	1,798,875	1,719,408
Examination fees	80,394	73,185
Investigative fines and penalties	67,935	35,708
Course provider fees	22,360	20,660
Investigative cost recovery	13,420	11,660
Miscellaneous	-	250
Investment income (loss)	100,404	(20,248)
	2,083,388	1,840,623
Expenses		
Salaries	1,096,912	897,011
Amortization on intangible assets	266,767	250,706
Rent expense	133,819	100,482
Computer	105,232	106,223
Bank charges	53,222	47,297
Committee meetings	48,027	54,861
Council meetings - GICS	40,331	39,438
Amortization on capital assets	36,748	34,366
Office supplies	35,144	39,008
Council meetings - Life	34,194	53,351
Examination	31,485	32,352
Consultants	25,855	56,286
Audit and legal fees	23,499	20,778
Investigation	14,887	9,710
Telephone	11,663	10,743
Postage and courier	10,803	9,911
Complaints	9,665	10,602
Bond/insurance	4,394	4,394
Miscellaneous	4,300	5,140
Council meetings - Hail	3,171	2,814
	1,990,118	1,785,473
Excess of revenue over expenses	93,270	55,150

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, 2019

	<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>	2019	<i>2018</i>
Net assets, beginning of year	1,112,834	1,559,224	200,000	400,000	3,272,058	3,216,908
Excess of revenue over expenses	235,012	(141,742)	-	-	93,270	55,150
	1,347,846	1,417,482	200,000	400,000	3,365,328	3,272,058
Interfund transfer of software development reserve (Note 9)	(100,000)	-	-	100,000	-	-
Net assets, end of year	1,247,846	1,417,482	200,000	500,000	3,365,328	3,272,058

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, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	93,270	55,150
Amortization on capital assets	36,748	34,366
Amortization on intangible assets	266,767	250,706
Change in fair value and unrealized loss (gains) on sale of investments	(64,019)	36,077
Deferred tenant inducement recognized	(1,435)	3,766
	331,331	380,065
Changes in working capital accounts		
Accounts receivable	2,807	11,690
Accrued interest	(3,640)	535
Prepaid expenses	2,128	(6,213)
Accounts payable and accruals	11,734	(28,369)
Annual licence renewal fees received in advance	(1,915)	(4,140)
	342,445	353,568
Investing		
Purchase of capital assets	(37,547)	(44,728)
Purchase of investments	(822,790)	(949,695)
Proceeds on disposal of investments	708,000	386,754
Purchase of intangible assets	(124,225)	(111,083)
	(276,562)	(718,752)
Increase (decrease) in cash resources	65,883	(365,184)
Cash resources, beginning of year	207,978	573,162
Cash resources, end of year	273,861	207,978

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, 2019

1. Incorporation and nature of the organization

Insurance Council of Saskatchewan ("ISC") 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.

ISC 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 ISC' 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 ISC 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 \$48,522 (2018 - \$38,369) to employees' registered savings plans. The contributions are expensed as incurred.

Financial instruments

ISC recognizes its financial instruments when ISC 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, 2019

3. Investments

Short-Term Investments

	Rate	Maturity Date	Fair Value as at December 31, 2019	Fair Value as at December 31, 2018
BMO Covered Call ETF (exchange traded fund)	Variable	N/A	91,882	85,970
CIBC commercial paper Res CDN IMP BK OF	N/A	August 19, 2019	-	131,976
Commerce fixed	3.00%	October 28, 2019	-	244,149
CIBC commercial paper Canadian Western Bank	N/A	December 20, 2019	-	107,943
commercial paper	3.077%	January 14, 2019	-	113,015
Ford Credit Canada	2.45%	May 7, 2020	99,944	-
			191,826	683,053

Long-Term Investments

	Rate	Maturity Date	Fair Value as at December 31, 2019	Fair Value as at December 31, 2018
Altagas Ltd	3.57%	June 12, 2023	61,644	-
Bank of Montreal	N/A	March 21, 2022	101,534	93,013
Bank of Nova Scotia Res CDN IMP BK	3.89%	January 18, 2029	121,949	-
Commerce Prin CYC CJ1	N/A	June 19, 2024	198,114	-
CIBC CDN Blue Chip Grwth Dep S68e	N/A	August 26, 2024	136,381	-
Canadian Imperial Bank of Commerce	N/A	February 23, 2024	-	94,540
Canadian Imperial bank of Commerce	N/A	March 11, 2025	108,909	-
Ford Credit Canada	2.45%	May 7, 2020	-	98,264
Ford Credit Canada	2.71%	February 23, 2022	133,225	127,813
Laurentian Bank of Canada	2.75%	April 22, 2021	50,223	49,374
MCAP Commercial	5.00%	December 14, 2022	135,428	129,764
Riocan Real Estate	3.725%	April 18, 2023	103,497	-
Royal Bank of Canada	3.31%	January 20, 2026	60,667	60,260
Royal Bank of Canada	3.45%	September 29, 2026	131,601	129,829
Toronto Dominion Bank	N/A	August 2, 2022	105,622	95,174
Toronto Dominion Bank	1.909%	July 18, 2023	98,953	-
Toronto Dominion Bank	2.982%	September 30, 2025	50,282	49,963
			1,598,029	927,994

The adjustment to fair value at December 31, 2019 was an unrealized gain of \$64,019 (2018 - unrealized loss of \$36,077), which was recognized in investment income.

Insurance Council of Saskatchewan
Notes to the Financial Statements
For the year ended December 31, 2019

4. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2019 Net book value</i>	<i>2018 Net book value</i>
Computer hardware	231,811	174,342	57,469	66,791
Computer software	349,172	347,228	1,944	911
Furniture and equipment	141,710	95,027	46,683	46,236
Leasehold improvements	24,678	16,037	8,641	-
	747,371	632,634	114,737	113,938

5. Intangible assets

	<i>Cost</i>	<i>Accumulated Amortization</i>	<i>2019 Net book value</i>	<i>2018 Net book value</i>
Software development costs	2,349,925	1,047,180	1,302,745	1,445,286

6. Deferred tenant inducement

	<i>2019</i>	<i>2018</i>
Tenant inducements included in lease agreement to be amortized over the term of the lease	12,437	13,872

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 2019 is \$79,200 (2018 - \$81,115).

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 2019, the Board approved a transfer of \$100,000 (2018 - \$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, 2019

10. Commitments

ISC 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:

2020	57,400
2021	57,400
2022	57,400
2023	57,400
2024	57,400

11. Financial instruments

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

Subsequent to December 31, 2019, the outbreak of Coronavirus, specifically identified as "COVID-19" has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the effectiveness of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation.