

Insurance Council of British Columbia
Financial Statements
For the year ended May 31, 2011

**Insurance Council of British Columbia
Financial Statements
For the year ended May 31, 2011**

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Independent Auditor's Report

To the Members of the Insurance Council of British Columbia

We have audited the accompanying financial statements of the Insurance Council of British Columbia, which comprise the Statement of Financial Position as at May 31, 2011, and the Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended and a summary of accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Insurance Council of British Columbia as at May 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
August 16, 2011

Insurance Council of British Columbia
Statement of Financial Position

May 31 2011 2010

Assets

Current

Cash (Note 1)	\$ 4,455,023	\$ 4,757,098
Short-term investments (Note 2)	955,295	313,661
Accounts receivable	104,188	-
Prepaid expenses	39,987	65,737
	5,554,493	5,136,496
Long-term investments (Note 2)	2,884,615	2,432,492
Property and equipment (Note 3)	188,335	226,218
	\$ 8,627,443	\$ 7,795,206

Liabilities and Net Assets

Liabilities



Current

Accounts payable and accrued liabilities	\$ 602,747	\$ 700,770
Pending application fees	140,746	156,556
Deferred revenue	2,597,050	3,149,220
Tenant inducement	5,220	5,218
	3,345,763	4,011,764
Tenant inducement	-	5,220
	3,345,763	4,016,984

Net Assets

Investment in property and equipment	188,335	226,218
Unrestricted	5,093,345	3,552,004
	5,281,680	3,778,222
	\$ 8,627,443	\$ 7,795,206

Approved on behalf of Council:


 _____ Member

 _____ Member

Insurance Council of British Columbia
Statement of Operations

For the year ended May 31	2011	2010
Revenue (Schedule)	<u>\$ 5,167,533</u>	<u>\$ 5,696,784</u>
Expenses		
Amortization	66,541	88,764
Data processing and information system maintenance	141,363	115,138
Equipment rentals and service	6,835	7,946
Hearings	36,357	68,775
Insurance	14,045	18,963
Loss on disposal of property and equipment	12,657	3,967
Maintenance	5,130	4,461
Meetings	217,718	178,215
Office and miscellaneous	81,090	58,566
Postage and delivery	42,997	39,493
Professional fees	305,722	289,404
Qualifying examinations	196,712	193,291
Rent	300,752	311,708
Salaries and benefits	2,115,685	1,953,460
Stationery, printing and supplies	34,066	45,391
Telephone	21,999	20,781
Training	8,816	4,675
Travel	55,590	40,544
	<u>3,664,075</u>	<u>3,443,542</u>
Excess of revenue over expenses	<u>\$ 1,503,458</u>	<u>\$ 2,253,242</u>

Insurance Council of British Columbia
Statement of Changes in Net Assets

For the year ended May 31

	Investment in Property and Equipment	Unrestricted	Total	
			2011	2010
Balance, beginning of year	\$ 226,218	\$ 3,552,004	\$ 3,778,222	\$ 1,524,980
Excess of revenue over expenses for the year	-	1,503,458	1,503,458	2,253,242
Amortization of property and equipment	(66,541)	66,541	-	-
Purchase of property and equipment	41,315	(41,315)	-	-
Carrying value of property and equipment disposed of	(12,657)	12,657	-	-
Balance, end of year	\$ 188,335	\$ 5,093,345	\$ 5,281,680	\$ 3,778,222

Insurance Council of British Columbia
Statement of Cash Flows

For the year ended May 31

2011

2010

Cash provided by (used in)

Operating activities

Excess of revenue over expenses for the year	\$ 1,503,458	\$ 2,253,242
Items not involving cash		
Amortization	66,541	88,764
Decrease in rent expense from tenant inducement	(5,218)	(5,218)
Loss on disposal of property and equipment	12,657	3,967
Changes in non-cash operating working capital (Note 4)	<u>(744,441)</u>	<u>(341,241)</u>

832,997 **1,999,514**

Investing activities

Increase in investments	(1,093,757)	(967,543)
Purchase of property and equipment	<u>(41,315)</u>	<u>(96,795)</u>

(1,135,072) **(1,064,338)**

(Decrease) Increase in cash during the year

(302,075) **935,176**

Cash, beginning of year

4,757,098 **3,821,922**

Cash, end of year

\$ 4,455,023 **\$ 4,757,098**

Insurance Council of British Columbia Summary of Significant Accounting Policies

May 31, 2011

General

The Insurance Council of British Columbia ("Council") is constituted under the Financial Institutions Act of British Columbia (the "Act") and is a tax-exempt body under Section 149 of the *Income Tax Act*. Council determines the qualification and suitability of applicants for licensing as insurance agents, insurance salespersons and insurance adjusters; administers examinations to such applicants; and issues the respective licences. In addition, Council investigates complaints and determines any required disciplinary action.

As well as making fee assessments against licensees and insurers to fund its expenses, Council collects fees prescribed under the Act on behalf of the provincial government.

Fund Accounting

Council follows the deferral method of accounting whereby restricted revenues are deferred and recognized at the time of the related expenditures. Unrestricted revenues are recorded when earned or received.

With the exception of the internal restriction for Investment in Property and Equipment, there are no restrictions over the net assets of Council.

Property and Equipment

Property and equipment are recorded at historical cost and amortized using the straight-line method over their estimated useful lives, commencing when they are put into use, over the following periods:

Furniture and equipment	10 years
Leasehold improvements	10 years
Computer hardware	5 years
Computer software	2 years

Revenue Recognition

Revenue from Council fees - Licensees is recognized over the term of the registration period.

Revenue from Council fees - First and re-applications is recognized when the application is processed or when the licensee decides not proceeded with the application.

Receivables from licensees for Council fees billed but not collected prior to the year-end are not recognized in the accounts, as renewal is at the discretion of the licensee.

Examination revenue is non-refundable and is recognized when the exam is written.

Fines revenue and investigation costs recovered, which are included in interest and other revenue, are recognized when collection is reasonably assured.

Insurance Council of British Columbia

Summary of Significant Accounting Policies

May 31, 2011

Financial Instruments Council's financial instruments consist of cash, short-term investments, accounts receivable, long-term investments, and accounts payable and accrued liabilities. These financial instruments are accounted for as follows:

Held-for-trading

Cash and short-term investments are designated as held-for-trading and recorded at fair value.

Held-to-maturity

Long-term investments are classified as held-to-maturity. The investments are fixed maturity financial assets that Council has both the intention and the ability to hold to maturity. These assets are initially recognized at their fair value which is determined by published price quotations. Held-to-maturity assets are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment. The fair value of long-term investments is set out in Note 2.

Loans and receivables

Accounts receivable are classified as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment. The fair value of accounts receivable approximate the carrying value due to the short-term nature.

Other financial liabilities

Accounts payable and accrued liabilities have been classified as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment. The fair values of all other financial liabilities approximate the carrying value due to the short term nature.

It is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Insurance Council of British Columbia Summary of Significant Accounting Policies

May 31, 2011

Pending Application Fees

Pending application fees represent amounts collected for Council fees - Licensees where the licence has not been issued prior to the fiscal year-end.

Tenant Inducement

Tenant inducement represents amounts received upon signing a new office premises lease. Such amounts are recognized as a reduction of rent expense on a straight-line basis over the lease term.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting Pronouncements

Future Accounting Changes

The Accounting Standards Board has approved a new framework for not-for-profit organizations ("NPOs") that is based on the existing Canadian Generally Accepted Accounting Principles and incorporates this 4400 series of standard which relate to situations unique to NPOs. 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.

Insurance Council of British Columbia
Notes to the Financial Statements

May 31, 2011

1. Cash

The Council's bank accounts are held at two chartered banks and one credit union earning interest at tiered and market rates, respectively.

2. Investments

Short-term investments are held with several credit unions and Canadian life insurers in the form of savings and daily interest fund accounts.

Long-term investments represent three to five year term investments held with various Canadian life insurers, no one of which holds more than 14% (2010 - 11%) of the total invested. The weighted average term to maturity is 765 days (2010 - 968 days). The weighted average effective interest rate is 2.85% (2010 - 2.89%). The fair value of these investments at May 31, 2011 was \$2,884,357 (2010 - \$2,431,850).

The Council's investments are reinvested upon maturity at interest rates available at the time. As a result, fluctuation in interest rates on such investments will affect interest income earned.

3. Property and Equipment

	2011		2010	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 208,045	\$ 90,767	\$ 117,278	\$ 123,736
Leasehold improvements	72,705	48,174	24,531	31,798
Computer hardware	170,963	124,437	46,526	58,712
Computer software	74,128	74,128	-	11,972
	\$ 525,841	\$ 337,506	\$ 188,335	\$ 226,218

Insurance Council of British Columbia
Notes to the Financial Statements

May 31, 2011

4. Changes in Non-Cash Operating Working Capital

	<u>2011</u>	<u>2010</u>
Accounts receivable	\$ (104,188)	\$ 175
Prepaid expenses	25,750	(31,213)
Accounts payable and accrued liabilities	(98,023)	113,765
Pending application fees	(15,810)	17,617
Deferred revenue	(552,170)	(441,585)
	<u>\$ (744,441)</u>	<u>\$ (341,241)</u>

5. Commitment

Council has an operating lease with respect to its office premises until May 2012. Annual payments of \$300,000 are required in respect of the office premises, including estimated operating costs and property taxes on rented premises. Subsequent to year end, the operating lease was renewed to May 2022. Included in the renewed operating lease is an improvement allowance of \$350,000, any portion of the improvement allowance not spent will be applied toward future rent. Annual payments required in respect of the office premises, including estimated operating costs and property taxes on rented premises are as follows:

2012	\$ 312,000
2013	472,000
2014	472,000
2015	482,000
2016	482,000
Thereafter	<u>2,992,000</u>
	<u>\$ 5,212,000</u>

6. Pension Plan

Council maintains a defined contribution pension plan for its employees. During the year, the Council paid \$70,068 (2010 - \$66,861) for employer contributions to the plan.

7. Capital Disclosures

Council considers its capital to be its net assets: investment in property and equipment and unrestricted balances. Council's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide services to its members. Annual budgets are developed and monitored to ensure the Council's capital is maintained at an appropriate level. The Council is not subject to externally imposed capital requirements.

Insurance Council of British Columbia
Schedule of Revenue

For the year ended May 31

2011

2010

Revenue

Council fees - Licensees	\$ 3,376,366	\$ 3,861,284
Council fees - First and re-applications	872,405	928,285
Council fees - Insurers	472,000	482,000
Examination fees	237,850	276,175
Interest and other	208,912	149,040
	<hr/>	
	\$ 5,167,533	\$ 5,696,784
