INSURANCE COUNCIL OF BRITISH COLUMBIA

Financial Statements
May 31, 2026

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INSURANCE COUNCIL OF BRITISH COLUMBIA

Opinion

We have audited the financial statements of Insurance Council of British Columbia (the "Council"), which comprise:

- the statement of financial position as at May 31, 2026;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the 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 May 31, 2026, 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 ("ASNPO").

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 ASNPO, 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.

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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 will 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 controls 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 controls.

- 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.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
September 15, 2026

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INSURANCE COUNCIL OF BRITISH COLUMBIA
Statement of Financial Position
May 31

	2026	2025
Assets		
Current		
Cash (note 4)	$ 19,289,163	$ 7,790,474
Short-term investments (note 5)	7,515,858	16,756,239
Receivables	110,192	351,800
Prepaid expenses and deposit	278,567	302,123
	27,193,780	25,200,636
Long-term investment (note 5)	1,000,207	-
Capital assets (note 6)	9,660,524	7,192,953
	$ 37,854,511	$ 32,393,589
Liabilities		
Current		
Accounts payable and accrued liabilities (note 7)	$ 2,278,236	$ 2,723,865
Pending application fees	388,405	212,875
Deferred revenue	17,517,145	16,341,968
	20,183,786	19,278,708
Deferred lease inducement (note 8)	159,763	-
Deferred incentive	35,970	-
	20,379,519	19,278,708
Net assets		
Invested in capital assets	9,660,524	7,192,953
Internally restricted reserves (note 9)	5,408,000	4,668,000
Unrestricted	2,406,468	1,253,928
	17,474,992	13,114,881
	$ 37,854,511	$ 32,393,589

Commitment (note 10)

Approved on behalf of Council



Member



Member

See notes to the financial statements

INSURANCE COUNCIL OF BRITISH COLUMBIA
Statement of Operations
Year Ended May 31

	2026	2025
Revenue		
Annual licence fees	$ 17,073,426	$ 15,093,000
Application fees	3,079,860	2,848,170
Insurer fees	1,212,000	1,133,000
Continuing education fees	1,189,465	856,550
Examination fees	785,020	601,490
Interest and dividend income	608,382	640,596
Fines	197,624	180,600
Investigation costs recovery	89,146	41,554
Hearing costs recovery	78,999	56,064
Accreditation fees	47,400	25,200
Other	37,120	41,960
	24,398,442	21,518,184
Expenditures		
Amortization	1,283,441	1,052,745
Data processing and information system maintenance	1,423,858	908,275
Equipment rentals and service	5,432	7,819
Insurance	35,204	38,188
Investigations and Hearings	221,845	797,685
Loss on capital assets write-off	51,465	1,962
Maintenance	24,213	24,669
Meetings	285,928	262,243
Minor furniture and equipment	-	964
Office and miscellaneous	149,365	134,708
Professional fees	660,513	1,183,709
Public relations	12,780	12,902
Qualifying examinations	166,032	168,678
Rent	1,170,203	1,045,358
Salaries and benefits	13,645,468	12,373,485
Service fees	630,219	561,140
Stationery, printing and supplies	14,480	9,229
Telephone	39,581	32,750
Training	180,459	144,529
Travel	72,805	50,000
	20,073,291	18,811,038
Excess of revenue over expenditures before other item	4,325,151	2,707,146
Other item		
Fair market value change on investments	34,960	86,762
Excess of revenue over expenditures for year	$ 4,360,111	$ 2,793,908

See notes to the financial statements

INSURANCE COUNCIL OF BRITISH COLUMBIA

Statement of Changes in Net Assets
Year Ended May 31

	Invested in capital assets	Internally restricted reserves (note 9)	Unrestricted	Total 2026	Total 2025
Balance, beginning of year	$ 7,192,953	$ 4,668,000	$ 1,253,928	$ 13,114,881	$ 10,320,973
Excess of revenue over expenditures	-	-	4,360,111	4,360,111	2,793,908
Amortization of capital assets	(1,283,441)	-	1,283,441	-	-
Purchase of property and equipment (note 6)	202,831	(202,831)	-	-	-
Software development costs (note 6)	3,418,444	(3,418,444)	-	-	-
Website rebuild project costs (note 6)	181,202	(181,202)	-	-	-
Loss on capital assets write-off	(51,465)	-	51,465	-	-
Interfund transfers (note 9)	-	4,542,477	(4,542,477)	-	-
Balance, end of year	$ 9,660,524	$ 5,408,000	$ 2,406,468	$ 17,474,992	$ 13,114,881

See notes to the financial statements

INSURANCE COUNCIL OF BRITISH COLUMBIA
Statement of Cash Flows
Year Ended May 31

	2026	2025
Operating activities		
Excess of revenue over expenditures	$ 4,360,111	$ 2,793,908
Items not involving cash		
Amortization	1,283,441	1,052,745
Loss on capital assets write-off	51,465	1,962
Accrued interest	(51,479)	(45,212)
Fair market value change on investments	(34,960)	(86,762)
Deferred lease inducement	159,763	-
Amortization of deferred incentive	35,970	-
	5,804,311	3,716,641
Changes in non-cash working capital		
Receivables	293,087	(85,976)
Prepaid expenses and deposit	23,556	(15,273)
Accounts payable and accrued liabilities	(445,629)	784,274
Pending application fees	175,530	(19,790)
Deferred revenue	1,175,177	2,313,473
	1,221,721	2,976,708
Cash provided by operating activities	7,026,032	6,693,349
Investing activities		
Purchase of investments	(1,886,175)	(10,053,215)
Sale of investments	10,161,309	6,926,622
Purchase of property and equipment	(202,831)	(91,518)
Software development costs	(3,418,444)	(3,643,110)
Website rebuild project costs	(181,202)	(240,515)
Cash provided by (used in) investing activities	4,472,657	(7,101,736)
Increase (decrease) in cash during the year	11,498,689	(408,387)
Cash, beginning of year	7,790,474	8,198,861
Cash, end of year	$ 19,289,163	$ 7,790,474

See notes to the financial statements

1. NATURE OF OPERATIONS

The Insurance Council of British Columbia (the "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*. The 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, the Council investigates complaints and determines any required disciplinary action.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Council have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

(a) Net assets

Net assets of the Council are classified as follows:

(i) Invested in capital assets

These are funds that have been used for purchase of capital assets and software development costs and therefore not available for other purposes.

(ii) Operating reserve

The Voting Members of Council have approved internally restricted funds to cover unanticipated expenses related to discipline cases and general operating costs.

(iii) IT reserve

The Voting Members of Council have approved internally restricted funds for future major IT projects.

(iv) Leasehold improvement reserve

The Voting Members of Council have approved internally restricted funds for the purpose of future leasehold improvements.

(v) Unrestricted

Net assets available for general operations of the Council with no restrictions.

2. SIGNIFICANT ACCOUNTING POLICIES — continued

(b) Revenue recognition

The Council follows the deferral method of accounting whereby revenues are recognized as follows:

Annual licence fees are recognized over the term of the licence period. Amounts related to the subsequent fiscal year and received in the current fiscal year are recorded as deferred licensing revenue.

Accreditation fees are recognized when the application is processed.

Application fees are recognized when the application is processed or when the applicant decides to not proceed with the application and forfeits the fee. Application fees collected during the fiscal year that have not been processed as at fiscal year end are considered as pending application fees.

Insurer fees are recognized when collection is reasonably assured.

Continuing education fees are recognized when the registrants complete the online courses or when the 60-day access period expires.

Examination fee revenue is recognized when the exam date passes.

Fines revenue, investigation and hearing costs recovery and other revenue are recognized as revenue when collection is reasonably assured.

Interest income is recognized as earned based on the passage of time at the stated interest rate. Dividend income from various investments is recognized as earned.

(c) Capital assets

Capital assets 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	5-10 years
Leasehold improvements	life of the lease
Computer hardware	2-5 years
Major computer software systems	5 years

Software under development and website under development are recorded at cost. Amortization will commence when available for use.

2. SIGNIFICANT ACCOUNTING POLICIES — continued

(d) Impairment of long-lived assets

The Council tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(e) Employee future benefits

The Council and its employees make contributions to a defined contribution Group RRSP plan. The Council matches all staff contributions up to 5% of gross earnings for all employees and 6% for senior management. The Council's contributions to the plan are expensed when incurred.

(f) Tenant inducement

Tenant inducement consists of rent allowance recognized as a deferred lease inducement liability amortized over the term of the lease and is recorded as a reduction of rent expense.

(g) Financial instruments

Financial instruments are recorded at fair value when acquired or issued. All short- and long-term investments have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

For any financial instrument that is measured at amortized cost, the instrument’s cost is adjusted by the transaction costs that are directly attributable to their origination, issuance, or assumption.

Financial assets measured at amortized cost include cash and receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and pending application fees.

(h) Use of estimates

The preparation of these financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent asset and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include useful lives of the property and equipment and completeness of accounts payable and accrued liabilities. While management believes these estimates are reasonable, actual results could differ from the estimates and could impact future results of operations and cash flows.

3. FINANCIAL INSTRUMENTS

The Council, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at May 31, 2026. There have been no changes to the risks in the current year.

(a) Credit risk

Credit risk is the risk that the Council will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Council to significant concentrations of credit risk consist primarily of cash and investments. The Council mitigates its exposure to credit risk by placing its cash and investments with various high credit quality financial institutions, in accordance with investment policies adopted by the Council.

The Council is exposed to credit risk arising from its bank account held at a financial institution as deposits are only insured up to $100,000. The Council is not exposed to credit risk from its bank account held at a credit union as deposits are 100% guaranteed by the Credit Union Deposit Insurance Corporation of British Columbia.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rates and terms of cash and investments are disclosed in notes 4 and 5.

Interest rate risk consists of two components:

(i) To the extent that future payments made or received by the Council are affected by changes in prevailing market interest rates, the Council is exposed to interest rate cash flow risk.

(ii) To the extent that the market rates differ from the interest rates on the Council's monetary assets and liabilities, the Council is exposed to interest rate price risk.

The Council is exposed to interest rate price risk on its investments to the extent that the market interest rate differs from the interest rate of the investments. The Council mitigates its exposure to interest rate risk by investing in guaranteed investment certificates in varying terms and maturity dates.

(c) Liquidity risk

Liquidity risk is the risk that the Council will not be able to meet its obligations as they fall due. The Council mitigates the risk by maintaining adequate levels of working capital and preparing cash flow forecasts to ensure all its obligations can be met when they fall due.

4. CASH

The Council's bank accounts are held at a chartered bank and a credit union earning interest at market rates.

5. INVESTMENTS

Investments held by the Council consist of cash, guaranteed investment certificates ("GICs") with effective interest rates of 2.15% to 4.02% (2025 - 2.00% to 5.21%) maturing from May 29, 2027 to May 29, 2028 (2025 - July 29, 2025 to May 29, 2026), and bond funds with no maturity date and no restrictions. They are placed in various high credit quality financial institutions in accordance with the Council's investment policy.

	2026	2025
Cash	$ 48,163	$ 1,131,880
Bond funds	6,457,604	6,136,007
Short-term GICs	1,010,091	9,488,352
	7,515,858	16,756,239
Long-term GIC	1,000,207	-
	$ 8,516,065	$ 16,756,239

The cost of the investments at year end is $9,044,073 (2025 - $17,231,153).

6. CAPITAL ASSETS

	2026			2025
	Cost	Accumulated amortization	Net	Net
Property and equipment				
Computer hardware	$ 464,019	$ 274,333	$ 189,686	$ 181,981
Furniture and equipment	976,301	402,301	574,000	606,545
Leasehold improvements	1,206,842	914,150	292,692	312,336
	2,647,162	1,590,784	1,056,378	1,100,862
Intangible assets				
Major computer software systems	8,535,105	638,652	7,896,453	667,737
Software development costs[1]	215,710	-	215,710	5,183,839
Website rebuild project costs	491,983	-	491,983	240,515
	9,242,798	638,652	8,604,146	6,092,091
	$ 11,889,960	$ 2,229,436	$ 9,660,524	$ 7,192,953

[1] The Council has embarked on a digital transformation program designed to streamline business processes and migrate business functionalities to a more advanced digital platform. The first phase of the project was implemented during the year.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2026	2025
Accounts payable and accrued liabilities	$ 948,727	$ 1,527,214
Accrued vacation	371,470	313,942
Deferred incentive	33,204	-
Government fees payable	904,275	870,000
Salaries payable	20,560	12,709
	$ 2,278,236	$ 2,723,865

Included in accounts payable and accrued liabilities are government remittances payable of $145,558 (2025 - $131,722).

8. DEFERRED LEASE INDUCEMENT

During the year, the Council commenced the lease agreement for its Vancouver office and received a rent allowance. The Council will receive a reduction in annual rent of approximately $200,000 every October for the first seven years of the lease term. The annual rent allowance is recorded as a deferred lease inducement liability and amortized on a straight-line basis over the 10 year lease term.

9. INTERNALLY RESTRICTED RESERVES

	Operating reserve	IT reserve	Leasehold improvement reserve	Total
Balance, beginning of year	$ 500,000	$ 3,820,000	$ 348,000	$ 4,668,000
Purchase of property and equipment	-	(107,605)	(95,226)	(202,831)
Software development costs	-	(3,418,444)	-	(3,418,444)
Website rebuild project costs	-	(181,202)	-	(181,202)
Interfund transfers from unrestricted fund	500,000	3,847,251	195,226	4,542,477
	$ 1,000,000	$ 3,960,000	$ 448,000	$ 5,408,000

10. COMMITMENT

The Council has an operating lease with respect to its current office premises until September 30, 2035. Pursuant to the terms of the lease, the Council will pay annual base rent plus its proportionate share of operating costs and property taxes. The Council also has a three year software licensing agreement expiring June 12, 2028.

The Council's future minimum contractual payments for its operating lease and software licensing agreement are approximately as follows:

2027	$ 1,059,065
2028	1,076,703
2029	726,735
2030	710,954
2031 and thereafter	4,755,490
	$ 8,328,947

11. AGREEMENT WITH AUTORITE DES MARCHES FINANCIERS ("AMF")

During fiscal 2025, the Council entered into an agreement with the Autorité des Marchés Financiers ("AMF") to lead the development and temporary administration of a new tracking system for the Life Licence Qualification Program ("LLQP"). AMF will reimburse 100% of all costs incurred for the development and administration of the new tracking system. These costs are not recognized in the Council's Statement of Operations.

In fiscal 2026, the Council incurred $451,331 (2025 - $600,009) for the development and administration of the new tracking system, of which $13,162 (2025 - $255,112) is included in receivables, which has been received subsequent to year end.

12. SICK LEAVE

Council's employees have total sick time accrued of 3,523 (2025 - 2,953) days, with an estimated total value of $1,786,334 (2025 - $1,468,057). The accrued sick time is payable in the event of a valid illness that requires absence from work. The likelihood of this sick time being paid is uncertain; therefore, it has not been accrued.

13. DEFINED CONTRIBUTION RETIREMENT PLAN

Council maintains a defined contribution Group RRSP plan for its employees. During the year, the Council paid $552,830 (2025 - $486,871) for employer contributions to the plan.