INSURANCE BROKERS ASSOCIATION OF SASKATCHEWAN

Financial Statements

Year Ended July 31, 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Insurance Brokers Association of Saskatchewan have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Insurance Brokers Association of Saskatchewan's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Board of Directors approve the financial statements and considers the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by MWC Chartered Professional Accountants LLP, in accordance with Canadian generally accepted auditing standards.

Chief Executive Officer

Treasurer

Regina, SK

Chartered Professional Accountants LLP

INDEPENDENT AUDITOR'S REPORT

To the Members of Insurance Brokers Association of Saskatchewan

Qualified Opinion

We have audited the financial statements of Insurance Brokers Association of Saskatchewan (the Association), which comprise the statement of financial position as at July 31, 2022, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at July 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many charitable organizations, the Association is unable to economically implement controls that will offer assurance on the completeness of charitable campaign revenue and we were not able to satisfy ourselves on amounts reported using other procedures. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to charitable campaign, excess of revenues (expenses), and cash flows from operations for the years ended July 31, 2022, or current assets, deferred revenue, and net assets as at July 31, 2022.

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 Association in accordance with 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 qualified audit 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

(continues)

An asset to our clients, not an expense

102 – 4701 Parliament Ave, Regina, SK S4W 0T9 306-352-8621 306-565-8476 mwc-cpa.ca

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 Association'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 Association'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 Association 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.

Chartered Professional Accountants

Regina, Saskatchewan
September 12, 2022

INSURANCE BROKERS ASSOCIATION OF SASKATCHEWAN

Statement of Financial Position

July 31, 2022

		2022		2021
ASSETS				
CURRENT				
Cash	$	**389,480**	$	384,511
Investments *(Note 3)*		**1,093,232**		1,171,742
Accounts receivable		**42,133**		42,081
Inventory		**13,996**		12,458
Goods and services tax recoverable		**3,182**		2,014
Prepaid expenses		**97,371**		59,215
		1,639,394		1,672,021
CAPITAL ASSETS *(Note 4)*		**24,678**		34,573
INTANGIBLE ASSETS *(Note 5)*		**25,833**		36,905
	$	**1,689,905**	$	1,743,499
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable	**$**	**53,990**	$	29,920
Deferred revenue *(Note 6)*		**554,800**		563,561
		608,790		593,481
NET ASSETS				
Unrestricted Fund		**256,115**		325,018
Consumer Protection Bond Indemnity Fund		**200,000**		200,000
Strategic Innovation Fund		**125,000**		125,000
Legacy Fund		**500,000**		500,000
		1,081,115		1,150,018
	$	**1,689,905**	$	1,743,499

ON BEHALF OF THE BOARD

______________________________ *Director*

______________________________ *Director*

See accompanying notes to financial statements

INSURANCE BROKERS ASSOCIATION OF SASKATCHEWAN

Statement of Operations

Year Ended July 31, 2022

	2022	2021
REVENUES		
Professional development	$ **611,496**	$ 726,597
Membership	**439,742**	405,562
Member services	**438,505**	370,554
Charitable campaign	**77,990**	50,119
Advocacy	**31,149**	42,198
Covid-19 programs	**-**	64,972
Other	**-**	5,138
	1,598,882	1,665,140
EXPENSES		
Operations	**753,973**	747,800
Member services	**284,620**	200,750
Professional development	**213,373**	317,460
Charitable campaign	**87,267**	116,654
Membership	**83,201**	76,688
Governance	**82,666**	11,136
Advocacy	**58,294**	77,715
Amortization of intangible assets	**11,071**	15,816
Amortization of capital assets	**10,697**	15,870
Covid-19 programs	**1,472**	12,811
	1,586,634	1,592,700
EXCESS OF REVENUES (EXPENSES) FROM OPERATIONS	**12,248**	72,440
OTHER INCOME (LOSS)		
Loss on disposal of capital assets	**(2,996)**	(824)
Investment earnings	**25,942**	26,563
Unrealized investment fair market value adjustment	**(104,097)**	119,961
	(81,151)	145,700
EXCESS OF REVENUES (EXPENSES)	$ **(68,903)**	$ 218,140

See accompanying notes to financial statements

INSURANCE BROKERS ASSOCIATION OF SASKATCHEWAN

Statement of Changes in Net Assets

Year Ended July 31, 2022

	Unrestricted Fund	Consumer Protection Bond Indemnity Fund	Strategic Innovation Fund	Legacy Fund	2022	2021
NET ASSETS - BEGINNING OF YEAR	$ 325,018	$ 200,000	$ 125,000	$ 500,000	$ 1,150,018	$ 931,878
EXCESS OF REVENUES (EXPENSES)	(68,903)	-	-	-	(68,903)	218,140
NET ASSETS - END OF YEAR	$ 256,115	$ 200,000	$ 125,000	$ 500,000	$ 1,081,115	$ 1,150,018

See accompanying notes to financial statements

INSURANCE BROKERS ASSOCIATION OF SASKATCHEWAN

Statement of Cash Flows

Year Ended July 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of revenues (expenses)	**$ (68,903)**	$ 218,140
Items not affecting cash:		
Amortization of capital assets	**10,697**	15,870
Amortization of intangible assets	**11,071**	15,816
Loss on disposal of assets	**2,996**	824
Unrealized investment fair market value adjustment	**104,097**	(119,961)
	59,958	130,689
Changes in non-cash working capital:		
Accounts receivable	**(52)**	17,101
Inventory	**(1,538)**	1,810
Accounts payable	**24,071**	(7,855)
Deferred revenue	**(8,761)**	85,982
Prepaid expenses	**(38,156)**	(9,904)
Goods and services tax payable	**(1,168)**	2,216
	(25,604)	89,350
Cash flow from operating activities	**34,354**	220,039
INVESTING ACTIVITIES		
Purchase of capital assets	**(3,798)**	(6,783)
Net purchases and reinvestment of investment earnings	**(25,587)**	(26,985)
Cash flow used by investing activities	**(29,385)**	(33,768)
INCREASE IN CASH FLOW	**4,969**	186,271
CASH - BEGINNING OF YEAR	**384,511**	198,240
CASH - END OF YEAR	**$ 389,480**	$ 384,511

See accompanying notes to financial statements

1. PURPOSE OF THE ASSOCIATION

The Insurance Brokers Association of Saskatchewan ("IBAS" or "the Association") is an advocacy group and provides education as well as other business support services for insurance brokerages and brokers in Saskatchewan and is incorporated under the *Non-Profit Corporations Act of Saskatchewan*. As a not-for-profit, the Association is exempt from the payment of income tax under Section 149(1)(l) of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Fund accounting

A portion of the monies received by the company may only be used for specific purposes and accordingly are accounted for in separate funds. Temporary transfers of monies between these funds are recorded as interfund receivables/payables. Permanent transfers are recorded as transfers in the net asset accounts.

Unrestricted Fund - is used for general operations of IBAS. All transactions, except those which are applicable to other funds, are recorded in the accounts of this fund.

Restricted Funds consist of the following funds:

a) Consumer Protection Bond Indemnity fund - Internally restricted fund established for the purpose of self-insuring against potential claims as part of the umbrella surety bond the association purchases on behalf its members as a recognized equivalency to the required Consumer Protection Bond.

b) Strategic Innovation fund - internally restricted fund established to finance targeted, short-term investments with the purpose of enhancing the Association's operational efficiency and increasing its member services capacity.

c) Legacy fund - Internally restricted fund established for the purpose of providing operational stability to the Association in the event the Association experiences a period of financial hardship necessitated by a major shift in strategy or activity.

Revenue recognition

Revenue is recognized under the following policies:

a) Professional development includes exam fees, course registrations, and textbook sales and is recognized in the period the services are provided.

b) Membership fees are for a calendar year and are recognized on a monthly basis throughout the fiscal year.

c) Member services includes various service program registrations, partnership sponsorships, and advertising which are recognized in the period the services are provided.

d) Charitable campaign includes donations, partnership sponsorships, and fundraising event revenues which are recognized in the year received.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Advocacy includes partnership sponsorships and is recognized when the programs are delivered.

f) Covid-19 programs includes government subsidies, which are recognized in the qualifying periods, partnership sponsorships and sales which are recognized in the period of program or product delivery, and donations which are recognized when received.

g) Other income includes various sources including grants and donations and is recognized in the qualifying period or when received if a receivable cannot be determined.

h) Investment earnings are recognized in the period earned.

IBAS follows the deferral method of accounting for contributions which include partnership sponsorships, and fundraising which includes events and donations. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets including cash, accounts receivable and investments (fixed income, high-interest savings accounts) are reported at amortized cost. Investments in equity are reported at fair market value.

Financial liabilities including accounts payable and accrued liabilities are measured at amortized cost.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Motor vehicles	30%	declining balance method
Computer equipment	55%	declining balance method
Furniture and fixtures	20%	declining balance method

One half year of amortization is taken in the year of acquisition. No amortization is recorded in the year of disposal.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Intangible assets

Website is amortized on a declining balance basis at a rate of 30% per year.

3. INVESTMENTS

	2022	2021
Cash	$ **60,546**	$ 53,313
Fixed income funds	**565,497**	614,948
Equities and funds	**467,189**	503,481
	$ **1,093,232**	$ 1,171,742

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Motor vehicles	$ 36,038	$ 21,028	$ **15,010**	$ 21,443
Computer equipment	13,570	9,282	**4,288**	6,405
Furniture and fixtures	12,720	7,340	**5,380**	6,725
	$ 62,328	$ 37,650	$ **24,678**	$ 34,573

5. INTANGIBLE ASSETS

	2022	2021
Website	$ **62,025**	$ 62,025
Accumulated amortization	**(36,192)**	(25,120)
	$ **25,833**	$ 36,905

6. DEFERRED REVENUE

	2022	2021
Partnerships	$ **301,510**	$ 296,250
Memberships	**160,411**	162,202
Professional development	**12,045**	22,075
Other	**80,834**	83,034
	$ **554,800**	$ 563,561

7. LINE OF CREDIT

The Association has a $75,000 (2021 - $100,000) line of credit, which bears interest at 6.70% (2021 - 2.10%). The line of credit was not utilized in 2022 (2021 - $nil).

8. COMMITMENTS

The Association entered into a lease for office premises in Regina, which commenced on September 2018 and has a term of 10 years and 4 months. The Association is also entered into an equipment lease for a photocopier which commenced October 2019 and has a term of 5 years and 6 months.

Future minimum payments for the subsequent five years for the Association's fiscal year are as follows:

	Office Lease	Equipment Lease	Total
2022	$ 63,057	$ 3,547	$ 66,604
2023	63,057	3,547	66,604
2024	63,057	2,660	65,717
2025	63,057	-	63,057
2026	63,057	-	63,057
	$ 315,285	$ 9,754	$ 325,039

9. PENSION PLAN

The Association participates in a defined contribution pension with the employees and its liability is limited to making the required annual contributions. During the year the employer's contributions to the pension plan was $20,262 (2021 - $14,057).

10. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments and management is responsible to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of July 31, 2022.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Association has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities as they come due. The Association is exposed to this risk mainly in respect of the timing of receipt of funds from its customers. This risk is not significant.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its investment portfolio and line of credit.

Unless otherwise noted, it is management’s opinion that the Association is not exposed to significant other price risks arising from these financial instruments.

11. UNCERTAINTY OF IMPACT OF COVID-19

Starting in early 2020 and continuing through the fiscal year, the federal and provincial governments in Canada implemented measures intended to reduce the impact of the Covid-19 pandemic. These regulations have an ongoing impact on the operations of organizations and individuals.

The measures imposed during the pandemic impacted the Associations ability to host their annual convention at the same capacity as prior years. After hosting a virtual convention in 2021, the Association was able to host a one-day convention in the current year.

As at the audit report date no significant financial loss has occurred, and no financial impacts are expected to be inflicted after yearend.

Chartered Professional Accountants LLP

September 14, 2022

Insurance Brokers Association of Saskatchewan
305 - 2631 - 28th Ave
Regina SK S4S 6X3

Attention: Dave Pettigrew
Chair of the Board

Re: Audit Findings Letter

Good Day,

We have completed our yearend audit of Insurance Brokers Association of Saskatchewan for the year ended July 31, 2022, in accordance with Canadian generally accepted auditing standards. In addition to providing our Independent Auditor's Report we are to communicate with management, and those charged with governance of the financial statements, our audit findings which include; the audit opinion, significant deficiencies in internal controls, materiality and summary of unadjusted differences for the engagement.

Financial Statement Audit Engagement

Our objectives, under a financial statement audit engagement, are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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.

Under a financial statement audit engagement, we are obliged to report any significant audit findings, including any significant deficiencies in internal control that we identify, under the limitation of a general purpose financial statement audit.

Independent Auditor's Report

The Independent Auditor's Report is a standardized report provided by Canadian generally accepted auditing standards and must always include the following: i) the Auditor's Opinion, ii) the responsibilities of management and those charged with governance for the financial statements, and iii) the Auditor's responsibilities for the audit of the financial statements. The Independent Auditor's Report provides information on these items but we would like to draw your attention to some key items included in the report for the current year.

Audit Opinion

Our Auditor's Opinion provides a few significant items: i) a listing of the reported financial statements (which typically include the statement of financial position, statement of operations, net assets, cash flow, and the notes to the financial statements), ii) the year end date, iii) the financial statement standards used to prepare the statements, and iv) the specific Auditor's Opinion which is normally an unqualified opinion or may, in certain circumstances, be qualified based on a specific item or issues noted during the audit.

Qualified Opinion

After conducting our audit in accordance with Canadian generally accepted auditing standards we have provided a qualified audit opinion. The qualification in your report was as follows:

a) Scope limitation - completeness of Charitable Program revenues

A revenue completeness qualification means the Auditor is unable to provide an opinion that a particular revenue reported in the financial statements is all there as there is either insufficient supporting evidence or internal controls are not in place at the organization for the Auditor to rely on. As a result, the Auditor's opinion is limited in their opinion to stating that what has been reported by revenue is the appropriate revenue type, however they cannot determine if it is complete.

The Association's Charitable Program revenue is a mixed revenue that includes partnership revenue along with fundraising and donations. It is the fundraising and donation component for which completeness cannot be verified. We are not able to confirm with third parties the revenue nor is there sufficient documented controls and information present for us to verify the completeness.

Donations are most commonly qualified for most not-for-profit organizations as a segregation between the custody of the money and the recording of the activity must be maintained at all times. This is due to the presence of cash and cheque donations and the fact that there is no reciprocal service on which to base an estimate of the expected revenue.

Fundraising is similar, if it includes donations at the events, however, completeness can be obtained for such items as ticket sales and auctions provided the proper controls are in place. The controls would encompass establishing either an expected revenue figure (such as with ticket controls) or maintaining documentation for auctions (donation of prize, bidding, etc.).

Significant Audit Findings - including significant deficiencies in internal controls

Canadian generally accepted auditing standards require the Auditor to assess the risks present in an organization which could lead to a material misstatement occurring in the financial statement, whether due to fraud or error.

The Auditor must develop an understanding of the practices and controls an organization has in place to process transactions and report the financial results. The Auditor assesses whether these practices can be relied on to ensure the reported financial statements are free from material misstatement. If these are assessed as not being sufficient then the Auditor looks to obtain additional audit evidence from independent sources to support the reported figures.

Based on our audit testing there were no significant audit findings, significant deficiencies in internal controls, or identified instances of fraud which could result in a material misstatement in the reported financial statements.

Materiality and the Summary of Unadjusted Differences

As stated, the objective of the Auditor is to provide an opinion on whether the financial statements presented are free from "material" misstatement, whether due to fraud or error. Materiality is based on the Auditor's determination of a dollar amount that would impact the decision of a user of the financial statement. We have chosen materiality for the current year to be $20,000 (2021 - $20,000).

The Summary of Unadjusted Differences (SUD) gathers the dollar amount of items noted during our testing that have not been adjusted as they have been determined to not have a material impact on the financial statements. The SUD has three sections 1) estimated differences based on analytical testing, 2) specific identified items noted in current year testing, and 3) specific identified items from the prior year that impact the current year.

Based on our findings, we have reported that your financial statements are presented free from material misstatement, whether due to fraud or error.

Constructive Service Items

Per our mission statement MWC strives to be "an asset to our clients, not an expense". One way we accomplish this is by providing additional insight into items which we noted while conducting the audit engagement. Below are items that we have determined to not be a significant issue at this point in time, but could lead to significant issues if not addressed. Alternatively, they may be our commentary on current practices that we can provide a recommendation for improvement.

Prior Year Items

As our constructive service items are designed to ensure best practices are in place for internal controls in order to reduce the risk of misstatement from fraud or error it makes sense to address the progress the Association has made on the noted items.

Membership Revenue - Reconciling the Database and Accounting Records (resolved)

Significant improvements were made to the reports prepared by management to reconcile the database to the accounting records for the Association's membership revenue. The reconciliation, which includes audit trail references for both systems was perfect and we were able to utilize this to support the reported deferred revenue and also to incorporate it into reconciling the current year's revenue. We strongly recommend continuing this control in the future.

Annual Partnership Agreements (recommendation for improvement)

With our second audit of the Association complete we noted it was not uncommon for the annual partnerships funding to not be fully utilized as originally set out in the partnership agreement, either due to time constraints, being unable to host a program, etc.. When such situations exist, the funding is often "re-profiled" in discussion with the funding partner and an appropriate path forward for the unused funding is determined. This is very common in most not-for-profit industries and is of no concern in and of itself.

However, when the funding is unable to be used for it's original purpose outlined in the partnership agreement, we recommend an addendum be signed to support the agreed upon re-profiled use of the funding. This documentation is required as a basis for your revenue recognition as well as confirmation that unused funding was not required to be returned.

Currently the changes to the funding is documented through various emails, which if this is the alternative method management chooses to utilize, the emails should be filed along with the original agreement.

Board Meeting Minutes (unresolved)

During our examination of the board minutes, it was noted that the minutes are not being signed by two members of the board. We continue to recommend that the board approve the board minutes, as well as all referenced documents, either through physical signature or some form of electronic document approval system.

Refund Process (resolved, minor improvements recommended)

In the prior year we had recommended a formalized refund process be formulated and implemented. A refund policy was formulated but we noted it was not consistently applied in practice throughout. The policy developed is good and should be complied with for all refunds processed. We only have a few minor recommendations:

1. Credit card refunds - the policy should be amended to state that credit card refunds must be made to the original card the purchase was made, and if that card is not available, a cheque to the recipient should be issued. This is a control against a common misappropriation of assets in organizations where refunds are made but not to the original payee.

2. We were informed that only refunds over $1,000 required the approval from the CEO and any under that limit could be authorized by department heads. There is no issue with this and we simply recommend that if this is the process in practice that it be included in the policy that was developed.

Leaders Forum (not applicable in current year)

There were no registrations with the Leaders Forum in the current year. We have no new information to report in this area.

Vacation Payable Tracking Documentation (unresolved)

Currently the Association continues to not track accumulated vacation owing to employees. There is a policy that does not allow the carryover of vacation days however, as vacation entitlement is not a use it or lose it employee benefit, it is important that the accumulated unpaid vacation be tracked through the year so the balance is known not only for yearend, but also for when an employee's resigns or is terminated.

Retention of Supporting Documentation for Government Subsidy Claims (not applicable in current year)

There were no subsidy claims in 2022. We have no new information to report in this area.

Purchase/Payment Controls

We had a few items noted in the prior year's letter in regards to purchase and payment controls.

1. Invoice Payment Approvals (resolved, minor improvement recommended)

Overall we noted that two individuals are documenting their approval of the payment of invoices and receipts which often includes an email approval which is fine provided there is documentation that the individual has seen the invoice being paid. Accounting will have to ensure that they are tracking the submission of invoices and receipts to the individual whom is providing approval by email.

2. Employee Reimbursement Forms (unresolved)

Per discussion with Brianne it was noted that no changes were made to the Employee Reimbursement process. We continue to recommend a formalized policy be established which should include a standardized form that details what was purchased, what it was for, and of course the supporting receipts should accompany the form.

The Association currently most frequently utilizes expense reimbursements to pay the CEO. The current process is that the receipts and invoices are combined into a single pdf, forwarded to a member of the board, and approved electronically through an email response. A small improvement we recommend to this process is that the total dollar amount from the expense claim is included in the email by the CEO when the receipts are sent which can then be tied to the total of the receipts in the pdf.

3. Supporting Documentation for Purchases (resolved, improvement recommended)

It was noted by management that a "Missing Receipt Voucher" process was implemented in the year and we are pleased with this progress.

The Association has moved towards mostly online approval of purchases and accomplishes this through email authorization. This process works fine as long as you have the following recommended components:

a) accompanying the email sent to the payment approver is a listing of the invoices/receipts being approved

b) there is a grand total of the invoices/receipts for the listing sent

c) the email authorization notes the total so there is an audit trail from the authorized individual's email to the batch total. Example - "I approve the payment of attached invoices totaling $XX,XXX".

Current Year Items

Overall management and the Board have done a very good job of ensuring accurate and timely accounting records and financial reporting. We have noted some items that will assist in continuing best-practices and work to minimize misstatements, either due to error or fraud.

Employee Taxable Benefits

CRA allows that employees may gifted an unlimited number of non-cash gifts as long as this value does not exceed $500 annually. If the value of the gifts exceed $500, the amount over $500 must be included in the employees taxable income, and source deductions must be remitted (unless the employee has maximized their contributions for the year). Cash, or cash-equivalent, are a taxable benefit without limit. We noted two instances of potential taxable benefits we wanted to bring to your attention.

1. A laptop, acquired in 2021 for $4,000, was provided to an employee to retain upon termination of their employment. The value of the taxable benefit would be assessed at the fair market value of the asset at the time the benefit was provided, which may differ from the accounting asset carrying value.

2. The Chief Executive Officer received a significant amount of reimbursements of Association purchases that were made on a personal credit card. If the employee receives "points" or "cash back" bonuses on purchases made with the card these could be assessed as a taxable benefit as they were gained by virtue of employment. Points are more difficult to quantify dollar value of the benefit but cash back rewards are straightforward and would be subject to a taxable benefit.

It should be noted that the risk to the Association is minimal for these taxable benefits as it is responsible for only withholding the source deductions on employment income and benefits (i.e. CPP and EI) and these would of maxed out in the year. We mention this to inform that the employee has a higher exposure as the benefit would be assessed as personal income to be included in the year the benefit was earned.

Documentation of Revenue Services and Initiative-Specific Partnerships

In the year it was noted that there were significant services that have limited documentation to support the revenue charged. Proper documentation is not only required to support the revenue reported but it also protects the Association in the case of a disagreement with the vendor over the services provided.

a) Vendor Booths - we recommend documentation be retained for all booth rentals which indicates date of the event, the type of booth received, and any other services to be provided, which is easiest to implement through a standardized rental form.

b) SaskBroker Advertising - any vendor who wishes to purchase a sponsorship and advertise in the magazine should sign an agreement outlining the size and type of advertisement, the issue the advertisement will appear it, and any other information relevant and be documented in order to support the invoice amount charged.

c) Training Sessions - it was noted there are some large dollar training sessions (such as "Readying Your Team for Flight'). We recommend that an agreement outlining what type of training is being purchased be documented and retained.

In all of the above services the invoice in the accounting records only documents what was charged and not what was requested or ordered. As there is limited segregation of duties between the receivable recording and the revenue reporting it is important that documentation be retained from the customer to prove the services requested were invoiced accordingly. It is not a good practice to rely on the fact that the customer paid so the invoice must be right.

Payroll Documentation

Overall we are pleased with the employee documentation use not only for new hires but also for changes in employment conditions such as wage increases. The Association should carry this practice forward to include all employment changes, such as the change in RRSP deduction/match which occurred in the year. Employees were notified but no documentation was retained and simply including these changes in the current letter would be sufficient.

Reporting Netting of Revenue and Expense

The accounting standards required for the Association do not permit revenues and expense to be netted. This sounds simple, but is often difficult to decipher and can result in different applications in different situations.

For example in the prior year we had an adjustment for the recognized revenue and expense pertaining to member insurance program the Association participates with IBAA which is administered through Sage Advisors Resource Ltd. This particular program is viewed as a "profit-sharing" program and therefore IBAS would only report their share of the revenue. Previously the full revenue was reported and an expense was recorded for IBAA's portion. As the revenue is not solely IBAS's revenue, and IBAS is not paying IBAA for a service, IBAS is obliged to only report its share of the profit-sharing program. As such, an adjustment was done to show only IBAS's portion and this was done this way in the current year and no adjustment was required.

Conversely, in the current year, an adjustment was required to the reported revenue to remove a fee which was netted against it for the Captus Press service. In this case the Association has engaged a service provider to administer examinations and the agreement sets out the fees for the service and therefore that fee represents an expense to the Association and should not be netted against the revenue.

While these appear to be very similar, the accounting for the activity is different based on the nature of the agreements and the responsibilities of, and participation by, the parties to the agreement. When in doubt we recommend contacting us during the year if there is uncertainty as to the accounting treatment for a specific activity.

Conclusion

The audit findings report is prepared for the Board of Directors based on the operations of the organization up to the audit report date. Should a change to the operations occur subsequently, we encourage you to contact our office so we can provide timely input on the impact the changes may have on your next audit engagement.

The issues noted in our letter could be added to the Association's Risk Register which would provide direction to management and the board to address the items and determine the agreed upon response to the items noted. Once the issues are assessed by the Association, and any applicable action steps are established, we recommend setting dates of implementation for the action steps. This not only establishes when a risk has been dealt with, but it also establishes when corrective action took place when assessing the processes in the subsequent audit.

As a reminder, the Constructive Service points are recommendations for best-practice response to issues noted in the Association that are also common in the not-for-profit industry but they are not considered to be significant deficiencies in internal controls. It is of course the Board and management's prerogative to determine their tolerance for the risk exposure and determine if changes are required. We recommend if the issues noted are deemed an acceptable risk to the Association that this also be noted so we are aware that future reporting of the issue would only be required if the risk of misstatement due to fraud or error has increased.

We would like to thank the management team and the board for their assistance during the audit and we would be happy to discuss these and any other issues or concerns you may have. And, as always, please contact our office if there are questions that arise during the year.

Thank you,

Clint Ceholski, CPA CA
Partner