

INSURANCE BROKERS ASSOCIATION OF SASKATCHEWAN

Financial Statements

Year Ended July 31, 2023

Draft for discussion purposes only

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, 2023, 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, 2023, 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 not-for-profit organizations, the Association is unable to economically implement controls that will offer assurance on the completeness of charitable campaign and member services revenues 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 and member service revenues, excess of revenues (expenses), and cash flows from operations for the years ended July 31, 2023, or current assets, deferred revenue, and net assets as at July 31, 2023.

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.

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An asset to our clients, not an expense

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

INSURANCE BROKERS ASSOCIATION OF SASKATCHEWAN

Statement of Financial Position

July 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 343,799	\$ 389,480
Investments (Note 3)	1,132,746	1,093,232
Accounts receivable	74,924	42,133
Inventory	17,187	13,996
Goods and services tax recoverable	721	3,182
Prepaid expenses	40,954	97,371
	1,610,331	1,639,394
CAPITAL ASSETS (Note 4)	18,116	24,678
INTANGIBLE ASSETS (Note 5)	18,083	25,833
	\$ 1,646,530	\$ 1,689,905
 LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 74,322	\$ 53,990
Provincial sales tax payable	4,343	-
Deferred revenue (Note 6)	661,061	554,800
	739,726	608,790
 NET ASSETS		
General and Partnership	81,804	256,115
Consumer Protection Bond Indemnity Fund	200,000	200,000
Strategic Innovation Fund	125,000	125,000
Legacy Fund	500,000	500,000
	906,804	1,081,115
	\$ 1,646,530	\$ 1,689,905
 LEASE COMMITMENTS (Note 8)		

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, 2023

	2023	2022
REVENUES		
Professional development	\$ 661,032	\$ 546,496
Partnerships	431,510	410,177
Membership fees	392,480	390,242
Member services	317,203	191,719
Advocacy	12,502	3,148
Charitable campaign	11,685	57,100
	1,826,412	1,598,882
EXPENSES		
Operations	884,459	753,973
Member services	558,245	284,620
Professional development	213,964	213,373
Governance	118,888	82,666
Membership	87,436	83,201
Advocacy	83,691	58,294
Charitable campaign	52,629	87,267
Special projects	22,554	-
Amortization of capital assets	9,619	10,697
Amortization of intangible assets	7,750	11,071
Covid-19 programs	1,291	1,472
	2,040,526	1,586,634
EXCESS OF REVENUES (EXPENSES) FROM OPERATIONS	(214,114)	12,248
OTHER INCOME (LOSS)		
Loss on disposal of capital assets	(46)	(2,996)
Investment earnings	26,787	25,942
Unrealized gain (loss) on fair market value adjustment	13,062	(104,097)
	39,803	(81,151)
EXCESS OF REVENUES (EXPENSES)	\$ (174,311)	\$ (68,903)

See accompanying notes to financial statements

INSURANCE BROKERS ASSOCIATION OF SASKATCHEWAN

Statement of Changes in Net Assets

Year Ended July 31, 2023

	General and Partnership	Consumer Protection Bond Indemnity Fund	Strategic Innovation Fund	Legacy Fund	2023	2022
NET ASSETS - BEGINNING OF YEAR	\$ 256,115	\$ 200,000	\$ 125,000	\$ 500,000	\$ 1,081,115	\$ 1,150,018
EXCESS OF REVENUES (EXPENSES)	(174,311)	-	-	-	(174,311)	(68,903)
NET ASSETS - END OF YEAR	\$ 81,804	\$ 200,000	\$ 125,000	\$ 500,000	\$ 906,804	\$ 1,081,115

See accompanying notes to financial statements

INSURANCE BROKERS ASSOCIATION OF SASKATCHEWAN

Statement of Cash Flows

Year Ended July 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess of revenues (expenses)	\$ (174,311)	\$ (68,903)
Items not affecting cash:		
Amortization of capital assets	9,619	10,697
Amortization of intangible assets	7,750	11,071
Loss on disposal of assets	46	2,996
Unrealized loss (gain) on fair market value adjustment	(13,062)	104,097
	(169,958)	59,958
Changes in non-cash working capital:		
Accounts receivable	(32,791)	(52)
Inventory	(3,191)	(1,538)
Accounts payable	20,335	24,071
Deferred revenue	106,261	(8,761)
Prepaid expenses	56,417	(38,156)
Goods and services tax payable	2,461	(1,168)
Provincial sales tax payable	4,343	-
	153,835	(25,604)
Cash flow from (used by) operating activities	(16,123)	34,354
INVESTING ACTIVITIES		
Purchase of capital assets	(3,103)	(3,798)
Net purchases and reinvestment of investment earnings	(26,455)	(25,587)
Cash flow used by investing activities	(29,558)	(29,385)
INCREASE (DECREASE) IN CASH FLOW	(45,681)	4,969
CASH - BEGINNING OF YEAR	389,480	384,511
CASH - END OF YEAR	\$ 343,799	\$ 389,480

See accompanying notes to financial statements

INSURANCE BROKERS ASSOCIATION OF SASKATCHEWAN

Notes to Financial Statements

Year Ended July 31, 2023

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).

Revenue recognition

IBAS follows the deferral method of accounting for contributions which include partnership funding and fundraising.

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.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred or in accordance with the partnership agreements.

Revenue from Partnership Agreements are based on a calendar year and is recognized at amounts estimated by management as the value of the services provided within the terms of the overall agreement with Annual Partners in the year the services are provided.

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, other partnership funding and advertising and is recognized in the period the services are provided.
- d) Charitable campaign includes donations, other partnership funding, and fundraising event revenues which are recognized in the year received, or when disbursed under the #Brokers Care Campaign Fund program.
- e) Advocacy includes other partnership funding and is recognized when the programs are delivered.
- f) Investment earnings are recognized in the period earned.

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INSURANCE BROKERS ASSOCIATION OF SASKATCHEWAN

Notes to Financial Statements

Year Ended July 31, 2023

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

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.

General Fund - reports the general operating activities funded through self-generated and other sources.

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.

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Significant estimates include managements valuation of the services provided in accordance with the partnership agreements, amortization of capital assets, and uncollectible accounts receivable.

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 fixed income investments are reported at amortized cost. Investments in equities and preferred shares are reported at fair market value.

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

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INSURANCE BROKERS ASSOCIATION OF SASKATCHEWAN

Notes to Financial Statements

Year Ended July 31, 2023

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

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 167,668	\$ 60,546
Fixed income funds	438,633	565,497
Preferred shares	14,550	-
Equities and funds	511,895	467,189
	<u>\$ 1,132,746</u>	<u>\$ 1,093,232</u>

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Motor vehicles	\$ 36,038	\$ 25,531	\$ 10,507	\$ 15,010
Computer equipment	15,135	11,830	3,305	4,288
Furniture and fixtures	12,720	8,416	4,304	5,380
	<u>\$ 63,893</u>	<u>\$ 45,777</u>	<u>\$ 18,116</u>	<u>\$ 24,678</u>

INSURANCE BROKERS ASSOCIATION OF SASKATCHEWAN

Notes to Financial Statements

Year Ended July 31, 2023

5. INTANGIBLE ASSETS

	2023	2022
Website	\$ 62,025	\$ 62,025
Accumulated amortization	(43,942)	(36,192)
	\$ 18,083	\$ 25,833

6. DEFERRED REVENUE

	Opening	Received	Recognized	2023
Partnership	\$ 301,510	\$ 474,100	\$ (451,060)	\$ 324,550
Membership	160,411	397,082	(392,480)	165,013
Professional development	12,045	670,982	(658,835)	24,192
Advocacy	5,500	6,500	(5,500)	6,500
Charitable campaign	-	26,079	-	26,079
Member services				
Convention	68,122	398,346	(360,241)	106,227
Broker website	7,212	18,990	(18,702)	7,500
	\$ 554,800	\$ 1,992,079	\$ (1,886,818)	\$ 660,061

All opening deferred revenue amounts were utilized and recognized in the 2023 year.

7. LINE OF CREDIT

The Association has a \$75,000 (2022 - \$75,000) line of credit, which bears interest at 9.20% (2022 - 6.70%). The line of credit was not utilized in 2023 (2022 - \$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 expires March 9, 2025.

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

	Office Lease	Equipment Lease	Total
2023	\$ 63,057	\$ 3,547	\$ 66,604
2024	63,057	2,660	65,717
2025	63,057	-	63,057
2026	63,057	-	63,057
2027	63,057	-	63,057

INSURANCE BROKERS ASSOCIATION OF SASKATCHEWAN

Notes to Financial Statements

Year Ended July 31, 2023

9. PENSION PLAN

The Association participates in a defined contribution pension plan 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 \$24,576 (2022 - \$20,262).

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, 2023.

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.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Association manages its portfolio to mitigate the risk by avoiding a significant concentration of investment in any given market place, holding or maturity.

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.