INSURANCE COUNCIL OF MANITOBA

Financial Statements

For the year ended March 31, 2020

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INSURANCE COUNCIL OF MANITOBA

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of the Insurance Council of Manitoba and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to the audit report date.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the external audit is to express an independent opinion on whether the financial statements of the Insurance Council of Manitoba are fairly represented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management:

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Richard Fillion, Chair

Original Document Signed

Barbara Palace Churchill, LL.B., CPA, CMA, Executive Director

May 14, 2020

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Independent Auditor's Report

To the Members of the Insurance Council of Manitoba

Opinion

We have audited the financial statements of Insurance Council of Manitoba (the "Council"), which comprise the statement of financial position as at March 31, 2020, and the statement of operations and accumulated surplus, the statement of changes in net financial assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2020, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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.

Other Matter

We draw attention to Note 3 of the financial statements, which describes the change in the accounting policy. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.

- 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.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
May 14, 2020

INSURANCE COUNCIL OF MANITOBA
Statement of Financial Position

March 31		2020		2019
Financial Assets				
Cash and cash equivalents (Note 4)	**$**	**108,050**	$	135,397
Accounts receivable		**26,977**		5,960
Interest receivable		**12,191**		12,191
Portfolio investments (Note 5)		**808,870**		867,245
		956,088		1,020,793
Liabilities				
Accounts payable and accrued liabilities		**28,731**		53,590
Deferred revenue (Note 6)		**293,434**		240,288
		322,165		293,878
Net financial assets		**633,923**		726,915
Non-Financial Assets				
Tangible capital assets (Note 7)		**127,870**		172,945
Intangible capital assets (Note 8)		**1,439,951**		1,454,359
Prepaid expenses		**8,905**		2,674
		1,576,726		1,629,978
Commitments (Note 9)				
Accumulated surplus	**$**	**2,210,649**	$	2,356,893

Accumulated surplus is comprised of:

Accumulated surplus	**$**	**1,810,649**	$	1,856,893
Information Technology Reserve (Note 10)		**400,000**		500,000
	$	**2,210,649**	$	2,356,893

Approved on behalf of the Council:

Original Document Signed

_______________________ Member

Original Document Signed

_______________________ Member

The accompanying notes are an integral part of these financial statements.

INSURANCE COUNCIL OF MANITOBA
Statement of Operations and Accumulated Surplus

For the year ended March 31		2020	2019
	Budget	**Actual**	Actual
Revenue			
Examinations	**$ 140,000**	**$ 113,653**	$ 86,972
Interest income	**30,000**	**20,611**	23,471
Licenses (Note 12)	**1,500,000**	**1,556,064**	1,556,471
Other	**10,000**	**104,362**	96,809
	1,680,000	**1,794,690**	1,763,723
Expenses			
Advertising, dues and subscriptions	**13,000**	**17,007**	7,174
Amortization	**350,000**	**540,068**	412,278
Computer consulting fees	**60,000**	**101,928**	60,697
Council	**80,000**	**103,050**	58,850
Equipment leases	**6,750**	**5,476**	5,536
Insurance	**6,000**	**7,278**	7,187
Meetings and travel	**92,000**	**87,427**	54,854
Merchant card expense, bank charges and interest	**61,000**	**59,151**	51,505
Office and equipment rental	**33,000**	**40,063**	38,550
Postage and courier	**10,000**	**9,766**	10,776
Professional fees	**72,000**	**104,421**	72,681
Recruiting and human resource	**15,000**	**12,000**	-
Rent	**108,000**	**105,041**	99,991
Salaries and benefits	**900,000**	**730,058**	788,892
Telephone and Internet	**13,000**	**10,179**	10,174
Training	**20,000**	**8,021**	7,743
	1,839,750	**1,940,934**	1,686,888
Annual surplus (deficit)	**(159,750)**	**(146,244)**	76,835
Accumulated surplus, beginning of year		**2,356,893**	2,280,058
Accumulated surplus, end of year		**$ 2,210,649**	$ 2,356,893

The accompanying notes are an integral part of these financial statements.

INSURANCE COUNCIL OF MANITOBA
Statement of Changes in Net Financial Assets

For the year ended March 31	2020 Budget	2020 Actual	2019 Actual
Annual surplus (deficit)	$ (159,750)	$ (146,244)	$ 76,835
Acquisition of capital assets	-	(480,585)	(761,066)
Amortization of capital assets	350,000	540,068	412,278
Increase in prepaid expense	-	(6,231)	(1,468)
Change in net financial (net debt) assets	190,250	(92,992)	(273,421)
Net financial assets, beginning of year		726,915	1,000,336
Net financial assets, end of year		$ 633,923	$ 726,915

The accompanying notes are an integral part of these financial statements.

INSURANCE COUNCIL OF MANITOBA
Statement of Cash Flows

For the year ended March 31	2020	2019
Cash Flows from Operating Activities		
Annual surplus for the year	$ (146,244)	$ 76,835
Adjustments for		
Amortization of capital assets	540,068	412,278
	393,824	489,113
Changes in non-cash working capital balances		
Accounts receivable	(21,017)	(5,960)
Interest receivable	-	1,265
Prepaid expenses	(6,231)	(1,468)
Accounts payable and accrued liabilities	(24,859)	14,582
Deferred revenue	53,146	12,929
	394,863	510,461
Cash Flows from Capital Activities		
Acquisition of capital assets	(480,585)	(761,066)
Cash Flows from Investing Activities		
Proceeds on sale of investments	158,375	455,867
Purchase of investments	(100,000)	(208,084)
	58,375	247,783
Decrease in cash and cash equivalents for the year	(27,347)	(2,822)
Cash and cash equivalents, beginning of year	135,397	138,219
Cash and cash equivalents, end of year	$ 108,050	$ 135,397

The accompanying notes are an integral part of these financial statements.

1. Nature of Organization

The Insurance Council of Manitoba ("Council") was created under the provisions of the Insurance Act (Manitoba) on October 17, 1991 and commenced activities on May 6, 1992. The purpose of the Council is to administer the examinations for and licensing of insurance agents and adjusters in Manitoba. The Council is exempt from income taxes under section 149(1) of the *Income Tax Act*.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board, and reflect the following significant accounting policies:

Revenue

(a) License fees are recognized as income over the term of the license period.

(b) Examination revenue is recognized when the exam is administered.

(c) Interest revenue is recognized on an accrual basis. Other fee revenue is recognized as services are provided.

Expenses

All expenses incurred for goods and services are recorded on an accrual basis.

Financial Assets

Cash and cash equivalents consists of cash on hand and short-term investments that are highly liquid.

Accounts receivable are recorded at the lower of cost and net realizable value. An allowance for doubtful accounts is recorded when there is uncertainty whether the amounts will be collected.

Portfolio investments are investments that are capable of reasonably prompt liquidation and are recognized at cost.

2. Significant Accounting Policies (continued)

Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

Non-financial Assets

(a) Prepaid expenses are payments for goods or services which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

(b) Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition cost. Tangible capital assets are recorded at cost and amortized over their useful lives as follows:

Computer hardware	30% diminishing balance basis
Computer software	30% diminishing balance basis
Furniture and fixtures	20% diminishing balance basis
Leasehold improvements	5 year straight-line basis

(c) Intangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition cost. Intangible capital assets are recorded at cost and amortized over their useful lives as follows:

Database	5 year straight-line basis
Website	30% diminishing balance basis

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

For the year ended March 31, 2020

3. Change in Accounting Policy

Adoption of Public Sector Accounting Standards (PSAS) without Sections 4200 - 4270

The Council changed their basis of accounting from the Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations ("PSAS for GNFPOs"), which includes Sections PSAS 4200 - PSAS 4270 to PSAS without Sections PSAS 4200 - PSAS 4270 for the fiscal year beginning April 1, 2019.

Amounts related to March 31, 2019 and April 1, 2018 were previously presented in accordance with PSAS for GNFPO. There has not been any impact on the previously reported amounts of assets, liabilities and net assets, and excess of revenue over expenses for the year under PSAS for GNFPOs upon transition to PSAS.

The most significant changes are a result of adopting this basis of accounting include changes to the financial statements presentation as follows:

- The Council's budget is presented on the statement of operations and accumulated surplus along with current year and comparative year actual amounts.
- The statement of financial position will present financial assets and liabilities to determine a net financial asset position; non-financial assets are shown separately and the accumulated surplus or deficit is the sum of the above-noted items.
- There is a statement of changes in net financial assets, which presents the activity during the year that contributed to the change in the net financial asset position on the statement of financial position.

4. Cash and Cash Equivalents

	2020	2019
Cash and bank	**$ 108,050**	$ 135,397

For the year ended March 31, 2020

5. Portfolio Investments

	2020 Cost	2020 Fair Value	2019 Fair Value
Concentra GIC, 1.95%, due September 15, 2021	$ **100,000**	$ **100,000**	$ 100,000
Homequity Bank GIC, 1.90%, due September 15, 2021	**44,000**	**44,000**	44,000
Canadian Tire GIC, 1.85%, due October 12, 2021	**34,000**	**34,000**	34,000
Canadian Western GIC, 1.95%, due October 26, 2021	**23,235**	**23,235**	23,235
National Bank GIC, 2.31%, due June 25, 2020	**100,000**	**100,000**	100,000
Equitable Bank GIC, 2.30%, due June 25, 2020	**82,545**	**82,545**	82,545
President's Choice GIC, 2.23%, due October 16, 2020	**31,000**	**31,000**	31,000
Bank of Montreal Trust Company GIC, 1.85%, due June 28, 2022	**86,006**	**86,006**	86,006
Bank of Montreal GIC, 1.63%, due October 16, 2020	**100,000**	**100,000**	-
Canadian Western GIC, 2.98%, due July 20, 2022	**75,000**	**75,000**	75,000
Homequity Bank GIC, 3.00%, due July 20, 2022	**50,000**	**50,000**	50,000
Manulife GIC, 2.85%, due July 20, 2022	**15,000**	**15,000**	15,000
HSBC Bank GIC, 3.25%, due December 27, 2023	**24,290**	**24,290**	24,290
Peoples Trust GIC, 3.10%, due February 14, 2024	**43,794**	**43,794**	43,794
Canadian Tire Bank GIC, 2.45%, due August 20, 2019	**-**	**-**	55,743
Laurentian Bank GIC, 2.46%, due August 20,2019	**-**	**-**	50,000
Homequity GIC, 2.55%, due October 24, 2019	**-**	**-**	52,632
	$ **808,870**	$ **808,870**	$ 867,245

6. Deferred Revenue

Deferred revenue represents payments received for licenses, exams and fees that cover more than the current fiscal year. The deferred portion will be recognized as revenue in the year to which it pertains to.

For the year ended March 31, 2020

7. Tangible Capital Assets

2020

	Opening Balance	**Additions**	**Disposals**	**Closing Balance**
Cost				
Furniture and fixtures	**$ 138,426**	**$ -**	**$ -**	**$ 138,426**
Leasehold improvements	**25,000**	**-**	**-**	**25,000**
Computer hardware	**346,823**	**-**	**-**	**346,823**
Computer software	**115,011**	**5,492**	**-**	**120,503**
	625,260	**5,492**	**-**	**630,752**
Accumulated Amortization				
Furniture and fixtures	**119,771**	**3,731**	**-**	**123,502**
Leasehold improvements	**25,000**	**-**	**-**	**25,000**
Computer hardware	**217,189**	**38,890**	**-**	**256,079**
Computer software	**90,355**	**7,946**	**-**	**98,301**
	452,315	**50,567**	**-**	**502,882**
Net book value	**$ 172,945**	**$ (45,075)**	**$ -**	**$ 127,870**

2019

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furniture and fixtures	$ 137,873	$ 553	$ -	$ 138,426
Leasehold improvements	25,000	-	-	25,000
Computer hardware	232,785	114,038	-	346,823
Computer software	114,696	315	-	115,011
	510,354	114,906	-	625,260
Accumulated Amortization				
Furniture and fixtures	115,188	4,583	-	119,771
Leasehold improvements	25,000	-	-	25,000
Computer hardware	198,709	18,480	-	217,189
Computer software	79,885	10,470	-	90,355
	418,782	33,533	-	452,315
Net book value	$ 91,572	$ 81,373	$ -	$ 172,945

For the year ended March 31, 2020

8. Intangible Capital Assets

2020

	Opening Balance	**Additions**	**Disposals**	**Closing Balance**
Cost				
Database	**$ 2,884,120**	**$ 475,092**	**$ -**	**$ 3,359,212**
Website	**54,893**	**-**	**-**	**54,893**
	2,939,013	**475,092**	**-**	**3,414,105**
Accumulated Amortization				
Database	**1,456,580**	**481,455**	**-**	**1,938,035**
Website	**28,074**	**8,045**	**-**	**36,119**
	1,484,654	**489,500**	**-**	**1,974,154**
Net book value	**$ 1,454,359**	**$ (14,408)**	**$ -**	**$ 1,439,951**

2019

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Database	$ 2,265,500	$ 618,620	$ -	$ 2,884,120
Website	27,353	27,540	-	54,893
	2,292,853	646,160	-	2,939,013
Accumulated Amortization				
Database	1,079,493	377,087	-	1,456,580
Website	26,416	1,658	-	28,074
	1,105,909	378,745	-	1,484,654
Net book value	$ 1,186,944	$ 267,415	$ -	$ 1,454,359

9. Commitments

The Council leases equipment and office premises under the provisions of operating leases. These commitments are as follows:

2021	$	40,257
2022		1,272

10. Information Technology Reserve

This reserve is to be used for funding future upgrades to the Council's information technology system. During the current year, the Board of Directors approved a transfer from the Information Technology Reserve in the amount of $100,000 to fund the upgrades of a new server.

11. Employee Benefits

The Council contributes 5.1% of employee salaries to a self administered RRSP on behalf of the employees up to the first $35,400 of earnings. The Council matches employee contributions to a maximum of 7% on earnings thereafter up to the maximum level allowed under federal taxation regulations. The Council's contributions to employee RRSPs for the year ended March 31, 2020 were $21,158 ($22,548 in 2019).

12. Related Party Transactions

The Council and the Superintendent of Insurance of Manitoba ("SIM") levy fees on members. The Council acts as agent and remits 44% of licenses and other fees and 15% of examination fees to the SIM. These amounts are not included in the financial statements. In 2020, this amount is $1,339,626 ($1,165,025 in 2019).

13. Financial Risk Management

The Council is exposed to different types of risk in the normal course of operations, including credit risk, market risk, interest rate risk and liquidity risk. The Council's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Council's activities. The Council limits its exposure to credit risk and market risk by maintaining a diversified portfolio and by investing in high quality investments.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Council is exposed to credit risk from its interest receivable from various investments they hold. The risk is mitigated by investing in safe and secure investments, such as Guaranteed Investment Certificates and Provincial bonds.

Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The Council limits its exposure to market risk by placing its cash and bank and investments in low risk investment vehicles. Risk and volatility of investment returns are mitigated through the diversification of investment vehicles.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Council is exposed to interest rate risk through its investments. The Council limits its exposure to interest rate risk by investing in only fixed rate guaranteed investment certificates and bonds.

Liquidity Risk

Liquidity risk is the risk that the Council will not be able to meet its obligations as they fall due. The Council has a planning and budgeting process in place to help determine the funds required to support the Council's normal operating requirements on an ongoing basis. The Council ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

14. Uncertainty due to COVID-19

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. For the Council, there has been a decrease in revenue due to deferred exams, cancellation of courses, uncertainties regarding future exams and a temporary office closure. As the impacts of COVID-19 continue, there could be further impact on the Council. Management is actively monitoring the affect on its financial condition, liquidity, operations, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Council is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.