

# ALBERTA INSURANCE COUNCIL

## Financial Statements

YEAR ENDED DECEMBER 31, 2004

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## AUDITORS' REPORT

### To the Members of Alberta Insurance Council

We have audited the statement of financial position of Alberta Insurance Council as at December 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2004, the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta  
March 8, 2005

PricewaterhouseCoopers LLP  
Chartered Accountants

## ALBERTA INSURANCE COUNCIL

## STATEMENT OF FINANCIAL POSITION

As at December 31, 2004.

	2004	2003
<b>ASSETS</b>		
<b>Current assets</b>		
Cash (Note 3)	\$ 2,121,328	\$ 1,590,102
Accounts receivable	8,005	10,925
Prepaid expenses	34,894	24,542
	<u>2,164,227</u>	<u>1,625,569</u>
<b>Recoverable program development costs</b>	4,415	57,519
<b>Deferred program and examination development costs</b> (Note 4)	136,382	205,948
<b>Property and equipment</b> (Note 5)	225,352	234,145
	<u>\$ 2,530,376</u>	<u>\$ 2,123,181</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 131,619	\$ 119,107
Current portion of obligation under capital lease	4,500	4,500
Deferred tenant inducement	9,067	13,797
Deferred license and assessment fee revenue	756,972	646,100
	<u>902,158</u>	<u>783,504</u>
<b>Obligation under capital lease</b>	-	4,500
	<u>902,158</u>	<u>788,004</u>
<b>NET ASSETS</b>		
<b>Net assets</b>		
Invested in property and equipment	220,852	225,145
Invested in program and development	136,382	205,948
Unrestricted	1,270,984	904,084
	<u>1,628,218</u>	<u>1,335,177</u>
	<u>\$ 2,530,376</u>	<u>\$ 2,123,181</u>

Approved by the Board of Directors

R.L. Audiel  
DirectorNancy Stenson  
Director

## ALBERTA INSURANCE COUNCIL

## STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31, 2004

	Invested in property and equipment	Invested in program and examination development	Unrestricted	Total 2004	Total 2003
<b>Balance - Beginning of year</b>	\$ 225,145	\$ 205,948	\$ 904,084	\$1,335,177	\$1,818,212
Excess (deficiency) of revenue over expenditures	(118,033)	(105,202)	516,276	293,041	(483,035)
Invested in property and equipment	113,740	-	(113,740)	-	-
Invested in program development	-	35,636	(35,636)	-	-
<b>Balance - End of year</b>	<b>\$ 220,852</b>	<b>\$ 136,382</b>	<b>\$1,270,984</b>	<b>\$1,628,218</b>	<b>\$1,335,177</b>
<b>Net assets invested in property and equipment consists of:</b>					
Property and equipment				\$ 225,352	\$ 234,145
Obligation under capital lease				(4,500)	(9,000)
				<u>\$ 220,852</u>	<u>\$ 225,145</u>

## ALBERTA INSURANCE COUNCIL

## STATEMENT OF OPERATIONS

For the year ended December 31, 2004

	<b>Budget 2004 (Unaudited)</b>	<b>2004</b>	<b>2003</b>
<b>Revenue</b>			
License, assessment, examination and continuing education fees	\$ 2,517,000	\$ 2,754,882	\$ 1,859,527
Interest and other	50,000	55,923	57,688
	<u>2,567,000</u>	<u>2,810,805</u>	<u>1,917,215</u>
<b>Expenditures</b>			
Salaries and benefits	1,450,000	1,416,929	1,299,820
Occupancy	240,000	215,283	214,366
Council meetings	183,000	140,481	151,204
Amortization of property and equipment	130,000	118,033	94,925
Amortization of program development costs	76,000	105,202	75,531
Travel	80,000	84,738	72,342
Freight and postage	92,000	73,776	76,877
Legal fees	75,000	64,505	101,130
Professional fees	70,000	58,708	40,762
Software maintenance	40,000	49,018	45,626
Communications	35,000	33,706	38,711
Printing and stationery	30,000	32,815	53,043
Training	20,000	20,677	15,760
Accreditation committee	35,000	20,290	29,201
Insurance	19,000	19,699	15,203
Appeal boards	30,000	19,546	20,183
Office	26,500	16,033	11,876
Promotion and publications	15,000	13,829	25,143
Other	16,720	10,259	7,807
Repairs and maintenance	10,280	4,237	10,740
	<u>2,673,500</u>	<u>2,517,764</u>	<u>2,400,250</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>\$ (106,500)</u>	<u>\$ 293,041</u>	<u>\$ (483,035)</u>

## ALBERTA INSURANCE COUNCIL

## STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2004

	2004	2003
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenditures	\$ 293,041	\$ (483,035)
Items not affecting cash		
Amortization of property and equipment	118,033	94,925
Amortization of program development costs	105,202	75,531
Amortization of deferred tenant inducement	(4,730)	(4,730)
	<u>511,546</u>	<u>(317,309)</u>
Net changes in non-cash working capital items		
Decrease in accounts receivable	2,920	66,760
Increase in prepaid expenses	(10,352)	(11,400)
Increase in accounts payable and accrued liabilities	12,512	18,035
Increase in deferred license revenue	110,872	162,700
	<u>627,498</u>	<u>(81,214)</u>
<b>Investing activities</b>		
Purchase of property and equipment	(109,240)	(149,464)
(Repayment of) proceeds from capital lease	(4,500)	9,000
Expenditures on deferred program and examination development - net of recovery	(35,636)	(37,386)
Decrease in recoverable program development costs	53,104	28,562
	<u>(96,272)</u>	<u>(149,288)</u>
<b>Increase (decrease) in cash</b>	531,226	(230,502)
<b>Cash - Beginning of year</b>	1,590,102	1,820,604
<b>Cash - End of year</b>	<u>\$ 2,121,328</u>	<u>\$ 1,590,102</u>
<b>Supplementary information</b>		
Interest received	\$ 48,603	\$ 52,449

ALBERTA INSURANCE COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2004

### NOTE 1 AUTHORITY AND PURPOSE

The Alberta Insurance Council (the "Council") operates under the authority of the Insurance Act, Chapter I-3, Revised Statutes of Alberta 2000, as amended. As a not-for-profit organization under the Income Tax Act, the Council is not subject to either federal or provincial income taxes.

The Council provides administration services to the Life Insurance, General Insurance and Insurance Adjusters Councils. These Councils are responsible for enforcing the provisions of the Insurance Act and Regulations for their segments of the insurance industry.

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets, liabilities, revenues and expenses are dependent on future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

#### Revenue Recognition

License and assessment fees are recognized as revenue on a straight-line basis over the term of the license and assessment. Examination fees are recognized at the time the related exam is held. Continuing education ("CE") course approval fees are recognized upon course submission. CE provider fees are recognized on a calendar year basis. License and assessment fees received but not yet recognized as revenue are recorded as deferred license and assessment fee revenue.

#### Recoverable Program Development Costs

Costs incurred by the Council as a committee member of the Canadian Insurance Regulatory Organization ("CISRO") on behalf of other jurisdictions are expected to be recovered from those jurisdictions over the next two years.

#### Deferred Program and Examination Development Costs

##### a) Deferred program development costs

Costs which have been incurred by the Council as a committee member of CISRO for the development of the Life License Qualification Program (the "LLQP" program) are deferred. Upon program implementation on January 1, 2003, these costs are amortized on a straight-line basis over a period of three years.

## ALBERTA INSURANCE COUNCIL

**NOTE 2 (continued)****b) Deferred examination development costs**

Costs which have been incurred by the Council for the development of LLQP examination questions have been deferred. These costs, net of recoveries, will be amortized on a straight-line basis over a period of three years upon completion of the development and testing of the questions.

**Property and Equipment and Amortization**

Property and equipment is recorded at cost and is amortized over their estimated useful lives on a straight-line basis as follows:

	Term of the lease
Leasehold improvements	
Furniture and office equipment under capital lease	10 years
Furniture and office equipment	10 years
Computer equipment	3 years
Computer software	3 years
Telephone equipment	5 years

**Deferred Tenant Inducement**

Deferred tenant inducement in the amount of \$9,067 (2003 - \$13,797) is recorded at amortized cost and is amortized over the eight-year lease term into occupancy expense.

**Contributed Services**

The work of the Council is dependent on the voluntary services of members. The value of donated services is not recognized in these financial statements.

**NOTE 3 CASH**

Included in cash is an amount of \$1,934,127 (2003 - \$1,433,843) invested in the Consolidated Cash Investment Trust Fund ("CCITF"). The CCITF is managed by the Government of Alberta with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital.



## ALBERTA INSURANCE COUNCIL

**NOTE 4 DEFERRED PROGRAM EXAMINATION DEVELOPMENT COSTS**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2004 Net</b>	<b>2003 Net</b>
Travel	\$ 94,742	\$ 63,162	\$ 31,580	\$ 52,777
Professional fees	176,359	117,571	58,788	98,286
Exam development	46,014	-	46,014	54,885
	<u>\$ 317,115</u>	<u>\$ 180,733</u>	<u>\$ 136,382</u>	<u>\$ 205,948</u>

Based on a review of recoverable program development costs, it has been determined that amounts previously thought to be collectible are not recoverable. Of those amounts, \$44,507 has been reclassified to deferred program development costs and has been amortized over the period remaining for the amounts previously deferred. A non-cash charge of \$6,145 has been recorded to write off the remaining uncollectible amounts.

**NOTE 5 PROPERTY AND EQUIPMENT**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2004 Net</b>	<b>2003 Net</b>
Leasehold improvements	\$ 70,399	\$ 60,071	\$ 10,328	\$ 14,651
Furniture and office equipment under capital lease	9,075	1,210	7,865	8,771
Furniture and office equipment	150,178	113,490	36,688	44,761
Computer equipment	202,608	152,032	50,576	63,515
Computer software	350,056	236,076	113,980	91,800
Telephone equipment	38,864	32,949	5,915	10,647
	<u>\$ 821,180</u>	<u>\$ 595,828</u>	<u>\$ 225,352</u>	<u>\$ 234,145</u>

## ALBERTA INSURANCE COUNCIL

**NOTE 6 LEASE COMMITMENTS**

The Council is committed to operating leases payments for business premises and equipment as follows:

2005	\$ 92,095
2006	88,151
2007	44,767
2008	44,641
2009	29,509

The Council is committed to capital lease payments for equipment in 2005 in the amount of \$4,537.

**NOTE 7 FINANCIAL INSTRUMENTS**

The Council's financial instruments comprise cash, accounts receivable, recoverable program development costs, accounts payable and accrued liabilities and obligation under capital lease. The carrying value of these financial instruments approximate fair value. The Council is potentially subject to concentrations of interest rate risk principally with its investment in the Consolidated Cash Investment Trust Fund. Credit risk is negligible as the majority of revenue is from license and assessment fees, which are billed in advance. There are no unrecorded financial instruments.

**NOTE 8 COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year presentation.

## ALBERTA INSURANCE COUNCIL

**SCHEDULE OF SALARIES AND BENEFITS**

For the Year Ended December 31, 2004

**Schedule 1****Per diem Payments of Council Members**

The following amounts are included in council meetings expenses:

	#	2004 Total	#	2003 Total
Councils <sup>(a)</sup>				
Chairs	6	\$ 40,575	6	\$ 41,907
Council Members	24	45,825	26	52,000
Total	30	\$ 86,400	32	\$ 93,907

(a) This includes the Alberta Insurance Council, the Life Insurance Council, the General Insurance Council, the Insurance Adjusters Council and the Audit Committee.

**Salaries and Benefits**

	#	Salary <sup>(b)</sup>	Benefits <sup>(c)</sup>	2004 Total	#	2003 Total
Chief Executive Officer (formerly General Manager)	1	\$ 147,237	\$ 33,598	\$ 180,835	1	\$ 162,887
Assistant General Manager	1	122,941	32,629	155,570	1	139,577
Full-time staff <sup>(d)</sup>	19	845,456	165,761	1,011,217	17	944,797
Part-time staff	6	61,072	8,235	69,307	3	52,559
Total	27	\$1,176,706	\$240,223	\$1,416,929	22	\$1,299,820

(b) Salary includes regular base pay, bonuses and overtime.

(c) Employer's share of all employee benefits and contributions or payments made on behalf of employees including group RRSP, health care, dental coverage, group life insurance, long and short-term disability plans and vacation pay. Accrued vacation pay was \$18,035 (2003 - \$22,034).

(d) Full-time staff consists of all individuals working 29 hours or more per week. Average annual salary and benefits was \$61,754 (2003 - \$55,440).

