

ALBERTA INSURANCE COUNCIL
FINANCIAL STATEMENTS
DECEMBER 31, 2002

Auditor's Report

Statement of Financial Position

Statement of Changes in Net Assets

Statement of Operations

Statement of Cash Flows

Notes to Financial Statements

Schedule of Salaries and Benefits

AUDITOR'S REPORT

To the Members of the Alberta Insurance Council

We have audited the statement of financial position of Alberta Insurance Council as at December 31, 2002 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, 2002, and 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.

PricewaterhouseCoopers LLP
Chartered Accountants

Edmonton, Alberta
March 6, 2003

ALBERTA INSURANCE COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash (Note 3)	\$ 1,820,604	\$ 1,514,648
Accounts receivable	77,685	76,879
Prepaid expenses	13,141	18,268
	<u>1,911,430</u>	<u>1,609,795</u>
Recoverable program development costs	86,081	94,163
Deferred program development costs (Note 4)	244,094	226,594
Property, plant and equipment (Note 5)	179,606	165,888
	<u>\$ 2,421,211</u>	<u>\$ 2,096,440</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 101,071	\$ 47,206
Deferred tenant inducement	18,528	23,258
Deferred licence and assessment fee revenue	483,400	307,130
	<u>602,999</u>	<u>377,594</u>
NET ASSETS		
Net assets		
Invested in property, plant and equipment	179,606	165,888
Invested in program development	244,094	226,594
Unrestricted	1,394,512	1,326,364
	<u>1,818,212</u>	<u>1,718,846</u>
	<u>\$ 2,421,211</u>	<u>\$ 2,096,440</u>

Approved by the Board of Directors

L. Yanke, Director

V. Chatten, Director

ALBERTA INSURANCE COUNCIL
STATEMENT OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Invested in property, plant and equipment	Invested in program development	Unrestricted	Total 2002	Total 2001
Balance - Beginning of year	\$ 165,888	\$ 226,594	\$ 1,326,364	\$ 1,718,846	\$ 1,483,253
Excess (deficiency) of revenue over expenditures	(76,532)	-	175,898	99,366	235,593
Invested in property, plant and equipment	90,250	-	(90,250)	-	-
Invested in program development	-	17,500	(17,500)	-	-
Balance - End of year	<u>\$ 179,606</u>	<u>\$ 244,094</u>	<u>\$ 1,394,512</u>	<u>\$ 1,818,212</u>	<u>\$ 1,718,846</u>

ALBERTA INSURANCE COUNCIL
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Budget		
	2002 (Unaudited)	2002	2001
Revenue			
Licence and assessment fees	\$ 2,205,000	\$ 2,093,479	\$ 1,891,426
Interest and other	65,000	51,865	80,769
Curriculum development exam fees	83,000	-	-
	<u>2,353,000</u>	<u>2,145,344</u>	<u>1,972,195</u>
Expenditures			
Salaries and benefits	1,302,000	1,241,529	1,032,234
Occupancy	210,000	202,300	206,443
Council meetings	115,000	130,079	110,442
Travel	60,000	82,183	67,165
Amortization of property, plant and equipment	80,000	76,532	67,872
Legal fees	95,000	61,592	53,357
Communications	40,000	44,281	39,111
Freight and postage	70,000	36,031	45,674
Appeal boards	25,000	26,618	12,421
Printing and stationery	19,000	25,818	30,803
Accreditation committee	20,000	25,254	-
Professional fees	30,000	22,070	32,282
Training	-	18,825	4,438
Office	25,000	16,702	15,182
Other	21,000	16,325	9,140
Insurance	8,000	10,289	9,213
Promotions and publications	15,000	5,892	-
Software maintenance	40,000	3,658	825
	<u>2,175,000</u>	<u>2,045,978</u>	<u>1,736,602</u>
Excess of revenue over expenditures	<u>\$ 178,000</u>	<u>\$ 99,366</u>	<u>\$ 235,593</u>

ALBERTA INSURANCE COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

	2002	2001
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 99,366	\$ 235,593
Items not affecting cash		
Amortization of property, plant and equipment	76,532	67,872
Amortization of tenant inducement	(4,730)	(4,731)
	171,168	298,734
Net changes in non-cash working capital items		
Increase in accounts receivable	(806)	(26,263)
Decreases in prepaid expenses	5,127	3,873
Increase (decrease) in accounts payable and accrued liabilities	53,865	(6,475)
Increase in deferred licence and assessment fee revenue	176,270	43,526
	405,624	313,395
Investing activities		
Purchase of property, plant and equipment	(90,250)	(80,662)
Expenditures on deferred program development	(17,500)	(104,566)
Program development costs	8,082	-
	(99,668)	(185,228)
Increase in cash	305,956	128,167
Cash - Beginning of year	1,514,648	1,386,481
Cash - End of year	\$ 1,820,604	\$ 1,514,648
Supplementary information		
Interest received	\$ 50,323	\$ 82,323

ALBERTA INSURANCE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

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 regulating 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 upon 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 taken into income on a straight line basis over the term of the license or assessment. License and assessment fees received but not yet taken into income are recorded as deferred license and assessment fee revenue. Examination fees are taken into income when the related exam is held.

Deferred Program Development Costs

Costs, which have been incurred by the Council, as a committee member of the Canadian Insurance Self Regulatory Organization (“CISRO”) for the development of the Life License Qualification Program (the “program”) have been deferred until the program is implemented. Once the program is implemented, the costs will be amortized on a straight-line basis over a period of five years.

Property, Plant and Equipment and Amortization

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

Leasehold improvements	Term of lease
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 \$4,731 (2001 - \$4,731) is recorded at cost and is being 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 \$1,615,945 (2001 - \$1,210,097) invested in the Consolidated Cash Investment Trust Fund ("CCITF"). The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital.

NOTE 4 DEFERRED PROGRAM DEVELOPMENT COSTS

	2002	2001
Travel	\$ 79,165	\$ 79,165
Professional fees	147,429	147,429
Exam development	17,500	-
	<u>\$ 244,094</u>	<u>\$ 226,594</u>

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

	2002		2001	
	Cost	Accumulated amortization	Net	Net
Leasehold improvements	\$ 67,111	\$ 43,950	\$ 23,161	\$ 31,671
Furniture and office equipment	148,532	103,067	45,465	46,424
Computer equipment	270,113	212,560	57,553	31,113
Computer software	192,432	154,714	37,718	35,251
Telephone equipment	38,864	23,155	15,709	21,429
	<u>\$ 717,052</u>	<u>\$ 537,446</u>	<u>\$ 179,606</u>	<u>\$ 165,888</u>

NOTE 6 LEASE COMMITMENTS

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

2003	\$ 87,253
2004	73,945
2005	47,328
2006	43,384

NOTE 7 FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities approximate fair value. The Council does not hedge interest rate transactions, and there are no unrecorded financial instruments. Credit risk is negligible as the majority of revenue is from license, assessment and examination fees, which are billed in advance.

NOTE 8 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year.

Schedule 1

**ALBERTA INSURANCE COUNCIL
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2002**

PER DIEM PAYMENTS OF COUNCIL MEMBERS

	2002		2001	
	#	Total	#	Total
Councils (a)				
Chairs	4	\$ 20,700	4	\$ 16,650
Council Members	22	63,305	19	44,550
Total	26	\$ 84,005	23	\$ 61,200

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

SALARIES AND BENEFITS

	2002			2001		
	#	Salary ^(b)	Benefits ^(c)	Total	#	Total
General Manager	1	\$ 142,437	\$ 25,849	\$ 168,286	1	\$ 161,784
Assistant General Manager	1	115,637	26,048	141,685	1	118,696
Full-time staff ^(d)	17	776,879	131,751	908,630	15	726,673
Part-time staff	1	21,559	1,369	22,928	3	25,081
Total	20	\$ 1,056,512	\$ 185,017	\$ 1,241,529	20	\$ 1,032,234

- (b) Salary includes regular base pay, bonuses, overtime and accrued vacation pay. Accrued vacation pay was \$19,204 for 2002 (2001 - \$8,922).
- (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 and long and short-term disability plans and vacation pay.
- (d) Full-time staff consists of all individuals working 29 hours or more per week. Average annual salary and benefits was \$52,659 for 2002 (2001 - \$49,687).