

Financial Statements of

**CANADIAN ASSOCIATION OF
FINANCIAL INSTITUTIONS IN
INSURANCE**

And Independent Auditors' Report thereon

Year ended December 31, 2023

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
	General Fund	General Fund
Assets		
Current assets:		
Cash	\$243,378	\$741,352
Short-term investments	404,603	-
Accounts receivable	1,594	-
Other receivables	709	-
Prepaid expense	5,780	6,398
	\$656,064	\$747,750
Capital assets (note 4)	7,643	2,148
	\$663,707	\$749,898

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$62,590	\$80,623
Fund balances (note 2)	601,117	669,275
	\$663,707	\$749,898

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

On behalf of the Board:

_____ Director

_____ Director

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Operations and Changes in Fund Balances

Year ended December 31, 2023, with comparative information for 2022

	2023	2022	
	General Fund	General Fund	Restricted Fund
Revenue:			
Membership dues	\$953,098	\$991,653	-
Interest Revenue	23,278	2,579	-
Miscellaneous Revenue	380	360	-
	<u>976,756</u>	<u>994,592</u>	-
Expenses:			
Association operating	761,961	605,680	-
Research and education committee	152,427	140,826	-
Market conduct committee	36,385	9,206	-
Networking and events committee	56,062	45,760	-
Media and advocacy strategy committee	38,079	41,896	-
	<u>1,044,914</u>	<u>843,368</u>	-
(Deficiency)/excess of revenue over expenses	(68,158)	151,224	-
Fund balances, beginning of year (note 2)	669,275	505,900	12,151
Inter-fund transfers	-	12,151	(12,151)
Fund balances, end of year	<u>\$601,117</u>	<u>\$669,275</u>	-

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

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022	
	General Fund	General Fund	Restricted Fund
Cash (used in)/provided by:			
Operating activities:			
(Deficiency)/Excess of expenses over revenue	(68,158)	\$151,224	-
Amortization of capital assets	1,507	716	-
Change in non-cash operating working capital	(19,718)	(5,544)	-
Cash (used in)/provided by operating activities	(86,369)	146,396	-
Investing activities:			
Purchase of capital assets	(7,002)	-	-
Short-term investments, net	(404,603)	-	-
Cash used in investing activities	(411,605)	-	-
Financing activities:			
Inter-fund transfers	-	12,151	(12,151)
(Decrease)/increase in cash	(497,974)	158,547	(12,151)
Cash, beginning of year	741,352	582,805	12,151
Cash, end of year	\$243,378	\$741,352	-

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

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Notes to Financial Statements

Year ended December 31, 2023

The Canadian Association of Financial Institutions in Insurance ("CAFII") is a not-for-profit association incorporated under the Canada Not-for-profit Corporations Act on August 25, 2014. CAFII was originally incorporated under the Canada Corporations Act on October 29, 1997 and commenced operations on January 1, 1998. CAFII was established to provide an industry-based forum to represent a range of financial institutions in insurance in Canada and to work in partnership with regulators to create an efficient and effective regulatory framework that provides consumer choice in the purchase of insurance products and services. CAFII's members provide life, property and casualty, travel and credit insurance, reinsurance and other products and services through a wide variety of distribution systems. CAFII is exempt from income taxes under paragraph 149(1)(l) of the Income Tax Act (Canada).

1. Significant accounting policies:

(a) General:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(b) Revenue recognition:

CAFII derives its revenue primarily through membership dues. Dues are recognized as revenue in the membership period (January 1, 2023 to December 31, 2023) to which they relate.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and deposits which are highly liquid with original maturities of less than three months.

(d) Short-term investments:

Short-term investments represent interest-bearing guaranteed investment certificates issued and guaranteed by a Canadian bank, with a duration of twelve months or less.

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(e) Capital assets:

Tangible capital assets are recorded at cost. When a tangible capital asset no longer contributes to CAFII's ability to provide services, its carrying amount is written down to its residual value.

Tangible capital assets consist of computer equipment and are amortized on a straight-line basis over five years.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. CAFII has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, CAFII determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount CAFII expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Fund balances - General Fund:

The General Fund reports unrestricted resources. If resources are to be used for special purpose, these would be reported in restricted fund.

CAFII's Board of Directors aims to maintain unrestricted net assets (financial reserves) within a range of between 25% of total annual operating expenses and 50% of total annual operating expenses. Management intends to utilize unrestricted net assets on CAFII-mandated projects, as determined by the Board of Directors.

3. Financial instruments:

The carrying amounts of financial assets and liabilities approximate their fair values due to the short-term nature of these financial instruments.

4. Capital assets:

2023	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 9,866	\$ 2,223	\$ 7,643
2022	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 10,878	\$ 8,730	\$ 2,148

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Financial risks:

(a) Liquidity risk:

Liquidity risk is the risk that CAFII will be unable to fulfill its obligations on a timely basis or at a reasonable cost. CAFII manages its liquidity risk by monitoring its operating requirements. CAFII prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2022.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. CAFII is exposed to credit risk in relation to its cash, short-term investments, accounts receivable and other receivables.

The maximum exposure to credit risk is the carrying value of these financial assets on the statement of financial position.

(c) Interest risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments or investment income at maturity.

CAFII's exposure to interest rate risk arises from its interest-bearing short-term investments. The weighted-average yield of the Company's short-term investments is 4% (2022 - nil). A ten percent increase or decrease in investment yields would affect (Deficiency)/excess of revenue over expenses and Fund balances by \$1,618 (2022 – nil).