DRAFT #2
March 16, 2015

Financial Statements of

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

Year ended December 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Members of the Canadian Association of Financial Institutions in Insurance

We have audited the accompanying financial statements of the Canadian Association of Financial Institutions in Insurance, which comprise the statement of financial position as at December 31, 2014, the statements of operations and changes in unrestricted net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Association of Financial Institutions in Insurance as at December 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

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Toronto, Canada

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Financial Position

As at December 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 284,302	$ 241,349
Short-term deposits	53,381	52,852
Interest receivable	235	344
Prepaid expenses	12,255	9,672
Capital assets (note 4)	1,362	1,828
	$ 351,535	$ 306,045
Liabilities and Unrestricted Net Assets		
Current liabilities:		
Accounts payable	$ 43,843	$ 17,754
Unrestricted net assets (note 2)	307,692	288,291
	$ 351,535	$ 306,045

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 Unrestricted Net Assets

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Revenue:		
Membership fees	$ 400,500	$ 400,500
Interest	420	607
	400,920	401,107
Expenses:		
Association operating	279,257	244,889
Distribution and market conduct committee	59,474	8,059
Networking and events committee	29,694	33,667
Licensing efficiency issues committee	7,578	992
Media and advocacy strategy committee	5,516	4,633
	381,519	292,240
Excess of revenue over expenses	19,401	108,867
Unrestricted net assets, beginning of year	288,291	179,424
Unrestricted net assets, end of year	$ 307,692	$ 288,291

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, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 19,401	$ 108,867
Amortization of capital assets	466	467
Change in non-cash operating working capital	23,615	(52,138)
	43,482	57,196
Increase in cash position	43,482	57,196
Cash position, beginning of year	294,201	237,005
Cash position, end of year	$ 337,683	$ 294,201
Represented by:		
Cash and cash equivalents	$ 284,302	$ 241,349
Short-term deposits	53,381	52,852
	$ 337,683	$ 294,201

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

The Canadian Association of Financial Institutions in Insurance ("CAFII") is a not-for-profit association incorporated under the Canada Corporations Act. CAFII was incorporated 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)(i) 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 Canadian Professional Accountants of Canada Handbook.

(b) Revenue recognition:

CAFII derives its revenue primarily through membership fees. Fees are recognized as revenue in the membership period to which they relate.

Deferred membership fees represent fees received in advance of the membership period to which they relate.

(c) Cash and cash equivalents:

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

1. Significant accounting policies (continued):

(d) Capital assets:

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

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

(e) 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 period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) 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.

2. Unrestricted net assets:

Management intends to utilize unrestricted net assets on projects subject to approval by the board.

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:

2014	Cost	Accumulated amortization	Net book value
Computer equipment	$ 2,334	$ 972	$ 1,362

2013	Cost	Accumulated amortization	Net book value
Computer equipment	$ 2,334	$ 506	$ 1,828

5. Financial risks and concentration of credit risk:

(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 2013.

5. Financial risks and concentration of credit risk (continued):

(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 with respect to the accounts receivable. CAFII assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.