

DRAFT
March 18, 2022

Financial Statements of

**CANADIAN ASSOCIATION OF
FINANCIAL INSTITUTIONS IN
INSURANCE**

And Independent Auditors' Report thereon

Year ended December 31, 2021

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021		2020	
	General Fund	Restricted Fund	General Fund	Restricted Fund
Assets				
Current assets:				
Cash	\$ 582,805	\$ 12,151	\$ 410,902	\$ 12,151
Prepaid expense	5,513	—	14,037	—
	588,318	12,151	424,939	12,151
Capital assets (note 4)	2,864	—	1,136	—
	<u>\$ 591,182</u>	<u>\$ 12,151</u>	<u>\$ 426,075</u>	<u>\$ 12,151</u>

Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities	\$ 82,282	\$ —	\$ 42,216	\$ —
Fund balances (note 2)	505,900	12,151	383,859	12,151
	<u>\$ 591,182</u>	<u>\$ 12,151</u>	<u>\$ 426,075</u>	<u>\$ 12,151</u>

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, 2021, with comparative information for 2020

	2021		2020	
	General Fund	Restricted Fund	General Fund	Restricted Fund
Revenue:				
Membership dues	\$ 955,970	\$ —	\$ 884,721	\$ —
Luncheon		—	—	—
Interest	236	—	399	—
Special assessment		—	—	—
	956,206		885,120	—
Expenses:				
Association operating	649,019	—	574,246	—
Research and education committee	143,273	—	117,915	—
Market conduct committee	0	—	983	—
Networking and events committee	1,822	—	8,920	—
Licensing efficiency issues committee	0	—	540	—
Media and advocacy strategy committee	40,051	—	28,880	—
Legal		—	—	—
	834,165	—	731,484	—
Excess (deficiency) of expenses over revenue	122,041	—	153,636	—
Fund balances, beginning of year (note 2)	383,859	12,151	230,223	12,151
Transfer to General Fund	—	—	—	—
Fund balances, end of year	\$ 505,900	\$ 12,151	\$ 383,859	\$ 12,151

Commented [NJK1]: Should this not be excess of revenue over expenses?

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, 2021, with comparative information for 2020

	2021		2020	
	General Fund	Restricted Fund	General Fund	Restricted Fund
Cash provided by (used in):				
Operating activities:				
Excess (deficiency) of expenses over revenue	\$ 122,041	\$ —	\$ 153,635	\$ —
Amortization of capital assets	1,136	—	1,136	—
Change in non-cash operating working capital	48,726	—	(97,297)	—
Cash provided by operating activities	171,903	—	57,474	—
Financing activities:				
Inter-fund transfers	—	—	—	—
Increase in cash	171,903	—	57,474	—
Cash, beginning of year	410,902	12,151	353,428	12,151
Cash, end of year	\$ 582,805	\$ 12,151	\$ 410,902	\$ 12,151

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, 2021

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, 2021 to December 31, 2021) 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.

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(d) 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.

(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 year, 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.

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

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.

CAFI'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 CAFI-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:

2021	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 10,878	\$ 8,014	\$ 2,864

2020	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 8,013	\$ 6,877	\$ 1,136

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2021

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 2020.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. CAFII does not have any financial assets subject to credit risk.

6. Implications of COVID-19:

In first quarter of 2020, the viral outbreak of COVID-19 rapidly developed into a global pandemic. In response, worldwide emergency measures were taken, and continue to be taken, to combat the spread of the virus, including the imposition of travel restrictions, business closure orders, and physical distancing requirements. Governments have also implemented unprecedented monetary and fiscal policy changes aimed to help stabilize economies and financial markets. At this time, CAFII has experienced no significant impact from COVID-19.