

***DRAFT #1***  
***March 7, 2025***

Financial Statements of

**CANADIAN ASSOCIATION OF  
FINANCIAL INSTITUTIONS IN  
INSURANCE**

And Independent Auditor's Report thereon

Year ended December 31, 2024

## INDEPENDENT AUDITOR'S REPORT

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

### ***Opinion***

We have audited the financial statements of the Canadian Association of Financial Institutions in Insurance (the Entity), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.  
  
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***DRAFT***

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

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# CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

## ***DRAFT*** Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash	\$ 427,994	\$ 243,378
Short-term investments	300,000	404,603
Accounts receivable	—	1,594
Other receivables	2,281	709
Prepaid expense	7,232	5,780
	<u>737,507</u>	<u>656,064</u>
Capital assets (note 4)	5,504	7,643
	<u>\$ 743,011</u>	<u>\$ 663,707</u>

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 113,417	\$ 62,590
Fund balances (note 2)	629,594	601,117
	<u>\$ 743,011</u>	<u>\$ 663,707</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, 2024, with comparative information for 2023

	2024	2023
	General Fund	General Fund
Revenue:		
Membership dues	\$ 944,476	\$ 953,098
Interest	30,317	23,278
Miscellaneous	270	380
	975,063	976,756
Expenses:		
Association operating	703,883	761,961
Research and education committee	140,904	152,427
Market conduct committee	5,855	36,385
Networking and events committee	57,282	56,062
Media and advocacy strategy committee	38,662	38,079
	946,586	1,044,914
Excess (deficiency) of revenue over expenses	28,477	(68,158)
Fund balances, beginning of year (note 2)	601,117	669,275
Fund balances, end of year	\$ 629,594	\$ 601,117

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, 2024, with comparative information for 2023

	2024	2023
	General Fund	General Fund
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 28,477	\$ (68,158)
Amortization of capital assets	2,576	1,507
Change in non-cash operating working capital	49,397	(19,718)
Cash provided by (used in) operating activities	80,450	(86,369)
Investing activities:		
Purchase of capital assets	(437)	(7,002)
Short-term investments, net	104,603	(404,603)
Cash used in investing activities	104,166	(411,605)
Increase (decrease) in cash	184,616	(497,974)
Cash, beginning of year	243,378	741,352
Cash, end of year	\$ 427,994	\$ 243,378

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, 2024

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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, 2024 to December 31, 2024) 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 12 months or less.

# CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

## ***DRAFT*** Notes to Financial Statements (continued)

Year ended December 31, 2024

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### **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 four 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, 2024

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## 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 the 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:

2024	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 10,303	\$ (4,799)	\$ 5,504

2023	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 9,866	\$ (2,223)	\$ 7,643

# CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

**DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2024

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## 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 2023.

### (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 CAFII's short-term investments is 3.75% (2023 - 4%). A 10% increase or decrease in investment yields would affect excess (deficiency) of revenue over expenses and Fund balances by \$1,125 (2023 -\$1,618).