DRAFT #1
March 6, 2020

Financial Statements of

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

And Independent Auditors' Report thereon

Year ended December 31, 2019

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2019
- 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, 2019, 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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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

April 7, 2020

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019		2018	
	General Fund	Restricted Fund (note 6)	General Fund	Restricted Fund
Assets				
Current assets:				
Cash	$ 353,428	$ 12,151	$ 193,381	$ –
Prepaid expense	3,251	–	2,197	–
	356,679	12,151	195,578	–
Capital assets (note 4)	2,272	–	3,408	–
	$ 358,951	$ 12,151	$ 198,986	$ –
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities	$ 128,728	$ –	$ 28,788	$ –
Fund balances (note 2)	230,223	12,151	170,198	–
	$ 358,951	$ 12,151	$ 198,986	$ –

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, 2019, with comparative information for 2018

	2019		2018	
	General Fund	Restricted Fund	General Fund	Restricted Fund
Revenue:				
Membership dues	$ 734,664	$ –	$ 695,545	$ –
Luncheon	195	–	–	–
Interest	982	–	–	–
Special assessment	–	205,257	–	–
	735,841	205,257	695,545	–
Expenses:				
Association operating	647,125	–	518,694	–
Research and education committee	5,368	–	77,345	–
Market conduct committee	16,833	–	11,230	–
Networking and events committee	65,053	–	52,957	–
Licensing efficiency issues committee	7,997	–	6,490	–
Media and advocacy strategy committee	34,432	–	39,078	–
Legal	–	92,114	–	–
	776,808	92,114	705,794	–
Excess of expenses over revenue	(40,967)	113,143	(10,249)	–
Fund balances, beginning of year (note 2)	170,198	–	180,447	–
Transfer to General Fund	100,992	(100,992)	–	–
Fund balances, end of year	$ 230,223	$ 12,151	$ 170,198	$ –

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, 2019, with comparative information for 2018

	2019		2018	
	General Fund	Restricted Fund	General Fund	Restricted Fund
Cash provided by (used in):				
Operating activities:				
Excess of expenses over revenue	$ (40,967)	$ 113,143	$ (10,249)	$ –
Amortization of capital assets	1,136	–	1,136	–
Change in non-cash operating working capital	98,886	–	9,788	–
Cash provided by operating activities	59,055	113,143	675	–
Financing activities:				
Inter-fund transfers	100,992	(100,992)	–	–
Increase in cash	160,047	12,151	675	
Cash, beginning of year	193,381	–	192,706	
Cash, end of year	$ 353,428	$ 12,151	$ 193,381	$ –

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 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, 2019 to December 31, 2019) 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.

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.

2. Fund balances - General Fund:

The General Fund reports unrestricted resources. If resources are to be used for specified purposes, these would be reported in restricted funds.

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:

2019	Cost	Accumulated amortization	Net book value
Computer equipment	$ 8,013	$ 5,741	$ 2,272

2018	Cost	Accumulated amortization	Net book value
Computer equipment	$ 8,013	$ 4,605	$ 3,408

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 2018.

(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. Restricted Fund:

(a) Special assessment:

In a meeting held March 1, 2019, the CAFII Board of Directors authorized the collection of special purpose monies from the Association's members in accordance with a funding formula approved by the Board to fund a CAFII short-term special project which had not been contemplated or provided for within the Association's 2019 operating budget. This resulted in the collection of $205,257 in special purpose funds, which has been presented as a Restricted Fund in the statement of operations.

(b) Transfer of funds:

In a meeting held December 3, 2019, the CAFII Board of Directors, based on a determination that the CAFII short-term special project would not be as comprehensive as originally envisioned, authorized the transfer of remaining special purpose funds from the Restricted Fund to the General Fund, at the discretion of CAFII's management and the Association's Treasurer, to fund general operating expenses. During the year, $100,992 was transferred from the Restricted Fund to the General Fund and a balance of $12,151 remains in the Restricted Fund.