DRAFT #6
April 2, 2013

Financial Statements of

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

Years ended December 31, 2012 and 2011

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 statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of operations and changes in unrestricted net assets for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits 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 in our audits 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, 2012, December 31, 2011 and January 1, 2011, and its results of operations for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

DRAFT

Chartered Accountants, Licensed Public Accountants

April 10, 2013
Toronto, Canada

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statements of Financial Position

		December 31, 2012		December 31, 2011		January 1, 2011
Assets						
Current assets:						
Cash and short-term deposits (note 4)	$	237,005	$	145,575	$	121,045
Accounts receivable		594		–		–
Interest receivable		493		90		132
Prepaid expenses		10,339		6,946		9,369
Capital assets (note 6)		2,295		–		–
	$	250,726	$	152,611	$	130,546
Liabilities and Unrestricted Net Assets						
Current liabilities:						
Accounts payable	$	71,302	$	15,292	$	31,913
Unrestricted net assets		179,424		137,319		98,633
	$	250,726	$	152,611	$	130,546

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 Statements of Operations and Changes in Unrestricted Net Assets

Years ended December 31, 2012 and 2011

	2012	2011
Revenue:		
Membership fees	$ 410,100	$ 419,100
Interest	709	748
	410,809	419,848
Expenses:		
Professional fees (note 5)	281,221	308,418
Administration (note 5)	84,253	69,217
Miscellaneous and office	3,230	3,527
	368,704	381,162
Excess of revenue over expenses	42,105	38,686
Unrestricted net assets, beginning of year	137,319	98,633
Unrestricted net assets, end of year	$ 179,424	$ 137,319

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

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statements of Cash Flows

Years ended December 31, 2012 and 2011

		2012		2011
Cash provided by (used in):				
Operating activities:				
Excess of revenue over expenses	$	42,105	$	38,686
Items not involving cash:				
Amortization		39		–
Change in non-cash working capital		51,620		(14,156)
		93,764		24,530
Financing activities:				
Purchase of capital assets		2,334		–
Increase in cash position		91,430		24,530
Cash position, beginning of year		145,575		121,045
Cash position, end of year	$	237,005	$	145,575
Represented by:				
Cash	$	184,908	$	93,785
Short-term deposits		52,097		51,790
	$	237,005	$	145,575

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 governments 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).

On January 1, 2012, CAFII adopted Canadian Accounting Standards for Not-For-Profit Organizations in Part III of The Canadian Institute of Chartered Accountants' Handbook. These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions in Not-For-Profit Standards, CAFII has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards.

A summary of transitional adjustments recorded to net assets and excess of revenue over expenses is provided in note 8.

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 Institute of Chartered Accountants' 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.

1. Significant accounting policies (continued):

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.

(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 is 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.

1. Significant accounting policies (continued):

(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 dates of the financial statements and the reported amounts of revenue and expenses during the years. 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. Cash and cash equivalents:

Cash and cash equivalents is comprised of the following:

	December 31, 2012	December 31, 2011	January 1, 2011
Cash	$ 184,908	$ 93,785	$ 70,045
Short-term deposits	52,097	51,790	51,000
	$ 237,005	$ 145,575	$ 121,045

5. Allocation of costs by type:

Professional fees are comprised of the following costs incurred by CAFII:

	2012	2011
Consulting fees	$ 161,471	$ 172,696
Research studies	51,200	55,568
Provincial regulatory review	16,315	11,909
Director expenses	14,597	15,409
Audit fees	12,625	13,092
Media relations	10,430	10,423
Website	7,521	2,428
Insurance	2,838	52,831
Tactical communications strategy	2,420	20,832
Legal fees	1,694	–
Other	110	3,230
	$ 281,221	$ 308,418

Administration costs relate to management fees paid to TO Corporate Services and the Executive Director. The total administration costs for 2012 were $84,253 (2011·- $69,217).

6. Capital assets:

	Cost	Accumulated amortization	Net book value
Computer equipment	$ 2,334	$ 39	$ 2,295

There were no capital assets as at December 31, 2011 and January 1, 2011.

7. 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 2011.

(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.

8. Transitional adjustments:

There were no adjustments to unrestricted net assets as at January 1, 2011 or adjustments to excess of revenue over expenses for the year ended December 31, 2011 as a result of the transition to Not-For-Profit Standards.