

NEW BRUNSWICK TEACHERS' FEDERATION

GROUP INSURANCE

FINANCIAL STATEMENTS

DECEMBER 31, 2021



NICHOLSON & BEAUMONT
CHARTERED PROFESSIONAL ACCOUNTANTS

AUDITOR'S REPORT

To the Board of Directors
New Brunswick Teachers' Federation - Group Insurance

Opinion

We have audited the accompanying financial statements of the New Brunswick Teachers' Federation - Group Insurance, which comprise the statement of financial position as at December 31, 2021 and the statements of operations, cash flows and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the New Brunswick Teachers' Federation - Group Insurance as at December 31, 2021, the results of its operations, for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of 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 report. We are independent of the organization 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 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.

In preparing the financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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 these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:



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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 organization'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 organization'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 organization 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. We 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.

Fredericton, NB
September 26, 2022


Chartered Professional Accountants


**New Brunswick Teachers' Federation
Group Insurance
Statement of Financial Position
As at December 31, 2021**

Assets

	Administration Fund	Retirement Allowance Fund	Interfund Items Eliminations	2021 Total	2020 Total
Current assets					
Cash	\$ 231,012	\$ 20,850	\$ -	\$ 251,862	\$ 707,571
Accounts receivable	4,051,660	-	-	4,051,660	9,068,311
Due from Administration Fund	-	2,394	(2,394)	-	-
Prepaid Expenses	<u>1,545</u>	<u>-</u>	<u>-</u>	<u>1,545</u>	<u>1,465</u>
	4,284,217	23,244	(2,394)	4,305,067	9,777,347
Long-term assets					
Investments (Note 3)	<u>18,284,079</u>	<u>-</u>	<u>-</u>	<u>18,284,079</u>	<u>12,819,042</u>
	<u>\$ 22,568,296</u>	<u>\$ 23,244</u>	<u>\$ (2,394)</u>	<u>\$ 22,589,146</u>	<u>\$ 22,596,389</u>

Liabilities and Fund Balances

Current liabilities					
Future revenue	\$ -	\$ -	\$ -	\$ -	\$ 166,667
Due to Retirement Allowance Fund	<u>2,394</u>	<u>-</u>	<u>(2,394)</u>	<u>-</u>	<u>-</u>
	2,394	-	(2,394)	-	166,667
Long-term liabilities					
Claims fluctuation reserves	9,026,754	-	-	9,026,754	7,991,827
Accrued employee retirement/resignation benefits obligation	<u>-</u>	<u>23,244</u>	<u>-</u>	<u>23,244</u>	<u>20,659</u>
	<u>9,029,148</u>	<u>23,244</u>	<u>(2,394)</u>	<u>9,049,998</u>	<u>8,179,153</u>
Fund balances (Page 4)					
Unrestricted	<u>13,539,148</u>	<u>-</u>	<u>-</u>	<u>13,539,148</u>	<u>14,417,236</u>
	<u>\$ 22,568,296</u>	<u>\$ 23,244</u>	<u>\$ (2,394)</u>	<u>\$ 22,589,146</u>	<u>\$ 22,596,389</u>

Approved by 

See accompanying notes to the financial statements

Commitment (Note 4)

**New Brunswick Teachers' Federation
Group Insurance
Statement of Changes in Fund Balance
As at December 31, 2021**

	Administration Fund	Retirement Allowance Fund	2021 Total	2020 Total
Fund balances, beginning of year	\$ 14,417,236	\$ -	\$ 14,417,236	\$ 9,235,381
Changes during year				
Excess of revenue (expense) for year (Page 5)	(875,694)	(2,394)	(878,088)	5,181,855
Transfer between funds	<u>(2,394)</u>	<u>2,394</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	\$ <u>13,539,148</u>	\$ <u>-</u>	\$ <u>13,539,148</u>	\$ <u>14,417,236</u>

See accompanying notes to the financial statements

**New Brunswick Teachers' Federation
Group Insurance
Statement of Operations
As at December 31, 2021**

	Administration Fund	Retirement Allowance Fund	2021 Total	2020 Total
Revenue				
Interest and investment income (loss)	\$ 117,570	\$ 191	\$ 117,761	\$ 150,082
Insurance company refunds	3,012,682	-	3,012,682	8,002,547
Gain on sale of investments	520,068	-	520,068	410,177
Province of New Brunswick	166,667	-	166,667	1,000,000
Unrealized gain (loss) on investments held-for-trading	<u>317,293</u>	<u>-</u>	<u>317,293</u>	<u>173,676</u>
	<u>4,134,280</u>	<u>191</u>	<u>4,134,471</u>	<u>9,736,482</u>
Expenses				
Premiums subsidy and claims paid	4,732,077	-	4,732,077	4,287,452
Employee benefits	-	2,585	2,585	1,289
Office supplies and expenses	36,485	-	36,485	37,206
Bank service charges and interest	96	-	96	84
Travel – trustees	14,150	-	14,150	548
Conferences, conventions and seminars	5,774	-	5,774	-
Professional fees	12,650	-	12,650	14,461
Translation	13,193	-	13,193	7,033
Liability and travel insurance	6,940	-	6,940	6,400
Professional counsellors	139,875	-	139,875	139,875
Investment management fees	<u>48,734</u>	<u>-</u>	<u>48,734</u>	<u>60,279</u>
	<u>5,009,974</u>	<u>2,585</u>	<u>5,012,559</u>	<u>4,554,627</u>
Excess of revenue (expenses) for year	\$ <u>(875,694)</u>	\$ <u>(2,394)</u>	\$ <u>(878,088)</u>	\$ <u>5,181,855</u>

See accompanying notes to the financial statements

**New Brunswick Teachers' Federation
Group Insurance
Statement of Cash Flows
As at December 31, 2021**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Excess of revenue (expenses) for year	\$ (878,088)	\$ 5,181,855
Add back non-cash items		
(Gain) loss on sale of investments	(520,068)	(410,177)
Unrealized (gain) loss on investments held for trading	(317,293)	(173,676)
Accrued employee benefits	<u>2,585</u>	<u>(32,771)</u>
	<u>(1,712,864)</u>	<u>4,565,231</u>
Net changes in non-cash items		
Accounts receivable	5,016,651	(6,996,754)
Accounts payable	-	(1,820)
Prepaid expenses	(80)	(1,465)
Future revenue	<u>(166,667)</u>	<u>-</u>
	<u>4,849,904</u>	<u>(7,000,039)</u>
Net cash provided (used) through operating activities	<u>3,137,040</u>	<u>(2,434,808)</u>
Cash flows from investing activities		
Investments purchases	(13,993,986)	(3,007,028)
Investments proceeds	<u>9,366,310</u>	<u>4,779,048</u>
Net cash provided (used) by investing activities	<u>(4,627,676)</u>	<u>1,772,020</u>
Cash flows from financing activities		
Claims fluctuation reserves	<u>1,034,927</u>	<u>927,091</u>
Net cash (used) provided by financing activities	<u>1,034,927</u>	<u>927,091</u>
Net decrease (increase) in cash for year	<u>(455,709)</u>	264,303
Cash, beginning of year	<u>707,571</u>	<u>443,268</u>
Cash, end of year	\$ <u>251,862</u>	\$ <u>707,571</u>

See accompanying notes to the financial statements

**New Brunswick Teachers' Federation
Group Insurance
Notes to the Financial Statements
For the Year Ended December 31, 2021**

1. Purpose of the organization

The New Brunswick Teachers' Federation - Group Insurance was established to administer the group insurance plans for the teachers in the Province of New Brunswick.

The New Brunswick Teachers' Federation - Group Insurance is a not-for-profit organization under the Income Tax Act and as such, is exempt from income taxes.

2. Significant accounting policies

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

(a) Fund accounting and revenue recognition

The New Brunswick Teachers' Federation - Group Insurance follows the restricted fund method of accounting and revenues are recorded when earned.

Unrestricted revenue and expenses relating to administration are reported in the Administration Fund.

Revenue and expenses relating to employee retirement/resignation are recorded in the Retirement Allowance Fund.

(b) Contributed services

The New Brunswick Teachers' Federation - Group Insurance receives voluntary services from its members. Since these services are not purchased and because of difficulty in determining fair value, contributed services are not recognized in these financial statements.

(c) Use of estimates

In preparing financial statements in accordance with Canadian generally accepted accounting principles management must make estimates such as the useful life, the amortization of assets that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during that period. Actual results may differ from the estimates.

(d) Financial instruments

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures all of its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

**New Brunswick Teachers' Federation
Group Insurance
Notes to the Financial Statements
For the Year Ended December 31, 2021**

Note #2 (d) Continued

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost included accounts payable, future revenue, claims deduction reserves and accrued employee retirement /resignation benefits obligation.

(e) Capital assets

Capital assets consist of office equipment which is amortized over five years using the straight line method.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposits with banks and investments in money market instruments.

3. Investments

Investments are recorded at fair market value. Differences between fair market value and cost are recognized on the statement of operations.

	<u>FMV</u>	<u>Cost</u>
Long-term		
Foreign Equity Market Funds	\$ 2,328,260	\$ 2,065,540
Canadian Income Funds	12,806,105	12,817,163
Canadian Equity Market Funds	<u>3,149,714</u>	<u>2,800,979</u>
	<u>\$ 18,284,079</u>	<u>\$ 17,683,682</u>

4. Commitment

The New Brunswick Teachers' Federation - Group Insurance has agreed to support the Professional Counsellors program of the NBTA and AEFNB in the amount of \$139,876 each year.

**New Brunswick Teachers' Federation
Group Insurance
Notes to the Financial Statements
For the Year Ended December 31, 2021**

5. Restricted reserves

At year end, the insurance companies have restricted reserves as follows:

	<u>2021</u>	<u>2020</u>
Manulife Financial		
Incurred But Not Reported Reserve Basic Life GL11338	\$ 474,846	\$ 450,136
Waiver of Premium Reserve GL11338	2,527,125	2,505,204
Waiver of Premium Reserve GL17589	158,098	281,657
Incurred But Not Reported Reserve GH14035,6,7	2,311,183	1,699,658
Incurred But Not Reported Reserve GH37481	751,881	562,608
Incurred But Not Reported Reserve MPP 84532	1,209,843	1,073,270
Disabled Life Reserve GL11338	1,028,980	1,138,890
Incurred But Not Reported Reserve - Long Term Disability GL 11338	1,381,028	1,160,584

6. Financial Instruments

Risk Management Policy

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at December 31, 2021.

Market risk

The organization is exposed to interest rate risk on its fixed rate financial instruments. Fixed interest instruments subject the organization to a fair value risk.

Liquidity risk

The organization considers that it has sufficient resources to ensure funds are available to meet its current and long term financial needs, at a reasonable cost.

Credit risk

The organization's credit risk is mainly due to its accounts receivable. The organization believes that its accounts receivable credit risk is limited because in the last three fiscal years the organization has not recognized an expense for doubtful accounts.