

Financial Statements of

**NEW BRUNSWICK
TEACHERS' FEDERATION
GROUP INSURANCE PLAN
PREMIUM ACCOUNT**

And Independent Auditors' Report thereon

Year ended December 31, 2019

INDEPENDENT AUDITORS' REPORT

To the Trustees of New Brunswick Teachers' Federation Group Insurance Plan Premium Account

Opinion

We have audited the financial statements of New Brunswick Teachers' Federation Group Insurance Plan Premium Account (the Entity), which comprise:

- the balance sheet as at December 31, 2019
- the statement of operations and surplus 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 for the year then ended in accordance with note 1 of the financial statements.

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.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1 to the financial statements which describes the basis of preparation used in these financial statements. These financial statements include only the activities of the New Brunswick Teachers' Federation Group Insurance Plan Premium Account and not the New Brunswick Teachers' Federation Group Insurance Plan. As a result, the financial statements may not be suitable for another purpose.

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 private enterprises, 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.

Chartered Professional Accountants

St. John's, Canada

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NEW BRUNSWICK TEACHERS' FEDERATION GROUP INSURANCE PLAN PREMIUM ACCOUNT

Balance Sheet

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 3,362,794	\$ 3,112,601
Accrued interest receivable	1,544	1,257
Investments (note 2)	1,700,000	1,716,112
	\$ 5,064,338	\$ 4,829,970
Liabilities and Surplus		
Current liabilities:		
Premium received in advance	\$ 4,925,178	\$ 4,715,028
Accounts payable	8,001	7,999
	4,933,179	4,723,027
Surplus	131,159	106,943
	\$ 5,064,338	\$ 4,829,970

See accompanying notes to financial statements.

On behalf of the Plan:

_____ Trustee

_____ Trustee

NEW BRUNSWICK TEACHERS' FEDERATION GROUP INSURANCE PLAN PREMIUM ACCOUNT

Statement of Operations and Surplus

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenues:		
Premiums and contributions, net of refunds (Schedule A):		
Teacher	\$ 52,004,244	\$ 50,702,238
Government	9,117,846	8,975,646
Subsidy	4,644,028	4,346,929
	65,766,118	64,024,813
Interest	139,026	114,985
	65,905,144	64,139,798
Expenditures:		
Premiums (Schedule A)	62,979,549	61,309,470
Commissions and administration fees	2,786,569	2,715,343
Professional fees	7,820	7,820
Bank charges	47	222
	65,773,985	64,032,855
Excess of revenues over expenditures	131,159	106,943
Surplus, beginning of year	106,943	59,766
Payment to NBTF Trustees (Refund of 2017 Surplus)	-	(59,766)
Payment to NBTF Trustees (Refund of 2018 Surplus)	(106,943)	-
Surplus, end of year	\$ 131,159	\$ 106,943

See accompanying notes to financial statements.

NEW BRUNSWICK TEACHERS' FEDERATION GROUP INSURANCE PLAN PREMIUM ACCOUNT

Notes to Financial Statements

Year ended December 31, 2019

Nature of operations:

Under an agreement with the Trustees of New Brunswick Teachers' Federation Group Insurance Plan Premium Account (the "Plan"), Johnson Incorporated, ("JI") is the agent to act as the broker, advisor, consultant and administrator to provide services in the administration of the Plan. As agent, JI receives commissions and administration fees as prescribed in the agreement.

The surplus of revenues over expenditures is distributed as directed by the Trustees of the Plan.

1. Basis of presentation:

The purpose of these financial statements is to present all premiums collected and disbursed through the Plan. These statements do not reflect the performance of the actual New Brunswick Teachers' Federation Group Insurance Plan.

Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for private enterprises. The Plan's significant accounting policies are as follows:

(a) Revenue recognition:

Premium revenue is recognized when services have been rendered and collection is reasonably assured. Premiums received in advance are deferred and recognized in the month of coverage to which they relate.

Interest revenue is recognized as interest is earned.

(b) Investments:

Fixed term investments are recorded at cost.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Plan has not elected to carry any financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

NEW BRUNSWICK TEACHERS' FEDERATION GROUP INSURANCE PLAN PREMIUM ACCOUNT

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. If there is an indicator of impairment, the Plan 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 the Plan 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.

(d) 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 revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. Investments:

The Plan held a guaranteed investment certificate with the Bank of Nova Scotia with an interest rate of 2.43% that matured on December 06, 2019.

During the year, the Plan purchased a guaranteed investment certificate with the Bank of Nova Scotia with an interest rate of 2.21% that matures on December 16, 2020.

3. Financial risks and concentration of risk:

The Plan's financial instruments consist of cash, accrued interest receivable and accounts payable. It is management's opinion that the Plan is not exposed to significant interest rates, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values.

4. Statement of cash flows:

A statement of cash flows has not been presented as it would not provide additional meaningful information.

NEW BRUNSWICK TEACHERS' FEDERATION GROUP INSURANCE PLAN PREMIUM ACCOUNT

Notes to Financial Statements (continued)

Year ended December 31, 2019

5. Related party transactions:

During the year, the Plan paid \$4,554,050 (2018 - \$4,377,237) in premium expense to Unifund Assurance which is an entity under common control as the administrator and \$2,786,569 (2018 - \$2,715,343) in commissions and administration fees to JI.

These transactions are in the normal course of business and are measured at the exchange amount of consideration established and agreed to by the related parties.

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NEW BRUNSWICK TEACHERS' FEDERATION GROUP INSURANCE PLAN PREMIUM ACCOUNT

Schedule A – Schedule of Net Contributions

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Premiums and contributions, net of refunds:		
Teacher	\$ 52,004,244	\$ 50,702,238
Government	9,117,846	8,975,646
Subsidy	4,644,028	4,346,929
	<u>65,766,118</u>	<u>64,024,813</u>
Premiums, commissions and administration fees:		
Manulife Financial:		
Prescription drugs	27,129,539	26,754,577
Health	13,458,935	13,323,047
Dental	9,121,309	8,493,703
Long-term disability	5,446,541	5,159,369
Basic Life	1,304,379	1,321,742
Retired Life	1,025,483	946,790
Voluntary Life	127,997	131,095
Dependent Life	123,214	127,327
Critical illness	536,641	524,340
Unifund – Home and Auto	4,554,050	4,377,237
SSQ/AIG:		
Voluntary AD&D	90,427	88,311
Basic AD&D	61,034	61,932
	<u>62,979,549</u>	<u>61,309,470</u>
Commissions and administration fees	2,786,569	2,715,343
Net contributions	<u>\$ –</u>	<u>\$ –</u>