



2017

**Beneplan Employee  
Benefits Co-operative  
Inc.**

**Financial Statements**  
Year ended December 31, 2017

## Independent Auditor's Report

To the members of  
Beneplan Employee Benefits Co-operative Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Beneplan Employee Benefits Co-operative Inc., which are comprised of the balance sheet as at December 31, 2017, and the statements of income and accumulated surplus, changes in Health and Dental reserve, and cash flows for the year then ended, and 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 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 the auditor's 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, the auditor considers 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 is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Beneplan Employee Benefits Co-operative Inc. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

S+C Partners LLP

Chartered Professional Accountants  
Licensed Public Accountants

Mississauga, Ontario  
March 20, 2018

## Beneplan Employee Benefits Co-operative Inc.

### Statement of Loss and Retained Earnings

For the year ended December 31, 2017

	2017	2016
<b>Revenue</b>		
Refund of surpluses from group insurance (note 8)	\$ 2,306,822	\$ 1,616,431
Interest income	2,741	2,273
	<b>2,309,563</b>	<b>1,618,704</b>
<b>Expenses</b>		
Bank charges and interest	676	645
Publications and meetings	23,494	16,069
Insurance	2,931	2,874
Professional fees	23,165	19,210
	<b>50,266</b>	<b>38,798</b>
<b>Income before patronage dividends</b>	<b>2,259,297</b>	<b>1,579,906</b>
<b>Patronage dividends</b>	<b>(2,277,148)</b>	<b>(1,617,267)</b>
<b>Net loss</b>	<b>(17,851)</b>	<b>(37,361)</b>
<b>Retained earnings, beginning of year</b>	-	-
<b>Net appropriations from health and dental reserve</b>	<b>17,851</b>	<b>37,361</b>
<b>Retained earnings, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

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

## Beneplan Employee Benefits Co-operative Inc.

### Balance Sheet

December 31, 2017

<b>Assets</b>	<b>2017</b>	<b>2016</b>
<b>Current assets</b>		
Cash and equivalents (note 3)	\$ 592,879	\$ 618,701
Accounts receivable (notes 4 and 8)	2,362,783	1,588,502
Income taxes receivable	-	3,988
	<b>\$ 2,955,662</b>	<b>\$ 2,211,191</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 5)	\$ 143,038	\$ 34,215
Patronage dividends payable	2,280,770	1,615,030
	<b>2,423,808</b>	<b>1,649,245</b>
<b>Deferred revenue</b>	<b>73,421</b>	<b>84,244</b>
	<b>2,497,229</b>	<b>1,733,489</b>
<b>Members' equity</b>		
<b>Health and dental reserve (note 6)</b>	<b>458,433</b>	<b>477,702</b>
	<b>\$ 2,955,662</b>	<b>\$ 2,211,191</b>

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

Approved on behalf of the Board:

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Director

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Director

## Beneplan Employee Benefits Co-operative Inc.

### Statement of Changes in Health and Dental Reserve

For the year ended December 31, 2017

	2017	2016
<b>Appropriations from reserve</b>		
Reserves of terminated members forfeited to cover deficits	\$ (17,851)	\$ (35,125)
Reserves used for payment shortfalls and forfeitures	-	(2,236)
<b>Net appropriation from reserve</b>	<b>(17,851)</b>	<b>(37,361)</b>
<b>Adjustments to reserves of terminated members</b>	<b>15,028</b>	<b>(438)</b>
<b>Excess reserves refunded to members</b>	<b>(16,446)</b>	<b>-</b>
<b>Health and dental reserve, beginning of year</b>	<b>477,702</b>	<b>515,501</b>
<b>Health and dental reserve, end of year</b>	<b>\$ 458,433</b>	<b>\$ 477,702</b>

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

## Beneplan Employee Benefits Co-operative Inc.

### Statement of Cash Flows

For the year ended December 31, 2017

	2017	2016
<b>Cash flows from operating activities</b>		
Cash receipts from insurers' surpluses and members	\$ 1,639,569	\$ 1,038,792
Cash paid to suppliers	(44,266)	(30,718)
Patronage dividends paid	(1,611,408)	(927,735)
Excess reserves refunded to members	(16,446)	-
Interest received	2,741	2,273
Income taxes refunded (paid)	3,988	(3,988)
<b>Increase (decrease) in cash and equivalents</b>	<b>(25,822)</b>	78,624
<b>Cash and equivalents, beginning of year</b>	<b>618,701</b>	540,077
<b>Cash and equivalents, end of year (note 3)</b>	<b>\$ 592,879</b>	\$ 618,701

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

# Beneplan Employee Benefits Co-operative Inc.

## Notes to the Financial Statements

December 31, 2017

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### 1 Description of business

Beneplan Employee Benefits Co-operative Inc. is a Co-operative Corporation without share capital, incorporated on April 29, 2013, according to the provisions of the *Co-operative Corporations Act of Ontario*. The Co-operative, administered by Beneplan Inc., its Executive Officer, is a voluntary association of employers for the purpose of pooling their group insurance experience. Premiums of health, dental, and life insurance are paid by all employers to the Co-operators, Standard Life, Greenshield, and for some paramedical coverage to Beneplan Inc. The Co-operators, Standard Life, or Greenshield administer the group insurance plans throughout the year and refund the net surplus of premiums over claims and costs at year end, to the Co-operative. The Executive Officer then allocates this surplus among the member-employers according to a pre-established formula, the simplified version of which is:

1. Apportion the total life insurance refund to members pro-rata to their life insurance premiums.
  2. Apply each member's life insurance surplus as needed, to fund its health, dental, and paramedical deficit.
  3. Allocate a portion of each member's health, dental, and paramedical surplus, to cover the deficits of those members with remaining deficits and to cover the operating expenses of the Co-operative.
  4. Retain a portion of each member's surplus to fund the Health and Dental reserve (see Note 6)
  5. Pay out the balance of each member's surplus as a patronage dividend.
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### 2 Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises and reflect the following significant accounting policies:

#### Revenue recognition

Revenue to the Co-operative consists mainly of the net surplus amounts calculated on all members' health, dental, and paramedical group insurance policies, as well as refunds of excess premiums on life insurance policies.

The total health and dental surplus is calculated by Beneplan Inc., the Executive Officer of the Co-operative, in February each year for the preceding year, from experience records provided by the insurance companies, with premiums tested for validity to the monthly records maintained by Beneplan and adjusted where necessary to convert from cash-basis to accrual-basis reporting. Claims amounts are not tested, due to the limitations imposed by privacy legislation. Representatives from Beneplan Inc. and the insurance companies keep in constant contact throughout this process to ensure agreement between them as to the final surplus amounts to be refunded.

Paramedical surplus is calculated by Beneplan Inc., on the Paramedical portion which it administers.

Life insurance refunds are calculated by the Co-operators. Beneplan staff closely examine the calculation of these refunds for accuracy except that no verification of the waiver reserves is possible due to privacy legislation, which protects the health information necessary for their determination.

In addition to the above surpluses, the Co-operative also recognizes revenues from other sources. Interest income is recognized as it accrues.

#### Income taxes

Income taxes are accounted for using the future income taxes method. Future taxes have been accounted for based on the difference between the carrying amounts of assets and liabilities for accounting purposes versus the carrying amounts of assets and liabilities for tax purposes. Future taxes are calculated based on enacted or substantively enacted tax laws that are expected to be in effect when the asset or liability is settled. Future taxes are reviewed on an annual basis and are adjusted where necessary to reflect their realizable amount.

# Beneplan Employee Benefits Co-operative Inc.

## Notes to the Financial Statements

December 31, 2017

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### 2 Significant accounting policies (continued)

#### Financial instruments

##### *Measurement of financial instruments*

The Co-operative initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The company subsequently measures all its financial assets and liabilities at amortized cost. Financial assets measured at amortized cost include cash, cash equivalents, and accounts receivable. Financial liabilities measured at amortized cost include accounts payable, accrued liabilities, and patronage dividends payable.

##### *Impairment*

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

#### Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in these financial statements are the determination of insurer surpluses, accounts payable, accrued liabilities and the provision for income taxes. Actual results could differ from management's best estimates as additional information becomes available.

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### 3 Cash and equivalents

Cash and equivalents consist of the following:

	2017	2016
Cash	\$ 133,366	\$ 161,928
Term deposits	459,513	456,773
	<u>\$ 592,879</u>	<u>\$ 618,701</u>

The balance invested in a term deposit bears interest at a rate of 0.5%, is cashable prior to maturity, and matures February 2018. Subsequent to year end, the term deposit was renewed for an additional one year period at an interest rate of 0.45% and is cashable prior to maturity.

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# Beneplan Employee Benefits Co-operative Inc.

## Notes to the Financial Statements

December 31, 2017

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### 4 Accounts receivable

	2017	2016
Trade receivables	\$ 2,203,794	\$ 1,352,913
Government remittances receivable	43	43
Receivable from Beneplan Inc.	138,974	202,451
Receivable from members	19,972	33,095
	<b>\$ 2,362,783</b>	<b>\$ 1,588,502</b>

The amount receivable from Beneplan Inc. relates to paramedical premium surpluses and cost recoveries. Beneplan Inc. is related by virtue of its appointment as Executive Officer of the Co-operative.

The amount receivable from members relates to the reimbursement of dental commissions administered outside of the Co-operative.

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### 5 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2017	2016
Trade payables and accrued liabilities	\$ 40,214	\$ 34,215
Payable to members	102,824	-
	<b>\$ 143,038</b>	<b>\$ 34,215</b>

The amount payable to members relates to the reimbursement of dental commissions administered outside of the Co-operative.

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### 6 Health and dental reserve

This is a reserve for health and/or dental and/or paramedical run-off claims which are outstanding at any given time. It is increased each year by contributions from the surplus otherwise payable to each member, by the amount necessary to bring each member's cumulative contribution to a "target" of 5% of its weighted average claims over the past three years, with the limitation that the annual contribution is not to exceed 10% of the health, dental, and paramedical surplus otherwise payable to the member for the year. In the first twelve months of membership, members with a surplus must pay to the reserve an amount which is equal to the lesser of 5% of their annualized claims or 50% of their patronage dividend. A portion of these reserve funds are held by the Co-operative with the remaining balance of the reserve withheld at source by the insurer.

# Beneplan Employee Benefits Co-operative Inc.

## Notes to the Financial Statements

December 31, 2017

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### 6 Health and dental reserve (continued)

If at any time a member's cumulative reserve exceeds its target reserve by more than 10% for two consecutive years, such excess is to be refunded to the member. Members withdrawing from the Co-operative forfeit their accumulated paid-in reserves and surplus for the year to the Co-operative. The Health and dental reserve is retained to cover any unreported claims which may exist at such time as the Co-operative is wound up. Any surplus reserve not used to cover such claims after a suitable interval will be paid out to the remaining members of the Co-operative at that time, pro-rata to their accumulated contributions.

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### 7 Financial instruments

The Co-operative is exposed to credit risk through its accounts receivable, which are by nature unsecured. The Co-operative mitigates this risk by ensuring it deals with financially strong insurance companies in good standing. Management has identified a concentration of credit risk such that 72% (2016 - 71%) of accounts receivable was receivable from a single insurer.

The Co-operative is subject to liquidity risk through its debts and obligations. To ensure the Co-operative is able to fund its obligations as they come due, it maintains accessible sources of liquidity. These sources consist of cash balances, a cashable term deposit, and a reserve for unpaid claims.

It is management's opinion that the Co-operative is not subject to significant currency, interest rate, or other price risk.

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### 8 Related party transactions

During the year, the Co-operative earned a refund of surplus on group insurance from Beneplan Inc. in the amount of \$138,974 (2016 - \$202,451). Beneplan Inc. is related by virtue of its role as Executive Officer of the Co-operative. Included in accounts receivable is \$138,974 (2016 - \$202,451) related to this amount.

This transaction is in the normal course of operations and are recorded at the exchange amount. The exchange amount is the amount of consideration established and agreed to by the related parties.

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