

A close-up photograph of a wooden desk. On the desk, there is a laptop, a smartphone, a notebook with a blue cover, and a pen. The background is a blurred wooden surface.

2015 Audited Financial Statements

20
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Assurance. Tax. Advisory. Technology.

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

Financial Statements
Year ended December 31, 2015

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, 2015, and the statements of income and accumulated surplus, changes in IBNR 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 qualified opinion.

Basis for Qualified Opinion

Due to the nature of some of the components of revenue, completeness of these components is not subject to sufficient audit verification. Accordingly, our verification of these revenues were limited to the amounts recorded in the records of the Co-operative and we were unable to determine whether any adjustments were necessary to revenue, net income, patronage dividends declared, net appropriations from reserves, and retained earnings.

Independent Auditor's Report (continued)

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Beneplan Employee Benefits Co-operative Inc. as at December 31, 2015, and its operations 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 22, 2016

Beneplan Employee Benefits Co-operative Inc.

Statement of Income (Loss) and Retained Earnings

For the year ended December 31, 2015

	2015	2014
Revenue		
Refund of surplus from group insurance	\$ 1,010,993	\$ 1,052,663
Interest income	4,500	-
Other income	2,000	-
	1,017,493	1,052,663
Expenses		
Amortization	-	1,089
Bank charges	249	226
Publications and meetings	13,606	15,554
Insurance	2,818	2,818
Professional fees	38,612	22,572
	55,285	42,259
Income before patronage dividends	962,208	1,010,404
Patronage dividends	(923,297)	(1,043,764)
Net income (loss)	38,911	(33,360)
Retained earnings, beginning of year	-	-
Net appropriations from (contributions to) reserve	(38,911)	33,360
Retained earnings, end of year	\$ -	\$ -

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

Beneplan Employee Benefits Co-operative Inc.

Balance Sheet

December 31, 2015

Assets	2015	2014
Current assets		
Cash and equivalents (note 3)	\$ 540,077	\$ 752,041
Accounts receivable (note 4)	1,049,045	1,056,212
	1,589,122	1,808,253
Other asset	-	19,917
	\$ 1,589,122	\$ 1,828,170
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 26,136	\$ 185,392
Patronage dividends payable	925,061	1,043,764
	951,197	1,229,156
Deferred revenue	122,424	122,424
	1,073,621	1,351,580
Members' equity		
IBNR reserve (note 6)	515,501	476,590
	\$ 1,589,122	\$ 1,828,170

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

Approved on behalf of the Board:

Director

Director

Beneplan Employee Benefits Co-operative Inc.

Statement of Changes in IBNR Reserve

For the year ended December 31, 2015

	2015	2014
Contributions to reserve		
Funding from surplus	\$ 70,855	\$ 55,146
Funding from other sources	-	4,623
	70,855	59,769
Appropriations from reserve		
Reserves of terminated members forfeited to cover deficits	(31,944)	(46,246)
Reserve used for operating expenses	-	(42,259)
	(31,944)	(88,505)
Net contribution to (appropriation from) reserve	38,911	(28,736)
IBNR reserve, beginning of year	476,590	505,326
IBNR reserve, end of year	\$ 515,501	\$ 476,590

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, 2015

	2015	2014
Cash flows from operating activities		
Cash receipts from surpluses and members	\$ 1,020,159	\$ 1,473,481
Cash paid to suppliers	(37,019)	(35,412)
Patronage dividends paid	(1,199,604)	(1,181,540)
Interest received	4,500	-
Increase (decrease) in cash and equivalents	(211,964)	256,529
Cash and equivalents, beginning of year	752,041	495,512
Cash and equivalents, end of year (note 3)	\$ 540,077	\$ 752,041

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

Beneplan Employee Benefits Co-operative Inc.

Notes to the Financial Statements

December 31, 2015

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 or Standard Life, and for some paramedical coverage to Beneplan Inc. The Co-operators or Standard Life 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 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 some part of each member's health, dental, and paramedical surplus, pro-rata to its claims, to cover the deficits of those members with remaining deficits and the operating expenses of the Co-operative.
 4. Retain a portion of each member's surplus to fund the IBNR 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. There are no independent third-party records against which to compare the results of these calculations.

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. Revenue from services is recognized when the service is completed and collection is reasonably assured.

Beneplan Employee Benefits Co-operative Inc.

Notes to the Financial Statements

December 31, 2015

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 for accounts payable and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available.

3 Cash and equivalents

Cash and equivalents consist of the following:

	2015	2014
Cash	\$ 85,577	\$ 302,041
Term deposits	454,500	450,000
	<u>\$ 540,077</u>	<u>\$ 752,041</u>

The balance invested in a term deposit bears interest at a rate of 0.5%, is cashable prior to maturity, and matures February 2016. Subsequent to year end, the term deposit was renewed for an additional one year period at an interest rate of 0.6% and is cashable prior to maturity.

Beneplan Employee Benefits Co-operative Inc.

Notes to the Financial Statements

December 31, 2015

4 Accounts receivable

	2015	2014
Trade receivables	\$ 817,653	\$ 888,445
Receivables from related parties	227,389	167,767
Other receivables	4,003	-
	<u>\$ 1,049,045</u>	<u>\$ 1,056,212</u>

Receivables from related parties consists of amounts due from Beneplan Inc. for paramedical premium surpluses and cost recoveries and from members for the reimbursement of dental commissions administered outside of the Co-operative.

Beneplan Inc. is related by virtue of its appointment as Executive Officer of the Co-operative.

5 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2015	2014
Trade payables and accrued liabilities	\$ 25,174	\$ 26,826
Government remittances payable	962	158,566
	<u>\$ 26,136</u>	<u>\$ 185,392</u>

6 IBNR reserve

This is a reserve for health and/or dental and/or paramedical claims which are "incurred but not reported" (IBNR) 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. If at any time a member's cumulative reserve exceeds its target reserve by more than 10%, 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 IBNR 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.

Beneplan Employee Benefits Co-operative Inc.

Notes to the Financial Statements

December 31, 2015

6 IBNR reserve (continued)

Effective January 1, 2016, the contribution rate to the IBNR was amended such that in the first year 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. The requirement to refund excess contributions to the IBNR was also amended such that a member must exceed their target reserve over a two year period before any excess contribution is refunded.

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 78% (2014 - 82%) 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.

8 Comparative figures

The comparative figures for the prior year ending December 31, 2014 were audited by the Co-operative's former auditor under an Independent Auditors' Report dated March 20, 2015 and have not been audited by S+C Partners LLP.

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.
