



2018

Beneplan Employee Benefits
Co-operative Inc.

Financial Statements

Year ended December 31, 2018



Independent Auditor's Report

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Beneplan Employee Benefits Co-operative Inc., which comprised of the balance sheet as at December 31, 2018 and the statements of income and accumulated surplus, statement of changes in health and dental reserve, and statement of cash flows 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 Beneplan Employee Benefits Co-operative Inc. as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Co-operative 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.

Other information

Management is responsible for the other information, which comprises the annual report except for the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, is inconsistent with our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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 Co-operative'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 Co-operative or to cease operations, or has no realistic alternative but to do so.

6465 Millcreek Drive, Suite 204
Mississauga, Ontario L5N 5R3

905 821 9215
866 965 1435

905 821 8212
scpllp.com



Those charged with governance are responsible for overseeing the Co-operative's financial reporting process.

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.

As part of an audit in accordance with CASs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. 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.
2. 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 Co-operative's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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 Co-operative'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 Co-operative to cease to continue as a going concern.
5. 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.

S+C Partners LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
March 25, 2019

Beneplan Employee Benefits Co-operative Inc.

Statement of Loss and

For the year ended December 31, 2018

| | 2018 | 2017 |
|--|--------------------|--------------------|
| Revenue | | |
| Refund of surpluses from group insurance (note 8) | \$ 3,285,319 | \$ 2,306,822 |
| Interest income | 2,298 | 2,741 |
| | 3,287,617 | 2,309,563 |
| Expenses | | |
| Bad debts | 226 | - |
| Bank charges and interest | 843 | 676 |
| Publications and meetings | 17,494 | 23,494 |
| Insurance | 3,204 | 2,931 |
| Professional fees and consultants | 44,982 | 23,165 |
| | 66,749 | 50,266 |
| Income before patronage dividends | 3,220,868 | 2,259,297 |
| Patronage dividends | (3,239,583) | (2,277,148) |
| Net loss | (18,715) | (17,851) |
| Accumulated surplus, beginning of year | - | - |
| Net appropriations from health and dental reserve | 18,715 | 17,851 |
| Accumulated surplus, end of year | \$ - | \$ - |

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

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

December 31, 2018

| Assets | 2018 | 2017 |
|---|---------------------|---------------------|
| Current assets | | |
| Cash and equivalents (note 3) | \$ 87,737 | \$ 134,446 |
| Accounts receivable (notes 4 and 8) | 3,395,848 | 2,362,783 |
| | 3,483,585 | 2,497,229 |
| Restricted cash (notes 3 and 6) | 429,711 | 458,433 |
| | \$ 3,913,296 | \$ 2,955,662 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 5) | \$ 221,836 | \$ 143,038 |
| Patronage dividends payable | 3,241,966 | 2,280,770 |
| | 3,463,802 | 2,423,808 |
| Deferred revenue | 19,783 | 73,421 |
| | 3,483,585 | 2,497,229 |
| Members' equity | | |
| Health and dental reserve (note 6) | 429,711 | 458,433 |
| | \$ 3,913,296 | \$ 2,955,662 |

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 Health and Dental Reserve**

For the year ended December 31, 2018

| | 2018 | 2017 |
|--|-------------------|-------------|
| Appropriations from reserve | | |
| Reserves of terminated members forfeited to cover deficits | \$ (18,715) | \$ (17,851) |
| Net appropriation from reserve | (18,715) | (17,851) |
| Adjustments to reserves of terminated members | - | 15,028 |
| Excess reserves refunded to members | (10,007) | (16,446) |
| Health and dental reserve, beginning of year | 458,433 | 477,702 |
| Health and dental reserve, end of year | \$ 429,711 | \$ 458,433 |

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, 2018

| | 2018 | 2017 |
|--|------------------|-------------------|
| Cash flows from operating activities | | |
| Cash receipts from insurers' surpluses and members | \$ 2,270,903 | \$ 1,639,568 |
| Cash paid to suppliers | (60,238) | (44,265) |
| Patronage dividends paid | (2,278,387) | (1,611,408) |
| Excess reserves refunded to members | (10,007) | (16,446) |
| Interest received | 2,298 | 2,741 |
| Income taxes refunded | - | 3,988 |
| | (75,431) | (25,822) |
| Cash provided by (used in) investing activities | | |
| Decrease in restricted cash | 28,722 | 19,269 |
| Decrease in cash and equivalents | (46,709) | (6,553) |
| Cash and equivalents, beginning of year | 134,446 | 140,999 |
| Cash and equivalents, end of year (note 3) | \$ 87,737 | \$ 134,446 |

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

Beneplan Employee Benefits Co-operative Inc.

Notes to the Financial Statements

December 31, 2018

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 either the Co-operators or Green Shield Canada. Additionally some members also purchase paramedical coverage from Beneplan Inc. The Co-operators or Green Shield Canada 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 insurance refund to members pro-rata to their insurance premiums paid.
2. Apply each member's 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.

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 of policies 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.

Cash and cash equivalents

Cash and cash equivalents consist of current cash accounts and term deposits with a maturity period less than 3 months in length or are cashable prior to maturity. Restricted cash represents funds held by the Co-operative to facilitate the payment of run-off insurance claims of members upon termination.

Beneplan Employee Benefits Co-operative Inc.

Notes to the Financial Statements

December 31, 2018

2 Significant accounting policies (continued)

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.

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.

3 Cash and equivalents

Cash and equivalents consist of the following:

| | 2018 | 2017 |
|------------------------|-----------|------------|
| Cash | \$ 55,637 | \$ 133,366 |
| Cashable term deposits | 461,811 | 459,513 |
| | 517,448 | 592,879 |
| Less: restricted cash | (429,711) | (458,433) |
| | \$ 87,737 | \$ 134,446 |

The balance invested in a term deposit bears interest at a rate of 0.45% and matures February 2019.

Beneplan Employee Benefits Co-operative Inc.

Notes to the Financial Statements

December 31, 2018

4 Accounts receivable

| | 2018 | 2017 |
|-----------------------------------|---------------------|---------------------|
| Receivable from insurers | \$ 3,256,666 | \$ 2,203,794 |
| Government remittances receivable | 1,426 | 43 |
| Receivable from Beneplan Inc. | 137,756 | 138,974 |
| Receivable from members | - | 19,972 |
| | \$ 3,395,848 | \$ 2,362,783 |

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 pure ASO benefits administered outside of the Co-operative.

5 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

| | 2018 | 2017 |
|--|-------------------|-------------------|
| Trade payables and accrued liabilities | \$ 46,501 | \$ 40,214 |
| Payable to members | 175,335 | 102,824 |
| | \$ 221,836 | \$ 143,038 |

The amount payable to members relates to the reimbursement of pure ASO benefits administered outside of the Co-operative.

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 annualized claims, with the limitation that the annual contribution is not to exceed 10% of the patronage dividend 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.

Beneplan Employee Benefits Co-operative Inc.

Notes to the Financial Statements

December 31, 2018

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.

Surpluses withheld by the insurers as a reserve are not recognized as an asset of the Co-operative as the Co-operative does not control the access to or distribution of the related funds to facilitate payment of insurance claims. As of December 31, 2018, the reserves were allocated as follows:

| | 2018 | 2017 |
|--|-------------------|-------------------|
| Health and dental reserve, held by Co-operative | \$ 429,711 | \$ 458,433 |
| Surpluses retained by insurers, not yet recognized by Co-operative | 495,295 | 341,026 |
| | \$ 925,006 | \$ 799,459 |

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 71% (2017 - 72%) 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 Related party transactions

During the year, the Co-operative earned a refund of surplus on group insurance from Beneplan Inc. in the amount of \$134,865 (2017 - \$138,974). Beneplan Inc. is related by virtue of its role as Executive Officer of the Co-operative. Included in accounts receivable is \$137,756 (2017 - \$138,974) 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.