

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales**  
**Authority of British Columbia)**  
**Financial Statements**  
*For the year ended March 31, 2021*

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
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*For the year ended March 31, 2021*

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# Independent Auditor's Report

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To the Members of Motor Dealer Council of British Columbia:

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Motor Dealer Council of British Columbia (the "Society"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### 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 Society 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 the 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 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 Society'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 Society'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 Society 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.

#### **Report on Other Legal and Regulatory Requirements**

As required by the Societies Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Surrey, British Columbia

May 17, 2021

*MNP LLP*

Chartered Professional Accountants

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Statement of Financial Position**

*As at March 31, 2021*

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	<b>2021</b>	<b>2020</b>
<hr/>		
<b>Assets</b>		
<b>Current</b>		
Cash	873,644	1,287,433
Accounts receivable (Note 4)	8,470	41,201
Term deposits (Note 5)	561,190	200,035
Prepaid expenses and deposits	62,496	101,208
	<hr/>	<hr/>
	<b>1,505,800</b>	1,629,877
<b>Capital assets (Note 6)</b>	<b>4,010,930</b>	4,195,568
<b>Intangible assets (Note 7)</b>	<b>1,224,529</b>	621,828
<b>Term deposits (Note 5)</b>	-	555,107
<b>Mutual Funds (Note 8)</b>	<b>904,709</b>	515,185
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	<b>7,645,968</b>	7,517,565
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**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Statement of Financial Position**

*As at March 31, 2021*

	2021	2020
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals (Note 9)	211,987	417,926
Deferred licensing and learning revenue	1,997,202	1,993,826
	<b>2,209,189</b>	<b>2,411,752</b>
<b>Commitments (Note 10)</b>		
<b>Credit facility (Note 11)</b>		
<b>Significant event (Note 20)</b>		
<b>Fund Balances</b>		
Unrestricted	(229,902)	(148,245)
Invested in capital and intangible assets (Note 12)	5,235,459	4,817,396
Internally restricted (Note 12)	431,222	436,662
	<b>5,436,779</b>	<b>5,105,813</b>
	<b>7,645,968</b>	<b>7,517,565</b>

Approved on behalf of the Board

E-SIGNED by Jim Nicholson

Director

E-SIGNED by Mark Bakken

Director

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Statement of Operations**  
*For the year ended March 31, 2021*

	2021	2020
<b>Revenue</b>		
Licensing fees	3,906,854	4,003,557
Course fees	1,151,561	945,655
Administration fees and other	244,259	440,109
Interest Income	47,547	41,776
Investigation and hearing recovery	19,853	18,432
	<b>5,370,074</b>	<b>5,449,529</b>
<b>Expenses</b>		
Advertising	35,466	66,104
Amortization of capital assets	225,983	189,204
Amortization of intangible assets	151,420	27,334
Automotive	78,130	93,675
Bad debts	19,657	45,683
Building and occupancy	56,811	57,281
Conferences	196	27,815
Consulting	1,513	150,241
Course costs, travel and meals	11,331	36,484
Governance	120,090	99,292
Investigation and hearing costs	148	4,569
Office and general	515,546	572,114
Professional fees	238,045	136,535
Property taxes and utilities	21,550	44,467
Salaries and benefits <i>(Note 13)</i>	3,615,737	3,707,603
Training	6,626	38,237
	<b>5,098,249</b>	<b>5,296,638</b>
<b>Excess of revenue over expenses before other items</b>	<b>271,825</b>	<b>152,891</b>
<b>Other items</b>		
Gain on disposal of mutual funds	9,134	-
Gain on disposal of capital assets	-	7,228
Impairment of intangible assets	(23,172)	-
Gain (loss) on change in fair value of mutual funds	73,179	(36,629)
	<b>59,141</b>	<b>(29,401)</b>
<b>Excess of revenue over expenses</b>	<b>330,966</b>	<b>123,490</b>

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

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Statement of Changes in Net Assets**

*For the year ended March 31, 2021*

	<i>Operating Fund</i>	<i>Internally Restricted and Capital and Intangible Assets (Note 12)</i>	<b>2021</b>	<b>2020</b>
<b>Fund balances, beginning of year</b>	<b>(148,245)</b>	<b>5,254,058</b>	<b>5,105,813</b>	4,982,323
<b>Excess of revenue over expenses</b>	<b>678,889</b>	<b>(347,923)</b>	<b>330,966</b>	123,490
<b>Purchase of capital assets</b>	<b>(41,345)</b>	<b>41,345</b>	-	-
<b>Purchase of intangible assets</b>	<b>(777,294)</b>	<b>777,294</b>	-	-
<b>Transfer from internally restricted (Note 14)</b>	<b>58,093</b>	<b>(58,093)</b>	-	-
<b>Fund balances, end of year</b>	<b>(229,902)</b>	<b>5,666,681</b>	<b>5,436,779</b>	5,105,813

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

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Statement of Cash Flows**  
*For the year ended March 31, 2021*

	2021	2020
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess of revenue over expenses	330,966	123,490
Amortization of capital assets	225,983	189,204
Amortization of intangible assets	151,420	27,334
(Gain) loss on change in fair value of investments	(73,179)	36,629
(Gain) loss on disposal of marketable securities	(9,134)	-
Gain on disposal of capital assets	-	(7,228)
Impairment of intangible assets	23,172	-
	<b>649,228</b>	<b>369,429</b>
Changes in working capital accounts		
Accounts receivable	32,731	42,464
Prepaid expenses and deposits	38,712	(14,032)
Accounts payable and accruals	(205,939)	177,316
Deferred licensing and learning revenue	3,376	43,631
	<b>518,108</b>	<b>618,808</b>
<b>Investing</b>		
Purchase of capital assets	(41,345)	(163,345)
Proceeds on disposal of capital assets	-	11,000
Development costs - intangible assets	(777,294)	(618,544)
Purchase of term deposits	(6,047)	-
Proceeds on disposal of term deposits	200,000	412,726
Purchase of mutual funds	(561,861)	(457,724)
Proceeds on disposal of mutual funds	254,650	-
	<b>(931,897)</b>	<b>(815,887)</b>
<b>Decrease in cash resources</b>	<b>(413,789)</b>	<b>(197,079)</b>
<b>Cash resources, beginning of year</b>	<b>1,287,433</b>	<b>1,484,512</b>
<b>Cash resources, end of year</b>	<b>873,644</b>	<b>1,287,433</b>

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

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Notes to the Financial Statements**

*For the year ended March 31, 2021*

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**1. Incorporation and nature of the organization**

Motor Dealer Council of British Columbia ("the Society") was incorporated under the Societies Act of British Columbia on July 31, 2003 as a not-for-profit society and thus is exempt from income taxes under the Income Tax Act (the "Act"). In order to maintain its status as a registered not-for-profit organization under the Act, the Society must meet certain requirements within the Act. In the opinion of management these requirements have been met.

On April 1, 2004, the Government of British Columbia granted to the Society the authority to administer and enforce the Motor Dealer Act and related regulations. On March 30, 2007, subject to amendment to the Motor Dealer Act, the Society has become known as the Motor Vehicle Sales Authority of British Columbia ("VSA"), better reflecting both the public and industry service roles of the independent regulatory agency.

**2. Change in accounting policies**

***Fund Accounting***

Effective April 1, 2020, the Board of Directors elected to change its financial reporting from the deferral method with fund accounting to the deferral method without fund accounting as it was determined it would provide a more useful presentation to the users of the financial statements.

***Controlled entity***

Effective April 1, 2021, the Society elected to present the financial position and results of operations of the Motor Dealer Consumer Compensation Fund (the "Fund") as a disclosure to the financial statements (Note 16). The financial position and results of operations of the Fund were previously reported on a consolidated basis with the Society. The change in policy has been applied retrospectively, with the comparative financial statements reflecting a reduction in cash and term deposits and deferred contributions of \$1,206,841. The retrospective application of the change in policy has not affected total net assets, nor excess of revenues over expenses as previously reported.

**3. Significant accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

***Term deposits***

Term deposits that mature before March 31, 2022 are presented as current assets. Term deposits with maturity dates subsequent to March 31, 2022 are presented as long term assets.

***Capital assets***

Capital assets are initially recorded at cost. Amortization is provided using the following methods at rates and terms intended to amortize the cost of the assets over their estimated useful lives.

	<b><i>Method</i></b>	<b><i>Rate/Term</i></b>
Building	declining balance	4 %
Automotive	declining balance	30 %
Computer equipment	straight-line	3 years
Computer software	straight-line	2 years
Office equipment	straight-line	5 years

When a capital asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to residual value, if any.

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2021*

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**3. Significant accounting policies** *(Continued from previous page)*

***Intangible assets***

Specified intangible assets are recognized and reported apart from goodwill.

An intangible asset recognized separately from goodwill and subject to amortization is recorded at cost.

Amortization is provided using the straight-line method at a rate intended to amortize the cost of intangible asset over its estimated useful life.

	<b><i>Method</i></b>	<b><i>Rate</i></b>
Driver 2.0	straight-line	7 years

When an intangible asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to residual value, if any.

***Revenue recognition***

The Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Society recognizes annual licensing fees from dealerships and sales representatives proportionately over the period of licensing, which varies from twelve to twenty-four months. Revenue from course fees, consumer awareness, administration and other revenue is recognized in the period in which the services are provided and collection is reasonably assured. Interest and investment income is recognized on the accrual basis. Realized and unrealized gains and losses on mutual funds are recognized upon sale of the investment, or upon fair value measurement at each reporting period.

***Government wage subsidy***

Claims for government assistance under the Canada Emergency Wage Subsidy (CEWS) are recorded in the period to which the subsidy applies. Subsidies are recognized once there is reasonable assurance that the Society will meet the eligibility criteria, the government support will be received and the amount to be received is measurable. Government subsidies are recorded as a reduction of the eligible expenditures in the year in which the expenditures are incurred.

***Measurement uncertainty***

The preparation of financial statements in conformity with ASNPO 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 period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital and intangible assets.

Included as a reduction of salaries and benefits expense is \$288,868 (2019 - \$Nil) of government assistance for the Canada Emergency Wage Subsidy. Management has estimated and calculated the amount of subsidy based upon their assessment of qualifying expenditures. The variability between actual subsidy received has not varied from the estimated subsidy.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the periods in which they become known.

***Financial instruments***

The Society recognizes its financial instruments when the Society becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their exchange amount in accordance with Section 3840 *Related Party Transactions* (Note 15, 16).

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Notes to the Financial Statements**

*For the year ended March 31, 2021*

**3. Significant accounting policies** *(Continued from previous page)*

At initial recognition, the Society may irrevocably elect to subsequently measure any financial instrument at fair value. The Society has not made such an election during the year.

The Society subsequently measures mutual funds at fair value, being the net asset value per unit as reported by the Investment Manager, with changes in fair value recorded immediately in the statement of operations. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

***Financial asset impairment***

The Society assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Society determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Society reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses. The Society reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenues over expenses in the year the reversal occurs.

**4. Accounts receivable**

	<b>2021</b>	<b>2020</b>
Accounts receivable	<b>54,153</b>	86,884
Allowance for doubtful accounts	<b>(45,683)</b>	(45,683)
	<b>8,470</b>	41,201

**5. Term deposits**

Term deposits have maturity dates ranging from April 2021 to March 2022, bearing interest at fixed rates between 1.90% and 2.22% per annum.

**6. Capital assets**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2021 Net book value</b>	<b>2020 Net book value</b>
Land	<b>1,964,750</b>	-	<b>1,964,750</b>	1,964,750
Building	<b>2,043,406</b>	<b>224,474</b>	<b>1,818,932</b>	1,907,493
Automotive	<b>203,197</b>	<b>131,865</b>	<b>71,332</b>	88,593
Computer equipment	<b>263,564</b>	<b>251,536</b>	<b>12,028</b>	25,116
Computer software	<b>368,473</b>	<b>320,940</b>	<b>47,533</b>	74,921
Office equipment	<b>380,877</b>	<b>284,522</b>	<b>96,355</b>	134,695
	<b>5,224,267</b>	<b>1,213,337</b>	<b>4,010,930</b>	4,195,568

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2021*

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<b>7. Intangible assets</b>	<b>2021</b>	<b>2020</b>
<b>Intangible assets having definite lives</b>		
Driver 2.0	<b>1,224,529</b>	<b>621,828</b>

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Intangible assets are presented net of accumulated amortization of \$168,789 (2020 – \$30,124).

**8. Mutual funds**

The Society holds investments in mutual funds comprised of Canadian and US denominated bonds and equities, presented at fair value, with a cost of \$868,159 (2020 - \$551,814).

**9. Accounts payable and accruals**

Included in accounts payable and accruals is \$nil (2020 - \$54,351) of remittances payable to various government agencies.

**10. Commitments**

The Society has entered into lease agreements for various equipment through September 2021 with payments of \$5,080 remaining through lease expiration.

**11. Credit facility**

The Society has access to a credit facility provided by Envision Financial. The credit facility, has an authorized limit of \$1,000,000 Canadian dollars to provide financing for general operating requirements. Advances are repayable upon demand and bear interest at the Credit Union's prime lending rate plus 1.5%, with interest paid monthly.

The facility is subject to a general security agreement constituting a first ranking security interest in all personal property of the Society.

The Society has not drawn upon the available credit facility as at March 31, 2021 and 2020.

The agreement with the financial institution requires the maintenance of certain financial covenants of the Society. As of March 31, 2021, the Society is in compliance with these financial covenants. It is managements opinion that the Society is likely to remain in compliance with these covenants throughout the next twelve months subsequent to March 31, 2021.

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2021*

**12. Internally Restricted and Capital Asset Fund balances**

	<i>Capital and Intangible Asset Fund</i>	<i>Internally Restricted Funds</i>			<i>2021</i>	<i>2020</i>
		<i>Reserve for Future Training Costs</i>	<i>Reserve for Regulatory Response</i>	<i>Reserve for Consumer Advancement</i>		
Opening Fund balance	4,817,396	84,587	150,000	202,075	5,254,058	4,753,670
Revenue	-	-	-	78,900	78,900	91,150
Amortization	(377,404)	-	-	-	(377,404)	(216,538)
Gain (loss) on sale of assets	-	-	-	-	-	7,228
Gain (loss) on impairment of assets	(23,172)	-	-	-	(23,172)	-
Consumer advancement fund expenses	-	-	-	(26,247)	(26,247)	(106,355)
Excess (deficiency) of revenue over expenses	(400,575)	-	-	52,652	(347,923)	(224,515)
Transfer (to) / from operating fund	-	-	-	(58,093)	(58,093)	(53,215)
Capital assets acquired	41,345	-	-	-	41,345	163,345
Intangible assets acquired	777,294	-	-	-	777,294	618,544
Assets disposed	-	-	-	-	-	(3,772)
Ending Fund balance	5,235,459	84,587	150,000	196,635	5,666,681	5,254,058

**13. Government wage subsidy**

During the year, the Society incurred eligible expenses meeting the requirements of the Canada Emergency Wage Subsidy (CEWS) program based on the Society's decrease in revenue, employee baseline remuneration and total remuneration paid during prescribed periods. During the year ended March 31, 2021, the Society received a subsidy of \$288,868 (2020 - \$nil), which has been applied against salaries and benefits expense.

**14. Interfund transactions**

During the year, the Society transferred \$58,093 from the Society's Internally Restricted Fund to the Operating Fund.

**15. Related party transactions**

During the year, the Society paid \$120,090 (2020 - \$99,292) in governance costs to the Board of Directors comprised of directors' fees of \$115,080 (2020 - \$74,579) and expense reimbursements of \$5,010 (2020 - \$24,716).

These transactions were conducted in the normal course of operations and were measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Notes to the Financial Statements**

*For the year ended March 31, 2021*

**16. Controlled entity**

The Society is deemed to control the Motor Dealer Customer Compensation Fund as it is the Trustee of the Fund and has the right to appoint the Board of Directors of the Fund.

The Fund was established pursuant to the Financial Administration Act (Section 14) and is governed in accordance with the Motor Dealer Act (Sections 14 – 22). The purpose of the Fund is to reimburse consumers for eligible financial losses related to:

- the purchase or lease of a motor vehicle,
- the purchase of an extended warranty or service plan, or
- the consignment of a motor vehicle for sale by a motor dealer, in a transaction with a registered motor dealer, particularly in circumstances where the dealer is no longer in business, to a maximum of \$20,000 per loss.

The Fund's financial statements have not been consolidated in the Society's financial statements. The following summarized financial information has not been audited or reviewed:

	<b>2021</b>	2020
Total assets	<b>1,196,900</b>	1,206,841
Total liabilities	<b>(14,000)</b>	(10,000)
<b>Net assets</b>	<b>1,182,900</b>	1,196,841
Total revenue	<b>115,444</b>	135,658
Total expenses	<b>(129,385)</b>	(130,419)
<b>Excess (deficiency) of revenue over expenses</b>	<b>(13,941)</b>	5,239
Total operating cash flows	<b>(9,941)</b>	9,239
Total investing cash flows	<b>(16,044)</b>	(1,000,000)
<b>Total net cash flows</b>	<b>(25,985)</b>	(990,761)

During the year, the Fund incurred \$97,136 in Board, staff and administrative expenses (2020 - \$92,427), \$8,249 in direct expenses (2020 - \$13,992) and disbursed \$20,000 in claims to eligible consumers (2020 - \$20,000). The Board, staff and administrative expenses borne by the Fund were incurred through utilization of the Board members, employees and resources of the Society. The Society's expenses have been reflected net of the recovery of the expenses incurred and reimbursed by the Fund.

**17. Employee compensation**

During the year ended March 31, 2021, the Society paid a total of \$1,393,868 to its ten most highly remunerated employees (2020 - \$1,320,563).

**18. Contributions to Group Registered Retirement Savings Plans (RRSP's)**

The Society makes contributions to a group RRSP plan on behalf of certain of its employees at a rate of 3%. The Society's contributions for the year of \$62,422 (2020 - \$67,165) are included in salaries and benefits expense.

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Notes to the Financial Statements**

*For the year ended March 31, 2021*

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**19. Financial instruments**

The Society as part of its operations, carries a number of financial instruments. It is management's opinion that the Society is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

***Other price risk***

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society enters into transactions to purchase and sell mutual funds for which the market price fluctuates.

***Liquidity risk***

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society enters into transactions to purchase goods and services on credit, for which repayment is required at various maturity dates.

***Credit risk***

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's main credit risk relates to its accounts receivable. The Society's accounts receivable are due from members in the auto sector. The Society performs regular assessments of its members and provides allowances for potentially uncollectible accounts receivable.

***Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Society is exposed to interest rate cash flow risk with respect to its' investments in mutual funds, term deposits and available credit facility.

***Foreign currency risk***

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society holds mutual funds, the value of which are dependant on the value of the underlying equities and bonds held by the fund. As a portion of the portfolio held in mutual funds consists of foreign equities, the Society is exposed to the risk that the fair value of its mutual funds will fluctuate due to changes in foreign exchange rates.

**20. Significant event**

Since March 31, 2021, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Management of the Society had reduced certain of its capital expenditure projects and other expenses to manage the potential effect of COVID-19 on its members, and therefore, the fiscal 2022 revenue of the Society. Management has performed cashflow projections and has determined that it has sufficient liquid financial assets to sustain its operations at, or near to previous fiscal periods in the year subsequent to March 31, 2021.

**21. Comparative figures**

Certain comparative figures have been reclassified to conform with current year presentation.