

**Motor Dealer Council of
British Columbia
(Operating as Motor Vehicle Sales
Authority of B.C.)
Financial Statements**
Year ended March 31, 2015

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of B.C.)

Contents

For the year ended March 31, 2015

	<i>Page</i>
Independent Auditors' Report	
Financial Statements	
Statement of Financial Position.....	1
Statement of Operations.....	3
Statement of Changes in Fund Balances.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements	7

To the Directors of Motor Dealer Council of British Columbia:

We have audited the accompanying financial statements of Motor Dealer Council of British Columbia, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in fund balances 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 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.

Auditors' 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 auditors' 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 controls 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Motor Dealer Council of British Columbia as at March 31, 2015 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.

Report on Other Legal and Regulatory Requirements

As required by the Society 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

April 30, 2015

MNP LLP
Chartered Accountants

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

As at March 31, 2015

	<i>Operating Fund</i>	<i>Capital Asset Fund</i>	<i>Reserve for Future Training Costs Fund</i>	<i>Reserve for Consumer Awareness Fund</i>	<i>Regulatory Response Fund</i>	<i>Reserve for Future Business Property Acquisition Fund</i>	2015	2014
Assets								
Current								
Cash	880,009	-	84,587	100,000	150,000	328,133	1,542,729	972,553
Accounts receivable	36,245	-	-	-	-	-	36,245	13,136
Term deposits (Note 3)	510,578	-	-	-	-	-	510,578	100,000
Marketable securities (Note 4)	83,832	-	-	-	-	421,867	505,699	640,046
Prepaid expenses and deposits	131,380	-	-	-	-	-	131,380	97,900
	1,642,044	-	84,587	100,000	150,000	750,000	2,726,631	1,823,635
Capital assets (Note 5)	-	407,007	-	-	-	-	407,007	502,822
Term deposits (Note 3)	1,109,750	-	-	-	-	-	1,109,750	1,214,161
	2,751,794	407,007	84,587	100,000	150,000	750,000	4,243,388	3,540,618

Continued on next page

The accompanying notes are an integral part of these financial statements

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

As at March 31, 2015

	<i>Operating Fund</i>	<i>Capital Asset Fund</i>	<i>Reserve for Future Training Costs Fund</i>	<i>Reserve for Consumer Awareness Fund</i>	<i>Regulatory Response Fund</i>	<i>Reserve for Future Business Property Acquisition Fund</i>	2015	2014
Liabilities								
Current								
Accounts payable and accruals (Note 6)	171,845	-	-	-	-	-	171,845	171,063
Unearned revenue	1,682,021	-	-	-	-	-	1,682,021	1,589,885
	1,853,866	-	-	-	-	-	1,853,866	1,760,948
Commitments (Note 7)								
Fund Balances								
Unrestricted	897,928	-	-	-	-	-	897,928	901,733
Invested in Capital Assets	-	407,007	-	-	-	-	407,007	502,822
Internally restricted (Note 8)	-	-	84,587	100,000	150,000	750,000	1,084,587	375,115
	897,928	407,007	84,587	100,000	150,000	750,000	2,389,522	1,779,670
	2,751,794	407,007	84,587	100,000	150,000	750,000	4,243,388	3,540,618

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of B.C.)
Statement of Operations

For the year ended March 31, 2015

	<i>Operating Fund</i>	<i>Capital Asset Fund</i>	<i>Reserve for Future Training Costs Fund</i>	<i>Reserve for Consumer Awareness Fund</i>	<i>Regulatory Response Fund</i>	<i>Reserve for Future Business Property Acquisition Fund</i>	2015	2014
Revenue								
Administration fees and other	254,833	-	-	-	-	-	254,833	230,581
Consumer awareness	-	-	-	35,250	-	-	35,250	40,782
Course fees	1,004,098	-	-	-	-	-	1,004,098	843,372
Investment income	90,119	-	-	-	-	-	90,119	65,126
Licensing fees	3,499,700	-	-	-	-	-	3,499,700	3,376,021
Registrar's hearings	10,090	-	-	-	-	-	10,090	32,218
	4,858,840	-	-	35,250	-	-	4,894,090	4,588,100
Expenses								
Advertising	49,904	-	-	87,522	-	-	137,426	128,206
Amortization	-	111,225	-	-	-	-	111,225	136,070
Automotive	78,435	-	-	-	-	-	78,435	75,027
Consulting	148,952	-	-	-	-	-	148,952	159,339
Course costs, travel and meals	69,000	-	-	-	-	-	69,000	99,773
Governance	136,115	-	-	-	-	-	136,115	161,632
Office and general	529,557	-	-	-	-	-	529,557	477,539
Professional fees	110,806	-	-	-	-	-	110,806	218,396
Registrar's hearings	7,637	-	-	-	-	-	7,637	13,934
Rent and parking	286,727	-	-	-	-	-	286,727	272,362
Salaries and benefits	2,624,040	-	-	13,785	-	-	2,637,825	2,622,356
Training	30,533	-	-	-	-	-	30,533	35,479
	4,071,706	111,225	-	101,307	-	-	4,284,238	4,400,113

Continued on next page

The accompanying notes are an integral part of these financial statements

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of B.C.)
Statement of Operations
For the year ended March 31, 2015

	<i>Operating Fund</i>	<i>Capital Asset Fund</i>	<i>Reserve for Future Training Costs Fund</i>	<i>Reserve for Consumer Awareness Fund</i>	<i>Regulatory Response Fund</i>	<i>Reserve for Future Business Property Acquisition Fund</i>	2015	2014
<i>(Continued from previous page)</i>	787,134	(111,225)	-	(66,057)	-	-	609,852	187,987
Excess (deficiency) of revenue over expenses before other items	787,134	(111,225)	-	(66,057)	-	-	609,852	187,987
Other items								
Gain on disposal of capital assets	-	-	-	-	-	-	-	22,473
Excess (deficiency) of revenue over expenses	787,134	(111,225)	-	(66,057)	-	-	609,852	210,460

The accompanying notes are an integral part of these financial statements

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of B.C.)
Statement of Changes in Fund Balances

For the year ended March 31, 2015

	<i>Operating Fund</i>	<i>Capital Asset Fund</i>	<i>Reserve for Future Training Costs Fund</i>	<i>Reserve for Consumer Awareness Fund</i>	<i>Regulatory Response Fund</i>	<i>Reserve for Future Business Property Acquisition Fund</i>	2015	2014
Fund Balances, beginning of year	901,733	502,822	84,587	140,528	150,000	-	1,779,670	1,569,210
Excess (deficiency) of revenue over expenses	787,134	(111,225)	-	(66,057)	-	-	609,852	210,460
Purchase of capital assets	(15,410)	15,410	-	-	-	-	-	-
Interfund transfers	(775,529)	-	-	25,529	-	750,000	-	-
Fund Balances, end of year	897,928	407,007	84,587	100,000	150,000	750,000	2,389,522	1,779,670

The accompanying notes are an integral part of these financial statements

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of B.C.)
Statement of Cash Flows
For the year ended March 31, 2015

	2015	2014
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	609,852	210,460
Amortization	111,225	136,070
Gain on disposal of capital assets	-	(22,473)
	721,077	324,057
Changes in working capital accounts		
Accounts receivable	(23,109)	10,154
Prepaid expenses and deposits	(33,480)	18,462
Accounts payable and accruals	783	(18,186)
Unearned revenue	92,136	(66,885)
	757,407	267,602
Investing		
Change in marketable securities	218,178	(135,994)
Proceeds on disposal of term deposits	-	400,382
Purchases of term deposits	(389,999)	-
Proceeds on disposal of capital assets	-	34,662
Purchase of capital assets	(15,410)	(275,707)
	(187,231)	23,343
Increase in cash resources	570,176	290,945
Cash resources, beginning of year	972,553	681,608
Cash resources, end of year	1,542,729	972,553

The accompanying notes are an integral part of these financial statements

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

For the year ended March 31, 2015

1. Incorporation and nature of the organization

Motor Dealer Council of British Columbia ("the Society") was incorporated under the Society 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 B.C. ("VSA"), better reflecting both the public and industry service roles of the independent regulatory agency.

The Society's mission statement is to regulate a fair motor vehicle sales marketplace through education and compliance.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Society, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors.

Six funds are maintained: Operating Fund, Capital Asset Fund, Reserve for Future Training Costs Fund, Reserve for Consumer Awareness Fund, Regulatory Response Fund, and Reserve for Future Property Acquisitions Fund.

The Operating Fund is used to account for all revenues and expenses related to the general and ancillary operations of the Society.

The Capital Asset Fund is used to account for all capital assets of the Society and to present the flow of funds related to their acquisition and disposal, unexpended capital resources and debt commitments.

The Reserve for Future Training Costs Fund reports the assets, liabilities, revenue and expenses related to course development activities.

The Reserve for Consumer Awareness Fund reports the assets, liabilities, revenues and expenses associated with increasing consumers' awareness regarding the services provided by the Society.

The Regulatory Response Fund reports the assets, liabilities, revenues and expenses related to extraordinary legal costs.

The Reserve for Future Business Property Acquisition Fund reports the assets that have been internally restricted for future property acquisition costs of the Society.

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of B.C.)
Notes to the Financial Statements
For the year ended March 31, 2015

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

Revenue recognition

The Society follows the deferral method of accounting for contributions and reports on a fund accounting basis.

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 records annual licensing fees from dealerships and sales representatives over the period of licensing, which varies from twelve to twenty-four months. Revenues from registrar's hearings are recognized when levied if collection is reasonably assured. 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 income is recognized when earned. Realized and unrealized gains and losses on marketable securities are recognized upon sale of the investment, or upon fair value measurement at each reporting period.

Term deposits

Term deposits that mature before March 31, 2016 are presented as current assets. Term deposits with maturity dates subsequent to March 31, 2016 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.

	Method	Rate/Term
Automotive	declining balance	30 %
Computer equipment	straight-line	3 years
Computer software	straight-line	2 years
Office equipment	straight-line	5 years
Leasehold improvements	straight-line	10 years
Navantis Project	straight-line	7 years

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on a straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Employee future benefits

The Society's employee future benefit program consists of a defined contribution pension plan, with the Society's contributions expensed as incurred.

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of B.C.)
Notes to the Financial Statements
For the year ended March 31, 2015

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

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 assets.

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 CICA 3840 *Related Party Transactions* (refer to Note 9.)

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 term deposits and marketable securities at fair value. 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.

3. Term deposits

Term deposits are recorded at fair value and have maturity dates ranging from April 2015 to May 2019, bearing interest at fixed rates between 2.0% and 3.7% per annum.

4. Marketable securities

The Society has investments in US and Canadian denominated exchange traded securities, presented at fair value, with a cost of \$495,638 (2014 - cost of \$640,046).

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

For the year ended March 31, 2015

5. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2015 Net book value</i>	<i>2014 Net book value</i>
Automotive	147,737	92,924	54,813	78,549
Computer equipment	178,393	163,693	14,700	21,385
Computer software	181,588	181,588	-	5,628
Office equipment	188,699	176,308	12,391	14,416
Leasehold improvements	374,163	338,348	35,815	45,824
Navantis Project	388,831	99,543	289,288	337,020
	1,459,411	1,052,404	407,007	502,822

6. Accounts payable and accruals

Included in accounts payable and accruals is \$35,094 (2014 - \$nil) of remittances payable to various government agencies.

7. Commitments

The Society has entered into various lease agreements with estimated minimum annual payments, plus operating costs as determined on an annual basis, as follows:

2016	192,001
2017	189,311
2018	167,921
	549,233

8. Internally restricted fund balances

During the year, the Society's Board of Directors transferred \$25,529 (2014 - \$nil) of unrestricted funds to the Reserve for Consumer Awareness and \$750,000 (2014 - \$nil) of unrestricted funds to the Reserve for Future Business Property Acquisition. As at March 31, 2015, the Board of Directors has internally restricted funds in the amount of \$85,587 (2014 - \$84,587) to be held to fund future training costs, \$100,000 (2014 - \$140,528) for consumer awareness, \$150,000 (2014 - \$150,000) for extraordinary legal costs and \$750,000 (2014 - \$nil) for future property acquisition recorded in the Reserve for Future Training Costs Fund, The Reserve for Consumer Awareness Fund, Regulatory Response Fund and the Reserve for Future Property Acquisition Fund respectively. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

9. Related party transactions

During the year, the Society paid \$104,029 (2014 - \$106,518) in total governance costs to the eleven members of the Board of Directors comprised of directors' fees of \$86,290 (2014 - \$84,935) and expense reimbursements of \$17,739 (2014 - \$21,583).

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 B.C.)
Notes to the Financial Statements
For the year ended March 31, 2015

10. 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.

During the year, the Society's exposure to other price risk decreased due to a decrease in its investment in marketable securities.

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. As at March 31, 2015, the following items are denominated in US currency:

	2015	2014
	CAD\$	CAD\$
Cash	60,657	-
Marketable securities	141,284	-
	201,941	-

The Society's exposure to foreign currency has increased in the current year as the Society has an increase in US denominated assets.

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.

As at March 31, 2015 and for the period then ended, the Society's exposure to liquidity risk remained comparable to that of prior periods.

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of B.C.)
Notes to the Financial Statements
For the year ended March 31, 2015

11. Motor Dealer Customer Compensation Fund

The Society provides administrative services for the Motor Dealer Customer Compensation Fund ("the Fund") and the Fund's Directors are appointed by the Society.

The Fund provides compensation to consumers who have incurred losses because a motor dealer has either discontinued its operations or has failed to meet certain legal obligations.

During the year ended March 31, 2015, certain Fund expenditures were paid by the Society, then subsequently reimbursed by the Fund, totalling \$106,144 (2014 - \$98,660).

Financial summaries of the Fund as at March 31, 2015 and March 31, 2014 and for the years then ended are as follows:

	2015	2014
	<i>Unaudited</i>	<i>Unaudited</i>
Total assets	1,180,608	1,234,462
Net assets	1,180,608	1,234,462
Total revenues	79,243	69,750
Total expenses	(133,097)	(121,048)
Deficiency of revenues over expenses	(53,854)	(51,298)
Cash flow from operations	(53,854)	(51,298)
Decrease in cash reserves	(53,854)	(51,298)