

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales
Authority of British Columbia)
Financial Statements
For the year ended March 31, 2022

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, 2022

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Independent Auditor's Report

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, 2022, 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, 2022, 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 25, 2022

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, 2022

	2022	2021
Assets		
Current		
Cash	1,240,347	873,644
Accounts receivable (Note 4)	-	8,470
Term deposits	-	561,190
Prepaid expenses and deposits	43,285	62,496
	1,283,632	1,505,800
Capital assets (Note 5)	3,842,514	4,010,930
Intangible assets (Note 6)	1,062,974	1,224,529
Marketable securities (Note 7)	1,626,864	904,709
	7,815,984	7,645,968
Liabilities		
Current		
Accounts payable and accruals	166,377	211,987
Deferred licensing and learning revenue	2,072,359	1,997,202
	2,238,736	2,209,189
Credit facility (Note 8)		
Fund Balances		
Unrestricted	240,538	(229,902)
Invested in capital and intangible assets (Note 9)	4,905,488	5,235,459
Internally restricted (Note 9)	431,222	431,222
	5,577,248	5,436,779
	7,815,984	7,645,968

Approved on behalf of the Board

e-Signed by Bill Kwok
2022-05-27 22:24:56:56 GMT

Director

e-Signed by Mark Bakken
2022-05-25 21:02:59:59 GMT

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 British Columbia)
Statement of Operations
For the year ended March 31, 2022

	2022	2021
Revenue		
Licensing fees	4,016,454	3,906,854
Course fees	1,206,077	1,151,561
Administration fees and other	230,538	244,259
Interest income	1,249	47,547
Investigation and hearing recovery	26,848	19,853
	5,481,166	5,370,074
Expenses		
Advertising	88,156	35,466
Amortization of capital assets	229,249	225,983
Amortization of intangible assets	208,878	151,420
Automotive	49,908	78,130
Bad debts	8,975	19,657
Building and occupancy	61,132	56,811
Conferences	-	196
Consulting	38,775	1,513
Course costs, travel and meals	21,761	11,331
Governance	118,206	120,090
Investigation and hearing costs	-	148
Office and general	552,762	515,546
Professional fees	222,326	238,045
Property taxes and utilities	44,407	21,550
Salaries and benefits <i>(Note 10)</i>	3,723,834	3,615,737
Training	3,822	6,626
	5,372,191	5,098,249
Excess of revenue over expenses before other items	108,975	271,825
Other items		
Gain on disposal of mutual funds	-	9,134
Impairment of intangible assets	-	(23,172)
Gain on change in fair value of mutual funds	31,494	73,179
	31,494	59,141
Excess of revenue over expenses	140,469	330,966

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, 2022

	<i>Operating Fund</i>	<i>Internally Restricted Fund</i>	2022	2021
Fund balances, beginning of year	(229,902)	5,666,681	5,436,779	5,105,813
Excess of revenue over expenses	507,342	(366,873)	140,469	330,966
Purchase of capital assets	(60,833)	60,833	-	-
Development costs- intangible assets	(47,323)	47,323	-	-
Transfer from internally restricted	71,254	(71,254)	-	-
Net assets, end of year	240,538	5,336,710	5,577,248	5,436,779

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, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	140,469	330,966
Amortization of capital assets	229,249	225,983
Amortization of intangible assets	208,878	151,420
Gain on change in fair value of investments	(31,494)	(73,179)
Gain on disposal of mutual funds	-	(9,134)
Write-down on capital assets	-	23,172
	547,102	649,228
Changes in working capital accounts		
Accounts receivable	8,470	32,731
Prepaid expenses and deposits	19,211	38,712
Accounts payable and accruals	(45,611)	(205,939)
Deferred licensing and learning revenue	75,157	3,376
	604,329	518,108
Investing		
Purchase of capital assets	(60,833)	(41,345)
Development costs - intangible assets	(47,323)	(777,294)
Purchase of term deposits	-	(6,047)
Proceeds on disposal of term deposits	591,433	200,000
Purchase of marketable securities	(1,506,592)	(561,861)
Proceeds on disposal of marketable securities	785,689	254,650
	(237,626)	(931,897)
Increase (decrease) in cash resources	366,703	(413,789)
Cash resources, beginning of year	873,644	1,287,433
Cash resources, end of year	1,240,347	873,644

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, 2022

1. Incorporation and nature of the organization

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

Impact on operations of COVID-19 (coronavirus)

Since March 31, 2019, 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 reduced certain of its capital expenditure projects and other expenses to manage the potential effect of COVID-19 on its members. 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, 2022.

2. Adoption of revised Accounting Standard

Financial instruments

Financial instruments in a related party transaction, risk disclosures and other amendments

Effective April 1, 2021 (hereafter referred to as the "initial date of application"), the Society adopted the Accounting Standards Board's revised recommendations for the measurement and disclosure of financial instruments in a related party transaction, as well as revisions to risk disclosures, in Section 3856 *Financial Instruments*. The revised standard provides additional guidance and requirements for the measurement of financial instruments originated/acquired or issued/assumed in a related party transaction ("related party financial instruments").

Revised Section 3856 clarifies that an entity must provide relevant entity-specific information to enable users to evaluate the nature and extent of each type of risk arising from financial instruments. The amendments remove the requirement to separately disclose the risks arising from derivatives from the risks arising from other financial instruments.

Revised Section 3856 requires the following related party financial instruments to be initially measured at fair value:

- Investments in equity instruments quoted in an active market
- Debt instruments quoted in an active market
- Debt instruments when the inputs significant to the determination of its fair value are observable (directly or indirectly)
- Derivative contracts.

All other related party financial instruments are measured at cost on initial recognition. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received.

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, 2022

2. Adoption of revised Accounting Standard *(Continued from previous page)*

At initial recognition, the Society may elect to subsequently measure related party debt instruments that are quoted in active market, or that have observable inputs significant to the determination of fair value, at fair value. If the election is not made, these instruments are subsequently measured at amortized cost. Subsequently investments in equity instruments quoted in an active market and derivatives instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are measured at fair value. All other financial instruments arising in a related party transaction are subsequently measured using the cost method.

Previously, the Society initially measured related party financial instruments at either the carrying amount or exchange amount in accordance with Section 3840 *Related Party Transactions*. Subsequent to initial recognition, related party financial instruments were measured in accordance with extant Section 3856.

Transition

The Society applied the changes in accounting policies resulting from the adoption of revised Section 3856 retrospectively.

The retrospective application of this change in accounting policy did not have an impact on the results of operations and financial condition of the Society.

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:

Controlled entity

The Society has elected to not consolidate Motor Dealer Customer Compensation Fund, an entity deemed to be controlled by the Society. A summary of the financial position, operations and cashflow of the controlled entity for the year ended March 31, 2022 are included in Note 12 to these financial statements.

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.

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

	Method	Rate
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

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 over 7 years, intended to amortize the cost of intangible asset over its estimated useful life.

When an intangible asset no longer contributes to the Society's ability to provide goods or services, or the value of future economic benefits or service potential associated with the intangible asset is less than its net carrying amount, its carrying amount is written down to fair value.

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, 2022

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

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions, if any, 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 with fees received in advance are reflected as deferred licensing and learning revenue, and recognized ratably over the licensing period. Revenue from course fees, consumer awareness, administration and other revenue are recognized in the period in which the services are provided and collection is reasonably assured. Interest and investment income are recognized on the accrual basis. 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.

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 (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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.

Management has estimated and calculated CEWS upon their assessment of qualifying criteria. The actual subsidy has not varied from the estimated subsidy in previous financial years.

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

Financial instruments

The Society recognizes financial instruments when the Society becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

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

The Society subsequently measures investments in equity instruments quoted in an active market at fair value. All other financial assets and liabilities are subsequently measures 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 cost or amortized cost.

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, 2022

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

Related party financial instruments

Related party financial instruments are measured at cost on initial recognition with cost equal to the carrying or exchange amount of the consideration transferred or received (refer to Note 11,12).

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in excess of revenue over expenses.

Financial asset impairment

The Society assesses the carrying amount of its financial assets measured at cost or amortized cost. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. 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.

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 at the statement of financial position date; 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 revenue 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 excess of revenue over expenses in the year the reversal occurs.

4. Accounts receivable

	2022	2021
Accounts receivable	54,658	54,153
Allowance for doubtful accounts	(54,658)	(45,683)
	-	8,470

5. Capital assets

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	1,964,750	-	1,964,750	1,964,750
Building	2,043,406	340,338	1,703,068	1,818,932
Automotive	203,197	145,487	57,710	71,332
Computer equipment	275,203	261,765	13,438	12,028
Computer software	405,239	371,052	34,187	47,533
Office equipment	393,306	323,945	69,361	96,355
	5,285,101	1,442,587	3,842,514	4,010,930

6. Intangible assets

The Society's Driver 2.0 database is presented net of accumulated amortization of \$377,666 (2021 - \$168,789)

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, 2022

7. Marketable securities

The Society holds investments in marketable securities comprised of Canadian and US denominated bonds and equities, presented at fair value, with a cost of \$1,550,804 (2021 - \$868,159).

8. 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, 2022 and 2021.

The agreement with the financial institution requires the maintenance of certain financial covenants of the Society. As of March 31, 2022, 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, 2022.

9. Internally Restricted and Capital Asset Fund balances

					2022	2021
	<i>Capital and Intangible Asset Fund</i>	<i>Reserve for Future Training Costs</i>	<i>Reserve for Regulatory Response</i>	<i>Reserve for Consumer Advancement</i>		
Opening Fund balance	5,235,459	84,587	150,000	196,635	5,666,681	5,254,058
Revenue	-	-	-	46,500	46,500	78,900
Investment income	-	-	-	31,494	31,494	-
Amortization	(438,127)	-	-	-	(438,127)	(377,404)
Gain (loss) on impairment of assets	-	-	-	-	-	(23,172)
Consumer advancement fund expenses	-	-	-	(6,740)	(6,740)	(26,247)
Excess (deficiency) of revenue over expenses	(438,127)	-	-	71,254	(366,873)	(347,923)
Transfer (to) / from operating fund	-	-	-	(71,254)	(71,254)	(58,093)
Capital assets acquired	108,156	-	-	-	108,156	41,345
Intangible assets acquired	-	-	-	-	-	777,294
Ending Fund balance	4,905,488	84,587	150,000	196,635	5,336,710	5,666,681

The internally restricted funds are not available for other purposes without approval of the board of directors.

10. Government wage subsidy

During the year, the Society incurred eligible expenses meeting the requirements of the 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, 2022, the Society received a subsidy of \$75,684 (2021 - \$288,868), which has been applied against 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, 2022

11. Related party transactions

During the year, the Society paid \$118,206 (2021 - \$120,090) in governance costs to the Board of Directors comprised of directors' fees of \$108,060 (2021 - \$115,080) and expense reimbursements of \$10,146 (2021 - \$5,010).

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.

12. Controlled entity

The Society is deemed to control the Motor Dealer Consumer 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:

	2022	2021
Total assets	1,161,954	1,196,899
Total liabilities	(4,650)	(14,000)
Net assets	1,157,304	1,182,899
Total revenue	104,694	115,444
Total expenses	(130,289)	(129,385)
Total operating cash flows	(34,231)	(29,986)
Total investing cash flows	(9,351)	4,001
Total net cash flows	(43,582)	(25,985)

During the year, the Fund incurred \$81,881 in Board, staff and administrative expenses (2021 - \$90,683), and \$8,865 in direct expenses (2021 - \$9,798). 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.

13. Employee compensation

During the year ended March 31, 2022, the Society paid a total of \$1,040,190 to its ten most highly remunerated employees (2021 - \$1,393,868).

14. 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 \$46,067 (2021 - \$62,422) 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, 2022

15. 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 marketable securities 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 financial assets. 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 marketable securities 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 marketable securities will fluctuate due to changes in foreign exchange rates.