

**Motor Dealer Council of
British Columbia
(Operating as Motor Vehicle Sales
Authority of B.C.)
Financial Statements**
Years ended March 31, 2013 and March 31, 2012

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

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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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits 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, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and changes in fund balances and its cash flows for the years ended March 31, 2013 and March 31, 2012 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

May 10, 2013

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, 2013 and March 31, 2012 and April 1, 2011

	<i>Operating fund</i>	<i>Capital asset fund</i>	<i>Reserve for future training costs</i>	<i>Reserve for consumer awareness</i>	<i>Regulatory response fund</i>	2013	2012	<i>April 1 2011</i>
Assets								
Current								
Cash	681,608	-	-	-	-	681,608	759,703	1,190,450
Term deposits (Note 4)	400,000	-	-	-	-	400,000	400,000	400,000
Money Market Funds	504,052	-	-	-	-	504,052	250,485	100,000
Accounts receivable	23,290	-	-	-	-	23,290	52,959	15,727
Prepaid expenses and deposits	116,362	-	-	-	-	116,362	76,053	79,065
Interfund balances	(414,438)	-	84,587	179,851	150,000	-	-	-
	1,310,874	-	84,587	179,851	150,000	1,725,312	1,539,200	1,785,242
Capital assets (Note 5)	-	375,374	-	-	-	375,374	250,820	294,053
Term deposits (Note 4)	1,314,544	-	-	-	-	1,314,544	1,414,650	1,400,000
	2,625,418	375,374	84,587	179,851	150,000	3,415,230	3,204,670	3,479,295

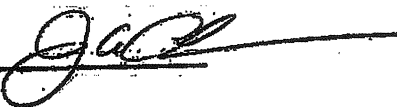
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**Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of B.C.)
Statement of Financial Position**

As of March 31, 2013 and March 31, 2012 and April 1, 2011

	Operating fund	Capital asset fund	Reserve for future training costs	Reserve for consumer awareness	Regulatory response fund	2013	2012	April 1 2011
Liabilities								
Current								
Accounts payable and accruals (Note 6)	189,251	-	-	-	-	189,251	209,202	401,157
Unearned revenue	1,656,769	-	-	-	-	1,656,769	1,583,627	1,745,996
	1,846,020	-	-	-	-	1,846,020	1,792,829	2,147,153
Commitments (Note 7)								
Contingencies (Note 8)								
Fund Balances								
Unrestricted	779,398	-	-	-	-	779,398	878,632	670,742
Invested in Capital Assets	-	375,374	-	-	-	375,374	250,820	294,052
Internally restricted (Note 9)	-	-	84,587	179,851	150,000	414,438	282,369	367,348
	779,398	375,374	84,587	179,851	150,000	1,569,210	1,411,841	1,332,142
	2,625,418	375,374	84,587	179,851	150,000	3,415,230	3,204,670	3,479,295

Approved on behalf of the Board

Director 

Director 

Rebecca L. Darnell, Lawyer
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Langley, B.C. V2Y 1X8

The accompanying notes are an integral part of these financial statements

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

For the years ended March 31, 2013 and March 31, 2012

	<i>Operating fund</i>	<i>Capital asset fund</i>	<i>Reserve for future training costs</i>	<i>Reserve for consumer awareness</i>	<i>Regulatory response fund</i>	<i>2013</i>	<i>2012</i>
Revenue							
Licensing fees	3,438,026	-	-	-	-	3,438,026	3,469,867
Course fees	859,681	-	-	-	-	859,681	903,112
Administration fees and other	218,942	-	-	-	-	218,942	213,382
Interest	65,358	-	-	-	-	65,358	76,773
Training fund	-	-	35,820	-	-	35,820	37,988
Consumer awareness fund	-	-	-	23,250	-	23,250	768
Registrar's hearings	19,516	-	-	-	-	19,516	5,080
	4,601,523	-	35,820	23,250	-	4,660,593	4,706,970
Expenses							
Advertising	58,502	-	-	51,971	-	110,473	115,469
Amortization	-	145,381	-	-	-	145,381	128,888
Automotive	75,540	-	-	-	-	75,540	74,943
Consulting	209,445	-	33,866	-	-	243,311	343,948
Course costs, travel and meals	149,442	-	-	-	-	149,442	153,873
Governance	142,225	-	-	-	-	142,225	180,219
Office and general	466,012	-	-	-	-	466,012	527,245
Professional fees	189,502	-	-	-	-	189,502	176,366
Project development	7,131	-	-	-	-	7,131	7,983
Registrar's hearings	8,440	-	-	-	-	8,440	8,918
Rent and parking	282,489	-	-	-	-	282,489	282,798
Salaries and benefits	2,628,712	-	-	28,684	-	2,657,396	2,607,663
Training	25,882	-	-	-	-	25,882	18,958
	4,243,322	145,381	33,866	80,655	-	4,503,224	4,627,271
Excess (deficiency) of revenue over expenses	358,201	(145,381)	1,954	(57,405)	-	157,369	79,699

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 years ended March 31, 2013 and March 31, 2012

	<i>Operating fund</i>	<i>Capital asset fund</i>	<i>Reserve for future training costs</i>	<i>Reserve for consumer awareness</i>	<i>Regulatory response fund</i>	2013	2012
Fund Balances, beginning of year	878,632	250,820	45,133	237,256	-	1,411,841	1,332,142
Excess (deficiency) of revenue over expenses	358,201	(145,381)	1,954	(57,405)	-	157,369	79,699
Purchase of capital assets	(269,935)	269,935	-	-	-	-	-
Provision for course development costs <i>(Note 9.)</i>	(37,500)	-	37,500	-	-	-	-
Transfer to Regulatory Response Fund <i>(Note 9.)</i>	(150,000)	-	-	-	150,000	-	-
Fund Balances, end of year	779,398	375,374	84,587	179,851	150,000	1,569,210	1,411,841

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 years ended March 31, 2013 and March 31, 2012

	2013	2012
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	157,369	79,699
Amortization	145,381	128,888
	302,750	208,587
Changes in working capital accounts		
Accounts receivable	29,669	(37,232)
Prepaid expenses and deposits	(40,309)	3,012
Accounts payable and accruals	(19,951)	(191,954)
Unearned revenue	73,142	(162,369)
	345,301	(179,956)
Investing		
Purchase of money market funds	(253,567)	(150,485)
Purchase of capital assets	(269,935)	(85,656)
Proceeds on disposal of term deposits	100,000	-
Decrease (increase) in accrued interest on term deposits	106	(14,650)
	(423,396)	(250,791)
Decrease in cash resources	(78,095)	(430,747)
Cash resources, beginning of year	759,703	1,190,450
Cash resources, end of year	681,608	759,703

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 years ended March 31, 2013 and March 31, 2012

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. Impact of adopting accounting standards for not-for-profit organizations

These are the Society's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The accounting policies in Note 3. have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information for the year ended March 31, 2012, and the opening ASNPO balance sheet as at April 1, 2011 (the Society's date of transition to ASNPO).

In preparing these financial statements, the Society has not elected to apply any of the transitional provisions permitted by CICA 1501 *First-time adoption by not-for-profit organizations* at the date of transition to ASNPO.

The transition to ASNPO has not affected the statements of financial position, statements of operations, statements of changes in fund balances or statements of cash flows previously reported under Canadian generally accepted accounting principles (GAAP).

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada 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.

Five funds are maintained: Operating fund, Capital asset fund, Reserve for future training costs, Reserve for consumer awareness and Regulatory response 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.

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of B.C.)
Notes to the Financial Statements
For the years ended March 31, 2013 and March 31, 2012

3. 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 rateably over the period of licensing, which varies from twelve to twenty-four months. Course fees are recorded as revenue in the period the service is provided. Revenues from registrar's hearings are recognized when levied if collection is reasonably assured. Revenues from administration and other fees are recognized in the period that services are provided and collection is reasonably assured.

Term deposits

Term deposits that mature before March 31, 2014 are presented as current. Term deposits with maturity dates subsequent to March 31, 2014 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 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	5 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.

Controlled entity

The Society has elected to not consolidate the accounts of Motor Dealer Customer Compensation Fund ("the Fund"), which is controlled by the Society by virtue of the ability to appoint the Fund's Board of Directors. Financial summaries of this unconsolidated entity as at March 31, 2013 and March 31, 2012 and the years then ended are included in Note 12. to 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 years ended March 31, 2013 and March 31, 2012

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

Measurement uncertainty

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 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 10.)

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. Cash, term deposits and money market funds have been designated to be subsequently measured at their fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees are added to the carrying amount for the Society's financial instruments and amortized using the straight-line method.

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 (deficiency) 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. Term deposits

Term deposits are recorded at fair value and have maturity dates ranging from February 2014 to March 2018 and bear interest at fixed rates between 2.0% and 3.7% per annum.

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

Notes to the Financial Statements

For the years ended March 31, 2013 and March 31, 2012

5. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2013 Net book value</i>
Automotive	137,416	91,864	45,552
Computer equipment	170,732	132,954	37,778
Computer software	187,188	170,293	16,895
Office equipment	216,227	193,136	23,091
Leasehold improvements	374,163	285,685	88,478
Navantis Project	172,373	8,793	163,580
	1,258,099	882,725	375,374

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2012 Net book value</i>
Automotive	137,416	71,663	65,753
Computer equipment	148,238	107,430	40,808
Computer software	186,844	154,809	32,035
Office equipment	199,748	186,817	12,931
Leasehold improvements	315,918	216,625	99,293
OASIS Project	674,441	674,441	-
	1,662,605	1,411,785	250,820

The total cost and accumulated amortization of capital assets as at April 1, 2011 were \$1,611,957 and \$1,317,904 respectively, resulting in a net book value of \$294,053.

6. Accounts payable and accruals

Included in accounts payable and accruals is \$35,688 (2012 - \$6,962) of remittances payable to various government agencies.

7. Commitments

The Society has entered into various lease agreements with estimated minimum annual payments as follows:

2014	177,667
2015	184,181
2016	183,008
2017	180,446
2018	179,747
	905,049

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

For the years ended March 31, 2013 and March 31, 2012

8. Contingencies

The Society is currently in discussions with Canada Revenue Agency ("CRA") to determine whether the course fees, administration fees and registrar hearing penalties of the Society are exempt from Goods and Services Tax ("GST") and Harmonized Sales Tax ("HST"). As a result of previous CRA rulings, it has been determined that licensing fees are exempt from GST and HST. Historically, the Society has not collected GST or HST on any of its revenue sources and it is the Society's position that all revenues are GST and HST exempt.

While the outcome of this matter is presently not determinable, the Society has been advised by their professional counsel that there are substantial arguments to support their position. Should the Society be unsuccessful in defending their position, the CRA could assess the Society for GST and HST on non-licensing fee revenues collected since inception, resulting in a significant liability to the Society.

A former employee of the Society has filed a complaint with the B.C. Human Rights Tribunal seeking compensation with regards to their termination of employment during the year ended March 31, 2013. The complaint and its resolution remain at an early stage, and as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of the complaint or to estimate the loss, if any, which may result.

9. Internally restricted net assets

During the year, the Society's board of directors transferred \$150,000 of unrestricted funds to the Regulatory response fund and \$37,500 of unrestricted funds to the Reserve for future training costs. As at March 31, 2013, the board has internally restricted funds in the amount of \$84,587 (2012 - \$45,133) to be held to fund future training costs, \$179,851 (2012 - \$237,256) for consumer awareness and \$150,000 (2012 - nil) for extraordinary legal costs. These internally restricted amounts are not available for other purposes without approval of the board of directors.

10. Related party transactions

During the year, the Society paid \$95,736 (2012 - \$113,836) in total governance costs to the eleven members of the board of directors for directors' fees and expense reimbursements. For the year ended March 31, 2013, this amount is comprised of directors' fees of \$77,190 (2012 - \$92,100) and expense reimbursements of \$18,546 (2012 - \$21,736).

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.

11. 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.

Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society's exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations or raising funds to meet commitments and sustain operations.

During the year, the Society's exposure to liquidity risk decreased because of an increase in working capital.

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

Notes to the Financial Statements

For the years ended March 31, 2013 and March 31, 2012

12. Controlled entity

The Society exercises control over the Motor Dealer Customer Compensation Fund ("the Fund") through its ability to appoint the Fund's board of directors.

The Fund was created by statute as part of the Motor Dealer Act and is exempt from income taxes under the Income Tax Act.

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, 2013, certain Fund expenditures were paid by the Society, then subsequently reimbursed by the Fund, totalling \$97,260 (2012 - \$103,367).

Financial summaries of this unconsolidated entity as at March 31, 2013 and March 31, 2012 and for the years then ended are as follows:

	2013	<i>2012</i>
	<i>Unaudited</i>	<i>Unaudited</i>
Total assets	1,285,760	1,036,331
Net assets	1,285,760	1,036,331
Total revenues	467,430	471,809
Total expenses	(218,001)	(218,818)
Excess of revenues over expenses	249,429	252,991
Cash flow from operations	238,411	244,485
Cash flow from investing activity	11,018	8,506
Increase in cash reserves	249,429	252,991

13. Comparative figures

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