

**Motor Dealer Council of
British Columbia
(Operating as Motor Vehicle Sales
Authority of B.C.)
Financial Statements**
Year ended March 31, 2014

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

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For the year ended March 31, 2014

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Independent Auditors' Report

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, 2014 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, 2014 and the results of its operations and changes in fund balances 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

May 2, 2014

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, 2014

	<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>	2014	2013
Assets							
Current							
Cash	972,553	-	-	-	-	972,553	681,608
Accounts receivable	13,136	-	-	-	-	13,136	23,290
Term deposits (Note 3)	100,000	-	-	-	-	100,000	400,000
Money Market Funds	640,046	-	-	-	-	640,046	504,052
Prepaid expenses and deposits	97,900	-	-	-	-	97,900	116,362
Interfund balances	(375,115)	-	84,587	140,528	150,000	-	-
	1,448,520	-	84,587	140,528	150,000	1,823,635	1,725,312
Capital assets (Note 4)	-	502,822	-	-	-	502,822	375,374
Term deposits (Note 3)	1,214,161	-	-	-	-	1,214,161	1,314,544
	2,662,681	502,822	84,587	140,528	150,000	3,540,618	3,415,230

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, 2014

	Operating Fund	Capital Asset Fund	Reserve for Future Training Costs	Reserve for Consumer Awareness	Regulatory Response Fund	2014	2013
Liabilities							
Current							
Accounts payable and accruals (Note 6)	171,083	-	-	-	-	171,083	169,250
Unearned revenue	1,589,885	-	-	-	-	1,589,885	1,656,770
	1,760,948	-	-	-	-	1,760,948	1,848,020
Commitments (Note 6)							
Contingencies (Note 7)							
Fund Balances							
Unrestricted	901,733	-	-	-	-	901,733	779,398
Invested in Capital Assets	-	502,822	-	-	-	502,822	375,374
Internally restricted (Note 8)	-	-	84,567	140,528	150,000	375,415	414,438
	901,733	502,822	84,567	140,528	150,000	1,779,570	1,569,210
	2,662,681	502,822	84,567	140,528	150,000	3,540,518	3,416,230

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, 2014

	<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>	2014	2013
Revenue							
Administration fees and other	230,581	-	-	-	-	230,581	218,942
Consumer awareness fund	-	-	-	40,782	-	40,782	23,250
Course fees	843,372	-	-	-	-	843,372	895,501
Interest	65,126	-	-	-	-	65,126	65,358
Licensing fees	3,376,021	-	-	-	-	3,376,021	3,438,026
Registrar's hearings	32,218	-	-	-	-	32,218	19,516
	4,547,318	-	-	40,782	-	4,588,100	4,660,593

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Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of B.C.)
Statement of Operations
For the year ended March 31, 2014

	Operating Fund	Capital Asset Fund	Reserve for Future Training Costs	Reserve for Consumer Awareness	Regulatory Response Fund	2014	2013
<i>(Continued from previous page)</i>	4,547,318	-	-	40,782	-	4,588,100	4,660,593
Expenses							
Advertising	61,175	-	-	67,031	-	128,206	110,473
Amortization	-	136,070	-	-	-	136,070	145,381
Automotive	75,027	-	-	-	-	75,027	75,540
Consulting	159,339	-	-	-	-	159,339	243,311
Course costs, travel and meals	99,773	-	-	-	-	99,773	149,442
Governance	161,632	-	-	-	-	161,632	142,225
Office and general	477,539	-	-	-	-	477,539	466,012
Professional fees	218,396	-	-	-	-	218,396	189,502
Project development	-	-	-	-	-	-	7,131
Registrar's hearings	13,934	-	-	-	-	13,934	8,440
Rent and parking	272,362	-	-	-	-	272,362	282,489
Salaries and benefits	2,609,282	-	-	13,074	-	2,622,356	2,657,396
Training	35,479	-	-	-	-	35,479	25,882
	4,183,938	136,070	-	80,105	-	4,400,113	4,503,224
Excess (deficiency) of revenue over expenses before other items	363,380	(136,070)	-	(39,323)	-	187,987	157,369
Other items							
Gain on disposal of capital assets	-	22,473	-	-	-	22,473	-
Excess (deficiency) of revenue over expenses	363,380	(113,597)	-	(39,323)	-	210,460	157,369

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, 2014

	<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>2014</i>	<i>2013</i>
Fund Balances, beginning of year	779,398	375,374	84,587	179,851	150,000	1,569,210	1,411,841
Excess (deficiency) of revenue over expenses	363,380	(113,697)	-	(39,323)	-	210,460	157,369
Purchase of capital assets	(275,707)	275,707	-	-	-	-	-
Disposition of capital assets	34,662	(34,662)	-	-	-	-	-
Fund Balances, end of year	901,733	502,822	84,587	140,528	150,000	1,779,670	1,569,210

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, 2014

	2014	2013
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	210,460	157,369
Amortization	136,070	145,381
Gain on disposal of capital assets	(22,473)	-
	324,057	302,750
Changes in working capital accounts		
Accounts receivable	10,154	29,669
Prepaid expenses and deposits	18,462	(40,309)
Accounts payable and accruals	(18,186)	(19,952)
Unearned revenue	(66,885)	73,143
	267,602	345,301
Investing		
Increase in money market funds	(135,994)	(253,567)
Purchase of capital assets	(275,707)	(269,935)
Proceeds on disposal of term deposits	400,000	100,000
Proceeds on disposal of capital assets	34,662	-
Decrease in accrued interest on term deposits	382	106
	23,343	(423,396)
Increase (decrease) in cash resources	290,945	(78,095)
Cash resources, beginning of year	681,608	759,703
Cash resources, end of year	972,553	681,608

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, 2014

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") 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.

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.

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, 2014

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

Term deposits

Term deposits that mature before March 31, 2015 are presented as current assets. Term deposits with maturity dates subsequent to March 31, 2015 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.

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.

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, 2014

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

The Society subsequently measures cash, term deposits and money market funds 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 (deficiency) 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 (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.

3. Term deposits

Term deposits are recorded at fair value and have maturity dates ranging from February 2015 to March 2018 and bear interest at fixed rates between 2.0% and 3.7% per annum.

4. Capital assets

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Automotive	147,737	69,188	78,549	45,552
Computer equipment	176,186	154,801	21,385	37,778
Computer software	187,188	181,560	5,628	16,895
Office equipment	215,233	200,817	14,416	23,091
Leasehold improvements	374,163	328,339	45,824	88,478
Navantis Project	383,231	46,211	337,020	163,580
	1,483,738	980,916	502,822	375,374

5. Accounts payable and accruals

Included in accounts payable and accruals is \$nil (2013 - \$35,688) of remittances payable to various government agencies.

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, 2014

6. 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:

2015	184,041
2016	182,858
2017	180,296
2018	179,597
	<hr/>
	726,792

7. Contingencies

The Society has been named as defendant in a lawsuit on behalf of a former employee of the Society, seeking to recover damages allegedly sustained by them as a result of being terminated during the year. The complaint with respect to this action generally alleges the Society wrongfully terminated the former employee. This lawsuit remains at an early stage, and as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of these lawsuits or to estimate the loss, if any, which may result. The Society's insurers have been advised of these claims and are cooperating with the Society in the defence of these lawsuits subject to policy deductibles, limits, and terms and conditions.

8. Internally restricted fund balances

During the year, the Society's board of directors transferred \$nil (2012 - \$150,000) of unrestricted funds to the Regulatory Response Fund \$nil (2012 - \$37,500) of unrestricted funds to the Reserve for Future Training Costs. As at March 31, 2014, the board has internally restricted funds in the amount of \$84,587 (2013 - \$84,587) to be held to fund future training costs, \$140,528 (2013 - \$179,851) for consumer awareness and \$150,000 (2012 - \$150,000) for extraordinary legal costs. 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 \$106,518 (2013 - \$95,736) in total governance costs to the eleven members of the board of directors comprised of directors' fees of \$84,935 (2013 - \$77,190) and expense reimbursements of \$21,583 (2013 - \$18,546).

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.

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.

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 due to 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 year ended March 31, 2014

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, 2014, certain Fund expenditures were paid by the Society, then subsequently reimbursed by the Fund, totalling \$98,660 (2013 - \$97,260).

Financial summaries of this Fund as at March 31, 2014 and March 31, 2013 and for the years then ended are as follows:

	2014	2013
	<i>Unaudited</i>	<i>Unaudited</i>
Total assets	1,234,462	1,285,760
Net assets	1,234,462	1,285,760
Total revenues	69,750	467,430
Total expenses	(121,048)	(218,001)
Excess (deficiency) of revenues over expenses	(51,298)	249,429
Cash flow from operations	(51,298)	238,411
Cash flow from investing activity	-	11,018
Increase (decrease) in cash reserves	(51,298)	249,429