Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of British Columbia)
Financial Statements
For the year ended March 31, 2026

Contents

For the year ended March 31, 2026

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, 2026, 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, 2026, 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

MNP LLP
Suite 301 – 15303 31st Avenue, Surrey BC, V3Z 6X2 1.800.761.7772 T: 604.536.7614 F: 604.538.5356

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, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Surrey, British Columbia

MNP LLP

June 11, 2026

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, 2026

	2026	*2025*
Assets		
Current		
Cash	**3,672,845**	2,964,403
Short term investments *(Note 3)*	**1,000,000**	500,000
Prepaid expenses and deposits	**98,625**	80,127
	4,771,470	3,544,530
Tangible capital assets *(Note 4)*	**3,441,254**	3,556,604
Intangible assets *(Note 5)*	**535,629**	689,241
Marketable securities, at fair value *(Note 6)*	**2,474,796**	2,340,064
	11,223,149	10,130,439
Liabilities		
Current		
Accounts payable and accruals	**419,009**	323,232
Deferred licensing and learning revenue	**2,643,380**	2,493,804
	3,062,389	2,817,036
Credit facility *(Note 7)*		
Fund Balances		
Unrestricted	**1,476,230**	1,242,895
Invested in capital and intangible assets *(Note 13)*	**3,976,884**	4,245,846
Internally restricted *(Note 13)*	**2,707,646**	1,824,662
	8,160,760	7,313,403
	11,223,149	10,130,439

Approved on behalf of the Board

e-Signed by Mark Bakken
2026-06-11 15:39:13:13 PDT
Director

e-Signed by Bill Kwok
2026-06-12 15:42:27:27 PDT
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, 2026

	2026	*2025*
Revenue		
Licensing fees	**5,002,737**	4,782,330
Investigation and hearing recovery	**94,286**	13,362
Administration fees and other	**1,343,448**	496,579
Interest income	**78,637**	108,249
Course fees	**1,661,182**	1,551,106
	8,180,290	6,951,626
Expenses		
Advertising	**-**	24,210
Amortization of intangible assets	**250,731**	253,227
Amortization of tangible capital assets	**147,082**	160,264
Automotive	**17,459**	18,661
Building and occupancy	**58,260**	62,118
Consulting	**71,286**	72,540
Consumer advancement expenses	**131,250**	30,057
Course costs, travel and meals	**71,539**	75,501
Governance *(Note 10)*	**99,630**	97,395
Office and general	**678,247**	569,805
Professional fees	**174,061**	70,103
Property taxes and utilities	**69,600**	69,600
Salaries and benefits *(Note 8), (Note 9)*	**5,660,933**	4,979,613
Training	**37,587**	50,821
	7,467,665	6,533,915
Excess of revenue over expenses before other items	**712,625**	417,711
Other items		
Unrealized gain on change in fair value of mutual funds	**134,732**	233,190
Excess of revenue over expenses	**847,357**	650,901

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, 2026

	Operating Fund	*Internally Restricted Fund*	***2026***	*2025*
Fund balances, beginning of year	**1,242,895**	**6,070,508**	**7,313,403**	6,662,502
Excess of revenue over expenses	**142,867**	**704,490**	**847,357**	650,901
Purchase of tangible capital assets	**(31,732)**	**31,732**	**-**	-
Development costs - intangible assets	**(97,119)**	**97,119**	**-**	-
Transfer from internally restricted	**219,319**	**(219,319)**	**-**	-
Net assets, end of year	**1,476,230**	**6,684,530**	**8,160,760**	7,313,403

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, 2026

	2026	*2025*
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	**847,357**	650,901
Amortization of tangible capital assets	**147,082**	160,264
Amortization of intangible assets	**250,731**	253,227
Unrealized gain on change in fair value of investments	**(134,732)**	(233,190)
	1,110,438	831,202
Changes in working capital accounts		
Prepaid expenses and deposits	**(18,498)**	(20,003)
Accounts payable and accruals	**95,777**	33,884
Deferred licensing and learning revenue	**149,576**	99,755
	1,337,293	944,838
Investing		
Purchase of tangible capital assets	**(31,732)**	(117,411)
Development costs - intangible assets	**(97,119)**	(90,424)
Purchase of short term investments	**(500,000)**	(100,000)
	(628,851)	(307,835)
Increase in cash resources	**708,442**	637,003
Cash resources, beginning of year	**2,964,403**	2,327,400
Cash resources, end of year	**3,672,845**	2,964,403

The accompanying notes are an integral part of these financial statements

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.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations 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, 2026 are included in Note 11 to these financial statements.

Tangible capital assets

Tangible 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.

2. 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.

Restricted contributions consist of amounts received for the Consumer Advancement Fund and may only be used for the purposes identified in section 24.05 of the Motor Dealer Act.

Unrestricted contributions are revenue (or assets) received that may be used by the Society for any of its purposes. Restricted contributions are revenue received that may only be used for specific purposes.

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 recorded as deferred licensing and learning revenue, and recognized rateably over the licensing period. Revenue from course fees and 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.

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 tangible capital and intangible assets.

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 revenues 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.

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

Financial instruments *(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 10,11).

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 revenues over expenses.

Financial asset impairment

The Society assesses impairment of all 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 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 excess of revenues over expenses in the year the reversal occurs.

Customer's accounting for cloud computing arrangement

The Society has applied the simplification approach to account for expenditures in a cloud computing arrangement. Under the simplification approach, the Society recognizes expenditures related to the elements in the cloud computing arrangement as an expense as incurred. In the current year, expenses of $189,165 has been recognized as office and general expenses.

3. Short term investments

Short term investments are comprised of guaranteed investment certificates bearing interest at 3.3% (2025 - 3.4%) per annum maturing March 2027.

4. Tangible capital assets

	Cost	Accumulated amortization	2026 Net book value	2025 Net book value
Land	**1,964,750**	**-**	**1,964,750**	1,964,750
Building	**2,043,406**	**685,672**	**1,357,734**	1,443,542
Automotive	**280,484**	**209,809**	**70,675**	89,776
Computer equipment	**347,923**	**324,304**	**23,619**	30,779
Computer software	**516,026**	**493,785**	**22,241**	22,887
Office equipment	**396,116**	**393,881**	**2,235**	4,870
	5,548,705	**2,107,451**	**3,441,254**	3,556,604

5. Intangible assets

	2026	2025
Intangible assets having definite lives:		
Driver database	**473,019**	610,979
ADR program - claims processing software	**62,610**	78,262
	535,629	689,241

Intangible assets are presented net of accumulated amortization of $1,338,045 (2025 – $1,087,314).

6. 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 $2,147,172 (2025 - $2,022,449).

7. 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 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 on all property of the Society.

The Society has not drawn upon the available credit facility as at March 31, 2026 and 2025.

The agreement with the financial institution requires the maintenance of certain financial covenants. As of March 31, 2026, the Society is in compliance with these financial covenants. It is management's opinion that the Society is likely to remain in compliance with these covenants throughout the next twelve months subsequent to March 31, 2026.

8. Employee compensation

During the year ended March 31, 2026, the Society paid total remuneration of $4,275,454 (2025 - $3,296,264) for services to 37 (2025 - 28) employees, each of whom received total annual remuneration of $75,000 or greater.

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

The Society makes contributions to a group RRSP plan on behalf of its employees at a rate of 5% (2025 - 5%). The Society's contributions for the year of $174,983 (2025 - $149,570) are included in salaries and benefits expense.

10. Related party transactions

During the year, the Society paid $99,630 (2025 - $97,395) in governance costs to the Board of Directors comprised of directors' fees of $63,188 (2025 - $63,845) and expense reimbursements of $36,441 (2025 - $33,550). 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. As required by the Societies Act, the remuneration paid to directors during the year ended March 31, 2026 is as follows:

	2026	*2025*
Board Chair	**12,917**	13,611
Vice-Chair	**8,174**	8,410
Secretary/Treasurer & Chair Finance & Audit Committee	**7,785**	8,765
Chair Governance & HR Committee	**8,363**	8,199
Chair Enterprise Risk & Strategy Committee	**8,363**	7,998
Director 1	**3,866**	4,357
Director 2	**2,511**	3,409
Director 3	**3,477**	3,791
Director 4	**2,711**	3,791
Director 5	**2,711**	1,514
Total Board Remuneration for services provided	**60,878**	63,845

11. Controlled entity

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

The Fund was established pursuant to the Motor Dealer Act (Section 14 and 14.1) 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.

11. Controlled entity *(Continued from previous page)*

The Fund's financial statements have not been consolidated in the Society's financial statements.

	2026	*2025*
Total assets	**1,515,578**	1,174,191
Total liabilities	**(4,665)**	(4,665)
Net assets	**1,510,913**	1,169,526
Total revenue	**546,630**	186,488
Total expenses	**(205,243)**	(138,629)
	341,387	47,859
Total operating cash flows	**341,387**	47,859

During the year, the Fund incurred $155,502 (2025 - $105,837) in Board, staff and administrative expenses, and $27,853 (2025 - $12,909) in direct expenses. 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.

12. 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.

12. Financial instruments *(Continued from previous page)*

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. As at March 31, 2026, the Society held investments in marketable securities comprised of US denominated bonds and equities, presented at fair value, with a Canadian dollar cost of $627,642 (2025 - $959,923).

13. Internally Restricted and Capital Asset Fund balances

	Capital and Intangible Asset Fund	*Reserve for Future Training Costs*	*Reserve for Regulatory Response*	*Reserve for Consumer Advancement*	*Reserve for Digital Transformation & IT Fund*	***2026***	*2025*
Opening Fund balance	**4,245,846**	**84,587**	**200,000**	**540,075**	**1,000,000**	**6,070,508**	5,046,202
Revenue	**-**	**-**	**-**	**1,098,821**	**-**	**1,098,821**	284,227
Investment income	**-**	**-**	**-**	**134,732**	**-**	**134,732**	233,190
Amortization	**(397,813)**	**-**	**-**	**-**	**-**	**(397,813)**	(413,491)
Consumer advancement fund expenses	**-**	**-**	**-**	**(131,250)**	**-**	**(131,250)**	(54,267)
Excess (deficiency) of revenue over expenses	**(397,813)**	**-**	**-**	**1,102,303**	**-**	**704,490**	49,659
Transfer to operating fund	**-**	**(84,587)**	**-**	**(134,732)**	**-**	**(219,319)**	766,810
Tangible capital assets acquired	**31,732**	**-**	**-**	**-**	**-**	**31,732**	117,412
Intangible assets acquired	**97,119**	**-**	**-**	**-**	**-**	**97,119**	90,425
Ending Fund Balance	**3,976,884**	**-**	**200,000**	**1,507,646**	**1,000,000**	**6,684,530**	6,070,508

The internally restricted funds are not available for other purposes without approval of the Board of Directors.

Motor Dealer Customer Compensation Fund
Financial Statements
For the year ended March 31, 2026

Contents

For the year ended March 31, 2026

Independent Auditor's Report

To the Trustees and Participants of Motor Dealer Customer Compensation Fund:

Opinion

We have audited the financial statements of the Motor Dealer Customer Compensation Fund (the "Fund"), which comprise the statement of financial position as at March 31, 2026, and the statements of operations and 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 Fund as at March 31, 2026, 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 Fund 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

MNP LLP
Suite 301 – 15303 31st Avenue, Surrey BC, V3Z 6X2 1.800.761.7772 T: 604.536.7614 F: 604.538.5356

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 Fund’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 Fund’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 Fund 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.

Surrey, British Columbia

MNP LLP

June 11, 2026

Chartered Professional Accountants

MNP

Motor Dealer Customer Compensation Fund
Statement of Financial Position
As at March 31, 2026

	2026	2025
Assets		
Current		
Cash	**490,578**	149,191
Term deposit *(Note 3)*	**1,025,000**	1,025,000
	1,515,578	1,174,191
Liabilities		
Current		
Accounts payable and accruals	**4,665**	4,665
Contingencies *(Note 4)*		
Net Assets		
Unrestricted	**1,510,913**	1,169,526
	1,515,578	1,174,191

Approved on behalf of the Board

e-Signed by Mark Bakken
2026-06-11 15:40:28:28 PDT
Director

e-Signed by Bill Kwok
2026-06-12 15:44:57:57 PDT
Director

The accompanying notes are an integral part of these financial statements

Motor Dealer Customer Compensation Fund
Statement of Operations and Changes in Net Assets
For the year ended March 31, 2026

	2026	2025
Revenue		
Contributions from members	**497,700**	136,800
Interest income	**48,930**	49,688
	546,630	186,488
Expenses		
Administrative	**8,658**	7,755
Consulting *(Note 6)*	**27,853**	12,909
Professional fees	**13,230**	12,128
Salaries and benefits *(Note 6)*	**155,502**	105,837
	205,243	138,629
Excess of revenue over expenses	**341,387**	47,859
Net assets, beginning of year	**1,169,526**	1,121,667
Net assets, end of year	**1,510,913**	1,169,526

The accompanying notes are an integral part of these financial statements

Motor Dealer Customer Compensation Fund
Statement of Cash Flows
For the year ended March 31, 2026

	2026	*2025*
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	**341,387**	47,859
Increase in cash resources	**341,387**	47,859
Cash resources, beginning of year	**149,191**	101,332
Cash resources, end of year	**490,578**	149,191

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

The Motor Dealer Customer Compensation Fund (the "Fund") was established by the Government of British Columbia on June 1, 1995, with the introduction of the Motor Dealer Customer Compensation Fund Regulation and related amendments to the Motor Dealer Act ("MDA").

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.

Claims are submitted by consumers and approved by the Motor Dealer Customer Compensation Fund Board of Directors. The Fund pays claims to consumers to a maximum of $20,000 per claim. In accordance with the MDA, it is compulsory for motor vehicle dealers to pay contributions in their first 3 years of participation in the Fund in order to obtain registration in British Columbia.

The Fund is a trust within the meaning of Section 149(1)(w) of the Income Tax Act (Canada) and as such, is exempt from income taxes.

2. 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:

Revenue recognition

The Fund 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. Interest income is recognized on an accrual basis. Contributions from members are recognized as revenue when received.

Contingencies

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. Actual results could differ from those reported. The Fund’s estimates and judgments subject to the most uncertainty are related to its contingent liabilities (Note 4).

Claims

Claims are recognized as expenses at the time of approval by the Fund's Board. Compensation fund recoveries to offset claims paid are recorded when received.

Financial instruments

The Fund recognizes financial instruments when the Fund 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 Fund may irrevocably elect to subsequently measure any arm’s length financial instrument at fair value. The Fund has not made such an election during the year.

The Fund subsequently measures its financial assets and liabilities at amortized cost, with transaction costs and financing fees added to the carrying amount of the Fund's financial statements.

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

Financial instruments *(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 6).

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 revenues over expenses.

Financial asset impairment

The Fund 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 Fund determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

The Fund 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.

For related party equity instruments initially measured at cost, the Fund reduces the carrying amount of the asset (or group of assets), to the amount that could be realized by selling the asset(s) at the statement of financial position date.

Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Fund 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 revenues over expenses in the year the reversal occurs.

3. Term deposit

The Fund's term deposit matures in July 2026, and bears interest at 3.16% (2025 - 4.25%) per annum.

4. Contingencies

Motor vehicle dealers in British Columbia declare bankruptcy, become insolvent, or otherwise end their operations each year. The Fund's liability related to such bankruptcies, if any, cannot be reasonably estimated and no related provision has been made in the financial statements.

5. Unrestricted net assets

The net assets of the Fund are comprised of contributions by Participants and income earned on investments. The Registrar of Motor Dealers may require every motor dealer carrying on business in British Columbia to make contributions, as deemed necessary to ensure the sufficiency of the Fund.

6. Related party transactions

The Fund shares office space and administrative services with the Motor Dealer Council of British Columbia (the "Society") and the Society is deemed to control the Fund by virtue of being the Trustee of the Fund, and having the right to appoint the Fund's Board of Directors. During the year, the Fund incurred $155,502 (2025 - $105,837) in Board, staff and administrative expenses and $27,853 (2025 - $12,909) in direct expenses through utilization of the Board members, employees and resources of the Society.

The remuneration paid to directors during the year ended March 31, 2026 is as follows:

	2026	*2025*
Board Chair	**3,896**	3,355
Board Vice Chair	**4,362**	1,711
Board Director 1	**3,760**	2,169
Board Director 2	**3,174**	1,560
Board Director 3	**2,944**	1,310
Total Board Remuneration for services provided	**18,136**	10,105

7. Financial instruments

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

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 Fund is exposed to interest rate risk with respect to its term deposit.

Liquidity risk

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