

Financial Statements

Alberta Motor Vehicle Industry Council

March 31, 2008

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Auditors' report

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To the Members of
Alberta Motor Vehicle Industry Council

We have audited the balance sheet of the Alberta Motor Vehicle Industry Council at March 31, 2008 and the statements of operations, change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2008 and the results of its operations, change in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Canada
May 27, 2008

Grant Thornton LLP
Chartered Accountants

Alberta Motor Vehicle Industry Council

Statement of Operations

Year Ended March 31	2008	2007
Revenues		
Course fees	\$ 372,602	\$ 277,402
Interest income	48,641	42,340
License fees	2,060,536	1,953,860
Other income	13,878	3,920
(Loss) gain on sale of capital assets	<u>(6,605)</u>	<u>-</u>
Total revenues	<u>2,489,052</u>	<u>2,277,522</u>
Expenditures		
Amortization	85,747	75,045
Audit	10,477	10,236
Communications	28,519	33,334
Computer	87,007	61,065
Education	140,585	108,466
Finance charges	24,199	20,268
Insurance	11,437	8,849
Labour	1,647,882	1,322,760
Legal fees	16,836	26,019
Office	68,372	53,279
Postage and courier	58,069	50,464
Professional services	5,556	2,516
Rent	136,353	96,974
Staff training and recruitment	4,363	4,600
Telecommunications	57,083	52,164
Transportation	-	8,310
Travel	<u>103,659</u>	<u>98,583</u>
Total expenditures (Note 6)	<u>2,486,144</u>	<u>2,032,932</u>
Excess of revenues over expenditures	<u>\$ 2,908</u>	<u>\$ 244,590</u>

See accompanying notes to the financial statements.

Alberta Motor Vehicle Industry Council

Statement of Changes in Net Assets

Year Ended March 31

2008

2007

	<u>Unrestricted</u>	<u>Internally restricted</u>	<u>Invested in capital assets</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 824,164	\$ 402,029	\$ 252,734	\$ 1,478,927	\$ 1,234,337
Excess of revenues over expenditures	(18,120)	-	21,028	2,908	244,590
Inter-fund transfer	<u>(14,329)</u>	<u>14,329</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 791,715</u>	<u>\$ 416,358</u>	<u>\$ 273,762</u>	<u>\$ 1,481,835</u>	<u>\$ 1,478,927</u>

See accompanying notes to the financial statements.

Alberta Motor Vehicle Industry Council

Balance Sheet

March 31

2008

2007

Assets

Current

Cash and short term investments	\$	822,883	\$	916,900
Accounts receivable		160		100
Prepays		<u>78,485</u>		<u>18,579</u>
		901,528		935,579

Long term investments (Note 4)

416,358 402,029

Capital assets (Note 5)

273,762 252,734

\$ 1,591,648 **\$ 1,590,342**

Liabilities

Current

Accounts payable and accruals	\$	85,185	\$	69,251
Deferred course fee revenue		<u>24,628</u>		<u>42,164</u>
		<u>109,813</u>		<u>111,415</u>

Net assets

Invested in capital assets		273,762		252,734
Internally restricted (Note 4)		416,358		402,029
Unrestricted		<u>791,715</u>		<u>824,164</u>
		<u>1,481,835</u>		<u>1,478,927</u>
		<u>\$ 1,591,648</u>		<u>\$ 1,590,342</u>

Commitments (Note 7)

On behalf of the Board

_____ Director

_____ Director

See accompanying notes to the financial statements.

Alberta Motor Vehicle Industry Council

Statement of Cash Flows

Year Ended March 31

2008

2007

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenues over expenditures	\$ 2,908	\$ 244,590
Amortization	85,747	75,045
Loss on disposal of capital assets	<u>6,605</u>	<u>-</u>
	95,260	319,635

Change in non-cash operating working capital

Accounts receivable	(60)	160
Prepays	(59,906)	(1,181)
Accounts payable and accruals	15,934	(62,605)
Deferred course fee revenue	<u>(17,536)</u>	<u>27,810</u>
	<u>33,692</u>	<u>283,819</u>

Investing

Proceeds from the disposal of capital assets	26,825	-
Purchase of investments	(14,329)	(14,424)
Purchase of capital assets	<u>(140,205)</u>	<u>(108,199)</u>
	<u>(127,709)</u>	<u>(122,623)</u>

Net (decrease) increase in cash and cash equivalents (94,017) 161,196

Cash and cash equivalents

Beginning of year	<u>916,900</u>	<u>755,704</u>
End of year	<u>\$ 822,883</u>	<u>\$ 916,900</u>

Supplemental cash flow information

Cash and cash equivalents are comprised of the following:

Cash	\$ 10,614	\$ 138,745
Short term investments	<u>812,269</u>	<u>778,155</u>
	<u>822,883</u>	<u>916,900</u>

See accompanying notes to the financial statements.

Alberta Motor Vehicle Industry Council

Notes to the Financial Statements

March 31, 2008

1. Legal form and objectives

The Alberta Motor Vehicle Industry Council ("the Council") was incorporated under the Societies Act of Alberta on February 12, 1999. The Council is a not-for-profit organization with a mandate to provide consumer protection in Alberta's automotive industry through mandatory licensing for automotive businesses and salespeople as required by the Fair Trading Act.

The Council is a "not for profit" organization for purposes of the Income Tax Act (Canada) and is exempt from income taxes.

The Council has entered into an Automotive Regulatory Services Delegation Agreement with Service Alberta (formerly the Minister of Government Services) as of September 1, 2005. This agreement expires on September 1, 2009.

2. Change in accounting policy

Effective April 1, 2007, the Council adopted the recommendations of Canadian Institute of Chartered Accountants (CICA) Handbook section 3855, *Financial Instruments – Recognition and Measurement*, section 3865, *Hedges* and section 3861, *Financial Instruments - Disclosure and Presentation*.

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

Financial instruments classified as held-for-trading will be measured at fair value with changes in fair value recognized in excess of revenues over expenditures. Financial assets classified as held-to-maturity or as loans and receivables or other financial liabilities will be measured at amortized cost. Available-for-sale financial assets will be measured at fair value with changes in fair value recognized in net assets or deferred contributions. There was no transitional impact as a result of the adoption of these standards at April 1, 2007.

As at April 1, 2007 and March 31, 2008, the Council had the following financial instruments:

	Classification	Measurement
Financial assets		
Cash	Held - for - trading	Fair value
Short term investments	Held - for - trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long term investments	Held - for - trading	Fair value
Financial liabilities		
Accounts payable and accruals	Other financial liabilities	Amortized cost

Alberta Motor Vehicle Industry Council

Notes to the Financial Statements

March 31, 2008

2. Change in accounting policy (cont'd)

All derivative financial instruments will be reported on the balance sheet at fair value with changes in fair value recognized in excess of revenue over expenses unless the derivative is part of a hedging relationship that qualifies as a fair value hedge, cash flow hedge, or cash of a net investment in a self sustaining foreign operation. As at the transition date, and March 31, 2008, the Council had no embedded derivatives, derivatives, or hedging contracts.

Effective April 1, 2007, the Council adopted CICA Handbook Section 1506, *Accounting Changes*, which established criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimates and correction of errors. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted or impracticable to determine. As well, voluntary changes in accounting policy are made only when required by a primary source of GAAP or the change results in more relevant or reliable information.

3. Summary of significant accounting policies

Use of estimates

In preparing the Council's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and highly liquid temporary money market instruments with original maturities of three months or less.

Financial instruments

The Council's financial instruments consist of cash and short term investments, accounts receivable, long term investments, and accounts payable and accruals. Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Long term investments

Long term investments consist of investments with maturity dates beyond one year and are recorded at cost.

Where there has been a loss in value of an investment, other than a temporary decline, the investment is written down to its net realizable value. The full value of the write-down is recognized in the statement of operations in the period in which the write-down occurs.

Alberta Motor Vehicle Industry Council

Notes to the Financial Statements

March 31, 2008

3. Summary of significant accounting policies (cont'd)

Revenue recognition

The Council derives part of its revenues from fees charged for licenses for automotive businesses and salespeople. The license term is non-refundable for a one-year period and revenue is recognized at the time of sale.

The Council also derives revenue from course fees to provide training to automotive salespeople. Revenue from course fees are recognized as earned. Unearned fees are recorded as deferred revenue.

The Council follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the year when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets estimated useful lives, at the following rates:

Computer hardware	30%, straight-line
Computer software	30%, straight-line
Furniture and fixtures	10%, straight-line
Automotive equipment	30%, straight-line
Leasehold improvements	20%, straight-line

Future accounting changes – Capital Disclosure

In November 2006, CICA Handbook Section 1535, *Capital Disclosures*, was issued. This standard requires the disclosure of both qualitative and quantitative information that enables financial statement users to evaluate the objectives policies and processes for managing capital. This new standard will be implemented by the organization effective April 1, 2008. The Council anticipates that this will result in additional disclosure.

Future accounting changes – Financial Instruments

During fiscal 2008, CICA Handbook Section 3862, *Financial Instruments – Disclosures*, and CICA Handbook Section 3863, *Financial Instruments – Presentation* were issued, and which will replace CICA Handbook Section 3861, *Financial Instruments – Presentation and Disclosure*. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. The new presentation standard carries forward the former presentation requirements. The Council anticipates that this will result in additional disclosure

Alberta Motor Vehicle Industry Council

Notes to the Financial Statements

March 31, 2007

4. Internally restricted net assets

The internally restricted net assets consist of amounts restricted by the Council's Board of Directors for the purposes of covering operating expenditures in case of emergency. These funds must be invested in a low risk investment such as a GIC, treasury bill or bond.

The internally restricted amounts are not available for use without the prior approval of the Board of Directors.

5. Capital assets

			<u>2008</u>	<u>2007</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer hardware	\$ 167,431	\$ 122,826	\$ 44,605	\$ 41,353
Computer software	80,174	63,738	16,436	11,190
Furniture and fixtures	106,996	76,626	30,370	41,069
Automotive equipment	233,337	56,205	177,132	150,907
Leasehold improvements	<u>23,951</u>	<u>18,732</u>	<u>5,219</u>	<u>8,215</u>
	<u>\$ 611,889</u>	<u>\$ 338,127</u>	<u>\$ 273,762</u>	<u>\$ 252,734</u>

6. Nature of expenditures

The percentage of expenditures incurred by the different operating departments of the Council are as follows:

	<u>2008</u>	<u>2007</u>
Licensing, registration and financial administration	25%	27%
Complaint management, investigation and enforcement	55%	52%
Education	17%	18%
Board of Directors	3%	3%

7. Commitments

The Council has commitments for its information technology support, its leased premises, and office equipment. The future minimum annual payments are as follows:

2009	\$ 95,598
2010	91,488
2011	59,611
2012	53,321
2013	9,674