

Alberta Motor Vehicle Industry Council

**Annual Report
2008 - 2009**



Table of Contents

	<u>Page</u>
Chairman's Message	3
Treasurer's Report	4
Executive Director's Report	5
Guiding Statements	6
Code of Ethics	7
Organization and Governance	8
Role of the Board	8
Licensing	9
Investigation	9
AMVIC Key Numbers	10
Education	10
Communications	11
Government	11
Board of Directors and Staff	12
Audited Financial Statements	13

Chairman's Message

I have now completed my fourth year on the AMVIC board representing the Auctioneers of Alberta Association. I have served as the chairman for this past year. I have enjoyed my interaction with the various board members and management.

As a board we represent the interests of diverse stakeholders: the Recreational Vehicle Dealers Association (RVDA), the Automotive Service and Repair Association (ASRA), the Auctioneers of Alberta Association (AAA), the Motor Dealers Association (MDA), the Used Car Dealers, the Alberta Association of Recyclers and Dismantlers (AARDA), the Industry at Large, and the Public at Large. I think the board works hard to try and make sure that any decisions that are made reflect the needs of the various stakeholders.

The licensing program continues to expand with over 5,800 businesses licensed and over 8,700 salespeople registered at the end of April 2009.

The AMVIC board of directors is delighted that so much great work is being done on behalf of motor vehicle consumers in Alberta. Since inception over \$14.5 million dollars of compensation has been returned to consumers through the efforts of a dedicated team of investigators.

The biggest outstanding issue that I am leaving is the need for adequate resourcing to be put in place to ensure the long term viability of AMVIC. I appreciate that the minister has committed to setting up a committee to bring forth a recommendation to address this critical issue.

I will continue to be interested in watching the progress of AMVIC in the future.

Respectfully submitted,



Wayne Orsten, Chairman

Treasurer's Report

Please find the following financial highlights for the fiscal year end March 31, 2009. Refer to the audited financial statements and accompanying notes that are a part of this annual report for more detailed information regarding all other financial results.

Revenue was higher this year at \$2,537,000 compared to \$2,496,000 for 2008. Although, the revenues were higher than last year they fell short of the historical budgeted expectations. All licensing activities increased this year with the exception of the salesperson course fees where there was a significant decrease of \$66,000.

The Organization has incurred a loss in the 2009 fiscal period. The first loss the organization has had in over six years due to our expenses exceeding the growth of our income. Prior years have continually shown significant gains, which has generated a surplus of funds that was available to absorb the loss this year and still have funds available for future use. The next fiscal period will use a large portion of these funds until the Organization is achieving profitable operations to generate sufficient cash flows to fund continuing operations.

Expenditures exceeded revenues by \$298,000, unrestricted net assets decreased by \$406,000, and cash & short term investments decreased by \$392,000 to a total of \$431,000. The internally restricted net assets increased by \$11,000 to a total of \$427,000. The grand total of net assets decreased \$298,000 to \$1,183,000 compared to \$1,481,000 for 2008.

Total expenditures of \$2,835,000 are higher than 2008 expenditures of \$2,493,000. Labour increased by \$224,000, which represents a combination of additional staff and salary increases. There was an increase of \$25,000 for amortization and \$32,000 for rent expenses due to the Edmonton office expansion. There was a decrease of \$17,000 for education expense due to the lower volume in salespeople taking the course. Legal fees saw a significant increase due to the number of licensing appeals this year.

Management is continuing its efforts with the Minister to ensure the Organization returns to a break even status. If this objective cannot be met over the next 12 months the Organization will be required to curtail or reduce the services provided to ensure a viable operation. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



Peter Lokstadt, Treasurer

Executive Director Report

AMVIC is moving into its eleventh year of operation with many accomplishments, lessons learned, and opportunities for improvement. Our recently completed **Strategic Plan 2009-2012** gives us direction for the future.

In reflecting on the past year, progress has been made in:

- 1 **Organization and Governance** – AMVIC has a group of dedicated board members and employees that work together to achieve a common purpose. Each year we have several board members move on and new join. AMVIC appreciates these volunteers and the key insights they bring to our operations.
- 2 **Licensing** – We processed more licenses than ever before in the past year. We strive for a turnaround of 2 weeks but fell short of that for most of the year. We are doing criminal record checks on all new applications. I conducted 81 hearings in the past year. We had a significant appeal to Court of Queen’s Bench where the judge found our process to be “reasonable” and did not overturn the decision of the appeal panel.
- 3 **Investigation** – The investigative team is focused in two areas – assuring all businesses that should be licensed are licensed and in resolving consumer complaints. Our licensing investigators have continued to find unlicensed activity. The efforts of the investigative team resulted in \$2,056,189 in restitution to Albertans in the last year - \$14,498,134 since inception.
- 4 **Education** – Over 2,000 individuals took the one day salesperson training course in the past year.
- 5 **Communication** - The AMVIC web site (www.amvic.org) is updated daily to verify current licensing of salespeople and businesses. Four newsletters were published in the past year and several broadcast FAXes were sent out. There was lots of media attention and appearances on television and in the newspapers this past year. We spoke out about a telemarketing group from the U.S. that was trying to take advantage of Albertans.
- 6 **Government** – I am working with several government departments to try and get a safety inspection as a requirement to register any used vehicle in Alberta. This will have far reaching implications for good in helping consumers, in making motor vehicles safer and curtailing questionable activities that occur.
- 7 **Financial** – AMVIC incurred a loss of \$300,000 this past year. It was largely attributed to a revenue shortfall as our expenditures were right on budget. We have budgeted a deficit again in the coming year. Our funding concerns will need to get addressed in this coming year.

I continue to feel that an element of AMVIC funding should come from consumers. Our counterpart in Ontario now has \$5 from every vehicle sold directed to them – I believe that to be an excellent model for augmenting AMVIC’s funding so that we can completely fulfill the mandate, including the establishment of a compensation fund, that is delegated to us.

Now into my eighth year at AMVIC, I am pleased to report that our work in providing consumer protection and extending our influence throughout the province is progressing.

Robert W. Hamilton



AMVIC—Guiding Statements

Brief History

On February 12, 1999, the Alberta Motor Vehicle Industry Council (AMVIC) was incorporated under the Alberta Societies Act as a not-for-profit organization for the purpose of administering Motor Vehicle industry regulations as outlined in the Fair Trading Act.

The new regulations, developed and implemented based on industry input and consumer protection requirements came into effect September 1, 1999. On that date, Alberta Government Services delegated its authority to AMVIC for the primary purposes listed as follows:

1. Act in any capacity pursuant to the Fair Trading Act or regulations delegating authority to AMVIC.
2. Enhance consumer protection and confidence in the motor vehicle industry.
3. Promote education and licensing for industry players (businesses and salespeople).
4. Establish and collect assessment fees.

Why the need for a self-management mode of regulation and operation? Industry and consumers wanted tougher motor vehicle regulations; and an organization that could effectively enforce new regulations. Government consulted with industry associations, consumer groups, law enforcement agencies and other stakeholders for two years and received strong support for creating an industry-lead council.

Mission

Build and promote trust in the motor vehicle industry through heightened awareness and fostering a positive exchange of information among industry stakeholders.

Mandate

Provide consumer protection in Alberta's motor vehicle industry through mandatory industry licensing for motor vehicle businesses and salespeople as required by the Fair Trading Act of Alberta.

Principles

These principles will provide the framework for all policies and procedures developed at AMVIC to ensure that the mission, mandate and vision will be achieved:

- ✓ Protect Alberta consumers from unfair business practices and work towards building trust and confidence in the motor vehicle industry.
- ✓ Self manage an effective mandatory motor vehicle industry licensing program.
- ✓ Foster open and clear communication in the motor vehicle industry and support an honest exchange of information between industry, government and consumers.
- ✓ Assist the motor vehicle industry to build best business practices upon the framework of the Fair Trading Act through education and enforcement of legislation.
- ✓ Provide an alternative to litigation by mediating and helping resolve complaints within the motor vehicle industry.
- ✓ Promote safety concerns from the Motor Vehicle Industry to the appropriate government bodies

Code of Ethics

The Alberta Motor Vehicle Industry Council (AMVIC) is a non-profit organization representing various automotive sectors and the public. AMVIC is responsible for administering and enforcing automotive industry regulations under the Alberta Fair Trading Act. AMVIC licensees and their employees recognize that they are responsible to consumers, other business and the government.

Accordingly, we will abide by this Code of Ethics.

1. **INTEGRITY** Act honestly, fairly and with the utmost good faith.
2. **DISCLOSURE** Communicate all material facts, and ensure our products and services are fully and fairly represented.
3. **COMPETENCE** Only provide or offer those services that we are competent to perform by virtue of training and experience.
4. **PROFESSIONALISM** Promote public confidence through knowledge and skill and treat all people with equality, dignity and respect.
5. **COMPLIANCE** Abide by all applicable laws and regulations and never knowingly do business with those operating outside these laws.
6. **MARKETING** Promote and advertise our products and services in a clear and honest manner without misleading, confusing or deceiving the customer.
7. **ACCOUNTABILITY** Fulfill all contractual obligations promptly and completely, and resolve legitimate claims without delay.
8. **COMPETITION** Engage in fair and open competition by positively promoting our products, services and business methods without attacking those of our competitors.
9. **CONFIDENTIALITY** Treat all personal and financial information we receive in the strictest of confidence and use for the intended original purpose only.
10. **ENVIRONMENT** Remain committed to a healthy co-existence with our environment.

Organization and Governance

The AMVIC Board of Directors provides overall guidance and direction. The Board is comprised of eleven individuals:

1. Industry – appointed by the Motor Dealers Association of Alberta (MDA)
2. Industry – appointed by the Recreation Vehicle Dealers Association of Alberta (RVDA)
3. Industry – appointed by the Automotive Service and Repair Association of Alberta (ASRA)
4. Industry – appointed by the Auctioneers Association of Alberta (AAA).
5. Public member - appointed by the Minister of Service Alberta
6. Public member - appointed by the Minister of Service Alberta
7. Industry at large – Used vehicles sales
8. Industry at large – Recycler and Dismantler
9. Industry at large – Salesperson
10. Industry at large
11. Industry at large

The industry at large positions are filled by nominations received from individuals and then voted on by the members at the Annual General Meeting. Board positions are for a two year term and can be renewed once.

Responsibility for the overall management and direction remains vested with the Board. Programs and policies that are established by the Board become the responsibility of the Executive Director to implement, manage and report on performance. The Executive Director is responsible for the day-to-day affairs and also performs responsibilities delegated by the Board and the Director of Fair Trading, Service Alberta.

Role of the Board

1. Work with the Executive Director in providing overall business direction through strategic planning, determining priorities and setting policy guidelines.
2. Ensure financial and operational viability by exercising fiscal oversight.
3. Ensure operational and financial controls are operating properly.
4. Communicate AMVIC's benefits to consumers, businesses, government and other stakeholders.

Licensing

As of March 31, 2009, there were 6,108 businesses licensed and 8,737 salespeople registered.

Unlicensed automotive businesses continue to operate through out the province. We are committed to level the playing field and increased enforcement is a key ingredient.

Policies and procedures are in place for individuals and businesses to complete applications for licensing. All applications are screened and a checklist of requirements is reviewed prior to a licence being granted. Improvements to the process have been incorporated and management will continue to monitor to ensure a smooth process for all. Criminal record checks are now performed on every new applicant.

Where there is a concern about an application, a process is in place to conduct administrative hearings to determine the suitability of the applicant. Where the applicant is not suitable, they are notified and given an opportunity to appeal the decision. Eighty-four letters were sent proposing to refuse applications and eighty hearings were held. Five businesses and two salespeople were refused a licence. Five conditional business licenses and seven conditional sales registrations were issued. Sixty-one applicants were granted licenses and registrations with no conditions.

Nine staff led by the Manager of Licensing and Finance, Shannon DeLorey, accomplish the licensing and education activities.

Investigation

The investigative side of AMVIC is broadly grouped into two categories: complaint handling and investigation. Fifteen staff led by Bob Knight, Manager of Investigations, work in investigations and complaint handling.

Most complaints come from either the toll free number or from email generated from the AMVIC web page. Mediation is done on behalf of consumers and businesses to resolve conflict. Both parties are contacted and a resolution is sought.

Investigations are focused on deceitful practices under the Fair Trading Act. There is an active program to identify automotive businesses and salespersons that do not possess a current and valid AMVIC license.

During 2008-09, AMVIC obtained, by mediation \$2,056,189 in restitution for victims of unfair trade practices. AMVIC investigators laid 15 charges under the Fair Trading Act and Criminal Code of Canada. Court fines of \$12,800 were levied under the Fair Trading Act and \$82,800 in restitution was ordered by the courts. 1,838 files were opened and 1,759 were completed and closed.

\$14.5 million in restitution has been achieved since inception. We strive to mediate whenever we can and keep most investigations out of the court system.

AMVIC Key Numbers

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Business licenses	3,450	4,500	4,788	4,765	4,603	4,643	4,982	5,093	5,826	6,108
Salespeople		5,000	5,878	6,275	6,481	6,687	7,110	7,200	8,633	8,737
Course attendees		2,500	4,000	1,500	1,284	1,456	1,495	1,564	2,023	1,684
Revenue	1,011,781	1,261,226	1,244,835	1,507,979	1,543,126	1,868,988	2,055,769	2,277,522	2,489,052	2,537,000
Profit (Loss)	50,537 -	247,452 -	49,012	130,997	96,782	292,838	252,178	244,590	2,908 -	298,000
Employees	6	8	11	12	12	17	19	25	25	26
Consumer Restitution			500,000	881,761	1,403,186	1,687,180	1,838,237	3,682,146	2,449,435	2,056,189
										Total restitution since inception: \$ 14,498,134

Note: Change in revenue method was done in the 2003/2004 year; this report does not reflect this change in the first three years.

Education

AMVIC has a mandatory requirement for all sales people to successfully complete a one day training course. A correspondence course is also offered to those unable to attend a classroom session.

The course focuses on proper conduct in relation to the motor vehicle industry and the Fair Trading Act. There were 1,684 sales people who participated in 73 courses in 2008-2009.

There is significant turnover in motor vehicle salespeople and it is anticipated that there will be an ongoing need for training of over 2,000 individuals each year. This translates into six or seven classes per month.

The fee for both the one day classroom course and the correspondence course is \$160.

AMVIC staff provides all the coordination and registration activities for the course and course instruction is provided by SAIT.

Communication

AMVIC's web site includes valuable information such as the Strategic and Business Plan, Annual Reports, Consumer Tips, Press releases, Newsletters, various reports and statistical measures. The web site is updated each night with current information on Businesses that are licensed and Salespeople that are registered. Businesses, Municipalities, and Alberta Registry Agents use the web site to ensure compliance with AMVIC.

AMVIC distributed four newsletters this past year and will distribute four newsletters in the coming year.

Several broadcast faxes were sent during the year which spawned widespread media coverage. A broadcast email service was started and several broadcast emails were sent out to several thousand businesses and salespeople. They are also sent to media and MLA's.

Government

A key initiative that AMVIC is working on with Alberta Transportation and Service Alberta is to put a policy in place where every used vehicle must pass a safety inspection prior to registration.

During the past year, AMVIC continued to participate in a multi-stakeholder Committee to review the Alberta Dealer Plate Program. The Committee mandate includes addressing the historical concerns that have been expressed by many AMVIC licensees.

AMVIC participated on the Vehicle History Committee which then became a part of the larger Vehicle Theft committee. Work continues on this initiative which will serve as a deterrent to those that are trying to profit from hiding the history of a vehicle.

Board of Directors

Randy Montgomery Grande Prairie
Dale Johnson Onoway
Bart West Edmonton (Secretary)
Wayne Orsten Calgary (Chairperson)
Gary Walsh Calgary
Brian Heninger Calgary
Ross Hodgins Edmonton
Aileen Gibb Hillspring
Peter Lokstadt Edmonton (Treasurer)
Mark Krassman Medicine Hat
Robert Pelz Rocky Mountain House

Industry-at-Large – Recyclers & Dismantlers
Industry-at-Large
Public-at-Large
Auctioneers Association of Alberta
Public-at-Large
Motor Dealers' Association of Alberta
Recreational Vehicle Dealers Association of Alberta
Industry-at-Large
Automobile Service and Repair Association
Industry-at-Large – Salesperson
Industry-at-Large – Used Sales

Staff

Executive Director – Edmonton

Bob Hamilton

Licensing – Edmonton

Shannon DeLorey – Manager Licensing/Finance
Janet Tancsics – Admin Assist/Board Secretary
Fred Partridge
Brandy Bolinski
Amanda Sinclair
Chantelle DesChenes
Andrea Matosevic
Wanda Neufeld
Candace Cowieson
Valerie Nickerson

Investigations

Calgary

Bob Knight – Manager of Investigations
Todd Allen
Darren Conrod
Gary Kaluta
Jan Broer
Darcy Allen

Central Alberta

Lance Knight

South of Calgary

Brad Sicotte

Edmonton

Murray Savage – Northern Alberta Manager
Maria Scott
Wanda McIntyre
Ray Williams
Dave Cooper
Floyd Schick
Rick Pasker

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Web Site www.amvic.org



Financial Statements

Alberta Motor Vehicle Industry Council

March 31, 2009

Contents

	Page
Auditors' Report	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Balance Sheet	4
Statement of Cash Flows	5
Notes to the Financial Statements	6- 9

Auditors' report

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Edmonton, AB
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F (780) 426-3208
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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, 2009 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, 2009 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 21, 2009



Chartered Accountants

Alberta Motor Vehicle Industry Council

Statement of Operations

Year Ended March 31	2009	2008
Revenues		
Course fees	\$ 306,120	\$ 372,602
Interest income	31,512	48,641
License fees	2,183,966	2,060,536
Other income	<u>15,335</u>	<u>13,878</u>
Total revenues	<u>2,536,933</u>	<u>2,495,657</u>
Expenditures		
Amortization	111,135	85,747
Audit	13,466	10,477
Communications	33,549	28,519
Computer	85,998	87,007
Education	124,080	140,585
Finance charges	28,520	24,199
Insurance	12,431	11,437
Labour	1,872,125	1,647,882
Legal fees	68,208	16,836
Office	55,778	68,372
Postage and courier	62,703	58,069
Professional services	2,502	5,556
Rent	168,058	136,353
Staff training and recruitment	7,209	4,363
Telecommunications	56,149	57,083
Travel	123,648	103,659
Loss on sale of capital assets	<u>9,868</u>	<u>6,605</u>
Total expenditures (Note 6)	<u>2,835,427</u>	<u>2,492,749</u>
(Deficiency) excess of revenues over expenditures	<u>\$ (298,494)</u>	<u>\$ 2,908</u>

See accompanying notes to the financial statements.

Alberta Motor Vehicle Industry Council

Statement of Changes in Net Assets

Year Ended March 31

2009

2008

	<u>Unrestricted</u>	<u>Internally restricted</u>	<u>Invested in capital assets</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 791,715	\$ 416,358	\$ 273,762	\$ 1,481,835	\$ 1,478,927
(Deficiency) excess of revenues over expenditures	(298,494)	-	-	(298,494)	2,908
Net investment in capital assets	(96,379)	-	96,379	-	-
Inter-fund transfer	(10,996)	10,996	-	-	-
Balance, end of year	<u>\$ 385,846</u>	<u>\$ 427,354</u>	<u>\$ 370,141</u>	<u>\$ 1,183,341</u>	<u>\$ 1,481,835</u>

See accompanying notes to the financial statements.

Alberta Motor Vehicle Industry Council

Balance Sheet

March 31

2009

2008

Assets

Current

Cash and short term investments	\$	430,518	\$	822,883
Accounts receivable		175		160
Prepays		<u>35,921</u>		<u>78,485</u>
		466,614		901,528

Restricted cash (Note 7)		50,492		-
Long term investments (Note 4)		427,354		416,358
Capital assets (Note 5)		<u>370,141</u>		<u>273,762</u>
		<u>\$ 1,314,601</u>		<u>\$ 1,591,648</u>

Liabilities

Current

Accounts payable and accruals	\$	48,940	\$	85,185
Deferred course fee revenue		<u>31,828</u>		<u>24,628</u>
		80,768		109,813

Long term deposit (Note 7)		<u>50,492</u>		-
		<u>131,260</u>		<u>109,813</u>

Net assets

Invested in capital assets		370,141		273,762
Internally restricted (Note 4)		427,354		416,358
Unrestricted		<u>385,846</u>		<u>791,715</u>
		<u>1,183,341</u>		<u>1,481,835</u>
		<u>\$ 1,314,601</u>		<u>\$ 1,591,648</u>

Commitments (Note 8)

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

2009

2008

Increase (decrease) in cash and cash equivalents

Operating

(Deficiency) excess of revenues over expenditures	\$ (298,494)	\$ 2,908
Amortization	111,135	85,747
Unrealized gain on investments	6,374	-
Loss on disposal of capital assets	9,868	6,605
	(171,117)	95,260

Change in non-cash operating items:

Accounts receivable	(15)	(60)
Prepays	42,564	(59,906)
Accounts payable and accruals	(36,245)	15,934
Deferred course fee revenue	7,200	(17,536)
	(157,613)	33,692

Investing

Proceeds from the disposal of capital assets	19,900	26,825
Net purchase of investments	(10,996)	(14,329)
Purchase of capital assets	(243,656)	(140,205)
	(234,752)	(127,709)

Net decrease in cash and cash equivalents (392,365) (94,017)

Cash and cash equivalents

Beginning of year	822,883	916,900
End of year	\$ 430,518	\$ 822,883

Supplemental cash flow information

Cash and cash equivalents are comprised of the following:

Cash	\$ 50,277	\$ 10,614
Short term investments	380,241	812,269
	\$ 430,518	\$ 822,883

See accompanying notes to the financial statements.

Alberta Motor Vehicle Industry Council

Notes to the Financial Statements

March 31, 2009

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. As at May 21, 2009, an agreement extension has not yet been signed. The future viability of the Council is dependent upon a contract extension with Service Alberta.

2. Change in accounting policy

Capital disclosures

Effective April 1, 2008, the Council has adopted CICA Handbook Section 1535, Capital Disclosures. 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.

The Council’s objective when managing its capital is to maintain financial stability through the effective management of liquidity and capital structure. Ensuring financial stability is critical to providing consumer protection to Alberta residents and service to the automotive industry.

The Council’s capital consists of short-term debt having a term to maturity of one year or less, and equity, primarily in the form of net assets. The Council is not subject to any externally imposed capital requirements.

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.

Alberta Motor Vehicle Industry Council

Notes to the Financial Statements

March 31, 2009

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

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.

Financial instruments

The Council's financial instruments consist of cash and short term investments, accounts receivable, long term investments, accounts payable and accruals and long term deposits. 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. The Council does not use derivative instruments to reduce its exposure to interest.

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.

As at March 31, 2009, 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
Restricted cash	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
Long term deposits	Other financial liabilities	Amortized cost

Alberta Motor Vehicle Industry Council

Notes to the Financial Statements

March 31, 2009

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 – Financial instruments

During fiscal 2008, CICA Handbook Section 3862, *Financial Instruments – Disclosures*, and CICA Handbook Section 3863, *Financial Instruments – Presentation* were issued, 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.

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.

Alberta Motor Vehicle Industry Council

Notes to the Financial Statements

March 31, 2008

5. Capital assets			<u>2009</u>	<u>2008</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer hardware	\$ 174,845	\$ 131,883	\$ 42,962	\$ 44,605
Computer software	82,815	69,507	13,308	16,436
Furniture and fixtures	140,151	88,576	51,575	30,370
Automotive equipment	261,413	82,523	178,890	177,132
Leasehold improvements	<u>116,982</u>	<u>33,576</u>	<u>83,406</u>	<u>5,219</u>
	<u>\$ 776,206</u>	<u>\$ 406,065</u>	<u>\$ 370,141</u>	<u>\$ 273,762</u>

6. Nature of expenditures

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

	<u>2009</u>	<u>2008</u>
Licensing, registration and financial administration	25%	25%
Complaint management, investigation and enforcement	56%	55%
Education	16%	17%
Board of Directors	3%	3%

7. Long term deposit

The Council has received a security deposit of \$50,000 from a business participating in consignment activity during the year. The deposit is to be maintained until a claim is made against the security, or two years following the removal of consignment sales, or the closure of the licensee's business. All interest received on the cash is to be repaid within 60 days after March 31 in each fiscal year.

8. Commitments

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

2010	\$ 96,642
2011	60,471
2012	53,321
2013	9,675