



AMVIC



ALBERTA MOTOR VEHICLE  
INDUSTRY COUNCIL

ANNUAL REPORT

Year Ending  
March 31, 2013

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# Overview

**O**n 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*.

Extensive consultation by the provincial government with industry associations, consumer groups, law enforcement agencies and other stakeholders had found strong support for an industry-lead council with the authority to enforce tougher motor vehicle regulations.

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 following primary purposes:

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.

## 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 provide the framework for all policies and procedures developed at AMVIC to ensure that the mission, mandate and vision are 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

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, the industry abides by the following Code of Ethics:

## INTEGRITY

Act honestly, fairly and with the utmost good faith.

## DISCLOSURE

Communicate all material facts, and ensure our products and services are fully and fairly represented.

## COMPETENCE

Only provide or offer those services that we are competent to perform by virtue of training and experience.

## PROFESSIONALISM

Promote public confidence through knowledge and skill and treat all people with equality, dignity and respect.

## COMPLIANCE

Abide by all applicable laws and regulations and never knowingly do business with those operating outside these laws.

## MARKETING

Promote and advertise our products and services in a clear and honest manner without misleading, confusing or deceiving the customer.

## ACCOUNTABILITY

Fulfill all contractual obligations promptly and completely, and resolve legitimate claims without delay.

## COMPETITION

Engage in fair and open competition by positively promoting our products, services and business methods without attacking those of our competitors.

## CONFIDENTIALITY

Treat all personal and financial information we receive in the strictest of confidence and use for the intended original purpose only.

## 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 twelve directors:

- Two public directors
- Five directors appointed by motor vehicle industry associations:
  - Motor Dealers' Association of Alberta
  - Recreation Vehicle Dealers Association of Alberta
  - Automotive Service and Repair Association of Alberta
  - Auctioneers Association of Alberta (must be a shareholder or corporation licensed by AMVIC)
  - Alberta Automotive Recyclers and Dismantlers Association
- Five directors nominated from within the motor vehicle industry:
  - Automotive sales
  - Two automotive business owners or employees
  - Autobody
  - Used car sales

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 for a second two-year term.

Responsibility for the oversight, governance and direction of AMVIC remains vested with the board. Programs and policies are established by the board and 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

The board of directors works with the executive director in providing overall business direction through:

1. Strategic planning, determining priorities and setting policy guidelines.
2. Ensuring financial and operational viability by exercising fiscal oversight.
3. Ensuring operational and financial controls are operating properly.
4. Communicating AMVIC's benefits to consumers, businesses, government and other stakeholders.

# Chair's Report

AMVIC has undergone a number of changes over the past year that have challenged the board of directors, but at the same time given us the opportunity to steer the organization in an exciting, new direction.

We have placed a renewed emphasis on our mandate of providing consumer protection in Alberta's motor vehicle industry, and changes and new initiatives implemented this last year are aimed at enhancing that mandate.

We began with the hiring of a new executive director, John Bachinski in June 2012. John's knowledge and previous experience in a regulatory environment have allowed AMVIC to move forward on a number of key projects and initiatives for which we are already seeing successful results.

A significant accomplishment in 2012-13 was the enactment of Bill 6: *The Protections and Compliance Statutes Amendment Act*, which established new administrative penalties for *Fair Trading Act* violations of up to \$100,000, and increased maximum fines through the courts from \$100,000 to \$300,000.

AMVIC increased its enforcement activities with the board of directors' support for the hiring of additional staff. Investigations, charges and restitution were all up significantly in 2012-13. We also began a regular review of automotive advertisements to ensure compliance with automotive industry advertising regulations and elevated our enforcement activities for non-compliance.

The board continues to focus on strategic planning for the future and supporting AMVIC in fulfilling its full regulatory mandate.

With my term as chair coming to an end, I would like to thank Service Alberta Minister Manmeet Bhullar for his ongoing support of AMVIC and my fellow Board members, AMVIC staff and Service Alberta staff for their hard work and commitment to fairness for consumers in the automotive marketplace. It has been both a challenging and rewarding year, and I am honoured to have had the opportunity to serve as chair.

Keith Williams  
AMVIC Board Chair

# Treasurer's Report

While the audited financial statements and accompanying notes found at the end of the annual report provide detailed information on AMVIC's financial results for 2012-13, I am pleased to share some of the financial highlights in this report.

In the 2012-13 fiscal year, AMVIC adopted new Canadian accounting standards for not-for-profit organizations (ASNPO). The new accounting standards were developed to improve and standardize financial reporting across all Canadian not-for-profit organizations. The adoption of these new accounting standards resulted in a restatement of the April 1, 2011 and March 31, 2012 balance sheets and the March 31, 2012 statement of operations and statement of cash flows. There was no significant impact of these restatements on the financial statements of the council.

One of the key highlights for the year was an increase in the value of the compensation fund by \$0.5 million to \$2 million. The fund assists consumers who have suffered a loss from one of our Alberta licensees after that licensee is no longer in operation or unable to compensate the consumer.

Total revenue for the year ending March 31, 2013 was \$5.8 million. Revenue increased by \$358,000 from 2011-12 and total expenditures grew by \$386,000. The resulting excess revenue over expenditures amount of \$1.95 million is \$28,000 lower than the previous year.

AMVIC's sales levy on new vehicles sold in Alberta generated \$2.7 million in revenue during the year. This revenue from the levy funded the \$0.5 million increase in the compensation fund, \$0.55 million to support operating expenses, \$0.31 million in new capital assets, and \$1.34 million in unrestricted net assets to support the future growth and financial viability of the council. The \$0.31 million investment in new capital assets was mainly for vehicles.

AMVIC's finances remain liquid and stable with a healthy balance sheet and a strong cash position. The council continues to have \$800,000 in a restricted operating fund and \$100,000 in a restricted legal fund. The funding model is stable for the foreseeable future, as the minister of Service Alberta has extended the current vehicle sales levy and licence fee model.

However, AMVIC's revenues fluctuate frequently, as they are mainly based on the levy on vehicle sales. An increased emphasis on investigations and enforcement this past year and the need to meet our regulatory requirements places significant pressure on our revenues. Subsequently, AMVIC continues to pursue a more permanent provincial funding model.

I'd like to thank the board of directors and AMVIC staff for their support during my time as Treasurer. I am confident that AMVIC's financial position will remain strong and look forward to an exciting and challenging year ahead.

Pat Asplund  
Treasurer

# Executive Director's Report

My first year with AMVIC has been both challenging and rewarding. We've made some significant changes over the past year and I'm proud of our accomplishments to date. The demands on our organization are growing as our stakeholders' expectations of our regulatory role increase and we become better known in the automotive industry.

Achieving legislative compliance in the industry has been, and will continue to be, a priority for AMVIC. In 2012-13 we undertook a number of activities to support that priority:

- We increased compliance in automotive advertising to benefit the consumer's buying experience.
- We developed and implemented comprehensive inspections of automotive business operations.
- We dedicated resources to exposing curbbers and unlicensed backyard mechanics.
- We improved access to educational supports for businesses and salespeople.
- Computer systems were upgraded to support future online licensing and electronic filing, and a backup system for business resumption planning was established.
- We increased public awareness of AMVIC through a new website, travelling library and social media.

A number of staffing changes also occurred at AMVIC in the last year. We filled eight new positions and are moving to a full staffing complement of 38 employees. Four of those eight new positions are investigators. This has allowed us to conduct more investigations and increase enforcement. We now have three investigators who are also certified automotive technicians who assist with service and repair investigations and industry support.

In addition to enforcement, we are increasingly using education to achieve legislative compliance. Our investigators are working proactively with automotive dealers and repair shops to ensure regulatory requirements are met before enforcement is necessary.

The impact of the new administrative penalties enacted by the Government of Alberta in fall 2012 is still being assessed as the regulations are being finalized. However, the addition of administrative penalties will be another effective enforcement tool for AMVIC as it will result in more immediate consequences for violators of the *Fair Trading Act*.

Significant progress was also made with AMVIC's information technology infrastructure in 2012-13. Two data storage systems were set up to assist with business resumption planning and additional electronic systems are being developed for future online business registrations and sales licences. We currently have a ten-day turn around goal for issuing licences and moving to online licensing will certainly increase efficiency in that area.

We have also moved to more formal hearings for appeals by licensees or businesses of administrative decisions or orders under the *Fair Trading Act*. The number of hearings has been increasing and formalizing the process will ensure consistency, transparency and fairness.

With consumer and industry complaints rising steadily each year and becoming more complex, AMVIC will continue to be challenged to carry out its consumer protection mandate in the most efficient and effective ways possible.

I commend AMVIC staff for their excellent work and support they have shown me in my first year with the organization. I'm excited by the changes and enhancements we made in the previous year and I look forward to further opportunities in the coming year to do the best job possible of providing a fair marketplace for automotive consumers and businesses.

John Bachinski  
Executive Director



# 2012-13 Highlights

## Licensing

As of March 31, 2013, there were 6,811 businesses licensed and 9,757 salespeople registered with AMVIC. The objective of a ten-business day turnaround time to issue a business licence or salesperson registration was met 50% of the time in 2012-13.

Work also began this past year on developing an online application and renewal system, as well as planning for online accounts for businesses to allow for greater efficiency in updating addresses and salesperson authorizations.

Over the past year there were 117 administrative hearings held, eight business licences cancelled or refused and there were also eight salespeople registrations cancelled or refused. As well, there were 17 conditional licences and registrations issued.

## Investigations

There were 7,685 consumer complaints received in 2012-13, of which 6,921 were AMVIC related activities. This generated 2,042 investigation files and resulted in 75 charges being laid and \$2.1 million in restitution (obtained through mediation) for Alberta consumers who were victims of unfair trading practices. The total restitution paid out to consumers since 2001 is \$23.2 million. There was also \$450,900 in court-ordered restitution paid out for the year.

In 2012-13, AMVIC hired two automotive technicians in investigator positions to provide more industry knowledge when looking to a complaint.

## Compensation Fund

The compensation fund assists consumers who have suffered a loss from one of our Alberta licensees after that licensee is no longer in operation or unable to compensate the consumer. The fund allows the consumer to make a claim to obtain compensation of up to \$25,000. The fund was increased by \$500,000 in 2012-13 and now sits at \$2 million.

## Communications and Education

AMVIC has made its communications and education functions a priority over the last year and will continue to do so in 2013-14. The organization's new web site was launched on April 1, 2012 and the mandatory training program for automotive salespeople was updated to include the *In the Driver's Seat* video (which can also be viewed on AMVIC's web site) and a Q&A session with a senior investigator.

AMVIC was proud to be informed that, along with Service Alberta, it won an American Association of Motor Vehicle Administrators PACE award (Public Affairs and Consumer Education) for our *In the Driver's Seat* video which was produced in 2012.

The organization is also increasing its use of social media (Facebook and Twitter) and publishes an industry newsletter, *Impact*, four times a year. *Impact* will move from a print publication to electronic at the beginning of 2014.

# AMVIC

## Key Numbers

	2009	2010	2011	2012	2013
Business Licences	6,108	6,319	6,489	6,594	6,811
Salespeople	8,737	8,722	8,931	9,128	9,757
Course attendees	1,684	1,487	1,661	1,536	2,025
Revenue	\$2,537,000	\$2,504,146	\$4,378,909	\$5,465,308	\$5,823,470
Surplus / (Deficit)	(\$298,000)	(\$332,000)	\$1,566,716	\$1,973,648	\$1,945,656
Employees	26	24	29	30	38
Consumer Restitution	\$2,056,189	\$2,071,803	\$1,956,637	\$1,880,451	\$2,100,575

**Total consumer restitution since inception: \$23,162,274**

# Board of Directors

**KEITH WILLIAMS**

**BOARD CHAIR**  
Industry-at-Large  
Edmonton

**PAT ASPLUND**

**TREASURER**  
Industry-at-Large – Used Sales  
Lethbridge

**RAI BATRA**

Public Member  
Edmonton

**DON DIXON**

Industry-at-Large – Salesperson  
Calgary

**WADE MICHENER**

Auctioneers Association of Alberta  
Calgary

**REG PATTEMORE**

Motor Dealers' Association of Alberta  
Calgary

**WAYNE PAULSEN**

Industry-at-Large – Service & Repair  
Edmonton

**DOUG PINNEY**

Recreational Vehicle Dealers Association of Alberta  
Edmonton

**BOB SPRAGUE**

Public Member  
Calgary

**NANCY SURANYI**

Industry-at-Large  
Nanaimo

**ED WIERMSMA**

Alberta Automotive Recyclers & Dismantlers  
Edmonton

# The AMVIC Team

## Executive Office

John Bachinski, EXECUTIVE DIRECTOR  
Rhonda Varley, EXECUTIVE ASSISTANT/BOARD SECRETARY

## Licensing (Edmonton)

Bradley Emms, MANAGER  
Brandy Bolinski  
Heidi Callaghan  
Candace Cowieson  
Cindy Hogg  
Kristina Johnstone  
Samantha Lapawa  
Wanda Neufeld  
Linda Rutherford  
Genevieve Therrien

## Investigations

### Edmonton:

LuAnne Sirdiak,  
SENIOR MANAGER  
Dave Cooper  
Rudy Desmeules  
Craig Dockery  
Wanda McIntyre  
Floyd Schick  
Amanda Sinclair  
Rick Thiessen

### Calgary:

Jan Broer  
MANAGER  
Darcy Allen  
Ronald Bunz  
Robyn Diddams  
Gary Kaluta  
Lance Knight  
Owen Michaluk

## Finance/Compensation Fund

Bruce Boychuk, CHIEF FINANCIAL OFFICER  
Roxanne Spiess, COMPENSATION FUND COORDINATOR  
Valerie Nickerson

## Communications/ Education

(Vacant), COMMUNICATIONS MANAGER  
Belinda Brandt  
Fred Partridge  
Andrea Matosevic

## Offices

### Edmonton

#303, 9945 - 50th Street,  
Edmonton, AB T6A 0L4  
T: 780.466.1140 or 1.877.979.8100 F: 780.462.0633

### Calgary

Suite 205, Southland Tower  
10655 Southport Road SW  
Calgary, AB T2W 4Y1  
T: 1.877.279.8200 F: 780.252.4636

## Website

[www.amvic.org](http://www.amvic.org)



# Financial Statements

## Alberta Motor Vehicle Industry Council

March 31, 2013

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## Independent Auditor's Report

Grant Thornton LLP  
1701 Scotia Place 2  
10060 Jasper Avenue NW  
Edmonton, AB  
T5J 3R8  
T (780) 422-7114  
F (780) 426-3208  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

To the Members of the  
Alberta Motor Vehicle Industry Council

We have audited the accompanying financial statements of the Alberta Motor Vehicle Industry Council (the "Council"), which comprise the balance sheets as at March 31, 2013, March 31, 2012, and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2013, March 31, 2012, and April 1, 2011, and the results of its operations, changes in net assets and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Canada

June 13, 2013

Chartered Accountants



# Statements of Operations

Year Ended March 31

<b>REVENUES</b>	<b>2013</b>	<b>2012</b>
License fees	2,722,991	2,605,092
Sales levy	2,699,710	2,535,947
Course fees	336,520	286,950
Other income	17,764	9,598
Interest income	46,485	27,721
<b>TOTAL REVENUES</b>	<b>\$5,823,470</b>	<b>\$5,465,308</b>
<b>EXPENDITURES</b>		
Amortization	160,435	137,904
Audit	14,832	14,833
Communications	94,289	106,593
Computer	88,013	71,888
Compensation fund claim pay out (Note 4)	2,537	-
Education	119,280	107,520
Finance charges	40,258	37,407
Insurance	13,149	10,592
Labour	2,707,696	2,441,935
Legal fees	25,820	10,688
Office	94,489	62,795
Postage and courier	67,889	69,756
Professional services	28,647	9,869
Rent	241,310	215,168
Staff training and recruitment	6,832	13,990
Telecommunications	56,386	54,866
Travel	153,537	126,644
(Gain) on sale of capital assets	(37,585)	(788)
<b>TOTAL EXPENDITURES (NOTE 6)</b>	<b>\$3,877,814</b>	<b>\$3,491,660</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$1,945,656</b>	<b>\$1,973,648</b>

See accompanying notes to the financial statements.

# Statements of Changes in Net Assets

Year Ended March 31

	Unrestricted	Compensation Fund (Note 4)	Internally Restricted (Note 4)	Invested in Capital Assets	TOTAL
<b>NET ASSETS, April 1, 2011</b>	<b>1,702,992</b>	<b>-</b>	<b>446,109</b>	<b>268,433</b>	<b>2,417,534</b>
Excess (deficiency) of revenues over expenditures	2,111,552	-	-	(137,904)	1,973,648
Net investment in capital assets	(227,776)	-	-	227,776	-
Inter-fund transfer (Note 4)	(1,953,891)	1,500,000	453,891	-	-
<b>NET ASSETS, March 31, 2012</b>	<b>1,632,877</b>	<b>1,500,000</b>	<b>900,000</b>	<b>358,305</b>	<b>4,391,182</b>
Excess (deficiency) of revenues over expenditures	2,108,628	(2,537)	-	-(160,435)	1,945,656
Net investment in capital assets	(270,637)	-	-	270,637	-
Inter-fund transfer (Note 4)	(502,537)	502,537	-	-	-
<b>NET ASSETS, March 31, 2013</b>	<b>\$2,968,331</b>	<b>\$2,000,000</b>	<b>\$900,000</b>	<b>\$468,507</b>	<b>\$6,336,838</b>

See accompanying notes to the financial statements.

# Balance Sheets

Year Ended March 31

	March 31, 2013	March 31, 2012	April 1, 2012
<b>ASSETS</b>			
Current			
Cash and cash equivalents	3,117,730	1,630,110	292,668
Accounts receivable	592,254	532,750	408,338
Prepays	58,071	48,515	37,525
Compensation fund reserve (Note 4)	-	-	1,100,000
Short-term restricted investments (Note 4)	177,857	159,031	-
	<b>\$3,945,912</b>	<b>\$2,370,406</b>	<b>\$1,838,531</b>
Restricted cash (Note 7)	101,086	101,365	100,484
Long-term restricted investments (Note 4)	2,144,837	1,825,577	446,109
Capital assets (Note 5)	468,507	358,305	268,433
	<b>\$6,660,342</b>	<b>\$4,655,653</b>	<b>\$2,653,557</b>
<b>LIABILITIES</b>			
Current			
Accounts payable and accruals	178,040	124,458	105,932
Deferred course fee revenue	44,378	38,648	29,608
	<b>\$222,418</b>	<b>\$163,106</b>	<b>\$135,540</b>
Long term deposits (Note 7)	101,086	101,365	100,484
	<b>\$323,504</b>	<b>\$264,471</b>	<b>\$236,024</b>
<b>NET ASSETS</b>			
Compensation fund (Note 4)	2,000,000	1,500,000	-
Invested in capital assets	468,507	358,305	268,432
Internally restricted (Note 4)	900,000	900,000	446,109
Unrestricted	2,968,331	1,632,877	1,702,992
	<b>\$6,336,838</b>	<b>\$4,391,182</b>	<b>\$2,417,533</b>
	<b>\$6,660,342</b>	<b>4,655,653</b>	<b>\$2,653,557</b>

On behalf of the board:

Commitments (Note 9)

Original signed by \_\_\_\_\_ Keith Williams , Director

Original signed by \_\_\_\_\_ Pat Asplund, Director

See accompanying notes to the financial statements.

# Statements of Cash Flows

Year Ended March 31

	2013	2012
<b>Increase (decrease) in cash and cash equivalents</b>		
<b>OPERATING</b>		
Excess of revenues over expenditures	\$1,945,656	\$1,973,648
Items not affecting cash:		
Amortization	160,435	137,904
Unrealized gain on investments	(1,906)	(3,124)
Gain on disposal of capital assets	(37,585)	(778)
	<u>2,066,600</u>	<u>2,107,650</u>
Change in non-cash operating items:		
Accounts receivable	(59,504)	(124,412)
Prepays	(9,556)	(10,990)
Accounts payable and accruals	53,582	18,526
Deferred course fee revenue	5,730	9,040
	<u>2,056,852</u>	<u>1,999,814</u>
<b>Investing</b>		
Proceeds from the disposal of capital assets	75,643	28,460
Net purchase of investments	(336,180)	(435,375)
Purchase of capital assets	(308,695)	(255,457)
	<u>(569,232)</u>	<u>(662,372)</u>
<b>Net increase in cash and cash equivalents</b>	<b>1,487,620</b>	<b>1,337,442</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>1,630,110</u>	<u>292,668</u>
End of year	<b>\$3,117,730</b>	<b>\$1,630,110</b>

See accompanying notes to the financial statements.



# Notes to the Financial Statements

## 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's mandate is 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 Ministry of Government Services) as of October 1, 2012. This agreement expires on September 30, 2015. The future viability of the Council is dependent upon a contract extension with Service Alberta.

The Minister of Service Alberta has extended the current vehicle sales levy and license fee model which is charged by the Council for the foreseeable future.

## 2. First-time adoption of accounting standards for not-for-profit organizations

These financial statements are the first financial statements for which the Council has applied the Canadian accounting standards for not-for-profit organizations ("ASNPO"). The financial statements for the year ended March 31, 2013 were prepared in accordance with ASNPO. Comparative figure information presented for the year ended March 31, 2012 was prepared in accordance with ASNPO and the provisions set out in Section 1501 First-time adoption by not-for-profit organizations.

The date of transition to ASNPO is April 1, 2011. The Council's transition from Canadian generally accepted

accounting principles ("previous GAAP") to ASNPO has had no significant impact on the opening net assets as at April 1, 2011 or the statement of operations for the year ended March 31, 2012 or the statement of cash flows for the year ended March 31, 2012.

As a result, the reconciliations and disclosures required by Section 1501 First-time adoption by not-for-profit organizations for the net assets at the transition date, the comparative period statement of operations and cash flow statement are not necessary and have not been presented in these financial statement notes.

## 3. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with ASNPO and include the following significant accounting policies:

### Use of estimates

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, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results could differ from those estimates.

Significant estimates included in these financial statements are the completeness of sales levy revenue receivables, amortization basis for capital assets, impairment test for long-lived assets, and valuation of allowance for doubtful accounts receivable.

# Notes to the Financial Statements

*Continued*

## 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. Included in cash and cash equivalents is \$577,306 (March 31, 2012 - \$415,392, April 1, 2011 - \$nil) related to the restricted net assets (Note 4).

## Investments

Investments are related to the restricted net assets (Note 4). Short-term investments consist of investments with maturity dates within one year.

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 are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

At each reporting date, the Council measures its financial assets and liabilities at cost or amortized cost using the effective interest method (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value. All changes in fair value of the investments in equities quoted in an active market are recorded in the statement of operations. The Council uses the effective interest method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, accounts

receivable, restricted cash, short-term and long-term investments, accounts payable and accruals. The carrying value of financial instruments approximates their fair value unless otherwise noted.

For financial assets measured at cost or amortized cost, the Council regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Council determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

## 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 the license is issued.

The Council also derives revenue from collecting a sales levy per vehicle sold by automotive businesses and salespeople. Revenue from sales levies are recognized at the time of sale of the vehicle.

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.

# Notes to the Financial Statements

*Continued*

## 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

## Impairment of long-lived assets

The Council tests for impairment when events or changes in circumstances indicate the carrying amount of an item or class of capital assets may not be recoverable. Recoverability is determined by comparing the carrying amount of the asset to the undiscounted future cash flows expected from use and eventual disposition of the asset. In such situations, the asset is measured at its fair value and presented in the balance sheet at the lower of the fair value or carrying amount.

## 4. Restricted net assets

The restricted net assets include reserves restricted for various purposes:

	March 31, 2013	March 31, 2012,	April 1, 2011
Internally restricted funds			
Restricted operating fund	\$800,000	\$800,000	\$446,109
Legal fund	\$100,000	\$100,000-	
	\$900,000	\$900,000	\$446,109
Compensation Fund	\$2,000,000	\$1,500,000	-

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 for the amount of \$800,000 (March 31, 2012 - \$800,000, April 1, 2011 - \$446,109).
- Amounts restricted by the Council's Board of Directors for the purposes of a contingency legal fund, for the amount of \$100,000 (March 31, 2012 - \$100,000, April 1, 2011 - \$nil).

During fiscal 2012, the Board of Directors internally restricted funds of \$353,891 to increase the restricted operating fund to \$800,000 and restricted \$100,000 for a legal contingency fund. The internally restricted amounts are not available for use without the prior approval of the Board of Directors. These funds must also be invested in low risk investments such as a GIC, Treasury bill or bond.

The Compensation fund was launched on January 1, 2012 and has been fully operational since March 31, 2012. On April 1, 2011, the Board of Directors earmarked \$1,100,000 towards the fund and built the fund to \$1,500,000 during 2012, which once reached, was restricted by the Council's Board of Directors and cannot be used for any other purpose other than to pay out claims to consumers who have suffered a loss arising from an act or omission during an automotive transaction. These funds must be invested in low risk investments such as a GIC, Treasury bill or bond.

During the year, the Board of Directors approved a compensation fund claim pay out for the amount of \$2,537 (2012 - \$nil), and approved a transfer of \$502,537 (2012 - \$1,500,000) from the unrestricted net assets to the compensation fund to maintain the compensation fund at the balance of \$2,000,000 on March 31, 2013 (March 31, 2012 - \$1,500,000; April 1, 2011 - \$nil).

Additional funds in excess of the \$1,500,000 may, with the prior permission of the Board of Director, be used for providing information relating to the automotive business to consumers and persons engaged in the automotive business, and paying the costs of investigations for which the Council is responsible.

# Notes to the Financial Statements

*Continued*

## 5. Capital assets

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>March 31, 2013 Net Book Value</b>
Computer hardware	\$224,458	\$182,937	<b>\$41,521</b>
Computer software	183,497	139,052	<b>44,445</b>
Furniture and fixtures	193,360	123,506	<b>69,854</b>
Automotive equipment	414,640	124,586	<b>290,054</b>
Leasehold improvements	140,582	117,949	<b>22,633</b>
	<b>\$1,156,537</b>	<b>\$688,030</b>	<b>\$468,507</b>

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>March 31, 2012 Net Book Value</b>
Computer hardware	\$189,351	\$162,472	\$26,879
Computer software	157,673	112,009	45,664
Furniture and fixtures	165,284	113,865	51,419
Automotive equipment	342,763	135,165	207,598
Leasehold improvements	120,149	93,404	26,745
	<b>\$975,220</b>	<b>\$616,915</b>	<b>\$358,305</b>

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>April 1, 2011 Net Book Value</b>
Computer hardware	\$177,962	\$156,804	\$21,158
Computer software	118,511	92,824	25,687
Furniture and fixtures	140,151	107,859	32,292
Automotive equipment	265,617	122,306	143,311
Leasehold improvements	120,149	74,164	45,985
	<b>\$822,390</b>	<b>\$553,957</b>	<b>\$268,433</b>



# Notes to the Financial Statements

*Continued*

## 6. Nature of expenditures

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

	<b>2013</b>	2012
Licensing, registration and financial administration	<b>39%</b>	27%
Complaint management, investigation and enforcement	<b>46%</b>	55%
Education and Communications	<b>10%</b>	13%
Compensation fund	<b>2%</b>	2%
Board of Directors	<b>3%</b>	3%

## 7. Long term deposits

The Council holds security deposits totalling \$100,000 from businesses participating in consignment activity. The deposits are maintained until a claim is made against the security, over two years following the removal of consignment sales, or the closure of the licensee's business. All interest received on the cash is repaid to the depositor within 60 days after March 31 of each fiscal year. These amounts including accrued interest are shown as restricted cash and long term deposits.

## 8. Employee future benefits

The Council sponsors a registered retirement savings plan for its employees. The employer's portion of contributions is computed as a percentage of compensation. The expense recorded in relation to the employer's contribution for the year ended March 31, 2013 was \$182,880 (2012 - \$163,406).

## 9. Commitments

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

2014	\$ 123,199
2015	117,354
2016	117,354
2017	29,840
2018	4,973