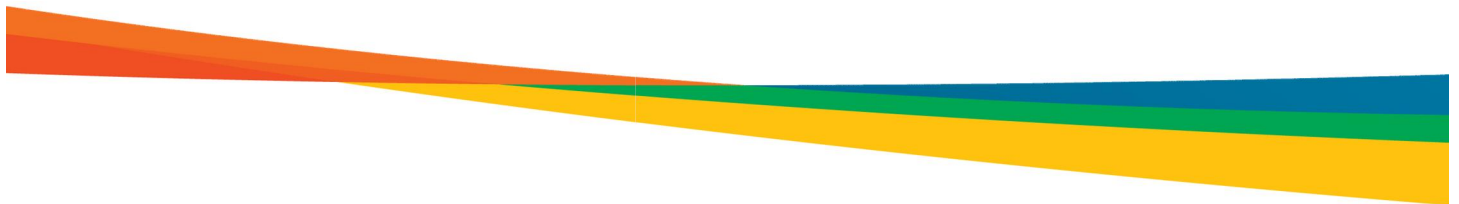


# **FINANCIAL STATEMENTS**

**December 31, 2018**



**CONSUMER  
PROTECTION BC**

# Independent auditor's report

To the Members of Consumer Protection BC

## Opinion

We have audited the financial statements of Consumer Protection BC (the Authority"), which comprise the statement of financial position as at December 31, 2018, 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 Consumer Protection BC as at December 31, 2018, and its 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 Authority 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 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.

In preparing the financial statements, management is responsible for assessing the Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

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

## 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 Authority'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 Authority'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 Authority 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.

Victoria, Canada  
March 5, 2019

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants

**Consumer Protection BC**  
**Statement of Financial Position**  
**As at December 31, 2018**

	2018	2017
<b>Assets</b>		
Cash	\$ 1,613,586	\$ 1,143,735
Security held as cash (Note 3)	944,507	3,622,507
Trade and other receivables	387,184	250,616
Prepaid expenses	117,074	98,326
Short term investments (Note 4)	369,678	486,070
Security held as short term investments (Note 3)	1,500,000	-
	<b>4,932,029</b>	<b>5,601,254</b>
Investments (Note 5)	2,735,095	2,624,796
Security held as investments (Note 3)	1,500,000	-
Tangible capital assets (Note 7)	807,915	1,121,753
<b>Total Assets</b>	<b>\$ 9,975,039</b>	<b>\$ 9,347,803</b>
<b>Liabilities</b>		
Trade and other payables	\$ 261,720	\$ 222,395
Wages and benefits payable (Note 9)	305,230	257,299
Security payable (Note 3)	3,944,507	3,622,507
Deferred revenue (Note 10)	1,627,638	1,509,247
Current portion of deferred liabilities (Note 11)	18,417	18,417
	<b>6,157,512</b>	<b>5,629,865</b>
Retirement Allowance (Note 12(b))	108,138	100,098
Deferred liabilities (Note 11)	6,139	24,556
<b>Total Liabilities</b>	<b>6,271,789</b>	<b>5,754,519</b>
<b>Net Assets</b>	<b>3,703,250</b>	<b>3,593,284</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,975,039</b>	<b>\$ 9,347,803</b>

Lease obligation and commitments (Note 8)

Approved by:



Chair, Board of Directors



President and CEO

**Consumer Protection BC**  
**Statement of Operations and Net Assets**  
**For the year ended December 31, 2018**

	2018	2017
<b>Revenue</b>		
Licences, classification, and other fees and charges	\$ 5,854,223	\$ 5,589,725
Recoveries	230,122	187,921
Interest, investment and other income (Note 13)	124,776	307,900
	<b>6,209,121</b>	<b>6,085,546</b>
<b>Expenses</b>		
Accounting and legal	166,669	74,833
Amortization	412,609	462,288
Banking and service charges	98,684	95,665
Communications	37,252	63,264
Contract services	146,371	179,668
Governance	169,672	180,294
Information systems and telecommunication	109,020	145,370
Insurance	71,951	66,996
Office	114,897	109,668
Professional development	56,893	48,936
Rent - premises	584,575	568,590
Travel	76,060	91,754
Wages and benefits	4,046,635	4,085,882
	<b>6,091,288</b>	<b>6,173,208</b>
<b>Excess/(deficiency) of revenues over expenses from operations</b>	<b>117,833</b>	<b>(87,662)</b>
<b>Other income</b>		
Loss on disposition of tangible capital assets	(7,867)	-
<b>Excess /(deficiency) of revenues over expenses</b>	<b>109,966</b>	<b>(87,662)</b>
<b>Net assets, beginning of year</b>	<b>3,593,284</b>	<b>3,680,946</b>
<b>Net assets, end of year</b>	<b>\$ 3,703,250</b>	<b>\$ 3,593,284</b>

# Consumer Protection BC

## Statement of Cash Flows

For the year ended December 31, 2018

	2018	2017
<b>Cash flow from operating activities</b>		
Cash received for:		
Licences, classification, and other fees and charges	\$ 5,978,823	\$ 5,847,966
Recovery of administration, investigation and enforcement	199,148	206,446
Interest from bank accounts	50,110	48,634
Investment and other income	101,489	94,012
Travel agent and debt collector securities (Note 3)	322,000	670,000
	<u>6,651,570</u>	<u>6,867,058</u>
Cash paid for:		
Wages and benefits	(3,990,664)	(4,328,461)
Goods and services	(1,702,256)	(1,664,723)
	<u>(5,692,920)</u>	<u>(5,993,184)</u>
<b>Total cash flow from operating activities</b>	<b>958,650</b>	<b>873,874</b>
<b>Cash flow from investing activities</b>		
Cash paid for acquisition of investments	(4,119,963)	(1,258,759)
Cash received from sale of investments	1,063,783	1,197,069
Cash paid for acquisition of tangible capital assets	(95,805)	(448,640)
Cash received from sale of tangible capital assets	500	2,547
	<u>(3,151,485)</u>	<u>(507,783)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,192,835)</b>	<b>366,091</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>4,780,090</b>	<b>4,413,999</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,587,255</b>	<b>\$ 4,780,090</b>
<b>Cash and cash equivalents comprised of:</b>		
Cash	\$ 1,613,586	\$ 1,143,735
Security held as cash (Note 3)	944,507	3,622,507
Cash in short-term investments (Note 4)	29,162	13,848
	<u>\$ 2,587,255</u>	<u>\$ 4,780,090</u>

# Consumer Protection BC

## Notes to the Financial Statements

### For the Year Ended December 31, 2018

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#### 1. Purpose of the organization

The Business Practices and Consumer Protection Authority (“the Authority”) was established on March 31, 2004 under the *Business Practices and Consumer Protection Act* of British Columbia as a not-for-profit corporation without share capital. After a rebranding process on August 24, 2009, the Authority commenced doing business as Consumer Protection BC.

As outlined in an administrative agreement with the Ministry of Public Safety and Solicitor General, the responsibilities of Consumer Protection BC are to deliver consumer protection services throughout British Columbia, to promote fairness and understanding in the marketplace and to administer in the public interest any Act for which the administration has been delegated. Consumer Protection BC is classified as a public body for income tax purposes and therefore is not subject to income taxes.

#### 2. Significant accounting policies

The financial statements of Consumer Protection BC have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. As a result, these financial statements are in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The following significant accounting policies have been adopted by the organization:

##### (a) Financial instruments

Consumer Protection BC’s financial instruments consist of cash, security held as cash, trade and other receivables, short term investments, guaranteed investment certificates, bonds, preferred shares, equities, accrued investment income receivable, trade and other payables and security deposits payable:

##### i. Cash

Cash includes balances held at Canadian financial institutions for the purpose of meeting short-term cash commitments.

##### ii. Short-term investments

Short-term investments include cash, guaranteed investment certificates and bonds with terms to maturity less than one year at December 31, 2018, and accrued investment income receivable, held for investing.

##### iii. Investments

Investments include guaranteed investment certificates and bonds with terms to maturity greater than one year at December 31, 2018, preferred shares and equities.

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

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**2. Significant accounting policies cont.**

(a) Financial instruments (continued)

Financial assets purchased and sold, where the contract requires the asset to be delivered within an established timeframe, are recognized on a settlement-date basis. Financial assets with actively traded markets are reported at fair value determined on the last business day of the fiscal period, with any unrealized gains or losses reported as income. All other financial instruments are reported at amortized cost, and assessed for impairment at each reporting date. Transaction costs are expensed as incurred.

The financial assets and financial liabilities of Consumer Protection BC are classified and measured as follows:

Assets/liabilities	Measurement
Cash	Fair value
Security held as cash	Fair value
Short term investments	Fair value
Investments	Fair value
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost

(b) Tangible capital assets

Tangible capital assets are recorded at cost. Expenditures for additions and expenditures which substantially increase the useful life of existing assets are capitalized. Amortization is calculated at the following annual rates:

Asset	Rate
Furniture and equipment	20% declining balance
Computer hardware and software	30% declining balance
Telecommunications equipment	30% declining balance
Automotive equipment	30% declining balance
Leasehold improvements	Straight line over the term of the lease

(c) Revenue recognition

Consumer Protection BC follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the period 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.



**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

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**2. Significant accounting policies cont.**

(c) Revenue recognition (continued)

Tangible capital assets contributed or externally restricted contributions for the purchase of tangible capital assets are deferred and amortized over the life of the related tangible capital asset. Unamortized deferred capital contributions relating to tangible capital asset dispositions are recognized as revenue in the period of disposal, provided that Consumer Protection BC is in compliance with all restrictions.

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding.

Unrestricted interest, investment and recoveries income is recognized as revenue when earned.

Licence fees are recognized on a straight line basis as revenue throughout the period the licence is valid.

Classification fees are recognized when earned.

(d) Accounts receivable

Consumer Protection BC conducts credit business with film distributors for film classification services. Ongoing credit evaluations are performed on customers and prepayment is required in the event of unsatisfactory payment history. An allowance for doubtful accounts for estimated losses due to the inability of customers to make payments is maintained. The allowance is adjusted periodically based on the best estimate of bad debt write offs.

(e) Employee benefit plan

i. Pension plan

Consumer Protection BC and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pensions Act*. The Pension Corporation of British Columbia administers the Plan including the payment of pension benefits on behalf of employers and employees to whom the Act applies. The pension plan is a multi-employer defined benefit plan.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation (March 31, 2017) has determined that the plan has a surplus of \$1.9 billion.

The pension plan liability or surplus rests with the Pension Corporation of British Columbia and does not belong to Consumer Protection BC. As such, defined contribution plan accounting is applied to this benefit plan and the costs of these employee future benefits is recognized as an expense in the year that contributions are made.

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

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**2. Significant accounting policies cont.**

(e) Employee benefit plan (continued)

ii. Defined supplemental retirement benefit plan

The supplemental retirement benefit plan payable at retirement is based on the employee's service and earnings projected to retirement. For employees currently not yet eligible to retire and receive the retirement benefit on the year-end date, the benefit is then prorated by the ratio of their service to date over their total service at the time of retirement. The prorated benefit represents the portion of the benefit accrued to the year-end date. For employees eligible to receive the retirement benefit at the year-end date, the expected retiring benefit payment has been included in the accrued liability. The value of the benefit is calculated based on the likelihood that the member will retire from the plan and discounted with interest to the current date.

(f) Long-term disability

Consumer Protection BC contributes to the Public Service Long-term Disability Multiemployer Plan, as a member of an employer group. The long-term disability plan liability rests with the Province of BC and is not a liability of Consumer Protection BC. As such, defined contribution plan accounting is applied to this benefit plan and the cost of these employee future benefits is recognized as an expense in the year that contributions are made.

(g) Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized as part of the carrying amount of the long-lived assets and amortized over the life of the asset. At this time, Consumer Protection BC has determined that there are no significant asset retirement obligations.

(h) Use of estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. This includes, but is not limited to the collection of receivables, useful lives of tangible capital assets and the accrual of liabilities, such as the defined supplemental retirement benefit.

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**3. Security payable**

Under Section 14(2) of the Travel Industry Regulation, licensed travel agents in BC must provide security to Consumer Protection BC prior to the issuance of a licence. The security may be provided in the form of cash, letter of credit or approved investments. Security provided in the form of cash is held in a separate bank account and returned six months after the licence is cancelled if there are no outstanding claims against the security. If claims are made by consumers for travel services that were prepaid but not received, the security is used to reimburse the Travel Assurance Fund for the claims. The licensee has the opportunity to reimburse the Travel Assurance Fund prior to the security becoming realized.

Under Section 12(1) of the Debt Collection Industry Regulation, licensed debt collectors in BC must provide security to Consumer Protection BC prior to the issuance of a licence. The security may be provided in the form of cash, letter of credit or approved investments. Security provided in the form of cash is held in a separate bank account and returned two years after the licence is cancelled if there are no outstanding claims against the security.

	Debt		Travel		Total
Balance, beginning of year	\$	137,507	\$	3,485,000	\$ 3,622,507
Receipt		82,000		510,000	592,000
Refund		(20,000)		(250,000)	(270,000)
Balance, end of year	\$	199,507	\$	3,745,000	\$ 3,944,507
					<b>Total</b>
Security held as cash				\$	944,507
Security held as short-term investments					1,500,000
Security held as investments					1,500,000
					\$ 3,944,507

**4. Short-term investments**

Short-term investments are carried at fair value in accordance with the significant accounting policy disclosed in Note 2(a).

	2018		2017	
Cash	\$	29,162	\$	13,848
Accrued investment income receivable		12,941		9,828
Guaranteed investment certificates		182,500		361,915
Bonds		145,075		100,479
	\$	369,678	\$	486,070

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**5. Investments**

Investment are carried at fair value in accordance with the significant accounting policy disclosed in Note 2(a).

	2018	2017
Guaranteed investment certificates	\$ 586,000	\$ 345,000
Bonds	441,909	370,390
Preferred shares	298,444	298,082
Canadian equities	835,126	1,067,395
Foreign equities	573,616	543,929
	\$ 2,735,095	\$ 2,624,796

**6. Operating line of credit**

Consumer Protection BC maintains an operating line of credit in the amount of \$1,000,000 with Scotiabank. The credit facility bears interest at Scotiabank's prime rate. As of December 31, 2018, there were no borrowings under the line of credit (2017: \$Nil).

**7. Tangible capital assets**

	Cost	Accumulated Amortization	Net Book Value	2018	2017
Furniture and equipment	\$ 647,057	\$ 474,539	\$ 172,518	\$ 184,085	
Computer hardware and software	1,990,391	1,382,359	608,032	782,029	
Telecommunications equipment	24,952	24,952	-	-	
Automotive equipment	93,858	66,493	27,365	39,092	
Leasehold improvements	756,834	756,834	-	116,547	
	\$ 3,513,092	\$ 2,705,177	\$ 807,915	\$ 1,121,753	

**8. Lease obligation and commitments**

Consumer Protection BC has entered into lease agreements for its premises. Future minimum lease payments are as follows:

	Total Future Commitments
2019	\$ 352,375
2020	331,687
2021	228,246
2022	228,246
2023	228,246
Thereafter	1,259,579
	\$ 2,628,379

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**9. Wages and benefits payable**

Wages and benefits payable represents Consumer Protection BC's obligations for employee benefits that are expected to be settled during the next 12 months. The liabilities recognized for wages and benefits consist of the following amounts:

		<b>2018</b>		<b>2017</b>
Salaries payable	\$	245,769	\$	195,390
Employee leave liability		58,788		61,306
WCB and source deductions payable		673		603
	\$	305,230	\$	257,299

**10. Deferred revenue**

Deferred revenue consists of funds received for licences issued that are in effect for all or part of the next fiscal year. The balance consists of the following unrecognized licence fees by industry:

		<b>2018</b>		<b>2017</b>
Cemetery/crematorium	\$	4,962	\$	5,355
Debt collection		663,992		563,522
Film distribution		123,281		104,542
Funeral services		67,421		62,901
Home inspectors		80,701		69,180
Payday lenders		416,932		440,160
Telemarketing		41,793		39,933
Travel		228,556		223,654
	\$	1,627,638	\$	1,509,247

**11. Deferred lease inducements**

Deferred lease inducements represent unamortized inducements received as part of the lease contracts on the Uptown premises. The deferred portion of these inducements will be recognized over the term of the lease contracts as a reduction of rent expense in future periods.

		<b>2018</b>		<b>2017</b>
Balance, beginning of year	\$	42,974	\$	86,306
Amortized to expense		(18,418)		(43,332)
Balance, end of year		24,556		42,974
Current portion		(18,417)		(18,417)
Long-term portion	\$	6,139	\$	24,556

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

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**12. Employee future benefits**

(a) Public service pension plan

Consumer Protection BC has a defined benefit plan providing pension and other retirement benefits to its employees. The plan is administered by the Pension Corporation of British Columbia. Eligible employees make contributions to the plan via payroll deductions.

The employer contribution rate to the Public Service Pension Plan is 9.85% of the pensionable salary. This rate has been in effect since April 1, 2018.

Consumer Protection BC recognized \$297,935 in employer contributions as an expense during the fiscal year (2017: \$313,424).

(b) Defined supplemental retirement benefit plan

In addition to the Public Service Pension Plan, eligible employees are entitled to a supplemental retirement benefit as provided for under the collective agreement and terms of employment. The retirement benefit is based on years of service and final average salary and paid through an unfunded Defined Supplemental Retirement Benefit Plan, which is administered by Consumer Protection BC.

An independent actuarial valuation of the Defined Supplemental Retirement Benefit Plan has not been performed, therefore the amount accrued as a liability at December 31, 2018 is management's best estimate based on the following assumptions:

	Assumption
Accrued benefit obligation	\$108,138
Discount rate	3.95%
Staff attrition rate	8% for staff with 10 years or greater year of service and 50% for staff with less than 10 years of service
Rate of compensation increase	2.0%

The full accrued benefit obligation has been recorded as a liability of Consumer Protection BC. Consumer Protection BC recognized \$8,040 (2017: \$4,329) as a supplemental retirement benefit expense during the fiscal year and made cash payments in the amount of \$Nil (2017: \$Nil).

(c) Long-term disability plan

A funded long-term disability, multi-employer plan provides disability income benefits after employment, but before retirement.

The contribution rate is 0.49% of the employees' salary (2017: 0.41%). The total contributions recognized as an expense in the year were \$14,569 (2017: \$15,334).

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

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**13. Interest, investment and other income**

Interest, investment and other income is presented net of investment fees and consists of the following amounts:

		2018		2017
Interest earned from bank account balances	\$	100,910	\$	48,634
Investment income net of fees		74,566		66,270
Other income		30,000		30,000
Investment realized (losses)/gains		(15,388)		11,883
Investment unrealized (losses)/gains		(65,312)		151,113
	\$	124,776	\$	307,900

**14. Financial risk management**

Consumer Protection BC adheres to an Investment Policy, which is approved by the Board of Directors, and outlines the objectives, policies, and processes related to its investing activities. The Investment Policy provides guidance on portfolio management and investment decisions.

Consumer Protection BC has exposure to the following risks from its use of financial instruments:

**(a) Credit risk**

Credit risk is the risk of financial loss to Consumer Protection BC if a counterparty to a financial instrument fails to meet its contractual obligations. Consumer Protection BC's investments in short term investments and investments are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value. Consumer Protection BC manages the risk by limiting the credit exposure allowed under the investment management guidelines in the Investment Policy. The Investment Policy mandates that the majority of the fixed-income portfolio will be invested in investment-grade securities and the maximum amount allowable per investment-grade non-government fixed-income security will be the greater of 10% of the portfolio or 15% of the fixed-income portfolio. The credit risk regarding cash and term deposits is considered to be negligible because they are held by a reputable financial institution with an investment grade external credit rating.

**(b) Liquidity risk**

Liquidity risk is the risk that Consumer Protection BC will not be able to meet its financial obligations as they become due. The Investment Policy states that about 5% of the investment portfolio should be held in cash or cash equivalents for operational requirements. Consumer Protection BC aims to retain a sufficient cash position to manage liquidity.

**14. Financial risk management cont.**

(c) Market risk

Market risk is the risk that changes in market prices, as a result of changes in foreign exchange rates, interest rates, and equity prices, that will affect Consumer Protection BC's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while achieving return objectives.

i. Currency risk

Investments in foreign securities are exposed to currency risk due to fluctuations in foreign exchange rates.

Consumer Protection BC is exposed to currency risk on its foreign securities as the prices denominated in foreign currencies are converted to Canadian dollars in determining fair value. The Investment Policy asset allocation statement sets a maximum of 30% of the value of the investment portfolio will be invested in foreign securities.

ii. Interest rate risk

Interest rate risk relates to the risk that changes in interest rates will affect the fair value or future cash flows of financial instruments. Consumer Protection BC is invested in a number of individual bonds.

Interest rate risk is managed by the investment managers staggering the maturity dates of the individual fixed-income investment holdings and having no fixed-income investments with a term to maturity greater than 10 years.

iii. Other price risk

The Investment Policy includes restrictions regarding minimum and maximum amount of cash and equivalents, fixed-income, Canadian equity and foreign securities. The diversification across various asset classes is designed to decrease the volatility of portfolio returns.



**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**15. Travel Assurance Fund**

The Travel Assurance Fund is established pursuant to Section 130(2) of the *Business Practices and Consumer Protection Act* ("Act") and is funded by required initial and annual contributions from licensees. It has been created to reimburse eligible consumers who have prepaid for travel services with a BC licensed travel agency, but did not receive the service. These compensation funds are to be maintained in trust and do not form part of the assets of Consumer Protection BC. The statement of financial position and statement of operations and fund balance of the Travel Assurance Fund at December 31, 2018 are as follows:

<b>Statement of Financial Position</b>	<b>2018</b>		<b>2017</b>	
Cash	\$	1,021,516	\$	978,415
Short-term investments (Note 15(a))		786,207		960,148
		1,807,723		1,938,563
Investments (Note 15(b))		4,052,667		3,921,280
<b>Total assets</b>	<b>\$</b>	<b>5,860,390</b>	<b>\$</b>	<b>5,859,843</b>
Trade and other payables	\$	18,838	\$	16,916
Due to Consumer Protection BC		25,046		4,156
<b>Total liabilities</b>		<b>43,884</b>		<b>21,072</b>
Fund balance		5,816,506		5,838,771
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>5,860,390</b>	<b>\$</b>	<b>5,859,843</b>
<b>Statement of Operations</b>	<b>2018</b>		<b>2017</b>	
Contributions	\$	195,145	\$	222,804
Interest and investment income (Note 15(c))		(23,889)		208,723
		171,256		431,527
Payment of claims (Note 15(d))		43,521		26,532
Administration (Note 19)		150,000		150,000
		193,521		176,532
(Deficiency)/excess of revenue over expenses		(22,265)		254,995
Fund balance, beginning of year		5,838,771		5,583,776
<b>Fund balance, end of year</b>	<b>\$</b>	<b>5,816,506</b>	<b>\$</b>	<b>5,838,771</b>

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

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**15. Travel Assurance Fund cont.**

(a) Short-term investments

Short-term investments of the Travel Assurance Fund are carried at fair value in accordance with the significant accounting policy disclosed in Note 2(a).

		<b>2018</b>		<b>2017</b>
Cash	\$	12,137	\$	5,308
Accrued investment income receivable		29,089		24,659
Guaranteed investment certificates		439,500		636,078
Bonds		305,481		294,103
	\$	786,207	\$	960,148

(b) Investments

Investment of the Travel Assurance Fund are carried at fair value in accordance with the significant accounting policy disclosed in Note 2(a).

		<b>2018</b>		<b>2017</b>
Guaranteed investment certificates	\$	1,457,000	\$	929,000
Bonds		1,064,972		1,363,221
Preferred shares		474,850		495,617
Canadian equities		795,252		1,133,442
Foreign equities		260,593		-
	\$	4,052,667	\$	3,921,280

(c) Interest and investment income

Interest and investment income is presented net of investment fees and consists of the following amounts:

		<b>2018</b>		<b>2017</b>
Investment income net of fees	\$	117,694	\$	118,624
Interest earned from bank account balances		18,648		10,386
Investment realized losses		(29,271)		(264)
Investment unrealized (losses)/gains		(130,960)		79,977
	\$	(23,889)	\$	208,723

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

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**15. Travel Assurance Fund cont.**

(d) Payment of claims

The Travel Assurance Fund paid out or was due to pay out \$43,521 (2017: \$26,532) in reimbursements for eligible claims. The maximum amount that may be paid from the fund to a claimant in respect of a claim is \$5,000 for each person covered by the claim. Approved claims may include more than one person resulting in a payment greater than \$5,000 per claim.

Failed Supplier	Approved Claims		Payments
Kimiya Travel Ltd.	18	\$	41,777
Golden Travel Ltd.	1		1,460
Island Air	1		284
	20	\$	43,521

(e) Claims payable in subsequent period

The Travel Assurance Fund has received an additional 123 claims from consumers totaling \$591,366 related to disputes with licensed travel agents and related to the suspension or cancellation of the licence for Sinorama Travel Vancouver Inc. Consumer Protection BC has not yet made a determination on eligibility of claims for compensation by the Travel Assurance Fund. Therefore, the amount of claims to be approved by the trustee and recognized as payable is not determinable.

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

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**16. Consumer Advancement Fund**

The Consumer Advancement Fund is established pursuant to Section 139(1) of the *Business Practices and Consumer Protection Act* ("Act") and is funded by proceeds from court ordered actions taken against violators of the Act and various administrative penalties. It is created to fund education of consumers and suppliers on compliance with the Act. These funds are maintained in trust and administered by and do not form part of the assets of Consumer Protection BC. The statement of financial position and statement of operations and fund balance of the Consumer Advancement Fund at December 31, 2018 are as follows:

<b>Statement of Financial Position</b>		<b>2018</b>		<b>2017</b>	
Cash	\$	349,820	\$	299,470	
Due from Consumer Protection BC		17,900		28,747	
Total assets	\$	367,720	\$	328,217	
Fund balance	\$	367,720	\$	328,217	
Total fund balance	\$	367,720	\$	328,217	
<b>Statement of Operations</b>		<b>2018</b>		<b>2017</b>	
Revenue	\$	45,250	\$	55,494	
Interest		6,103		3,562	
		51,353		59,056	
Expenses		11,850		81,579	
Excess/(deficiency) of revenue over expenses		39,503		(22,523)	
Fund balance, beginning of year		328,217		350,740	
Fund balance, end of year	\$	367,720	\$	328,217	

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

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**17. Recoveries Fund**

Recoveries consist of cost recoveries from legal actions and settlements Consumer Protection BC managed on behalf of consumers. Pursuant to a court order or consent agreement, Consumer Protection BC is authorized to deduct the costs it has incurred from the gross settlement proceeds prior to distributing the net amount to the damaged parties. Settlement amounts will vary from year-to-year depending upon the results of the actions taken. The statement of financial position and statement of operations and fund balance of the Recoveries Fund at December 31, 2018 are as follows:

<b>Statement of Financial Position</b>		<b>2018</b>		<b>2017</b>	
Cash	\$	506,098	\$	-	
Trade and other receivables		763		-	
Total assets	\$	560,861	\$	-	
Trade and other payables	\$	559,541	\$	-	
Fund balance		1,320		-	
Total liabilities and fund balance	\$	560,861	\$	-	
<b>Statement of Operations</b>		<b>2018</b>		<b>2017</b>	
Revenue	\$	1,320	\$	-	
Expenses (Note 19)		-		-	
Excess of revenue over expenses		1,320		-	
Fund balance, beginning of year		-		-	
Fund balance, end of year	\$	1,320	\$	-	

**18. Compliance Order Trust**

A Supplemental Compliance Order (the "Order") dated November 30, 2012 was issued by Consumer Protection BC under the *Business Practices and Consumer Protection Act* S.B.C 2004, c.2, against Cash Store Financial Services Inc. The Order contemplated certain payments being made to certain eligible consumers as determined pursuant to the Order. The Cash Store Financial Services Inc. received \$1,078,328.00 to be used in accordance with the terms of the Order.

On April 9th, 2014, Consumer Protection BC and the Cash Store Financial Services Inc. entered into a trust agreement and declaration that created a trust for the holding of the aforementioned monies. The trust was called the Compliance Order Trust.

The trust declaration initially named Cash Store Financial Services Inc. as the trustee but provided Consumer Protection BC with the authority to replace the trustee if it was deemed necessary.

On July 9, 2014, as a result of Cash Store Financial Services Inc.'s inability to meet its obligations under the Order and Trust Declaration, Consumer Protection BC amended the trust declaration and replaced Cash Store Financial Services Inc. as trustee.

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**18. Compliance Order Trust cont.**

Consumer Protection BC held the monies pursuant to the trust declaration and effected the refund process consistent with the Order until October 18, 2014, at which point the refund obligation on Cash Store Financial Services Inc. was deemed complete. Consumer Protection BC continues to hold the monies in trust and must administer them in accordance with Section 31 of the Order.

These trust fund monies are to be held within the Compliance Order Trust account separate from other funds, to pay for claims submitted by claimants as described in the Order, until the claims period ends on October 18, 2020, at which time the funds will be recognized as revenue of the Consumer Advancement Fund. At December 31, 2018, the anticipated amount is reflected as both an asset and a liability of the Compliance Order Trust Fund. The statement of financial position and statement of operations and fund balance of the Compliance Order Trust at December 31, 2018 are as follows:

<b>Statement of Financial Position</b>		<b>2018</b>		<b>2017</b>	
Cash held in trust	\$	958,038	\$	941,076	
Total assets	\$	958,038	\$	941,076	
Accounts payable	\$	8,663	\$	8,663	
Trust liabilities		907,711		907,984	
Total liabilities		916,374		916,647	
Fund balance		41,664		24,429	
Total liabilities and fund balance	\$	958,038	\$	941,076	
<b>Statement of Operations</b>		<b>2018</b>		<b>2017</b>	
Interest income	\$	17,235	\$	10,317	
Expenses		-		20	
Excess of revenue over expenses		17,235		10,297	
Fund balance, beginning of year		24,429		14,132	
Fund balance, end of year	\$	41,664	\$	24,429	

**19. Related party transactions**

Administrative fees were collected and accrued by Consumer Protection BC from the Travel Assurance Fund in the amount of \$150,000 (2017: \$150,000) to compensate for the costs of administering the Fund.

Consumer Protection BC collected and accrued \$11,850 (2017: \$12,670) from the Consumer Advancement Fund to recover administrative penalty costs in 2018.

Fees were collected and accrued by Consumer Protection BC from the Recoveries Fund in the amount of \$Nil (2017: \$Nil) to compensate for investigative and legal costs.

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

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**20. Board and employee compensation**

Director and non-union employee compensation was last reviewed by an external, third-party consulting firm in 2015. Reviews consist of comparing current compensation levels against those of similar government related organizations and the overall labour market. An independent review of the results is presented by the third-party firm to the Human Resources & Compensation Committee (HRCC). This HRCC assists the Board in discharging its responsibilities for Board and CEO compensation, including recommending changes to Board and CEO compensation to the Board for approval, as per the Committee Terms of Reference.

The Board members are compensated by annual retainers for all time spent on the Authority's business other than scheduled Board and Board Committee meetings where the Director is asked to attend by the Authority. The Board retainer compensates Directors for activities such as time spent responding to Authority requests for information or advice, meetings under two hours and meeting preparation.

The HRCC annually reviews CEO compensation so that the compensation plan continues to be competitive, transparent, accountable and affordable. The CEO is eligible for an annual performance incentive. The amount of the performance incentive is based on an annual evaluation of specific individual performance measurements established at the beginning of the year.

Union employee compensation is based on the collective agreement between Consumer Protection BC and the BC Government and Service Employees' Union (BCGEU). The collective agreement between Consumer Protection BC and BCGEU is effective from January 1, 2018 to December 31, 2021 and was ratified on January 15, 2019.

All compensation plans assist in motivating, retaining and attracting candidates of outstanding abilities.

Summary of Board Compensation		
Annual retainers and meeting fees	\$	136,607
Expense reimbursements		20,484
	\$	157,091

Reasonable out-of-pocket expenses and per diems are reimbursed at the same rate that is approved for the CEO and in accordance with the current Group III level of the British Columbia Public Service.

Employee wages and benefits listed below reflect wages and benefits paid in 2018 and reconcile to amounts recorded on the 2018 T4s.

Summary of Employee Compensation		
Non-union employee wages and benefits	\$	1,674,685
Union employee wages and benefits		2,339,232
	\$	4,013,917