

# **FINANCIAL STATEMENTS**

**December 31, 2019**



**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, 2019, 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, 2019, and its results of 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.

April 8, 2020  
Victoria, Canada

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

Chartered Professional Accountants

**Consumer Protection BC**  
**Statement of Financial Position**  
**As at December 31, 2019**

	2019	2018 (restated)
<b>Assets</b>		
Cash	\$ 2,210,915	\$ 1,613,586
Security held as cash (Note 3)	1,124,507	944,507
Trade and other receivables	323,076	387,184
Prepaid expenses	114,104	117,074
Short term investments (Note 4)	516,537	369,678
Security held as short term investments (Note 3)	1,500,000	1,500,000
	<b>5,789,139</b>	<b>4,932,029</b>
Investments (Note 5)	2,944,433	2,735,095
Security held as investments (Note 3)	1,500,000	1,500,000
Tangible capital assets (Note 7 and 21)	569,902	752,727
<b>Total Assets</b>	<b>\$ 10,803,474</b>	<b>\$ 9,919,851</b>
<b>Liabilities</b>		
Trade and other payables	\$ 294,263	\$ 261,720
Wages and benefits payable (Note 9)	305,313	305,230
Security payable (Note 3)	4,124,507	3,944,507
Deferred revenue (Note 10)	1,912,831	1,627,638
Current portion of deferred liabilities (Note 11)	6,139	18,417
	<b>6,643,053</b>	<b>6,157,512</b>
Retirement Allowance (Note 12(b))	104,989	108,138
Deferred liabilities (Note 11)	-	6,139
<b>Total Liabilities</b>	<b>6,748,042</b>	<b>6,271,789</b>
<b>Net Assets</b>	<b>4,055,432</b>	<b>3,648,062</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,803,474</b>	<b>\$ 9,919,851</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, 2019**

	2019	2018 (restated)
<b>Revenue</b>		
Licences, classification, and other fees and charges	\$ 5,874,711	\$ 5,854,223
Recoveries	498,377	230,122
Interest, investment and other income (Note 13)	523,128	124,776
	<b>6,896,216</b>	<b>6,209,121</b>
<b>Expenses</b>		
Accounting and legal	75,124	166,669
Amortization (note 21)	354,957	478,708
Banking and service charges	110,180	98,684
Communications	46,706	37,252
Contract services	199,964	146,371
Governance	191,540	169,672
Information systems and telecommunication	108,253	109,020
Insurance	74,006	71,951
Office	117,851	114,897
Professional development	59,389	56,893
Rent - premises	618,415	584,575
Travel	110,304	76,060
Wages and benefits	4,422,111	4,046,635
	<b>6,488,800</b>	<b>6,157,387</b>
<b>Excess of revenues over expenses from operations</b>	<b>407,416</b>	<b>51,734</b>
<b>Other income</b>		
(Loss)/gain on disposition of tangible capital assets (Note 21)	(46)	500
<b>Excess of revenues over expenses</b>	<b>407,370</b>	<b>52,234</b>
<b>Net assets, beginning of year, as previously stated</b>	<b>3,703,250</b>	<b>3,595,828</b>
Prior period adjustment (Note 21)	(55,188)	-
<b>Net assets, beginning of year, as restated</b>	<b>3,648,062</b>	<b>3,595,828</b>
<b>Excess of revenues over expenses</b>	<b>407,370</b>	<b>52,234</b>
<b>Net assets, end of year</b>	<b>\$ 4,055,432</b>	<b>\$ 3,648,062</b>

**Consumer Protection BC**  
**Statement of Cash Flows**  
**For the year ended December 31, 2019**

	2019	2018
<b>Cash flow from operating activities</b>		
Cash received for:		
Licences, classification, and other fees and charges	\$ 6,315,374	\$ 5,978,823
Recovery of administration, investigation and enforcement	494,542	199,148
Interest from bank accounts	104,477	50,110
Investment and other income	109,009	101,489
Travel agent and debt collector securities (Note 3)	180,000	322,000
	<u>7,203,402</u>	<u>6,651,570</u>
Cash paid for:		
Wages and benefits	(4,425,176)	(3,990,664)
Goods and services	(1,737,762)	(1,702,256)
	<u>(6,162,938)</u>	<u>(5,692,920)</u>
<b>Total cash flow from operating activities</b>	<b>1,040,464</b>	<b>958,650</b>
<b>Cash flow from investing activities</b>		
Cash paid for acquisition of investments	(790,015)	(4,119,963)
Cash received from sale of investments	685,384	1,063,783
Cash paid for acquisition of tangible capital assets	(184,808)	(95,805)
Cash received from sale of tangible capital assets	684	500
	<u>(288,755)</u>	<u>(3,151,485)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>751,709</b>	<b>(2,192,835)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,587,255</b>	<b>4,780,090</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,338,964</b>	<b>\$ 2,587,255</b>
<b>Cash and cash equivalents comprised of:</b>		
Cash	\$ 2,210,915	\$ 1,613,586
Security held as cash (Note 3)	1,124,507	944,507
Cash in short-term investments (Note 4)	3,542	29,162
	<u>\$ 3,338,964</u>	<u>\$ 2,587,255</u>

# Consumer Protection BC

## Notes to the Financial Statements

### For the Year Ended December 31, 2019

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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, 2019, 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, 2019, preferred shares and equities.

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2019**

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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 (continued)

Tangible capital assets are measured at cost less accumulated amortization and impairment losses. Cost includes the purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Amortization is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Asset	Useful life - years
Furniture and equipment	5
Internally developed software	5
Computer hardware	3
Other software	2
Motor vehicles	5 with 20% residual value
Leasehold improvements	Straight line over the term of the lease



**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2019**

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**2. Significant accounting policies cont.**

(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.

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.

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2019**

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**2. Significant accounting policies cont.**

(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.

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.

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2019**

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**2. Significant accounting policies cont.**

(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, 2019**

**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	\$	199,507	\$	3,745,000	\$	3,944,507
Receipt		10,000		520,000		530,000
Refund		(40,000)		(310,000)		(350,000)
Balance, end of year	\$	169,507	\$	3,955,000	\$	4,124,507
						<b>Total</b>
Security held as cash				\$		1,124,507
Security held as short-term investments						1,500,000
Security held as investments						1,500,000
						\$ 4,124,507

**4. Short-term investments**

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

		2019		2018
Cash	\$	3,542	\$	29,162
Accrued investment income receivable		15,660		12,941
Guaranteed investment certificates		447,408		182,500
Bonds		49,927		145,075
	\$	516,537	\$	369,678

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2019**

**5. Investments**

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

	<b>2019</b>		<b>2018</b>	
Guaranteed investment certificates	\$	647,600	\$	586,000
Bonds		401,475		441,909
Preferred shares		336,181		298,444
Canadian equities		952,463		835,126
Foreign equities		606,714		573,616
	\$	2,944,433	\$	2,735,095

**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, 2019, there were no borrowings under the line of credit (2018: \$Nil).

**7. Tangible capital assets**

	<b>Cost</b>		<b>Accumulated Amortization</b>		<b>Net Book Value</b>	
					<b>2019</b>	<b>2018</b>
Furniture and equipment	\$	656,231	\$	529,502	\$	126,729
Internally developed software		989,659		720,791		268,868
Computer hardware		483,208		381,695		101,513
Other software		271,627		271,627		-
Motor vehicles		120,077		73,569		46,508
Leasehold improvements		299,809		273,525		26,284
	\$	2,820,611	\$	2,250,709	\$	569,902
					\$	752,727

**8. Lease obligation and commitments**

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

	<b>Total Future Commitments</b>
2020	\$ 402,546
2021	437,310
2022	437,310
2023	437,310
2024	442,983
Thereafter	1,118,933
	\$ 3,276,392

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2019**

**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>2019</b>		<b>2018</b>
Salaries payable	\$ 234,964	\$	245,769
Employee leave liability	52,219		58,788
WCB and other taxes	18,130		673
	<b>\$ 305,313</b>	<b>\$</b>	<b>305,230</b>

**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>2019</b>		<b>2018</b>
Cemetery/crematorium	\$ 11,859	\$	4,962
Debt collection	642,510		663,992
Film distribution	172,008		123,281
Funeral services	77,493		67,421
Home inspectors	98,018		80,701
Payday lenders	445,185		416,932
Telemarketing	37,154		41,793
Travel	428,604		228,556
	<b>\$ 1,912,831</b>	<b>\$</b>	<b>1,627,638</b>

**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>2019</b>		<b>2018</b>
Balance, beginning of year	\$ 24,556	\$	42,974
Amortized to expense	(18,417)		(18,418)
Balance, end of year	6,139		24,556
Current portion	(6,139)		(18,417)
Long-term portion	\$ -	\$	6,139

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2019**

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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 \$334,294 in employer contributions as an expense during the fiscal year (2018: \$297,935).

(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, 2019 is management's best estimate based on the following assumptions:

	Assumption
Accrued benefit obligation	\$104,989
Discount rate	3.95%
Staff attrition rate	25% 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 \$3,149 (2018: \$8,040 expense) as a supplemental retirement benefit recovery during the fiscal year and made cash payments in the amount of \$Nil (2018: \$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 0.90% of the employees' salary (2018: 0.49%). The total contributions recognized as an expense in the year were \$27,165 (2018: \$14,569).

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2019**

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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:

	<b>2019</b>	<b>2018</b>
Investment unrealized gains/(losses)	\$ 240,893	\$ (65,312)
Interest earned from bank account balances	137,240	100,910
Investment income net of fees	81,419	74,566
Investment realized gains/(losses)	33,576	(15,388)
Other income	30,000	30,000
	<b>\$ 523,128</b>	<b>\$ 124,776</b>

**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.



**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2019**

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**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, 2019**

**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, 2019 are as follows:

<b>Statement of Financial Position</b>	<b>2019</b>		<b>2018</b>	
Cash	\$	642,090	\$	1,021,516
Accounts receivable		381,274		-
Short-term investments (Note 15(a))		891,184		786,207
		1,914,548		1,807,723
Investments (Note 15(b))		4,283,945		4,052,667
<b>Total assets</b>	<b>\$</b>	<b>6,198,493</b>	<b>\$</b>	<b>5,860,390</b>
Trade and other payables	\$	19,148	\$	18,838
Due to Consumer Protection BC		552		25,046
<b>Total liabilities</b>		<b>19,700</b>		<b>43,884</b>
Fund balance		6,178,793		5,816,506
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>6,198,493</b>	<b>\$</b>	<b>5,860,390</b>
<b>Statement of Operations</b>	<b>2019</b>		<b>2018</b>	
Contributions	\$	605,657	\$	195,145
Interest and investment income (Note 15(c))		355,468		(23,889)
		961,125		171,256
Payment of claims (Note 15(d))		448,748		43,521
Administration (Note 19)		150,090		150,000
		598,838		193,521
Excess/(deficiency) of revenue over expenses		362,287		(22,265)
Fund balance, beginning of year		5,816,506		5,838,771
<b>Fund balance, end of year</b>	<b>\$</b>	<b>6,178,793</b>	<b>\$</b>	<b>5,816,506</b>

**Consumer Protection BC**  
**Notes to the Financial Statements**  
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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>2019</b>		<b>2018</b>	
Cash	\$	4,216	\$	12,137
Accrued investment income receivable		34,277		29,089
Guaranteed investment certificates		702,722		439,500
Bonds		149,969		305,481
	\$	891,184	\$	786,207

(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>2019</b>		<b>2018</b>	
Guaranteed investment certificates	\$	1,636,800	\$	1,457,000
Bonds		936,613		1,064,972
Preferred shares		545,163		474,850
Canadian equities		899,584		795,252
Foreign equities		265,785		260,593
	\$	4,283,945	\$	4,052,667

(c) Interest and investment income

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

	<b>2019</b>		<b>2018</b>	
Investment unrealized gains/(losses)	\$	196,885	\$	(130,960)
Investment income net of fees		122,199		117,694
Interest earned from bank account balances		19,522		18,648
Investment realized gains/(losses)		16,862		(29,271)
	\$	355,468	\$	(23,889)

**Consumer Protection BC**  
**Notes to the Financial Statements**  
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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 \$448,748 (2018: \$43,521) 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
Sinorama Travel Vancouver Inc	109	\$	444,885
West Adventures	1		3,863
	110	\$	448,748

(e) Claims payable in subsequent period

The Travel Assurance Fund has received an additional 2 claims from consumers totaling \$6,837 related to disputes with licensed travel agents. 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, 2019**

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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, 2019 are as follows:

<b>Statement of Financial Position</b>	<b>2019</b>		<b>2018</b>	
Cash	\$	266,956	\$	349,820
Due from Consumer Protection BC		-		17,900
<b>Total assets</b>	<b>\$</b>	<b>266,956</b>	<b>\$</b>	<b>367,720</b>
Due to Consumer Protection BC	\$	9,666	\$	-
Fund balance		257,290		367,720
<b>Total fund balance</b>	<b>\$</b>	<b>266,956</b>	<b>\$</b>	<b>367,720</b>
<b>Statement of Operations</b>	<b>2019</b>		<b>2018</b>	
Revenue	\$	69,420	\$	45,250
Interest		7,661		6,103
		77,081		51,353
Expenses		187,511		11,850
(Deficiency)/excess of revenue over expenses		(110,430)		39,503
Fund balance, beginning of year		367,720		328,217
<b>Fund balance, end of year</b>	<b>\$</b>	<b>257,290</b>	<b>\$</b>	<b>367,720</b>

**Consumer Protection BC**  
**Notes to the Financial Statements**  
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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, 2019 are as follows:

<b>Statement of Financial Position</b>	<b>2019</b>		<b>2018</b>	
Cash	\$	455,845	\$	506,098
Trade and other receivables		-		763
<b>Total assets</b>	<b>\$</b>	<b>455,845</b>	<b>\$</b>	<b>560,861</b>
Trade and other payables	\$	442,783	\$	559,541
Fund balance		13,062		1,320
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>455,845</b>	<b>\$</b>	<b>560,861</b>
<b>Statement of Operations</b>	<b>2019</b>		<b>2018</b>	
Revenue	\$	571,413	\$	1,320
Expenses (Note 19)		559,671		-
Excess of revenue over expenses		11,742		1,320
Fund balance, beginning of year		1,320		-
<b>Fund balance, end of year</b>	<b>\$</b>	<b>13,062</b>	<b>\$</b>	<b>1,320</b>

**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 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, 2019**

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**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, 2019, 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, 2019 are as follows:

<b>Statement of Financial Position</b>	<b>2019</b>		<b>2018</b>	
Cash held in trust	\$	978,995	\$	958,038
Total assets	\$	978,995	\$	958,038
Accounts payable	\$	8,699	\$	8,663
Trust liabilities		907,544		907,711
Total liabilities		916,243		916,374
Fund balance		62,753		41,664
Total liabilities and fund balance	\$	978,995	\$	958,038
<b>Statement of Operations</b>	<b>2019</b>		<b>2018</b>	
Interest income	\$	21,089	\$	17,235
Expenses		-		-
Excess of revenue over expenses		21,089		17,235
Fund balance, beginning of year		41,664		24,429
Fund balance, end of year	\$	62,753	\$	41,664

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2019**

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**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 (2018: \$150,000) to compensate for the costs of administering the Fund.

Recovery of costs were collected and accrued by Consumer Protection BC from the Consumer Advancement Fund in the amount of \$170,000 (2018: \$Nil) to compensate for general consumer protection costs.

Consumer Protection BC collected and accrued \$17,511 (2018: \$11,850) from the Consumer Advancement Fund to recover administrative penalty costs in 2019.

Fees were collected and accrued by Consumer Protection BC from the Recoveries Fund in the amount of \$125,504 (2018: \$Nil) to compensate for investigative and legal costs.

**20. Board and employee compensation**

Director and non-union employee compensation was last reviewed by an external, third-party consulting firm in 2019. 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.



**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2019**

**20. Board and employee compensation cont.**

<b>Summary of Board Compensation</b>	
Annual retainers and meeting fees	\$ 148,125
Expense reimbursements	22,216
	<u>\$ 170,341</u>

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 2019 and reconcile to amounts recorded on the 2019 T4s.

<b>Summary of Employee Compensation</b>	
Non-union employee wages and benefits	\$ 1,819,761
Union employee wages and benefits	2,626,490
	<u>\$ 4,446,251</u>

**21. Amortization policy change**

During 2019, Consumer Protection BC changed its accounting policy for the amortization of tangible capital assets. In previous periods, tangible capital assets, with the exception of leasehold improvements, were amortized using the declining balance method. Consumer Protection BC decided to change the amortization policy of tangible capital assets to the straight-line method. The change in policy has been made because it is management's opinion that the straight-line method of amortization more accurately reflects the value of the tangible capital assets on the financial statements. Below is a summary of the impact of the change in policy for the previous year.

	<b>2018 as previously reported</b>	<b>Adjustment</b>	<b>2018 restated amount</b>
Tangible capital assets	\$ 807,915	\$ (55,188)	\$ 752,727
Amortization	412,609	66,099	478,708
(Loss)/gain on disposal of assets	(7,867)	8,367	500
Excess of revenues over expenses	109,966	(57,732)	52,234
Net asset, beginning of year	3,593,284	2,544	3,595,828
Net assets, end of year	3,703,250	(55,188)	3,648,062

**Consumer Protection BC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2019**

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**22. Subsequent event**

Since December 31, 2019, the outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global equity markets have experienced significant volatility and weakness. As at March 31, 2020, the date that these financial statements were completed, the fair value of the Organization's investments had declined significantly to the following amounts:

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<b>Summary of Investment Market Values at March 31, 2020</b>		
Consumer Protection BC investments	\$	3,168,909
Travel Assurance Fund investments	\$	4,906,316

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While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time. These subsequent changes in the fair value of the Organization's investments are not reflected in the financial statements as at December 31, 2019.