

FINANCIAL STATEMENTS

December 31, 2020



**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, 2020, 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, 2020, 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.

March 8, 2021
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, 2020


	2020	2019
Assets		
Cash	\$ 2,022,884	\$ 2,210,915
Security held as cash (Note 3)	761,507	1,124,507
Trade and other receivables (Note 4)	522,566	323,076
Prepaid expenses	88,602	114,104
Short term investments (Note 5)	515,706	516,537
Security held as short term investments (Note 3)	1,500,000	1,500,000
	5,411,265	5,789,139
Investments (Note 6)	3,067,699	2,944,433
Security held as investments (Note 3)	1,500,000	1,500,000
Tangible capital assets (Note 8)	335,439	569,902
Total Assets	\$ 10,314,403	\$ 10,803,474
Liabilities		
Trade and other payables	\$ 165,684	\$ 294,263
Wages and benefits payable (Note 10)	374,401	305,313
Security payable (Note 3)	3,761,507	4,124,507
Deferred revenue (Note 11)	1,917,327	1,912,831
Deferred lease inducements (Note 12)	-	6,139
	6,218,919	6,643,053
Retirement Allowance (Note 13(b))	109,677	104,989
Total Liabilities	6,328,596	6,748,042
Net Assets	3,985,807	4,055,432
Total Liabilities and Net Assets	\$ 10,314,403	\$ 10,803,474

Lease obligation and commitments (Note 9)

Approved by:



Chair, Board of Directors



President and CEO

Consumer Protection BC
Statement of Operations and Net Assets
For the year ended December 31, 2020

	2020	2019
Revenue		
Licences, classification, and other fees and charges	\$ 5,069,303	\$ 5,874,711
Recoveries	194,857	498,377
Interest, investment and other income (Note 14)	1,000,966	523,128
	6,265,126	6,896,216
Expenses		
Accounting and legal	66,605	75,124
Amortization	292,785	354,957
Banking and service charges	115,144	110,180
Communications	1,310	46,706
Contract services	123,917	199,964
Governance	148,659	191,540
Information systems and telecommunication	133,609	108,253
Insurance	71,020	74,006
Office	75,964	117,851
Professional development	9,367	59,389
Rent - premises	690,886	618,415
Travel	26,576	110,304
Wages and benefits	4,579,414	4,422,111
	6,335,256	6,488,800
Excess of revenues over expenses from operations	(70,130)	407,416
Other income		
Gain/(loss) on disposition of tangible capital assets	505	(46)
(Deficiency)/excess of revenues over expenses	(69,625)	407,370
Net assets, beginning of year	4,055,432	3,648,062
Net assets, end of year	\$ 3,985,807	\$ 4,055,432

Consumer Protection BC
Statement of Cash Flows
For the year ended December 31, 2020

	2020	2019
Cash flow from operating activities		
Cash received for:		
Licences, classification, and other fees and charges	\$ 4,787,783	\$ 6,315,374
Recovery of administration, investigation and enforcement	168,178	494,542
Interest from bank accounts	102,966	104,477
Investment and other income	846,862	109,009
Travel agent and debt collector securities (Note 3)	-	180,000
	<u>5,905,789</u>	<u>7,203,402</u>
Cash paid for:		
Wages and benefits	(4,505,638)	(4,425,176)
Goods and services	(1,434,123)	(1,737,762)
Travel agent and debt collector securities (Note 3)	(363,000)	-
	<u>(6,302,761)</u>	<u>(6,162,938)</u>
Total cash flow from operating activities	(396,972)	1,040,464
Cash flow from investing activities		
Cash paid for acquisition of investments	(763,056)	(790,015)
Cash received from sale of investments	705,471	685,384
Cash paid for acquisition of tangible capital assets	(69,110)	(184,808)
Cash received from sale of tangible capital assets	505	684
	<u>(126,190)</u>	<u>(288,755)</u>
Net (decrease)/increase in cash and cash equivalents	(523,162)	751,709
Cash and cash equivalents, beginning of year	3,338,964	2,587,255
Cash and cash equivalents, end of year	\$ 2,815,802	\$ 3,338,964
Cash and cash equivalents comprised of:		
Cash	\$ 2,022,884	\$ 2,210,915
Security held as cash (Note 3)	761,507	1,124,507
Cash in short-term investments (Note 5)	31,411	3,542
	<u>\$ 2,815,802</u>	<u>\$ 3,338,964</u>

Consumer Protection BC

Notes to the Financial Statements

For the Year Ended December 31, 2020

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, 2020, 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, 2020, preferred shares and equities.

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2020

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, 2020

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, 2020

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, 2020) has determined that the plan has a surplus of \$2.7 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, 2020

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, 2020

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	\$	169,507	\$	3,955,000	\$	4,124,507
Receipt		10,000		236,137		246,137
Refund		(18,000)		(591,137)		(609,137)
Balance, end of year	\$	161,507	\$	3,600,000	\$	3,761,507
						Total
Security held as cash				\$		761,507
Security held as short-term investments						1,500,000
Security held as investments						1,500,000
						\$ 3,761,507

4. Trade and other receivables

Trade and other receivables are carried at amortized cost in accordance with the significant accounting policy disclosed in Note 2(a).

		2020		2019
Trade receivables	\$	291,626	\$	229,295
Government subsidy receivable		114,324		-
Interest receivable		79,719		83,563
Receivable from Travel Assurance and Consumer Advancement Funds		36,897		10,218
	\$	522,566	\$	323,076

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2020

5. Short-term investments

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

	2020		2019	
Cash	\$	31,411	\$	3,542
Accrued investment income receivable		11,459		15,660
Guaranteed investment certificates		371,004		447,408
Bonds		101,832		49,927
	\$	515,706	\$	516,537

6. Investments

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

	2020		2019	
Guaranteed investment certificates	\$	706,600	\$	647,600
Bonds		414,230		401,475
Preferred shares		357,959		336,181
Canadian equities		973,289		952,463
Foreign equities		615,621		606,714
	\$	3,067,699	\$	2,944,433

7. 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, 2020, there were no borrowings under the line of credit (2019: \$Nil).

8. Tangible capital assets

	Cost		Accumulated Amortization		Net Book Value	
					2020	2019
Furniture and equipment	\$	683,349	\$	578,907	\$	104,442
Internally developed software		989,659		896,528		93,131
Computer hardware		514,412		440,351		74,061
Other software		271,627		271,627		-
Motor vehicles		120,077		79,433		40,644
Leasehold improvements		299,809		276,648		23,161
	\$	2,878,933	\$	2,543,494	\$	335,439
					\$	569,902

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2020

9. 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
2021	\$ 437,310
2022	437,310
2023	437,310
2024	442,982
2025	324,741
Thereafter	794,192
	\$ 2,873,845

10. 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:

	2020	2019
Salaries payable	\$ 293,111	\$ 234,964
Employee leave liability	68,025	52,219
WCB and other taxes	13,265	18,130
	\$ 374,401	\$ 305,313

11. 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:

	2020	2019
Cemetery/crematorium	\$ 11,451	\$ 11,859
Debt collection	642,567	642,510
Film distribution	215,923	172,008
Funeral services	73,192	77,493
Home inspectors	119,089	98,018
Payday lenders	444,497	445,185
Telemarketing	36,528	37,154
Travel	374,080	428,604
	\$ 1,917,327	\$ 1,912,831

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2020

12. 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 have been recognized over the term of the lease contracts as a reduction of rent expense in future periods.

	2020	2019
Balance, beginning of year	\$ 6,139	\$ 24,556
Amortized to expense	(6,139)	(18,417)
Balance, end of year	-	6,139
Current portion	-	(6,139)
Long-term portion	\$ -	\$ -

13. 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 \$320,456 in employer contributions as an expense during the fiscal year (2019: \$334,294).

(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, 2020 is management's best estimate based on the following assumptions:

	Assumption
Accrued benefit obligation	\$109,677
Discount rate	2.45%
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%

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2020

13. Employee future benefits cont.

The full accrued benefit obligation has been recorded as a liability of Consumer Protection BC. Consumer Protection BC recognized \$4,688 (2019: \$3,149 benefit recovery) as a supplemental retirement expense during the fiscal year and made cash payments in the amount of \$Nil (2019: \$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 1.43% of the employees' salary (2019: 0.90%). The total contributions recognized as an expense in the year were \$43,068 (2019: \$27,165).

14. Interest, investment and other income

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

	2020	2019
Government general service agreement	\$ 458,626	\$ -
Government subsidies (Note 15)	270,868	-
Interest earned from bank account balances	99,122	137,240
Investment income net of fees	81,168	81,419
Investment unrealized gains	76,443	240,893
Other income	50,000	30,000
Investment realized (losses)/gains	(35,261)	33,576
	\$ 1,000,966	\$ 523,128

The Minister of Public Safety and Solicitor General engaged Consumer Protection BC to manage complaints from the public, related to the prohibitions on unconscionable pricing and secondary selling of essential goods and supplies, that have resulted from the COVID-19 pandemic. The term of the general service agreement ("Agreement") commenced on April 17, 2020 and ended on July 16, 2020. The maximum amount payable and received under the Agreement was \$458,626.

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2020

15. Government subsidies

During 2020, the Authority received or was due to receive the Canada Emergency Wage Subsidy (CEWS) for the periods covering July 5, 2020 to December 19, 2020, the Canada Emergency Rent Subsidy (CERS) for the periods covering September 27, 2020 to December 19, 2020 and the Temporary Wage Subsidy (TWS) for the periods covering March 18, 2020 to June 19, 2020. The CEWS, CERS, and TWS were recorded as other income. The amount of CEWS, CERS, and TWS recognized were:

		Government assistance recognized
CEWS	\$	218,358
CERS		27,510
TWS		25,000
	\$	270,868

16. 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, 2020

16. 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, 2020

17. 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, 2020 are as follows:

Statement of Financial Position	2020		2019	
Cash	\$	1,032,322	\$	642,090
Accounts receivable		-		381,274
Due from Consumer Protection BC		5,280		-
Short-term investments (Note 17(a))		1,001,836		891,184
		2,039,438		1,914,548
Investments (Note 17(b))		4,347,015		4,283,945
Total assets	\$	6,386,453	\$	6,198,493
Trade and other payables	\$	19,276	\$	19,148
Due to Consumer Protection BC		-		552
Total liabilities		19,276		19,700
Fund balance		6,367,177		6,178,793
Total liabilities and fund balance	\$	6,386,453	\$	6,198,493
Statement of Operations	2020		2019	
Contributions	\$	186,437	\$	605,657
Interest and investment income (Note 17(c))		182,789		355,468
		369,226		961,125
Payment of claims (Note 17(d))		30,842		448,748
Administration (Note 21)		150,000		150,090
		180,842		598,838
Excess of revenue over expenses		188,384		362,287
Fund balance, beginning of year		6,178,793		5,816,506
Fund balance, end of year	\$	6,367,177	\$	6,178,793

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2020

17. 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).

	2020		2019	
Cash	\$	13,467	\$	4,216
Accrued investment income receivable		31,496		34,277
Guaranteed investment certificates		694,000		702,722
Bonds		262,873		149,969
	\$	1,001,836	\$	891,184

(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).

	2020		2019	
Guaranteed investment certificates	\$	1,647,800	\$	1,636,800
Bonds		922,522		936,613
Preferred shares		584,941		545,163
Canadian equities		891,354		899,584
Foreign equities		300,398		265,785
	\$	4,347,015	\$	4,283,945

(c) Interest and investment income

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

	2020		2019	
Investment income net of fees	\$	125,759	\$	122,199
Investment unrealized gains		79,564		196,885
Interest earned from bank account balances		9,196		19,522
Investment realized (losses)/gains		(31,730)		16,862
	\$	182,789	\$	355,468

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2020

17. Travel Assurance Fund cont.

(d) Payment of claims

The Travel Assurance Fund paid out or was due to pay out \$30,842 (2019: \$448,748) 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
One Ocean Expedition	5	\$	25,000
Sinorama Travel Vancouver Inc	2		5,842
	7	\$	30,842

(e) Claims payable in subsequent period

The Travel Assurance Fund has received an additional 5 claims from consumers totaling \$14,083 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, 2020

18. 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, 2020 are as follows:

Statement of Financial Position	2020		2019	
Cash	\$	1,216,364	\$	266,956
Prepaid expenses		16,240		-
Total assets	\$	1,232,604	\$	266,956
Due to Consumer Protection BC	\$	42,178	\$	9,666
Fund balance		1,190,426		257,290
Total fund balance	\$	1,232,604	\$	266,956

Statement of Operations	2020		2019	
Revenue	\$	1,013,984	\$	69,420
Interest		3,181		7,661
		1,017,165		77,081
Expenses		84,029		187,511
Excess/(deficiency) of revenue over expenses		933,136		(110,430)
Fund balance, beginning of year		257,290		367,720
Fund balance, end of year	\$	1,190,426	\$	257,290

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2020

19. 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, 2020 are as follows:

Statement of Financial Position	2020		2019	
Cash	\$	23,699	\$	455,845
Total assets	\$	23,699	\$	455,845
Trade and other payables	\$	20,267	\$	442,783
Fund balance		3,432		13,062
Total liabilities and fund balance	\$	23,699	\$	455,845
Statement of Operations	2020		2019	
Revenue	\$	52,134	\$	571,413
Expenses		61,764		559,671
(Deficiency)/excess of revenue over expenses		(9,630)		11,742
Fund balance, beginning of year		13,062		1,320
Fund balance, end of year	\$	3,432	\$	13,062

20. 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, 2020

20. 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.

The claims period described in the Order ended October 18, 2020. At the end of the claims period, the trust fund monies held in the Compliance Order Trust were recognized as revenue of the Consumer Advancement Fund and \$988,684 was transferred to the Consumer Advancement Fund. A minimal amount of funds were left in the Compliance Order Trust to maintain the bank account and fund any outstanding cheques. The statement of financial position and statement of operations and fund balance of the Compliance Order Trust at December 31, 2020 are as follows:

Statement of Financial Position	2020		2019	
Cash held in trust	\$	133	\$	978,995
Total assets	\$	133	\$	978,995
Accounts payable	\$	54	\$	8,699
Trust liabilities		-		907,544
Total liabilities		54		916,243
Fund balance		79		62,752
Total liabilities and fund balance	\$	133	\$	978,995
Statement of Operations	2020		2019	
Interest and other income	\$	18,715	\$	21,089
Expenses		81,388		-
(Deficiency)/excess of revenue over expenses		(62,673)		21,089
Fund balance, beginning of year		62,752		41,663
Fund balance, end of year	\$	79	\$	62,752

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2020

21. Related party transactions

Administrative fees were collected and accrued by Consumer Protection BC from the Travel Assurance Fund in the amount of \$150,000 (2019: \$150,000) to compensate for the costs of administering the Fund.

Administrative fees were collected and accrued by Consumer Protection BC from the Consumer Advancement Fund in the amount of \$15,000 (2019: \$Nil) 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 \$Nil (2019: \$170,000) to compensate for general consumer protection costs.

Consumer Protection BC collected and accrued \$16,093 (2019: \$17,511) from the Consumer Advancement Fund to recover administrative penalty costs in 2020.

Fees were collected and accrued by Consumer Protection BC from the Recoveries Fund in the amount of \$Nil (2019: \$125,504) to compensate for investigative and legal costs.

22. 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, 2020

22. Board and employee compensation cont.

Summary of Board Compensation		
Annual retainers and meeting fees	\$	136,500
Expense reimbursements		2,996
	\$	139,496

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 2020 and reconcile to amounts recorded on the 2020 T4s.

Summary of Employee Compensation		
Non-union employee wages and benefits	\$	2,151,418
Union employee wages and benefits		2,334,583
	\$	4,486,001

23. Implications of COVID-19 on the Authority

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic and has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. The currently known impacts of COVID-19 on the Authority are:

- A decline in the 2020 licensing, classification, and other fees and charges revenue compared to 2019 of 13.7%.
- A decline in the 2020 investment income compared to 2019 of 67.0%.
- The majority of the Authority's workforce working remotely since March 2020 in response to provincial health orders.

These developments resulted in an operating deficit of \$70,130 in 2020, however, the Authority's cash balance, operating reserve, and diversified licensing revenue sources will allow the Authority to fund operations for the foreseeable future. Staff have also taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for staff and securing office supplies essential for a potential gradual return to the office. The extent to which COVID-19 impacts the future financial results of the Authority are highly uncertain and cannot be predicted.