

FINANCIAL STATEMENTS

DECEMBER 31, 2021



**CONSUMER
PROTECTION BC**



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INDEPENDENT AUDITORS' 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, 2021
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2021, 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' 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.

Other Matter – Comparative Information

The financial statements for the year ended end of December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 8, 2021.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' 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.
- 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.

Chartered Professional Accountants

Victoria, Canada
March 8, 2022

Consumer Protection BC

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	Internally Restricted			Restricted			
	Operating	Capital	Reserve	Licensee Securities	2021	2020	
Assets							
Cash	\$ 2,496,837	\$ -	\$ 11,085	\$ -	\$ 2,507,922	\$ 2,054,295	
Security held as cash (Note 3)	-	-	-	1,411,507	1,411,507	761,507	
Short term investments (Notes 3 & 5)	-	-	557,224	1,500,000	2,057,224	1,984,295	
Trade and other receivables (Note 4)	307,919	-	-	-	307,919	522,566	
Prepaid expenses	115,912	-	-	-	115,912	88,602	
	2,920,668	-	568,309	2,911,507	6,400,484	5,411,265	
Investments (Notes 3 & 6)	-	-	3,481,423	750,000	4,231,423	4,567,699	
Tangible capital assets (Note 8)	-	191,129	-	-	191,129	335,439	
Total Assets	\$ 2,920,668	\$ 191,129	\$ 4,049,732	\$ 3,661,507	\$ 10,823,036	\$ 10,314,402	
Liabilities							
Trade and other payables	\$ 202,286	\$ -	\$ -	\$ -	\$ 202,286	\$ 165,684	
Wages and benefits payable (Note 10)	306,496	-	-	-	306,496	374,401	
Deferred revenue (Note 11)	1,797,295	-	-	-	1,797,295	1,917,327	
Security payable (Note 3)	-	-	-	3,661,507	3,661,507	3,761,507	
	2,306,077	-	-	3,661,507	5,967,584	6,218,919	
Retirement allowance	136,307	-	-	-	136,307	109,677	
Total Liabilities	2,442,384	-	-	3,661,507	6,103,891	6,328,596	
Net assets	478,284	191,129	4,049,732	-	4,719,145	3,985,806	
Total Liabilities and Net Assets	\$ 2,920,668	\$ 191,129	\$ 4,049,732	\$ 3,661,507	\$ 10,823,036	\$ 10,314,402	

Approved by:



Chair, Board of Directors



President and CEO

Consumer Protection BC
Statement of Operations and Net Assets

	Internally Restricted			Externally Restricted	2021	2020
	Operating	Capital	Reserve	Licensee Securities		
For the year ended December 31, 2021, with comparative information for 2020						
Revenue						
Licences, classification, and other fees and charges	\$ 5,536,631	\$ -	\$ -	\$ -	\$ 5,536,631	\$ 5,069,302
Recoveries	392,540	-	-	-	392,540	194,857
Interest, investment and other income (Notes 13 & 14)	415,510	-	481,900	-	897,410	1,000,966
Total Revenues	6,344,681	-	481,900	-	6,826,581	6,265,125
Expenses						
Accounting and legal	39,301	-	-	-	39,301	66,605
Amortization	-	197,610	-	-	197,610	292,785
Banking and service charges	118,676	-	11,847	-	130,523	115,144
Communications	-	-	-	-	-	1,310
Contract services	51,208	-	-	-	51,208	123,917
Governance	180,851	-	-	-	180,851	148,659
Information systems and telecommunication	135,834	-	-	-	135,834	133,609
Insurance	71,980	-	-	-	71,980	71,020
Office	84,391	-	-	-	84,391	75,964
Professional development	43,046	-	-	-	43,046	9,367
Rent - premises	743,541	-	-	-	743,541	690,886
Travel	29,195	-	-	-	29,195	26,576
Wages and benefits	4,386,064	-	-	-	4,386,064	4,579,414
Total Expenses	5,884,087	197,610	11,847	-	6,093,544	6,335,256
Excess (deficiency) of revenues over expenses from operations	460,594	(197,610)	470,053	-	733,037	(70,131)
Other income						
Gain on disposition of tangible capital assets	-	302	-	-	302	505
Excess (deficiency) of revenues over expenses	460,594	(197,308)	470,053	-	733,339	(69,626)
Net assets, beginning of year	70,688	335,439	3,579,679	-	3,985,806	4,055,432
Interfund transfers	(52,998)	52,998	-	-	-	-
Net assets, end of period	\$ 478,284	\$ 191,129	\$ 4,049,732	\$ -	\$ 4,719,145	\$ 3,985,806

Consumer Protection BC

Statement of Cash Flows

For the year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash flow from operating activities		
Cash received for:		
Licenses, classifications, penalties and fines	\$ 5,627,980	\$ 4,787,783
Recovery of administration, investigation and enforcement	322,162	168,178
Interest from bank accounts	100,776	102,966
Investment & other income	338,839	846,862
	6,389,757	5,905,789
Cash paid for:		
Wages and benefits	(4,427,340)	(4,505,638)
Goods and services	(1,224,890)	(1,434,123)
Travel agent and debt collector securities	(100,000)	(363,000)
	(5,752,230)	(6,302,761)
Net cash flow from operating activities	637,527	(396,972)
Cash flow from investing activities		
Cash paid for acquisition of investments	(995,730)	(400,056)
Cash received from sale of investments	864,526	705,471
Cash paid for acquisition of tangible capital assets	(52,998)	(69,110)
Cash received from sale of tangible capital assets	302	505
Net cash flow from investing activities	(183,900)	236,810
Net increase (decrease) in cash and cash equivalents	453,627	(160,162)
Cash and cash equivalents, beginning of year	2,054,295	2,214,457
Cash and cash equivalents, end of period	\$ 2,507,922	\$ 2,054,295
Cash and cash equivalents comprised of:		
Cash	\$ 2,496,837	\$ 2,022,884
Cash in short term investments (Note 5)	11,085	31,411
	\$ 2,507,922	\$ 2,054,295

Consumer Protection BC

Notes to the Financial Statements

For the Year Ended December 31, 2021

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) Fund accounting

During the year, Consumer Protection BC adopted the fund accounting method of presenting financial results. The adoption of fund accounting has been treated as a change in presentation and not a change in accounting policy. Consumer Protection BC presents financial results using the following funds:

- i. Operating: this unrestricted fund reports the revenues and expenses related to operational and administrative activities;
- ii. Capital: this is an internally restricted fund that reports the revenues and expenses related to tangible and intangible assets;
- iii. Reserve: this is an internally restricted fund that has been established to finance any deficiencies in operations and is the resource before raising dues; and
- iv. Licensee Securities: this is an externally restricted fund established under Section 14(2) of the Travel Industry Regulation for licensed travel agents and under Section 12(1) of the Debt Collection Industry Regulation for licensed debt collectors. The fund reports the security collected in the form of cash or approved investments to be held against claims and potential claims for a specific period of time. The amounts are reimbursed to license holders upon the occurrence of specific actions and if there are no outstanding claims against the license holder. See note 3 for more details.

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2021

2. Significant accounting policies cont.

(b) Financial instruments

Consumer Protection BC's financial instruments consist of cash, security held as cash, short term investments, trade and other payables, wages and benefits payable, 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, 2021, 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, 2021, preferred shares and equities.

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	Amortized cost
Security held as cash	Amortized cost
Short term investments	Fair value
Investments	Fair value
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2021

2. Significant accounting policies cont.

(c) Tangible capital assets

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

(d) 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.

Recoveries fees are determined along with administrative penalties, and are recognized as revenue for Consumer Protection BC once the administrative penalty and recovery amounts have been paid.

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2021

2. Significant accounting policies cont.

(e) 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.

(f) 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, 2021

2. Significant accounting policies cont.

(g) 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.

(h) 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.

(i) 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, fair value of investments, 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, 2021

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	\$ 161,507	\$	3,600,000	\$	3,761,507
Contributions received	10,000		310,000		320,000
Refunds Issued	(40,000)		(380,000)		(420,000)
Balance, end of year	\$ 131,507	\$	3,568,125	\$	3,661,507
					Total
Security held as cash				\$	1,411,507
Security held as short-term investments					1,500,000
Security held as investments					750,000
					\$ 3,661,507

4. Trade and other receivables

	2021		2020
Trade receivables	\$ 162,519	\$	291,626
Government subsidy receivable	-		114,324
Interest receivable	38,125		79,719
Receivable from Travel Assurance and Consumer Advancement Funds	107,275		36,897
	\$ 307,919	\$	522,566

5. Short-term investments

	2021		2020
Accrued investment income receivable	10,178		11,459
Guaranteed investment certificates	1,920,011		1,871,004
Bonds	127,035		101,832
	\$ 2,057,224	\$	1,984,295

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2021

6. Investments

	2021		2020	
Guaranteed investment certificates	\$	1,266,600	\$	2,206,600
Bonds		656,266		414,230
Preferred shares		345,319		357,959
Canadian equities		1,217,286		973,289
Foreign equities		745,952		615,621
	\$	4,231,423	\$	4,567,699

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, 2021, there were no borrowings under the line of credit (2020: \$Nil).

8. Tangible capital assets

	Cost		Accumulated Amortization		Net Book Value	
					2021	2020
Furniture and equipment	\$	688,064	\$	620,838	\$	67,226
Internally developed software		989,659		989,659		-
Computer hardware		561,561		494,146	67,415	74,061
Other software		271,627		271,627	-	-
Motor vehicles		120,077		83,628	36,449	40,644
Leasehold improvements		299,809		279,770	20,039	23,161
	\$	2,930,797	\$	2,739,668	\$	191,129
					\$	335,439

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
2022	415,075
2023	415,075
2024	420,443
2025	307,802
2026	225,428
Thereafter	525,999
	\$ 2,309,822

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2021

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:

	2021	2020
Salaries payable	\$ 209,849	\$ 293,111
Employee leave liability	65,921	68,025
Pension & Group life payable	30,726	13,265
	\$ 306,496	\$ 374,401

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:

	2021	2020
Cemetery/crematorium	\$ 11,931	\$ 11,451
Debt collection	617,613	642,567
Film distribution	162,748	215,923
Funeral services	72,467	73,192
Home inspectors	128,903	119,089
Payday lenders	426,363	444,497
Telemarketing	33,331	36,528
Travel	343,939	374,080
	\$ 1,797,295	\$ 1,917,327

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 \$444,214 in employer contributions as an expense during the fiscal year (2020: \$320,456).

(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, 2021 is management's best estimate based on the following assumptions:

	Assumption
Accrued benefit obligation	\$136,307
Discount rate	2.45%
Staff attrition rate	25% for staff with 10+years 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 \$26,630 (2020: \$4,688 benefit recovery) as a supplemental retirement expense during the fiscal year and made cash payments in the amount of \$Nil (2020: \$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 1.24% of the employees' salary (2020: 1.43%). The total contributions recognized as an expense in the year were \$43,951 (2020: \$43,068).

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2021

13. Interest, investment and other income

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

	2021	2020
Government general service agreement	\$ -	\$ 458,626
Government subsidies (Note 14)	306,328	270,868
Interest earned from bank account balances	59,182	99,122
Investment income	93,758	81,168
Investment unrealized gains	355,533	76,443
Other income	50,000	50,000
Investment realized (losses)/gains	32,609	(35,261)
	\$ 897,410	\$ 1,000,966

14. Government subsidies

During 2021, the Authority received or was due to receive the Canada Emergency Wage Subsidy (CEWS) for the periods covering December 20, 2020 to July 31, 2021 and the Canada Emergency Rent Subsidy (CERS) for the periods covering December 20 to July 31, 2021. The CEWS and CERS were recorded as other income. The amount of CEWS and CERS recognized were:

	Government assistance recognized
CEWS	\$ 234,719
CERS	71,609
	\$ 306,328

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2021

15. 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.

Consumer Protection BC is exposed to credit risk from trade and other receivables. Credit evaluations are performed, prepayment is required and an allowance for doubtful accounts is determined to address the risk of uncollectibility.

(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. An internally restricted reserve has been established to finance unexpected deficiencies.

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2021

15. 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.

Consumer Protection BC is exposed to interest rate risk through its prime-based line of credit. The line of credit is undrawn during the reporting periods presented.

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, 2021

16. 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 net assets of the Travel Assurance Fund at December 31, 2021 are as follows:

Statement of Financial Position	2021		2020	
Cash	\$	895,323	\$	1,032,322
Accounts receivable		-		-
Due from Consumer Protection BC		-		5,280
Short-term investments (Note 16(a))		1,032,293		1,001,836
		1,927,616		2,039,438
Investments (Note 16(b))		4,726,213		4,347,015
Total assets	\$	6,653,829	\$	6,386,453
Trade and other payables	\$	13,690	\$	19,276
Due to Consumer Protection BC		39,147		-
Total liabilities		52,837		19,276
Net assets		6,600,992		6,367,177
Total liabilities and net assets	\$	6,653,829	\$	6,386,453
Statement of Operations	2021		2020	
Contributions	\$	65,958	\$	186,437
Interest and investment income (Note 16(c))		422,225		182,789
		488,183		369,226
Payment of claims (Note 16(d))		4,368		30,842
Administration (Note 20)		250,000		150,000
		254,368		180,842
Excess of revenue over expenses		233,815		188,384
Net assets, beginning of year		6,367,177		6,178,793
Net assets, end of year	\$	6,600,992	\$	6,367,177

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2021

16. Travel Assurance Fund cont.

(a) Short-term investments

	2021		2020	
Cash	\$	28,506	\$	13,467
Accrued investment income receivable		27,057		31,496
Guaranteed investment certificates		630,000		694,000
Bonds		346,730		262,873
	\$	1,032,293	\$	1,001,836

(b) Investments

	2021		2020	
Guaranteed investment certificates	\$	1,117,800	\$	1,647,800
Bonds		1,646,931		922,522
Preferred shares		556,310		584,941
Canadian equities		1,051,986		891,354
Foreign equities		353,186		300,398
	\$	4,726,213	\$	4,347,015

(c) Interest and investment income

	2021		2020	
Investment income net of fees	\$	173,947	\$	125,759
Investment unrealized gains		213,348		79,564
Interest earned from bank account balances		6,982		9,196
Investment realized (losses)/gains		27,948		(31,730)
	\$	422,225	\$	182,789

(d) Payment of claims

The Travel Assurance Fund paid out or was due to pay out \$4,368 (2020: \$30,842) 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
Cruise & Maritime Voyages	1	\$ 4,368
	1	\$ 4,368

(e) Claims payable in subsequent period

The Travel Assurance Fund has received an additional 6 claims from consumers totaling \$13,690 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, 2021

17. 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 net assets of the Consumer Advancement Fund at December 31, 2021 are as follows:

Statement of Financial Position	2021		2020	
Cash	\$	1,037,909	\$	1,216,364
Prepaid expenses		-		16,240
Total assets	\$	1,037,909	\$	1,232,604
Due to Consumer Protection BC	\$	68,127	\$	42,178
Net assets		969,782		1,190,426
Total liabilities and net assets	\$	1,037,909	\$	1,232,604

Statement of Operations	2021		2020	
Revenue	\$	60,064	\$	1,013,984
Interest		7,907		3,181
		67,971		1,017,165
Expenses		288,615		84,029
Excess/(deficiency) of revenue over expenses		(220,644)		933,136
Net assets, beginning of year		1,190,426		257,290
Net assets, end of year	\$	969,782	\$	1,190,426

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2021

18. 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. These funds are maintained in trust and administered by and do not form part of the assets of Consumer Protection BC. 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 net assets of the Recoveries Fund at December 31, 2021 are as follows:

Statement of Financial Position		2021		2020	
Cash	\$	1,857	\$	23,699	
Accounts receivable		2,326		-	
Total assets	\$	4,183	\$	23,699	
Trade and other payables	\$	-	\$	20,267	
Net assets		4,183		3,432	
Total liabilities and net assets	\$	4,183	\$	23,699	
Statement of Operations		2021		2020	
Revenue	\$	71,310	\$	52,134	
Expenses		70,559		61,764	
(Deficiency)/excess of revenue over expenses		751		(9,630)	
Net assets, beginning of year		3,432		13,062	
Net assets, end of year	\$	4,183	\$	3,432	

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2021

19. 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 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.

It was determined that the Compliance Order Trust could be closed August 31, 2021. The remaining \$79 was transferred to the Consumer Advancement Fund, the bank account was closed and the Fund was wound down.

The statement of financial position and statement of operations and Net assets of the Compliance Order Trust at December 31, 2021 are as follows:

Consumer Protection BC
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19. Compliance Order Trust cont.

Statement of Financial Position		2021		2020
Cash held in trust	\$	-	\$	133
Total assets	\$	-	\$	133
Accounts payable	\$	-	\$	54
Trust liabilities		-		-
Total liabilities		-		54
Net assets		-		79
Total liabilities and Net assets	\$	-	\$	133
Statement of Operations		2021		2020
Interest and other income	\$	-	\$	18,715
Expenses		79		81,388
(Deficiency)/excess of revenue over expenses		(79)		(62,673)
Net assets, beginning of year		79		62,752
Net assets, end of year	\$	-	\$	79

20. Related party transactions

Administrative fees were collected and accrued by Consumer Protection BC from the Travel Assurance Fund in the amount of \$250,000 (2020: \$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 \$100,000 (2020: 15,000) 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 \$Nil (2020: \$Nil) to compensate for general consumer protection costs.

Consumer Protection BC collected and accrued \$18,891 (2020: \$16,093) from the Consumer Advancement Fund to recover administrative penalty costs in 2020.

Fees were collected and accrued by Consumer Protection BC from the Consumer Advancement Fund in the amount of \$96,707 (2020: \$Nil) to compensate for investigative and legal costs.

Consumer Protection BC
Notes to the Financial Statements
For the Year Ended December 31, 2021

21. 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 organizations and the overall labour market. An independent review of Director compensation results is presented by the third-party firm to the Human Resources & Compensation Committee (HRCC). The 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. Non-union employee compensation results are reviewed by the CEO.

The Board and Committee members are compensated by annual retainers for all time spent on the Authority's business (other than scheduled Board and Board Committee meetings). 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 General Employees' Union (BCGEU). The collective agreement between Consumer Protection BC and BCGEU is effective from January 1, 2018 to December 31, 2021 and was ratified on January 15, 2019.

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

Summary of Board Compensation

Annual retainers and meeting fees	\$	176,278
Expense reimbursements		4,573
	\$	180,851

Reasonable Director 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 2021 and reconcile to amounts recorded on the 2021 T4s.

Summary of Employee Compensation

Non-union employee wages and benefits	\$	2,103,490
Union employee wages and benefits		2,282,574
	\$	4,386,064

Consumer Protection BC
Notes to the Financial Statements
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22. 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:

- The majority of the Authority's workforce working remotely since March 2020, Hybrid in October 2021, and back to remote in December 2021 in response to provincial health orders.
- Eligibility for the CEWS/CERS Programs resulted in \$306,328 in income in 2021 to offset the slower economic recovery in 2021.

These developments resulted in an operating surplus of \$460,594 in 2021. The Authority's cash balance, operating reserve, and diversified licensing revenue sources will allow the Authority to fund operations for the foreseeable future. The extent to which COVID-19 impacts the future financial results of the Authority are highly uncertain and cannot be predicted.