SLOAN PARTNERS LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Morison KSi
Independent member

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

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DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Ontario Motor Vehicle Industry Council

Report on the Audit of ther Financial Statements

Opinion

We have audited the accompanying financial statements of Ontario Motor Vehicle Industry Council, which comprise the statement of financial position, and the statements of changes in net assets, operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ontario Motor Vehicle Industry Council as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of 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 Entity 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 misstatements, whether due to fraud or error.

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

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

Auditor's Responsibility 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:

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• 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 Entity'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 Entity'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 Entity 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Sloan Partners LLP

April 23, 2019

Chartered Professional Accountants
Licensed Public Accountants

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL
STATEMENT OF FINANCIAL POSITION

As at December 31	2018	2017
ASSETS		
Current		
Cash	**$ 14,218,258**	$ 9,210,849
Accounts receivable	**18,910**	17,820
Prepaid expenses	**198,725**	119,775
	14,435,893	9,348,444
Investments (note 2)	**8,810,542**	8,638,232
Capital assets (note 3)	**941,875**	986,091
	$ 24,188,310	$ 18,972,767
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 1,246,503**	$ 1,240,907
Deferred revenue (note 4)	**1,716,275**	1,619,088
	2,962,778	2,859,995
Deferred contributions - capital assets (note 5)	**501,775**	581,002
Deferred lease inducement	**290,500**	290,500
	3,755,053	3,731,497
NET ASSETS		
Invested in capital assets (note 6)	**440,100**	405,089
Internally restricted operating reserve	**7,500,000**	7,500,000
Unrestricted	**12,493,157**	7,336,181
	20,433,257	15,241,270
	$ 24,188,310	$ 18,972,767

Approved by:

Director: ____________________________

Director: ____________________________

See accompanying notes to the financial statements

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL
STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31	2018	2017
NET ASSETS CONSIST OF:		
Invested in capital assets (note 6)		
Balance, beginning of the year	**$ 405,089**	$ 455,820
Excess of expenses over revenue	**(179,536)**	(117,488)
Purchase of capital assets	**214,546**	66,757
Balance, end of the year	**440,100**	405,089
Internally restricted operating reserve (note 8)		
Balance, beginning of the year	**7,500,000**	7,500,000
Transfer from unrestricted	**-**	-
Balance, end of the year	**7,500,000**	7,500,000
Unrestricted		
Balance, beginning of the year	**7,336,181**	2,090,980
Excess of revenue over expenses	**5,371,523**	5,311,958
Transfer to internally restricted operating reserve	**-**	-
Purchase of capital assets	**(214,546)**	(66,757)
Balance, end of the year	**12,493,157**	7,336,181
NET ASSETS, end of the year	**$ 20,433,257**	$ 15,241,270

See accompanying notes to the financial statements

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL
STATEMENT OF OPERATIONS

Year ended December 31	2018	2017
REVENUE		
Registration fees	**$ 19,777,633**	$ 18,480,340
Transfer fees	**551,700**	469,725
Investment and other income	**321,307**	391,329
Certification course fees	**374,960**	349,730
Expense recoveries (note 7)	**-**	111,892
Disciplinary fines	**67,850**	33,000
Amortization of deferred contributions	**79,227**	79,227
	21,172,677	19,915,243
EXPENSES		
Salaries and benefits (note 7)	**9,615,010**	8,605,494
Public awareness	**1,929,187**	1,826,204
Occupancy	**832,918**	792,173
Professional services	**950,811**	775,219
Travel	**574,872**	691,402
General and administrative (note 7)	**694,587**	656,127
Per diem allowances	**477,233**	428,282
Industry awareness	**170,822**	277,873
Telecommunications	**277,780**	272,577
Government oversight fees	**198,707**	198,707
Amortization of capital assets	**258,763**	196,715
	15,980,690	14,720,773
EXCESS OF REVENUE OVER EXPENSES	**$ 5,191,987**	$ 5,194,470

See accompanying notes to the financial statements

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL
STATEMENT OF CASH FLOWS

Year ended December 31	2018	2017
OPERATING		
Excess of revenue over expenses	**$ 5,191,987**	$ 5,194,470
Items not affecting cash:		
Unrealized gain on investments	**(385,348)**	(259,354)
Realized loss on investments	**27,819**	112,274
Amortization of capital assets	**258,763**	196,715
Amortization of deferred contributions	**(79,227)**	(79,227)
Changes in non-cash working capital:		
Accounts receivable	**(1,090)**	36,100
Prepaid expenses	**(78,950)**	(3,239)
Accounts payable and accrued liabilities	**5,595**	180,592
Deferred revenue	**97,187**	55,225
	5,036,736	5,433,556
INVESTING		
Purchase of capital assets	**(214,546)**	(66,757)
Purchase of investments, net	**185,219**	(1,206,626)
	(29,327)	(1,273,383)
NET INCREASE IN CASH	**5,007,409**	4,160,173
CASH AT THE BEGINNING OF THE YEAR	**9,210,849**	5,050,676
CASH AT THE END OF THE YEAR	**$ 14,218,258**	$ 9,210,849

See accompanying notes to the financial statements

PURPOSE OF THE ORGANIZATION

Ontario Motor Vehicle Industry Council (the "Council") is Ontario's first administrative authority created pursuant to the Safety and Consumer Statutes Administration Act. The Council is a not-for-profit organization with the mandate to administer the Ontario Motor Vehicle Dealers Act. This authority was delegated to the Council by the Minister of Consumer and Commercial Relations (the "Ministry") on January 7, 1997 through an Administrative Agreement (the "Agreement") with the Ministry.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

Revenue Recognition

(i) Registration fees:

Fees charged for registration as a salesperson are for a two-year period and are recognized evenly over two years. Unearned fees are recorded as deferred revenue.

Fees charged for registration as a dealer are paid annually and are recognized on a monthly basis as received. Dealers are also required to remit $10 for every sale (excluding wholesale transactions), lease, fleet or "as is" transaction for the prior twelve month period as a component of their registration renewal fee. Dealers are responsible for reporting sales accurately to the Council and to remit the amount due when renewing their registration. Transaction fees are included in registration fees and recorded as revenue when received.

(ii) Transfer fees:

A transfer fee is charged when a registered salesperson moves from one dealership to another. Transfer fees are recognized upon written notice and when the Council receives payment.

(iii) Disciplinary fines:

Disciplinary fines are imposed on registrants through an internal Council disciplinary process. These fines are recognized as revenue when the Council receives payment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Certification course fees:

New applicants for registration must pass a certification course run by the Automotive Business School of Canada on behalf of the Council through Georgian College. Certification course fees are recognized when a new applicant registers for the course.

(v) Investment income

Investment income, which is recorded on an accrual basis, includes interest income, dividends, net realized gains (losses) on sale of investments and net unrealized gains (losses).

Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Council has elected to carry its investments at fair value. Transaction costs are expensed as incurred.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Leasehold improvements	Term of lease
Furniture and fixtures	5 years
Computer hardware	3 years
Office equipment	5 years
Computer software	3 years

When a capital asset no longer contributes to the Council's ability to provide services, its carrying amount is written down to its residual value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Lease Inducement

The Council moved into a new office in 2014 and the lease agreement included a free rent period from May 1, 2014 to April 30, 2015. The benefit of this rent inducement is recognized on a straight-line basis over the term of the lease. Total rent expense is based on the entire cash cost over the term of the lease amortized evenly over the term of the lease.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the recognition, measurement and disclosure of amounts reported in the financial statements and accompanying notes. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results could differ from these estimates. Significant estimates are comprised of prepaid expenses, accruals for accounts payable and accrued liabilities, deferral of revenues, deferral of contributions, and deferred lease inducement.

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized above.

2. INVESTMENTS

	2018	2017
Fixed income	**$ 2,681,436**	$ 3,618,251
Other	**1,700,792**	750,792
Cash	**305,772**	190,085
Equities	**4,122,542**	4,079,104
	$ 8,810,542	$ 8,638,232

The Council manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by The Board. The Council is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

2. INVESTMENTS (CONTINUED)

The Council believes that it is not exposed to significant interest-rate, market, credit or cash flow risk arising from its financial instruments.

Additionally, the Council believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments. The fixed income securities yield interest between 1.25% and 7.10% and have maturities ranging from February 2018 to December 2048.

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	**2018 Net Book Value**	2017 Net Book Value
Leasehold improvements	$ 1,337,315	$ (567,346)	**$ 769,969**	$ 891,543
Furniture and fixtures	166,076	(131,343)	**34,733**	24,385
Computer hardware	271,183	(142,053)	**129,130**	47,011
Office equipment	58,573	(56,389)	**2,184**	12,605
Computer software	15,820	(9,961)	**5,859**	10,547
	$ 1,848,967	$ (907,092)	**$ 941,875**	$ 986,091

4. DEFERRED REVENUE

	2018	2017
Registration fees received in advance	**$ 1,716,275**	$ 1,619,088

5. DEFERRED CONTRIBUTIONS - CAPITAL ASSETS

	2018	2017
Balance, beginning of the year	$ 581,002	$ 660,229
Amortization of deferred contributions	(79,227)	(79,227)
Balance, end of year	$ 501,775	$ 581,002

The amounts received in the 2014 fiscal year related to the cash due under the terms of the lease for the new premises to pay for leasehold improvements. It is amortized into income on the same basis as the related leasehold improvements which is the term of the lease.

6. INVESTED IN CAPITAL ASSETS

a) Net assets invested in capital assets, which represents internally financed capital assets, are calculated as follows:

	2018	2017
Capital assets, net	$ 941,875	$ 986,091
Less unamortized deferred contributions - capital assets	(501,775)	(581,002)
	$ 440,100	$ 405,089

b) The net change in net assets invested in capital assets is calculated as follows:

	2018	2017
Amortization of deferred contributions	$ 79,227	$ 79,227
Less amortization of capital assets	(258,763)	(196,715)
	$ (179,536)	$ (117,488)

7. RELATED PARTY TRANSACTIONS

The Council provides office space and administrative services to the Motor Vehicle Dealers' Compensation Fund (the "Fund"). The two organizations are related parties because the Council has representation on the Fund's Board of Trustees. Included in the Council's statement of operations are recoveries from the Fund of $nil (2017 - $104,091) relating to salaries and benefits and $nil (2017 - $7,801) relating to general and administrative expenses. At year end there was no amount receivable from the Fund. Amounts received from the Fund are determined on a cost recovery basis.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. As of September 2017, the board has decided to suspend indefinitely expense recoveries from the Fund.

8. INTERNALLY RESTRICTED OPERATING RESERVE

During fiscal 2010, the Council created an operating reserve equivalent to six months of annual operating expenses, excluding amortization of capital assets, for the purposes of maintaining funds for winding down operations in the event the Council's designation as a Delegated Administrative Authority under the SCSAA is revoked, and for accumulating funds that are available when needed due to unforeseen operating shortfalls.

An initial reserve target of $4,730,000 was established. On October 25, 2016, the Board approved the reserve to be increased to $7,500,000 effective immediately in recognition of Council's expanded budget.

9. COMMITMENTS

The Council has commitments for its leased premises and equipment. The future minimum annual lease payments are as follows:

Fiscal year	Amount
2019	836,074
2020	888,033
2021	918,790
2022	935,263
2023 and thereafter	2,243,663
	$ 5,821,823

10. CONTINGENCIES

Claims have been made against the Council in the normal course of operations. The Council believes these claims are without merit. The outcome of these actions is not presently determinable and, accordingly, no provision for these claims has been made in these financial statements.