

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales
Authority of British Columbia)
Financial Statements
For the year ended March 31, 2020

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of British Columbia)
Contents

For the year ended March 31, 2020

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Independent Auditor's Report

To the Members of Motor Dealer Council of British Columbia:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Motor Dealer Council of British Columbia (the "Society"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in fund balances 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 the Society as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society 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 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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 Society'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 Society 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.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Surrey, British Columbia

May 5, 2020

MNP LLP

Chartered Professional Accountants

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of British Columbia)
Statement of Financial Position

As at March 31, 2020

	<i>Operating Fund</i>	<i>Externally Restricted MDCCF (Note 12)</i>	<i>Internally Restricted and Capital Asset Funds (Note 10)</i>	2020	2019
Assets					
Current					
Cash	850,771	206,841	436,662	1,494,274	2,682,115
Accounts receivable (Note 3)	41,201	-	-	41,201	83,665
Term deposits (Note 4)	200,035	1,000,000	-	1,200,035	408,904
Prepaid expenses and deposits	101,208	-	-	101,208	87,176
	1,193,215	1,206,841	436,662	2,836,718	3,261,860
Capital assets (Note 5)	-	-	4,817,396	4,817,396	4,255,816
Term deposits (Note 4)	555,107	-	-	555,107	758,965
Mutual Funds (Note 6)	515,185	-	-	515,185	94,090
	2,263,507	1,206,841	5,254,058	8,724,406	8,370,731

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Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of British Columbia)
Statement of Financial Position

As at March 31, 2020

	<i>Operating Fund</i>	<i>Externally Restricted MDCCF (Note 12)</i>	<i>Internally Restricted and Capital Asset Funds (Note 10)</i>	2020	2019
Liabilities					
Current					
Accounts payable and accruals (Note 7)	417,926	-	-	417,926	240,611
Deferred licensing and learning revenue	1,993,826	-	-	1,993,826	1,950,195
	2,411,752	-	-	2,411,752	2,190,806
Deferred contributions (Note 8)	-	1,206,841	-	1,206,841	1,197,602
	2,411,752	1,206,841	-	3,618,593	3,388,408
Commitments (Note 9)					
Credit facility (Note 17)					
Subsequent events (Note 18)					
Fund Balances					
Unrestricted	(148,245)	-	-	(148,245)	228,653
Invested in Capital Assets (Note 10)	-	-	4,817,396	4,817,396	4,255,816
Internally restricted (Note 10)	-	-	436,662	436,662	497,854
	(148,245)	-	5,254,058	5,105,813	4,982,323
	2,263,507	1,206,841	5,254,058	8,724,406	8,370,731

Approved on behalf of the Board

E-SIGNED by Jim Nicholson
 Director

E-SIGNED by Mark Bakken
 Director

The accompanying notes are an integral part of these financial statements

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of British Columbia)
Statement of Operations

For the year ended March 31, 2020

	<i>Operating Fund</i>	<i>Externally Restricted MDCCF (Note 12)</i>	<i>Internally Restricted and Capital Assets Funds (Note 10)</i>	2020	2019
Revenue					
Compensation fund fees	-	-	-	-	69,356
Recognition of deferred contributions	-	78,762	-	78,762	40,484
Administration fees and other	348,959	-	91,150	440,109	581,799
Compensation fund recovery	-	34,500	-	34,500	51,100
Course fees	945,655	-	-	945,655	1,080,998
Interest Income	41,776	10,307	-	52,083	62,635
Licensing fees	4,003,557	-	-	4,003,557	3,924,871
Investigation and hearing recovery	18,432	-	-	18,432	92,919
	5,358,379	123,569	91,150	5,573,098	5,904,162
Expenses					
Advertising	10,281	-	55,823	66,104	99,538
Amortization	-	-	216,538	216,538	138,350
Automotive	93,675	-	-	93,675	79,394
Bad debts	45,683	-	-	45,683	-
Building and occupancy	57,281	-	-	57,281	168,476
Claims expense	-	20,000	-	20,000	40,000
Conferences	27,815	-	-	27,815	-
Consulting	132,632	-	17,609	150,241	282,896
Course costs, travel and meals	36,484	-	-	36,484	50,765
Governance	99,292	-	-	99,292	230,682
Investigation and hearing costs	4,569	-	-	4,569	6,695
Office and general	572,114	11,142	-	583,256	696,005
Professional fees	136,535	-	-	136,535	187,480
Property taxes and utilities	44,467	-	-	44,467	39,310
Salaries and benefits	3,674,680	92,427	32,923	3,800,030	3,244,443
Training	38,237	-	-	38,237	9,550
	4,973,745	123,569	322,893	5,420,207	5,273,584
Excess (deficiency) of revenue over expenses before other items	384,634	-	(231,743)	152,891	630,578
Other items					
Gain on disposal of capital assets	-	-	7,228	7,228	10,643
Loss on change in fair value of investments	(36,629)	-	-	(36,629)	-
	(36,629)	-	7,228	(29,401)	10,643
Excess (deficiency) of revenue over expenses	348,005	-	(224,515)	123,490	641,221

The accompanying notes are an integral part of these financial statements

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of British Columbia)
Statement of Changes in Fund Balances

For the year ended March 31, 2020

	<i>Operating Fund</i>	<i>Internally Restricted and Capital Asset Funds (Note 10)</i>	2020	2019
Fund balances, beginning of year	228,653	4,753,670	4,982,323	4,341,102
Excess (deficiency) of revenue over expenses	348,005	(224,515)	123,490	641,221
Purchase of capital assets	(781,890)	781,890	-	-
Disposal of capital assets	3,772	(3,772)	-	-
Interfund transfer (Note 11)	53,215	(53,215)	-	-
Fund balances, end of year	(148,245)	5,254,058	5,105,813	4,982,323

The accompanying notes are an integral part of these financial statements

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of British Columbia)
Statement of Cash Flows
For the year ended March 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	123,490	641,221
Amortization	216,538	138,350
Loss on change in fair value of investments	36,629	-
Bad debts	45,683	-
Gain on disposal of capital assets	(7,228)	(10,643)
Recognition of deferred contributions	(78,762)	(40,484)
	336,350	728,444
Changes in working capital accounts		
Accounts receivable	(3,219)	(45,204)
Prepaid expenses and deposits	(14,032)	22,346
Accounts payable and accruals	177,316	5,706
Deferred licensing and learning revenue	43,631	57,435
	540,046	768,727
Financing		
Deferred contributions received	88,000	1,238,086
	88,000	1,238,086
Investing		
Purchase of capital assets	(781,890)	(3,910,977)
Purchase of term deposits	(587,273)	100,932
Change in mutual funds	(457,724)	(8,074)
Proceeds on disposal of marketable securities	-	847,043
Proceeds of disposal of capital assets	11,000	12,000
	(1,815,887)	(2,959,076)
Decrease in cash resources	(1,187,841)	(952,263)
Cash resources, beginning of year	2,682,115	3,634,378
Cash resources, end of year	1,494,274	2,682,115

The accompanying notes are an integral part of these financial statements

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of British Columbia)
Notes to the Financial Statements

For the year ended March 31, 2020

1. Incorporation and nature of the organization

Motor Dealer Council of British Columbia ("the Society") was incorporated under the Society Act of British Columbia on July 31, 2003 as a not-for-profit society and thus is exempt from income taxes under the Income Tax Act ("the Act"). In order to maintain its status as a registered not-for-profit organization under the Act, the Society must meet certain requirements within the Act. In the opinion of management these requirements have been met.

On April 1, 2004, the Government of British Columbia granted to the Society the authority to administer and enforce the Motor Dealer Act and related regulations. On March 30, 2007, subject to amendment to the Motor Dealer Act, the Society has become known as the Motor Vehicle Sales Authority of British Columbia ("VSA"), better reflecting both the public and industry service roles of the independent regulatory agency.

The Society's mission statement is to regulate a fair motor vehicle sales marketplace through education and compliance.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Society, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors.

Three funds are maintained: Operating Fund, Motor Dealer Customer Compensation Fund (MDCCF), and Internally Restricted and Capital Asset Fund (IRCAF).

The Operating Fund is used to account for all revenues and expenses related to the general and ancillary operations of the Society.

The MDCCF reflects the assets, liabilities, revenues and expenses associated with providing compensation to consumers who have incurred losses because a motor dealer has either discontinued its operations or has failed to meet certain legal obligations.

The Internally Restricted and Capital Asset Fund consists of:

- The Reserve for Future Training Costs Fund, which reports the assets, liabilities, revenue and expenses related to course development activities.
- The Regulatory Response Fund, which reports the assets, liabilities, revenues and expenses related to extraordinary legal costs.
- The Capital Asset Fund, is used to account for all capital and building under development assets of the Society and to present the flow of funds related to their acquisition and disposal, unexpended capital resources and debt commitments.
- The Reserve for Consumer Advancement Fund (formerly "The Reserve for Consumer Awareness Fund") reports the assets, liabilities, revenues and expenses related to penalties levied by the Registrar of Motor Dealers & Privacy Officer and increasing consumers' awareness regarding the services provided by the Society.

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of British Columbia)
Notes to the Financial Statements

For the year ended March 31, 2020

2. Significant accounting policies *(Continued from previous page)*

Revenue recognition

The Society follows the deferral method of accounting for contributions and reports on a fund accounting basis.

Restricted contributions are recognized as revenue in the year 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.

The Society recognizes annual licensing fees from dealerships and sales representatives proportionately over the period of licensing, which varies from twelve to twenty-four months. Revenue from course fees, consumer awareness, administration and other revenue is recognized in the period in which the services are provided and collection is reasonably assured. Interest and investment income is recognized on the accrual basis. Realized and unrealized gains and losses on mutual funds are recognized upon sale of the investment, or upon fair value measurement at each reporting period.

Term deposits

Term deposits that mature before March 31, 2021 are presented as current assets. Term deposits with maturity dates subsequent to March 31, 2021 are presented as long term assets.

Capital assets

Capital assets are initially recorded at cost. Amortization is provided using the following methods at rates and terms intended to amortize the cost of the assets over their estimated useful lives.

	Method	Rate/Term
Building	declining balance	4 %
Automotive	declining balance	30 %
Computer equipment	straight-line	3 years
Computer software	straight-line	2 years
Office equipment	straight-line	5 years
Driver 2.0	straight-line	7 years

Measurement uncertainty

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the periods in which they become known.

Financial instruments

The Society recognizes its financial instruments when the Society becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their exchange amount in accordance with Section 3840 *Related Party Transactions* (Note 13).

At initial recognition, the Society may irrevocably elect to subsequently measure any financial instrument at fair value. The Society has not made such an election during the year.

The Society subsequently measures mutual funds at fair value, being the net asset value per unit as reported by the Investment Manager, with changes in fair value recorded immediately in the statement of operations. All other financial assets and liabilities are subsequently measured at amortized cost.

Motor Dealer Council of British Columbia
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Notes to the Financial Statements

For the year ended March 31, 2020

2. Significant accounting policies *(Continued from previous page)*

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

Financial asset impairment

The Society assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Society determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Society reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses. The Society reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenues over expenses in the year the reversal occurs.

3. Accounts receivable

	2020	2019
Accounts receivable	86,884	83,665
Allowance for doubtful accounts	(45,683)	-
	41,201	83,665

4. Term deposits

Term deposits have maturity dates ranging from February 2021 to March 2022, bearing interest at fixed rates between 1.6% and 2.22% per annum.

5. Capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	1,964,750	-	1,964,750	1,964,750
Building	2,042,363	134,870	1,907,493	1,991,103
Automotive	203,197	114,604	88,593	76,528
Computer equipment	263,564	238,448	25,116	24,286
Computer software	328,171	253,250	74,921	31,099
Office equipment	380,877	246,182	134,695	137,433
Driver 2.0	651,952	30,124	621,828	30,617
	5,834,874	1,017,478	4,817,396	4,255,816

6. Mutual funds

The Society holds investments in mutual funds comprised of Canadian and US denominated bonds and equities, presented at fair value, with a cost of \$551,814 (2019 - cost of \$80,000).

Motor Dealer Council of British Columbia
(Operating as Motor Vehicle Sales Authority of British Columbia)
Notes to the Financial Statements

For the year ended March 31, 2020

7. Accounts payable and accruals

Included in accounts payable and accruals is \$54,351 (2019 - \$44,611) of remittances payable to various government agencies.

8. Deferred contributions

	<i>Operating Fund</i>	<i>Motor Dealer Customer Compensation Fund</i>	<i>Internally Restricted Fund</i>	2020	2019
Balance, beginning of year	-	1,197,602	-	1,197,602	-
Amount received during the year	-	88,000	-	88,000	1,238,086
Less: Amounts recognized as revenue during the year	-	(78,761)	-	(78,761)	(40,484)
	-	1,206,841	-	1,206,841	1,197,602

9. Commitments

The Society has entered into lease agreements for various equipment through September 2021 with annual payments of \$11,342, totaling \$16,422, through lease expiration.

10. Internally Restricted and Capital Asset Fund balances

	<i>Capital Asset Fund</i>	<i>Internally Restricted Funds</i>			2020	2019
		<i>Reserve for Future Training Costs</i>	<i>Reserve for Regulatory Response</i>	<i>Reserve for Consumer Advancement</i>		
Opening Fund balance	4,255,816	84,587	150,000	263,267	4,753,670	4,116,336
Revenue	-	-	-	91,150	91,150	231,250
Investment income (loss)	-	-	-	-	-	8,206
Amortization	(216,538)	-	-	-	(216,538)	(138,350)
Gain on sale of assets	7,228	-	-	-	7,228	10,643
Consumer advancement fund expenses	-	-	-	(106,355)	(106,355)	(177,849)
Excess (deficiency) of revenue over expenses	(209,310)	-	-	(15,205)	(224,515)	(66,100)
Transfer (to) / from operating fund	(7,228)	-	-	(45,987)	(53,215)	92,760
Assets acquired	781,890	-	-	-	781,890	612,031
Assets disposed	(3,772)	-	-	-	(3,772)	(1,357)
Ending Fund balance	4,817,396	84,587	150,000	202,075	5,254,058	4,753,670

11. Interfund transactions

During the year, the Organization transferred \$53,214 from Organization's Internally Restricted and Capital Asset Fund to the Operating Fund.

Motor Dealer Council of British Columbia
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Notes to the Financial Statements

For the year ended March 31, 2020

12. External restrictions on net assets

As described in Note 2 to the financial statements, contributions received under the Motor Dealer Customer Compensation Fund are subject to external restrictions, and as such, a deferred contribution liability has been established in the same amount as the contributed assets. The deferred contribution liability is recognized to revenue when expenses are incurred for consumer compensation related activities, to the extent that consumer compensation expenses are in excess of consumer compensation revenues. Should consumer compensation revenues exceed the consumer compensation expenses in a fiscal period, the deferred contributions liability will increase in the amount of the excess. During the year ended March 31, 2020, consumer compensation revenues exceeded expenses by \$9,238, resulting in a deferral in the amount of the excess.

13. Related party transactions

During the year, the Society paid \$83,460 (2019 - \$117,371) in governance costs to the Board of Directors comprised of directors' fees of \$74,579 (2019 - \$101,502) and expense reimbursements of \$24,716 (2019 - \$15,869).

These transactions were conducted in the normal course of operations and were measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

14. Employee compensation

During the year ended March 31, 2020, the Society paid a total of \$1,320,563 to its ten most highly remunerated employees (2019 - \$1,302,955).

15. Contributions to Group Registered Retirement Savings Plans (RRSP's)

The Society makes contributions to a group RRSP plan on behalf of certain of its employees at a rate of 3%. The Society's contributions for the year of \$67,165 (2019 - \$56,649) are included in salaries and wages expenses on the statement of operations.

16. Financial instruments

The Society as part of its operations, carries a number of financial instruments. It is management's opinion that the Society is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society enters into transactions to purchase and sell mutual funds for which the market price fluctuates

Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society enters into transactions to purchase goods and services on credit, for which repayment is required at various maturity dates.

Motor Dealer Council of British Columbia
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Notes to the Financial Statements

For the year ended March 31, 2020

16. Financial instruments *(Continued from previous page)*

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's main credit risk relates to its accounts receivable. Substantially all of the Society's accounts receivable is due from members in the auto sector (2019 - 91%). As at March 31, 2020, one member comprised 24% of accounts receivable (2019 - one member: 26%). The Society performs regular assessments of its members and provides allowances for potentially uncollectible accounts receivable.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Society is exposed to interest rate cash flow risk with respect to its' investments in mutual funds and term deposits.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society holds mutual funds, the value of which are dependant on the value of the underlying equities and bonds held by the fund. As a portion of the portfolio held within each mutual fund consists of foreign equities, the Society is exposed to the risk that the fair value of its mutual funds will fluctuate due to changes in foreign exchange rates.

17. Credit facility

The Society has access to a credit facility provided by Envision Financial. The credit facility, has an authorized limit of \$1,000,000 Canadian dollars to provide financing for general operating requirements. Advances are repayable upon demand and bear interest at the Credit Union's prime lending rate plus 1.5%, with interest paid monthly.

The facility is subject to a general security agreement constituting a first ranking security interest in all personal property of the Society.

The Society has not drawn upon the available credit facility as at March 31, 2020.

The agreement with the bank requires the maintenance of certain financial covenants of the Society. As of March 31, 2020, the Society is in compliance with these financial covenants. It is managements opinion that the Society is likely to remain in compliance with these covenants throughout the next twelve months subsequent to March 31, 2020.

18. Subsequent event

Since March 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Management of the Society had reduced certain of its capital expenditure projects and other expenses to manage the potential effect of COVID-19 on its members, and therefore, the fiscal 2021 revenue of the Society. Management has performed cashflow projections, and an analysis of cash and other investments, and has determined that it has sufficient liquid financial assets to sustain its operations at, or near to previous fiscal periods in the year subsequent to March 31, 2020.