

**FINANCIAL STATEMENTS**  
**For**  
**TRAINING COMPLETION ASSURANCE FUND**  
**For year ended**  
**DECEMBER 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To: The Advisory Board of the Training Completion Assurance Fund

### Opinion

We have audited the accompanying financial statements of the Training Completion Assurance Fund, which comprise the statement of financial position as at December 31, 2018, statements of operations and fund balance 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 financial statements present fairly, in all material respects, the financial position of the Training Completion Assurance Fund at December 31, 2018 and the results of its operations and 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 Company 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Guelph, Ontario  
September 10, 2019

Chartered Accountants  
Licensed Public Accountants

TRAINING COMPLETION ASSURANCE FUND

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 14,245,058	\$ 13,550,327
Premiums receivable	319,619	324,344
Interest receivable	<u>0</u>	<u>32,913</u>
	<u>\$ 14,564,677</u>	<u>\$ 13,907,584</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 26,397	\$ 24,211
Student refunds, training completion and travel costs payable (note 8)	211,367	164,739
Deferred forfeited securities (note 7)	12,049	19,460
Deferred premium revenue	<u>150,357</u>	<u>173,703</u>
	<u>400,170</u>	<u>382,112</u>
<b>FUND BALANCE</b>	<u>14,164,507</u>	<u>13,525,471</u>
	<u>\$ 14,564,677</u>	<u>\$ 13,907,584</u>

Approved by the Superintendent:

..... Superintendent

see accompanying notes

**TRAINING COMPLETION ASSURANCE FUND**  
**STATEMENT OF OPERATIONS AND FUND BALANCE**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Premiums	\$ 821,312	\$ 640,850
Earned financial securities (note 7)	32,985	232,369
Interest on investments	192,571	93,817
Interest and penalties on overdue accounts	<u>2,341</u>	<u>1,170</u>
	<u>1,049,209</u>	<u>968,206</u>
<b>Expenses</b>		
Administrative costs (note 9)	169,408	177,427
Bad debt expense	4,433	3,446
Board travel costs	-	132
Student refunds (note 8)	623	88,687
Training completion costs (note 8)	209,313	498,284
Travel and dependent care costs	-	9,446
Professional fees	<u>26,396</u>	<u>20,012</u>
	<u>410,173</u>	<u>797,434</u>
<b>Net revenues</b>	639,036	170,772
<b>Fund balance, beginning of year</b>	<u>13,525,471</u>	<u>13,354,699</u>
<b>Fund balance, end of year</b>	<u>\$14,164,507</u>	<u>\$13,525,471</u>

see accompanying notes

**TRAINING COMPLETION ASSURANCE FUND**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net revenues	\$ 639,036	\$ 170,772
Changes in level of		
Premiums receivable	4,724	(194,214)
Interest receivable	32,913	(15,171)
Accounts payable and accrued liabilities	2,187	(4,199)
Student refunds, training completion and travel costs payable	46,628	162,007
Deferred forfeited securities	(7,411)	-
Deferred premium revenue	<u>(23,346)</u>	<u>104,025</u>
<b>Cash flows from operating activities</b>	<u>694,731</u>	<u>223,220</u>
<b>INCREASE IN CASH</b>	694,731	223,220
<b>CASH AT BEGINNING OF YEAR</b>	<u>13,550,327</u>	<u>13,327,107</u>
<b>CASH AT END OF YEAR</b>	<u>\$14,245,058</u>	<u>\$13,550,327</u>

see accompanying notes

**TRAINING COMPLETION ASSURANCE FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**

**1. DESCRIPTION OF THE TRAINING COMPLETION ASSURANCE FUND**

The Training Completion Assurance Fund (TCAF) was established under the Private Career Colleges Act (PCCA). The Fund launched January 1, 2007 for the purpose of providing students who are attending a Private Career College (PCC) that closes, the option of completing their training elsewhere or receiving a refund.

TCAF is administered by the government and supported by mandatory premiums paid by private career colleges. It is authorized by the Private Career Colleges Act, 2005, legislation that protects students and strengthens the quality of education at private career colleges. The money is held in a Special Purpose Account of the Consolidated Revenue Fund.

TCAF has an Advisory Board which is appointed by the Minister of Training, Colleges and Universities (Minister) to provide advice and make recommendations to the Superintendent with respect to the administration of the fund.

**2. NATURE OF OPERATIONS**

Participation in the Training Completion Assurance Fund (TCAF) is mandatory for all registered Private Career Colleges (PCCs).

In 2018 PCCs that contributed 24 months of a founding or initial premium (0.875% of gross vocational revenue), were billed an annual premium for their current registration period. Once a PCC completes contribution of 24 months of founding premiums, the PCC will move to a risk-adjusted approach in calculating annual premiums using the following formula:

<u>Risk Level</u>	<u>Premium %</u>		
Low	0.75%	x	Highest monthly prepaid unearned revenue
Medium	1.00%	x	Highest monthly prepaid unearned revenue
High	1.25%	x	Highest monthly prepaid unearned revenue

In addition, once PCCs transition from paying the founding premium to paying the annual premium, they are also required to pay a surcharge on the annual portion of their premium. This surcharge may be levied on the annual premiums until TCAF reaches its fund target of 17.5% of total maximum prepaid unearned revenue of the sector. The surcharge is stipulated in Ontario Regulation 414/06 as a multiple of the annual premium. The surcharge will decline as the fund balance approaches its target.

As of January 1, 2019, total maximum prepaid unearned revenue for the sector was approximately \$71.6 million. Therefore, the target fund balance would be 17.5% of this figure, \$12.5 million. The Fund balance of January 1, 2019 was \$14.1 million or 20% of maximum prepaid revenue for the sector.

**TRAINING COMPLETION ASSURANCE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2018**

**3. FINANCIAL SECURITY REQUIREMENTS**

Effective January 1, 2009, existing PCCs were required to post financial security in the amount of 25% of the highest monthly prepaid unearned revenue collected in a given fiscal year. New PCCs are required to post financial security in the amount of 10% of projected gross vocational revenue at initial registration. In both cases, this amount is a minimum of \$10,000. However, the Superintendent has the authority to increase the security amount as necessary to provide appropriate protection for the students of a PCC.

One exception to the above is that registered charities are exempt from the financial security requirement

Financial security acts as a protection measure for TCAF in the event a PCC closes and does not fulfill its obligation to train out existing students. The closed PCC's financial security is used first to train out or provide refunds to students before TCAF is accessed.

There are three types of financial security that can be posted:

- 1) A surety bond guaranteed by a surety company or another guarantor;
- 2) A letter of credit issued by a bank or financial institution that is supervised or examined by the central bank of Canada or another governmental authority in Canada; or
- 3) A personal bond accompanied by collateral security issued by Canada or by any province of Canada.

**4. FUND ADMINISTRATION AND THIRD-PARTY TRANSACTIONS**

TCAF is administered by the Superintendent of Private Career Colleges. The accounts receivable (AR) function is managed by Ontario Shared Services (OSS). On behalf of TCAF, OSS provides AR invoicing, collections, aging accounts and interest calculations.



**TRAINING COMPLETION ASSURANCE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2018**

**5. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of accounting*

The accounting policies of the company are in accordance with Canadian accounting standards for non-for-profit organizations.

*Revenue recognition*

TCAF follows the deferral method of accounting for revenues. Restricted revenues are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted revenues are recognized as revenue when they are received or receivable if the amount can be reasonably estimated and its collection can be reasonably assured.

Premiums are recognized as revenue over the period to which they relate. Deferred revenue represents premiums received in advance.

Investment income is recognized on an accrual basis.

*Cash*

Cash is comprised of cash on deposit with the Special Purpose Account and earns interest at the rate of three month treasury bills. For 2018 the annual rates ranged from 1.050% to 1.734%.

*Forfeited Security*

The Superintendent may declare the security provided by a PCC under section Private Career Colleges Act, 2005 S.32 to be forfeited if either of the following events occurs;

- (1) A PCC has ceased to operate or discontinued all vocational programs before some of the students enrolled in the programs had completed their training
- (2) The Superintendent has issued a proposal to suspend, revoke or refuse to renew a private career college's registration

If the Superintendent decides to declare a security to be forfeited, he or she shall do so within 12 months of having knowledge of the occurrence of the event that gave rise to the decision. In the event that there is a residual amount of financial security after a 12 month period has elapsed without additional student claims, the remaining funds will be released to the closed PCC.

*Late Premium Penalties*

Simple interest is applied on outstanding accounts receivable at the rate specified by the Ministry of Finance.

*Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for non-for-profit organizations 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. Estimates used in the preparation of the financial statements include premiums receivable, allowance for doubtful accounts and accrued liabilities. Actual results could differ from these estimates.

**TRAINING COMPLETION ASSURANCE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2018**

**5. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

*Financial Instruments*

The Organization's financial assets and liabilities are generally classified and measured as outlined below.

- Cash and cash equivalents are classified as held for trading. They are accounted for at market value with the change in market value recognized in the net income for the year.

- Premiums receivable and interest receivable are classified as loans and receivables. they are accounted for at amortized cost.

- Accounts payable and accrued liabilities, Student refunds, training completion and travel costs payable are classified as other liabilities. They are accounted for at amortized cost.

**6. FINANCIAL INSTRUMENTS**

The Fund's financial instruments consist of cash, premiums receivable, interest receivable, accounts payable and accrued liabilities and student refunds and training completion costs payable.

*Fair Value*

The Fund's financial instruments consist of cash, premiums receivable, interest receivable, accounts payable and accrued liabilities and student refunds and training completion costs payable.

*Fair Value*

The fair value of cash, premiums receivable, interest receivable, accounts payable and accrued liabilities and student refunds, training completion and travel costs payable approximates their carrying value due to their short term nature.

*Liquidity risk*

Liquidity risk refers to the adverse consequence that the Fund will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised of accounts payable and accrued liabilities and student refunds and training completion costs payable.

The Fund manages liquidity risk by monitoring its cash flow requirements. The Fund believes its overall liquidity risk to be minimal as the Fund's financial assets are considered to be highly liquid.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's cash earns interest at prevailing three month Canada T-Bill interest rates and the interest rate exposure related to these financial instruments is negligible.

*Currency risk*

The Fund operates primarily in Canadian dollars and is not exposed to significant currency risk.

**TRAINING COMPLETION ASSURANCE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2018**

**6. FINANCIAL INSTRUMENTS - Cont'd.**

*Credit risk*

The Fund is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Funds maximum exposure to credit risk represents the sum of the carrying value of its cash, premiums receivable and interest receivable. The organization's cash is deposited with a Special Purpose Account of the Consolidated Revenue Fund and as a result management believes the risk of loss on this item to be remote.

Management believes that the organization's credit risk with respect to accounts receivable is limited. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts. Of the accounts receivable outstanding at year end, \$77,198 has been outstanding for more than 90 days and an allowance in the amount of \$5,601 has been made.

It is management's opinion that the organization's risk exposure is unchanged from the prior year.

**7. DEFERRED FORFEITED SECURITIES**

Deferred forfeited securities represent forfeited securities received due to closed PCCs that is in excess of related expenses incurred to date and is therefore related to expenses incurred in subsequent years.

Changes in the deferred forfeited securities balances are as follows:

	<u>Year of closure</u>	<u>Balance, beginning of year</u>	<u>Funds received</u>	<u>Recognized as revenue in the year</u>	<u>Refunds to PCCs</u>	<u>Balance, end of year</u>
Canadian Aesthetic Academy	2012	\$ (55)	\$ -	\$ -	\$ -	\$ (55)
Academy of Learning Career and Business College	2015	7,411	-	-	(7,411)	-
1640534 Ontario Inc. o/a Liaison College	2015	12,104	-	-	-	12,104
2120759 Ontario Ltd. o/a Niagara Welding Academy	2018		17,985	17,985		
FlyCanadian Inc.	2018		15,000	15,000		
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>		<b>\$ 19,460</b>	<b>\$ 32,985</b>	<b>\$ 32,985</b>	<b>\$ (7,411)</b>	<b>\$ 12,049</b>

**TRAINING COMPLETION ASSURANCE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2018**

**8. CLOSED PCC PAYMENTS**

In 2018, there were two new private career college closures.

During 2018 TCAF incurred (recovered) expenses for the purposes of student refunds and training completion costs as follows:

	<u>Year of Closure</u>	<u>Student_ refunds</u>	<u>Training completion_ costs</u>	<u>Total</u>
1563786 Ontario Inc. o/a Royal Institute of Science & Management	2015	\$ -	\$ 10,245	\$ 10,245
King George International Business College	2017	(3,075)	(24,725)	(27,800)
Upper Career College of Business & Technology Inc.	2017	-	(3,673)	(3,673)
2120759 Ontario Ltd. o/a Niagara Welding Academy	2018	3,698	17,466	21,164
FlyCanadian Inc.	2018	-	<u>210,000</u>	<u>210,000</u>
<b>Total</b>		<u>\$ 623</u>	<u>\$ 209,313</u>	<u>\$ 209,936</u>
 Payable at December 31, 2018		<u>\$ -</u>	<u>\$ 211,367</u>	<u>\$ 211,367</u>
Payable at December 31, 2017		<u>\$ -</u>	<u>\$ 164,739</u>	<u>\$ 164,739</u>

**TRAINING COMPLETION ASSURANCE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED DECEMBER 31, 2018**

**9. ADMINISTRATION**

TCAF covers the expenses incurred by the Superintendent for purposes of the administration and management of the Fund. TCAF funded administration expenses incurred during the year were as follows:

	<u>2018</u>	<u>2017</u>
Directors and Officers liability insurance	\$ 1,575	\$ 1,780
Credit reports	11,038	19,317
Administrative cost recovery charges	148,878	148,878
Account services	<u>7,917</u>	<u>7,452</u>
	<u>\$ 169,408</u>	<u>\$ 177,427</u>

**10. INCOME TAXES**

The fund is a non-profit entity and is not subject to income taxes, in accordance with section 149(1) of the Income Tax Act.

**11. FUND VALUE**

TCAF considers its fund value to be its net assets. The Superintendent's objective in administering the fund is to safeguard its solvency so that it can continue to finance training completions or refunds in the event of a private career college closure.