

Training Completion Assurance Fund
Financial Statements
December 31, 2019

Training Completion Assurance Fund Contents

For the year ended December 31, 2019

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Independent Auditor's Report

To the Superintendent of Private Career Colleges:

Opinion

We have audited the financial statements of Training Completion Assurance Fund (the "Fund"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and 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 Fund as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Fund 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.

Emphasis of Matter - Comparative Information

We draw attention to Note 2 to the financial statements which describes that the Fund adopted Canadian public sector accounting standards on January 1, 2019 with a transition date of January 1, 2018. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2018 and January 1, 2018, and the statements of operations and changes in fund balances, and cash flows for the year ended December 31, 2018 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited. Our opinion is not modified in respect of this matter.

Unaudited Supplementary Information

Information related to the target fund balance and the aggregate highest monthly prepaid unearned revenue for the sector for the year is included in Note 5 to the financial statements. This supplementary information has not been audited as it is not required by Canadian public sector accounting standards and is not integral to the financial statements of the Fund. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Fund for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on September 10, 2019.

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 public sector accounting standards, 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Mississauga, Ontario

July 28, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Training Completion Assurance Fund

Statement of Financial Position

As at December 31, 2019

	2019	2018 <i>(Note 2)</i>	January 1 2018 <i>(Note 2)</i>
Assets			
Current			
Cash	14,842,934	14,245,058	13,550,327
Premiums receivable	447,698	319,619	324,344
Interest receivable	-	-	32,913
	15,290,632	14,564,677	13,907,584
Liabilities			
Current			
Accounts payable and accrued liabilities	23,797	26,397	24,211
Student refunds, training completion and travel costs payable	19,677	211,367	164,739
Deferred forfeited securities <i>(Note 4)</i>	110,058	12,049	19,460
Deferred premium revenue	149,523	150,357	173,703
	303,055	400,170	382,113
Net Assets			
Fund balance <i>(Note 5)</i>	14,987,577	14,164,507	13,525,471
	15,290,632	14,564,677	13,907,584

Approved by the Superintendent of Private Career Colleges

Superintendent

The accompanying notes are an integral part of these financial statements

Training Completion Assurance Fund Statement of Operations and Changes in Fund Balance

For the year ended December 31, 2019

	2019	2018
Revenue		
Premiums	1,101,049	821,312
Earned financial securities <i>(Note 4)</i>	23,955	32,985
Interest and penalties on overdue accounts	3,371	2,341
Interest on investments	240,855	192,571
	1,369,230	1,049,209
Expenses		
Training completion costs <i>(Note 6)</i>	286,632	209,313
Administrative <i>(Note 7)</i>	172,565	169,408
Student refunds <i>(Note 6)</i>	61,119	623
Professional fees	21,197	26,396
Bad debts	4,647	4,433
	546,160	410,173
Excess of revenue over expenses	823,070	639,036
Fund balance, beginning of year	14,164,507	13,525,471
Fund balance, end of year	14,987,577	14,164,507

The accompanying notes are an integral part of these financial statements

Training Completion Assurance Fund Statement of Cash Flows

For the year ended December 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	823,070	639,036
	823,070	639,036
Changes in working capital accounts		
Premiums receivable	(128,079)	4,724
Interest receivable	-	32,913
Accounts payable and accrued liabilities	(2,600)	2,187
Student refunds, training completion and travel costs payable	(191,690)	46,628
Deferred forfeited securities	98,009	(7,411)
Deferred premium revenue	(834)	(23,346)
Increase in cash	597,876	694,731
Cash, beginning of year	14,245,058	13,550,327
Cash, end of year	14,842,934	14,245,058

The accompanying notes are an integral part of these financial statements

Training Completion Assurance Fund Notes to the Financial Statements

For the year ended December 31, 2019

1. Incorporation and nature of the organization

Training Completion Assurance Fund (the "Fund") was established under the Private Career Colleges Act, 2005 (the "Act") and is a non-profit entity and is not subject to income taxes. 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.

The Fund is administered by the government and supported by mandatory premiums paid by private career colleges. The money is held in a Special Purpose Account of the Consolidated Revenue Fund.

The Fund 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. Impact of adopting Canadian public sector accounting standards

These are the Fund's first financial statements prepared in accordance with Canadian public sector accounting standards (PSAS). The accounting policies in Note 3 have been applied in preparing the financial statements for the year ended December 31, 2019, the comparative information for the year ended December 31, 2018, and the opening public sector accounting standards' statement of financial position as at January 1, 2018 (the Fund's date of transition to public sector accounting standards). Change in accounting standards had no impact on balances previously reported as at December 31, 2018.

3. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards using the standards applicable to government not-for-profit organizations, including the following significant accounting policies:

Revenue recognition

The Fund 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 received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Premiums revenues are recognized as revenue over the period to which they relate to. 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 2019 the annual rates ranged from 1.62% to 1.69%.

Forfeited security

The Superintendent may declare the security provided by a PCC under PCCA S.32 to be forfeited if either of the following events occurs:

- 1) A PCC has ceased to operate or discontinues 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 PCC'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.

Training Completion Assurance Fund

Notes to the Financial Statements

For the year ended December 31, 2019

3. Significant accounting policies (Continued from previous page)

Financial instruments

The Fund recognizes its financial instruments when the Fund becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

The Fund subsequently measures financial instruments at cost or amortized cost less impairment. The Fund assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Fund 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 Fund reduces the carrying amount of any impaired financial assets to the present value of cash flows expected to be generated by holding the assets.

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

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards 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.

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.

Training Completion Assurance Fund Notes to the Financial Statements

For the year ended December 31, 2019

4. Deferred forfeited securities

PCCs are required to post financial security in the amount of 10% of projected gross vocational revenue at initial registration and 25% of the highest monthly prepaid unearned revenue collected in a given fiscal year at renewal. 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. Registered charities are exempt from the financial security requirement.

Financial security acts as a protection measure for the Fund 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 the Fund 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.

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:

	<i>Year of closure</i>	<i>Balance, beginning of year</i>	<i>Funds received</i>	<i>Recognized as revenue in the year</i>	<i>Refunds to PCCs</i>	<i>Balance, end of year</i>
Canadian Aesthetic Academy	2012	\$ (55)	-	-	-	(55)
1640534 Ontario Inc. o/a	2015	12,104	-	-	-	12,104
Liaison College						
Emmanuel Academy of Business, Healthcare and Technology Inc.	2018	-	23,955	23,955	-	-
New Way Truck & Forklift Driving School	2019	-	61,000	-	-	61,000
1998204 Ontario Ltd. o/a	2019	-	14,024	-	-	14,024
Windsor Welding Institute						
Ottawa Aviation Service Inc.	2019	-	22,985	-	-	22,985
		12,049	121,964	23,955	-	110,058

Training Completion Assurance Fund Notes to the Financial Statements

For the year ended December 31, 2019

5. Fund balance

Under the regulations to the Act, the target fund balance is 17.5% of the highest monthly prepaid unearned revenue of the sector in the previous fiscal year. A surcharge is applied to premium so long as the fund balance is below the target level.

As of December 31, 2019 highest monthly prepaid unearned revenue for the sector was approximately \$88.9 million (December 31, 2018 - \$71.6 million). The fund balance at year end represents 16.9% (2018 - 19.8%) of the highest monthly prepaid unearned revenue for the sector.

6. Closed PCC payments

During 2019, the Fund incurred expenses for the purpose of student refunds and training completion costs as follows:

	<i>Year of closure</i>	<i>Student refunds</i>	<i>Training Completion costs</i>	<i>Total</i>
King George International Business College	2017	-	15,714	15,714
FlyCanadian Inc.	2018	55,898	207,785	263,683
Emmanuel Academy of Business, Healthcare and Technology Inc.	2018	5,221	63,133	68,354
		61,119	286,632	347,751

Included in accounts payable is \$19,677 (2018 - \$211,367) related to student refunds and completion costs claimed during the year.

In 2019, three PCCs closed. Although costs are likely to be incurred as a result of these closures, no amount has been accrued as they cannot be reasonably estimated.

7. Allocation of expenses

The Fund is administered by the Superintendent of PCCs. The accounts receivable function is managed by Ontario Shared Services ("OSS"). On behalf of the Fund, OSS provides accounts receivable invoicing, collections, aging accounts and interest calculations.

The Fund covers the expenses incurred by the Superintendent for purpose of the administration and management of the Fund. The Fund recognized and reimbursed the Superintendent for the following administration expenses incurred during the year:

	<i>2019</i>	<i>2018</i>
Directors and officers liability insurance	1,780	1,575
Credit reports	12,000	11,038
Administration cost recovery charges	148,878	148,878
Account Services	9,907	7,917
		172,565
		169,408

Training Completion Assurance Fund Notes to the Financial Statements

For the year ended December 31, 2019

8. Financial instruments

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

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations. The Fund is exposed to credit risk in its cash, premium receivable and interest receivable.

The cash is deposited with a Special Purpose account of the Consolidated Revenue Fund. As a result, the management believes the risk of loss to be remote.

The Fund manages the receivables by monitoring commercial delinquency score, reviewing aging and following up on outstanding amounts. There has been no history of significant impairments and management considers there to be a low exposure to the credit risk.

Liquidity risk

Liquidity risk is the risk the the Fund will encounter difficulty in meeting the obligation associated with its financial liabilities. Liquidity risk arises from accounts payable and accrued liabilities, and student refund, training completion and travel costs payable. The Fund manages liquidity risk by monitoring its cash flow requirements. The management considers the overall exposure to liquidity risk is minimal as the Fund's financial assets are considered to be highly liquid.

Interest rate risk

Interest 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 Treasury Bill interest rate and the interest rate exposure related to these financial instrument is negligible.

9. Subsequent event

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses and organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Fund as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Fund's ability to generate revenue may be negatively impacted.