Training Completion Assurance Fund
Financial Statements
December 31, 2020

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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, 2020, and the statements of operations and changes in 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 accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2020, 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

Without modifying out conclusion, we draw attention to Note 9 to the financial statements, which explains certain comparative information for the year ended December 31, 2019 has been restated.

Other 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 4 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.

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.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

December 8, 2021 — Licensed Public Accountants

Training Completion Assurance Fund
Statement of Financial Position
As at December 31, 2020

	2020	*2019 Restated (Note 9)*
Assets		
Current		
Cash resources	**14,754,650**	14,842,934
Premiums receivable	**348,460**	215,198
	15,103,110	15,058,132
Liabilities		
Current		
Accounts payable and accrued liabilities	**180,983**	23,797
Student refunds, training completion and travel costs payable	**609,763**	19,677
Deferred forfeited securities *(Note 3)*	**130,884**	110,058
Deferred premium revenue	**32,995**	149,523
	954,625	303,055
Net Assets		
Fund balance *(Note 4)*	**14,148,485**	14,755,077
	15,103,110	15,058,132

Approved by the Superintendent of Private Career Colleges

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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, 2020

	2020	*2019 Restated (Note 9)*
Revenue		
Premiums	**958,555**	868,549
Earned financial securities *(Note 3)*	**564,421**	23,955
Interest and penalties on overdue accounts	**514**	3,371
Interest on investments	**72,998**	240,855
	1,596,488	1,136,730
Expenses		
Training completion costs *(Note 5)*	**1,001,749**	286,632
Administrative *(Note 6)*	**296,404**	172,565
Student refunds *(Note 5)*	**868,844**	61,119
Professional fees	**29,107**	21,197
Bad debts	**6,976**	4,647
	2,203,080	546,160
Excess (deficiency) of revenue over expenses	**(606,592)**	590,570
Fund balance, beginning of year	**14,755,077**	14,164,507
Fund balance, end of year	**14,148,485**	14,755,077

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, 2020

	2020	*2019 Restated (Note 9)*
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	**(606,592)**	590,570
Changes in working capital accounts		
Premiums receivable	**(133,262)**	104,421
Accounts payable and accrued liabilities	**157,186**	(2,600)
Student refunds, training completion and travel costs payable	**590,086**	(191,690)
Deferred forfeited securities	**20,826**	98,009
Deferred premium revenue	**(116,528)**	(834)
Increase (decrease) in cash	**(88,284)**	597,876
Cash resources, beginning of year	**14,842,934**	14,245,058
Cash resources, end of year	**14,754,650**	14,842,934

The accompanying notes are an integral part of these financial statements

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 Colleges and Universities (the "Ministry") to provide advice and make recommendations to the Superintendent with respect to the administration of the fund.

2. 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.

Interest income is recognized as accrued over time.

Cash resources

Cash resources consists of amounts in the custody of the Ministry. Interest is earned at a rate equivalent to the yield on 90-day treasury bills. For 2020 the annual rates ranged from 0.07% to 1.64%.

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, it shall be done 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.

2. 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.

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

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 flows expected to be generated by holding the assets.

Financial assets measured at amortized cost include cash and premium receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and student refunds, training completion and travel costs payable.

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.

3. 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:

	Year of closure	*Balance, beginning of year*	*Funds received*	*Recognized as revenue in the year*	*Refunds to PCCs*	*Balance, end of year*
Canadian Aesthetic Academy	**2012**	**$ (55)**	**$ -**	**$ -**	**$ -**	**(55)**
1640534 Ontario Inc. o/a Liaison College	**2015**	**12,104**	**-**	**-**	**-**	**12,104**
New Way Truck & Forklift Driving School	**2019**	**61,000**	**-**	**14,225**	**-**	**46,775**
1998204 Ontario Ltd. o/a Windsor Welding Institute	**2019**	**14,024**	**-**	**-**	**-**	**14,024**
Ottawa Aviation Service Inc.	**2019**	**22,985**	**-**	**22,985**	**-**	**-**
Canadian College of Massage & Hydrotherapy	**2020**	**-**	**344,247**	**318,822**	**-**	**25,425**
Red Academy Toronto Inc.	**2020**	**-**	**162,000**	**142,650**	**-**	**19,350**
Cecile Leblanc Inc.	**2020**	**-**	**47,000**	**47,000**	**-**	**-**
B.G. McPherson Training Centre Inc.	**2020**	**-**	**19,000**	**18,739**	**-**	**261**
Donato Salon Group Inc.	**2020**	**-**	**13,000**	**-**	**-**	**13,000**
		110,058	**585,247**	**564,421**	**-**	**130,884**

4. 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.

For 2020 reporting period, the highest monthly prepaid unearned revenue for the sector was approximately $102.1 million (2019 - $88.9 million). The fund balance at year end represents 13.86% (2019 - 16.9%) of the highest monthly prepaid unearned revenue for the sector.

5. Closed PCC payments

During 2020, the Fund incurred expenses for the purpose of student refunds and training completion costs as follows:

	Year of closure	*Student refunds*	*Training Completion costs*	*Total*	*2019*
King George International Business College	**2017**	**-**	**-**	**-**	15,714
FlyCanadian Inc.	**2018**	**-**	**199,271**	**199,271**	263,683
Emmanuel Academy of Business, Healthcare and Technology Inc.	**2018**	**-**	**-**	**-**	68,354
New Way Truck & Forklift Driving School	**2019**	**-**	**14,225**	**14,225**	-
1998204 Ontario Ltd. o/a Windsor Welding Institute	**2019**	**39,860**	**-**	**39,860**	-
Ottawa Aviation Services Inc.	**2019**	**728,644**	**334,696**	**1,063,340**	-
Canadian College of Massage & Hydrotherapy	**2020**	**22,976**	**295,846**	**318,822**	-
Red Academy Toronto Inc.	**2020**	**31,517**	**111,132**	**142,649**	-
Cecile Leblanc Inc.	**2020**	**31,442**	**42,245**	**73,687**	-
B.G. McPherson Training Centre Inc.	**2020**	**14,405**	**4,334**	**18,739**	-
		868,844	**1,001,749**	**1,870,593**	347,751

In 2020, four 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.

6. 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:

	2020	*2019*
Directors and officers liability insurance	**1,868**	1,780
Credit reports	**20,077**	12,000
Administration cost recovery charges	**157,147**	158,785
Actuarial Services	**117,312**	-
	296,404	172,565

7. 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.

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 variable interest equal the rate equivalent to the yield offered by 90-day treasury bills.

8. Environmental Risk

In March 2020, there was a global outbreak of COVID-19 (coronavirus) which continues to have a significant impact on businesses due to restrictions put in place by Canadian, provincial and municipal governments regarding travel, business operations and isolation orders. The extent to which the Fund is impacted will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing in Canada and other countries, business closures or business disruptions, and the effectiveness of actions taken in Canada and other countries to fight the virus. For the year ended December 31, 2020 and subsequent to the date of these financial statements, the impact of COVID-19 cannot be reasonably quantified.

9. Correction of error

During the year it was identified that the Fund had overstated the premiums receivable and premiums revenue in the prior year by the incorrect inclusion of assessed penalties. The fiscal 2019 balances presented have been restated to reflect the correction as follows:

Premiums revenue and excess of revenue over expenses for the year ended December 31, 2019 decreased by $232,500. Premium receivable and the closing Fund balance at December 31, 2019 decreased by the same amount.