Financial statements of
Skilled Trades Ontario

March 31, 2023

Deloitte.

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Independent Auditor's Report

To the Board of Directors
Skilled Trades Ontario

Opinion

We have audited the financial statements of Skilled Trades Ontario ("STO"), which comprise the statement of financial position as at March 31, 2023, December 31, 2022, and January 1, 2021 and the statements of operations, changes in net assets and cash flows for the period January 1, 2022 to March 31, 2023 (the "Period") as well as the period ended December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of STO as at March 31, 2023, December 31, 2022, and January 1, 2021 and the results of its operations and its cash flows for the period 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 ("Canadian GAAS"). 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 STO 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 audit 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 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 STO'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 STO or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing STO'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 GAAS 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 GAAS, 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 STO'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 STO'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 STO 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 26, 2023

Skilled Trades Ontario
Statement of financial position
As at March 31, 2023

	Notes	**March 31, 2023**	December 31, 2021	January 1, 2021
		$	$	$
				(Note 3)
Assets				
Current assets				
Cash		**29,117,370**	30,966,180	33,152,083
Accounts receivable	4	**342,629**	868,344	841,390
Prepaid expenses		**357,833**	258,430	500,712
		29,817,832	32,092,954	34,494,185
Long term				
Deposits		**93,085**	—	—
Capital assets	5	**247,401**	265,642	292,251
		30,158,318	32,358,596	34,786,436
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	6 and 11	**1,602,383**	4,576,247	2,441,934
Deferred revenue	3 and 7	**8,994,801**	9,873,599	10,027,647
Current portion of deferred rent inducements		**—**	—	27,343
Current portion of capital lease obligation	10	**67,947**	4,647	23,913
		10,665,131	14,454,493	12,520,837
Long term				
Deferred capital contributions	8	**—**	—	33,147
Deferred rent inducements	10	**16,364**	—	—
Capital lease obligation	10	**83,360**	2,408	11,446
		99,724	2,408	44,593
		10,764,855	14,456,901	12,565,430
Commitments	10			
Net assets				
Invested in capital assets		**96,094**	258,587	223,745
Internally restricted		**13,000,000**	13,000,000	13,000,000
Unrestricted net assets	3	**6,297,369**	4,643,108	8,997,261
		19,393,463	17,901,695	22,221,006
		30,158,318	32,358,596	34,786,436

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board of Directors

______________________________________, Chair

Skilled Trades Ontario

Statement of operations

Period from January 1, 2022 to March 31, 2023

	Notes	March 31, 2023 (15 months) $	December 31, 2021 (12 months) $
Revenue			
Client fees	7	**12,897,826**	10,326,475
Other fees	3 and 7	**5,202,464**	2,847,550
Deferred capital contributions	8	**—**	33,147
Interest and other income		**963,485**	179,204
		19,063,775	13,386,376
Expenses			
Salaries and benefits	11	**13,627,515**	14,601,161
General and administration		**1,912,528**	1,654,149
Professional services		**614,585**	318,786
Trade governance and stakeholder meetings		**315,729**	75,955
Client communications		**881,766**	864,019
Amortization		**219,884**	191,617
		17,572,007	17,705,687
Excess (deficiency) of revenue over expenses	3	**1,491,768**	(4,319,311)

The accompanying notes are an integral part of the financial statements.

Skilled Trades Ontario

Statement of changes in net assets

Period from January 1, 2022 to March 31, 2023

	Notes	Invested in capital assets $	Internally restricted $	Unrestricted $	March 31, 2023 (15 months) Total $	December 31, 2021 (12 months) Total $
Net assets, beginning of period	3	**258,587**	**13,000,000**	**4,643,108**	**17,901,695**	22,221,006
Excess (deficiency) of revenue over expenses	3	**—**	**—**	**1,491,768**	**1,491,768**	(4,319,311)
Additions to capital assets		**201,643**	**—**	**(201,643)**	**—**	—
Amortization of capital assets		**(219,884)**	**—**	**219,884**	**—**	—
Capital lease obligations incurred		**(201,643)**	**—**	**201,643**	**—**	—
Capital lease obligations repaid		**57,391**	**—**	**(57,391)**	**—**	—
Net assets, end of period		**96,094**	**13,000,000**	**6,297,369**	**19,393,463**	17,901,695

The accompanying notes are an integral part of the financial statements.

Skilled Trades Ontario

Statement of cash flows

Period from January 1, 2022 to March 31, 2023

	Notes	March 31, 2023 (15 months) $	December 31, 2021 (12 months) $
Operating activities			
Excess (deficiency) of revenue over expenses	3	**1,491,768**	(4,319,311)
Add items not affecting cash			
Amortization of capital assets		**219,884**	191,617
Amortization of deferred capital contributions		**—**	(33,147)
Deferred rent inducements		**16,364**	(27,343)
Gain on disposal of capital assets		**—**	(22,370)
Net changes in non-cash working capital balances			
Accounts receivable		**525,715**	(26,954)
Prepaid expenses and deposits		**(192,488)**	242,282
Accounts payable and accrued liabilities		**(2,973,864)**	2,134,313
Deferred revenue	3	**(878,798)**	(154,048)
		(1,791,419)	(2,014,961)
Financing activities			
Capital lease obligations repaid		**(57,391)**	(28,304)
Capital lease obligation incurred		**201,643**	—
		144,252	(28,304)
Investing activities			
Additions to capital assets		**(201,643)**	(168,700)
Proceeds on disposal of capital assets		**—**	26,062
		(201,643)	(142,638)
Net cash outflow		**(1,848,810)**	(2,185,903)
Cash, beginning of period		**30,966,180**	33,152,083
Cash, end of period		**29,117,370**	30,966,180

The accompanying notes are an integral part of the financial statements.

1. Nature of operations

Skilled Trades Ontario (the "Agency" or "STO") is a Board-governed, operational services Crown agency which replaced the Ontario College of Trades (the "College" or "OCOT") as at January 1, 2022 and is continued as a corporation without share capital as prescribed in the *Building Opportunities in the Skilled Trades Act, 2021*. It operates at arm's length from the Ministry of Labour, Immigration, Training and Skills Development and is responsible for skilled trades certification in Ontario, which includes:

- Establishing apprenticeship programs;
- Assessing experience and qualifications;
- Issuing and renewing Certificates of Qualification;
- Maintaining a Public Register of authorized tradespersons; and
- Conducting research related to apprenticeship and trades.

As a non-share capital corporation, STO is exempt from tax under section 149(1)(d) of the *Income Tax Act* provided certain criteria are met. STO confirms that, to the best of its knowledge, it meets the criteria and qualifies for this tax status for all years since statutorily established.

These financial statements have been prepared in accordance with Canadian public sector accounting standards on the assumption that STO is a going concern. Under the going concern assumption, an organization is viewed as being able to realize its assets and discharge its liabilities in the normal course of operations.

Effective January 1, 2022 the fiscal year end for STO was changed from December 31st to March 31st. Accordingly, management elected to reflect a 15 month period for the Statements of operations, changes in net assets and cash flows, during the transition period compared to 12 months for the previous period under the College.

2. Significant accounting policies

Financial statement presentation

These financial statements have been prepared with first-time adoption of Public Sector Accounting Standards (PSAS) for government not-for-profit organizations, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada). Financial line items of the previous reporting period have been reclassified where appropriate to comply with PSAS (Note 3).

Revenue recognition

Client fee revenue is recognized over the period using the deferral method of accounting for contributions, net of allowance for doubtful accounts. Amounts received in advance of the period to which they relate are deferred and amortized when appropriate.

Grant revenue is recognized as the related expenditures are incurred. Unearned amounts received are shown as deferred revenue at year end. In 2013, the College, received an additional grant from the Ministry of Training, College and Universities ("MTCU") ("MTCU Credits"). The grant was intended to partially offset client fees of clients transferred from MTCU. Clients have the option to receive the MTCU credits in cash if they opt not to be a client of STO. MTCU credit revenue is deferred and recognized if it relates to offsetting a client fee or is recognized immediately if it is used to offset a returning fee. Any unused MTCU credit is recorded as deferred revenue. Unused MTCU credits continue to be held by STO for any future fees incurred by individuals to whom the credits relate.

STO charges other fees to its clients such as examination fees, issuance of certificates, reinstatement, and other fees. These fees are recognized as revenue when services are rendered and collection is reasonably assured.

2. Significant accounting policies (continued)

Contributions

STO follows the deferral method of reporting restricted contributions.

Financial instruments

STO initially recognizes financial instruments at fair value. Subsequently, at each reporting date, it measures cash at fair value, accounts receivable and accounts payable and accrued liabilities at amortized cost. Any subsequent changes in fair value are recorded in the statement of operations.

Cash

Cash includes balances within an operating and high-yield interest savings bank account.

Capital assets

Capital assets are recorded at cost. The cost of a capital asset includes all costs directly related to the acquisition, construction, development or betterment of the capital asset. Amortization is provided on the straight-line basis over the lesser of the remaining term of the lease or their estimated useful lives, as follows:

Computer equipment	3 years
Computer software	3 to 5 years
Office equipment, furniture and fixtures	5 years
Leasehold improvements	10 years

Capital leases

Capital leases include several computer equipment leases with an average effective interest rate of nil and which are amortized straight-line over 3 years, which are the term of the leases. The capital leases also include two office printers, with an effective interest rate of 4.80% and which are amortized straight-line over 5 years, which is the term of the lease.

Allowance for doubtful accounts

STO records an allowance for doubtful accounts considering the age of an outstanding receivable and the likelihood of its collection. Provisions are also made where collections of the receivable is doubtful based on information gathered through collection efforts. An allowance is reversed once collection of the debt is successful or the amount is written off.

Internally restricted net assets

Internally restricted net assets are internally restricted for purposes of long-term strategic initiatives and unforeseen adverse material events impacting the operations of STO.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards for not-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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include allowance for doubtful accounts, accrued liabilities, and the amortization of capital assets.

3. Adoption of New Accounting Standards

Effective January 1, 2022, OCOT transitioned in name to STO and ceased reporting in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and adopted Canadian Public Sector Accounting Standards (PSAS). These new standards were adopted with retrospective restatement, and therefore the 2021 comparative figures have been presented in accordance with the new standards. More specifically:

A. STO made adjustments to the 2021 financial statements with respect to the accounting for examination fees revenues. These adjustments relate to accounting policy differences between ASNPO and PSAS. Under ASNPO, OCOT had opted to recognize revenues at the point in time when payment was received whereas under PSAS, STO is required to recognize revenue only after its performance obligation is met, which is achieved when the exam results are issued to the writer.

   The effect of the change in accounting policy on the statement of financial position as at the opening balance of the first comparative period January 1, 2021 resulted in deferred revenues increasing by $1,244,140, and unrestricted net assets decreasing by $1,244,140.

   The effect of the change in accounting policy on the statement of financial position as at December 31, 2021 resulted in deferred revenues increasing by $1,509,190 and unrestricted net assets decreasing by $1,509,190. With respect to this change, $1,244,140 relates to the adjustment made as at January 1, 2021 and $265,050 relates to an adjustment made for the period ended December 31, 2021. Other fees revenues also decreased by $265,050 in the comparative statement of operations for the period ended December 31, 2021.

Reconciliation of ASNPO to PSAS

The following tables present the reconciliation from ASNPO to PSAS for the statement of financial positions as at January 1, 2021 and December 31, 2021, and a reconciliation of the statement of operations for the year ended December 31, 2021. The deficiency of revenue over expenses increased by $265,050 and change in deferred revenue balance decreased by $265,050 in the statement of cash flows for the year ended December 31, 2021.

3. Adoption of New Accounting Standards (continued)

Reconciliation of ASNPO to PSAS (continued)

Reconciliation of statement of financial position items as at January 1, 2021:

	ASNPO January 1, 2021 $	Transition Adjustment $	PSAS January 1, 2021 $
Assets			
Current assets			
Cash	33,152,083	—	33,152,083
Accounts receivable	841,390	—	841,390
Prepaid expenses	500,712	—	500,712
Total Current Assets	34,494,185	—	34,494,185
Capital assets	292,251	—	292,251
Total Assets	34,786,436	—	34,786,436
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	2,441,934	—	2,441,934
Deferred revenue (Note a)	8,783,507	1,244,140	10,027,647
Current portion of deferred rent inducements	27,343	—	27,343
Current portion of capital lease obligation	23,913	—	23,913
Total Current Liabilities (Note a)	11,276,697	1,244,140	12,520,837
Long-term liabilities			
Deferred capital contributions	33,147	—	33,147
Capital lease obligation	11,446	—	11,446
Total long-term liabilities	44,593	—	44,593
Total Liabilities (Note a)	11,321,290	1,244,140	12,565,430
Net assets			
Invested in capital assets	223,745	—	223,745
Internally restricted	13,000,000	—	13,000,000
Unrestricted net assets (Note a)	10,241,401	(1,244,140)	8,997,261
Total Net assets (Note a)	23,465,146	(1,244,140)	22,221,006
	34,786,436	—	34,786,436

3. Adoption of New Accounting Standards (continued)

Reconciliation of ASNPO to PSAS (continued)

Reconciliation of statement of financial position items as at December 31, 2021:

	ASNPO December 31, 2021 $	Transition Adjustment $	PSAS December 31, 2021 $
Assets			
Current assets			
Cash	30,966,180	—	30,966,180
Accounts receivable	868,344	—	868,344
Prepaid expenses	258,430	—	258,430
Total Current Assets	32,092,954	—	32,092,954
Capital assets	265,642	—	265,642
Total Assets	32,358,596	—	32,358,596
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4,576,247	—	4,576,247
Deferred revenue (Note a)	9,608,549	265,050	9,873,599
Current portion of capital lease obligation	4,647	—	4,647
Total Current Liabilities (Note a)	14,189,443	265,050	14,454,493
Long-term liabilities			
Deferred capital contributions	—	—	—
Capital lease obligation	2,408	—	2,408
Total long-term liabilities	2,408	—	2,408
Total Liabilities (Note a)	14,191,851	265,050	14,456,901
Net assets			
Invested in capital assets	258,587	—	258,587
Internally restricted	13,000,000	—	13,000,000
Unrestricted net assets (Note a)	4,908,158	(265,050)	4,643,108
Total Net assets (Note a)	18,166,745	(265,050)	17,901,695
	32,358,596	—	32,358,596

3. Adoption of New Accounting Standards (continued)

Reconciliation of ASNPO to PSAS (continued)

Reconciliation of deficiency of revenue over expenses for the year ended December 31, 2021:

	ASNPO December 31, 2021 $	Transition Adjustment $	PSAS December 31, 2021 $
Revenue			
Client fees	10,326,475	—	10,326,475
Other fees (Note a)	3,112,600	(265,050)	2,847,550
Amortization of deferred capital contributions	33,147	—	33,147
Interest and other income	179,204	—	179,204
Total Revenue (Note a)	13,651,426	(265,050)	13,386,376
Expenses			
Salaries and benefits	14,601,161	—	14,601,161
General and administration	1,654,149	—	1,654,149
Professional services	318,786	—	318,786
Trade governance and stakeholder meetings	75,955	—	75,955
Client communications	864,019	—	864,019
Amortization of capital assets	191,617	—	191,617
Total expenses	17,705,687	—	17,705,687
Deficiency of revenue over expenses	(4,054,261)	(265,050)	(4,319,311)

4. Accounts receivable

Accounts receivable are presented net of allowance for doubtful accounts which amounts to $293,319 as at March 31, 2023 ($2,297,039 as at December 31, 2021 and $1,107,204 as at January 1, 2021).

Accounts receivable include $49,205 in net remittances receivable from the government as of March 31, 2023 (nil receivable as at December 31, 2021 and nil as at January 1, 2021).

5. Capital assets

	Cost **$**	**Accumulated amortization** **$**	**March 31, 2023 Net book value** **$**
Computer equipment and related software	**2,954,403**	**(2,879,140)**	**75,263**
Office equipment, furniture and fixture	**491,152**	**(472,630)**	**18,522**
Leased Computer equipment and related software	**201,643**	**(49,183)**	**152,460**
Leased Office equipment, furniture and fixture	**10,397**	**(9,241)**	**1,156**
	3,657,595	**(3,410,194)**	**247,401**

5. Capital assets (continued)

	Cost $	Accumulated amortization $	December 31, 2021 Net book value $
Computer equipment and related software	2,954,402	(2,736,960)	217,442
Office equipment, furniture and fixture	501,549	(453,349)	48,200
	3,455,951	(3,190,309)	265,642

	Cost $	Accumulated amortization $	January 1, 2021 Net book value $
Computer equipment and related software	3,109,824	(2,899,474)	210,350
Office equipment, furniture and fixture	1,073,869	(1,033,951)	39,918
Leasehold improvements	1,517,659	(1,475,676)	41,983
Vehicles	81,574	(81,574)	—
	5,782,926	(5,490,675)	292,251

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include nil net remittances payable from the government as of March 31, 2023 ($564,569 owing as at December 31, 2021 and $196,564 owing as at January 1, 2021).

7. Deferred revenue

	March 31, 2023 **$**	December 31, 2021 $	January 1, 2021 $
Opening balance	**9,873,599**	10,027,647	9,514,030
Add: amounts received	**17,221,492**	13,019,977	13,988,430
Less: membership fees recognized as revenue	**12,897,826**	10,326,475	11,092,588
Less: other fees recognized as revenue	**5,202,464**	2,847,550	2,382,225
Balance, end of year	**8,994,801**	9,873,599	10,027,647

8. Deferred capital contributions

	March 31, 2023	December 31, 2021	January 1, 2021
	$	$	$
Opening balance	**—**	33,147	165,751
Less: amounts recognized as revenue	**—**	33,147	132,604
Balance, end of period	**—**	—	33,147

9. Credit facility

STO has access to a credit facility with a major bank up to $100,000 as of March 31, 2023 ($1,000,000 at December 31, 2021 and January 1, 2021). The credit facility is unsecured and is accessible through corporate credit cards, operating line of credit and bankers' acceptances. No amounts were withdrawn during the period ended March 31, 2023 or the period ended December 31, 2021.

10. Commitments

STO has obligations under non-cancelable capital and operating leases, a sublease agreement, a joint project agreement, and a service agreement. The minimum annual payments consist of the following:

	Operating lease	Capital lease
	$	$
2024	486,964	67,947
2025	575,110	63,619
2026	577,533	19,741
2027	579,715	—
2028	212,660	—
Total obligations	2,431,982	151,307
Less: current portion	486,964	67,947
	1,945,018	83,360

The effective average interest rate of the capital leases is nil (0.27% as at December 31, 2021 and 1.24% as at January 1, 2021) with an average term to maturity of three years (three years as at December 31, 2021 and three years as at January 1, 2021). During the period, STO secured a sublease for executive office space which includes a rent inducement of $34,528, inclusive of HST.

11. Public Service Pension Plan

Some of the STO's employees transferred from the MTCU on April 1, 2011. These employees participate in the Public Service Pension Fund ("PSPF") which is a defined benefit pension plan. The Province of Ontario, which is the sole sponsor of the PSPF, determines STO's annual contributions to the PSPF. Since STO is not a sponsor of these funds, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of STO, as the sponsor is responsible for ensuring that the pension funds are financially viable. STO's expense is limited to the required contributions to the PSPF. STO's employer contributions to the plan during the period ended March 31, 2023 amounted to $66,014 ($102,404 for the year ended December 31, 2021).

12. Risk management

Credit risk

Credit risk arises as a result of STO's accounts receivable. In order to reduce this risk STO regularly reviews the outstanding receivable balance to determine if any amounts are significantly past due.

Liquidity risk

STO's exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations. STO controls liquidity risk by management of working capital, cash flows, and borrowing facilities.