

**Financial Statements of Industry Training Authority  
for the year ended March 31, 2017**

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**Industry Training Authority**  
**Management's Report**  
for the year ended March 31, 2017

**Management's Report**

*Management's Responsibility for the Financial Statements*

THE FINANCIAL STATEMENTS HAVE BEEN PREPARED BY MANAGEMENT IN ACCORDANCE WITH CANADIAN PUBLIC SECTOR ACCOUNTING STANDARDS AND THE INTEGRITY AND OBJECTIVITY OF THESE STATEMENTS ARE MANAGEMENT'S RESPONSIBILITY.

Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements at every meeting and external audited financial statements yearly. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, BDO Canada LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Industry Training Authority and meet when required. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Industry Training Authority



Gary Herman  
Chief Executive Officer  
May 10, 2017



Farnaz Riahi CPA,CA  
Chief Financial Officer



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## INDEPENDENT AUDITOR'S REPORT

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### To the Board of Directors of the Industry Training Authority

We have audited the accompanying financial statements of the Industry Training Authority, which comprise the Statement of Financial Position as at March 31, 2017 and the Statements of Operations and Changes in Accumulated Surplus, Changes in Net Financial Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of Industry Training Authority as at March 31, 2017 and its results of operations, changes in net financial assets, and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

*BDO Canada LLP*

Chartered Professional Accountants

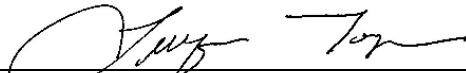
Vancouver, British Columbia

May 10, 2017

**Industry Training Authority**  
**Statement of Financial Position**  
**As at March 31, 2017**  
in thousands of dollars

	<b>Note</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>
<b>Financial Assets</b>			
Cash		8,667	17,808
Accounts receivable		28	94
Due from government/other government organizations	3	3,490	4,437
		12,185	22,339
 <b>Liabilities</b>			
Accounts payable and accrued liabilities	4	1,560	2,212
Due to government/other government organizations	6	1,680	3,192
Deferred revenue	7	943	1,036
		4,183	6,440
<b>Net financial assets</b>		<b>8,002</b>	<b>15,899</b>
 <b>Non-financial assets</b>			
Tangible capital assets	9	6,711	6,404
Prepaid expenses		640	527
		7,351	6,931
<b>Accumulated surplus</b>		<b>15,353</b>	<b>22,830</b>
Contractual obligations	10		

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


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Gywn Morgan, Board Chair


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MJ Whitmarsh, Audit Committee Chair

**Industry Training Authority**  
**Statement of Operations and Changes in Accumulated Surplus**  
**For the Year Ended March 31, 2017**  
in thousands of dollars

	Note	Budget (Note 13)	March 31, 2017	March 31, 2016
<b>Revenues</b>				
Provincial general funding		96,434	96,434	94,444
Provincial grants and other		10,190	11,550	11,104
Operating		400	366	441
Fees		450	464	506
Investment income		450	336	355
Other		118	118	210
		108,042	109,268	107,060
<b>Expenses</b>				
	<i>11</i>			
Engage industry (non standards work)		950	635	1,623
Define standards		1,630	2,505	1,672
Deliver assessments and certification		2,400	2,059	2,143
Invest in training pathways		91,512	98,808	88,276
Customer support		3,100	3,141	3,063
Communicate		775	2,261	2,690
Business support		7,675	7,336	7,168
		108,042	116,745	106,635
<b>Annual (deficit)/surplus</b>	<i>1</i>	<b>-</b>	<b>(7,477)</b>	<b>425</b>
Accumulated surplus at the beginning of the year			22,830	22,405
<b>Accumulated surplus at end of year</b>			<b>15,353</b>	<b>22,830</b>

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

**Industry Training Authority**  
**Statement of Changes in Net Financial Assets**  
**For the Year ended March 31, 2017**  
in thousands of dollars

	<b>Budget (Note 13)</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Annual operating (deficit)/surplus	-	(7,477)	425
Acquisition of tangible capital assets	(1,800)	(1,767)	(1,763)
Amortization of tangible capital assets	1,525	1,460	1,314
Write-downs on tangible capital assets	-	-	3
	(275)	(307)	(446)
Acquisition of prepaid expense	-	(113)	307
<b>(Decrease)/increase in net financial assets</b>	(275)	(7,897)	286
<b>Net financial assets at beginning of year</b>	15,899	15,899	15,613
<b>Net financial assets at end of year</b>	<b>15,624</b>	<b>8,002</b>	<b>15,899</b>

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

**Industry Training Authority**  
**Statement of Cash Flows**  
in thousands of dollars

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
<b>Operating transactions</b>		
Annual (deficit)/surplus	(7,477)	425
Non-cash items included in annual (deficit)/surplus increase/(decrease):		
Amortization	1,460	1,314
Write-downs on tangible capital assets	-	3
Change in prepaid expenses	(113)	307
Change in receivables	1,013	(2,112)
Change in payables and accrued liabilities	(2,164)	247
Change in deferred revenue	(93)	628
Cash (used)/provided by operating transactions	(7,374)	812
<b>Capital transactions</b>		
Cash used to acquire tangible capital assets	(1,767)	(1,763)
Cash applied to capital transactions	(1,767)	(1,763)
<b>Decrease in cash during the year</b>	(9,141)	(951)
<b>Cash at beginning of year</b>	17,808	18,759
<b>Cash at end of year</b>	<b>8,667</b>	<b>17,808</b>

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

# **Industry Training Authority Notes to Financial Statements for the year ended March 31, 2017**

## **1. Nature of Operations**

Industry Training Authority (ITA) is a Crown agency established on January 2, 2004 and operates under the authority of the *Industry Training Authority Act*. ITA reports to the Legislative Assembly through the Ministry of Jobs, Tourism and Skills Training. The mandate of the ITA is to oversee occupational standards, credentialing, and apprenticeship for skilled trades and occupations in demand by industry and the BC labour market. It serves the public interest ensuring industry standards and credentials are in place for skilled trades and occupations, while providing individuals with accessible technical apprenticeship training opportunities that are closely linked to workplace opportunities. These services are grouped into the following key areas: industry engagement, standards, assessment and certification, training investment delivery and labour supply initiatives, customer support and communications.

On April 29, 2014 the Province announced it was accepting all recommendations made by Independent Review Lead Jessica L. McDonald in her report: *The Industry Training Authority and Trades Training in BC: Recalibrating for High Performance*. While ITA's current role was re-confirmed, implementation of the report's recommendations will have an impact on the operations of ITA. To March 31, 2017, ITA has implemented all 29 recommendations.

In Fiscal 2016/17, ITA obtained Treasury Board and Ministry approval to invest up to \$15M of its Accumulated Surplus in Youth Trade Equipment Capital Program over a 3 year period, leading to an expected deficit during those years. The expenditure for Fiscal 2016/17 was \$7.5M. The program was established by JTST and Ministry of Education, in liaison with ITA, to support the capital equipment requirement for school districts to provide the new ITA youth trade training programs.

ITA is exempt from income taxes under the *Income Tax Act*.

## **2. Summary of Significant Accounting Policies**

### **a. Basis of accounting**

The financial statements are prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada.

### **b. Tangible capital assets**

Tangible capital assets are recorded at cost, which included amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of assets.

The cost, less residual value, of the tangible capital assets, is amortized on a straight-line basis over their estimated useful lives as follows:



**Industry Training Authority  
Notes to Financial Statements  
for the year ended March 31, 2017**

**2. Summary of Significant Accounting Policies – continued**

**b. Tangible capital assets – continued**

Furniture and equipment	5 years
Computer hardware and software	3-10 years
Leasehold improvements	Until the end of the lease term

Amortization is charged from the date the asset is put into use until it is taken out of use. Assets under construction are not amortized until the asset is put into productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to ITA's ability to provide credentials and services. The net write-downs are accounted for as expense in the statement of operations.

**c. Employee future benefits**

- i. The employees of ITA belong to the Public Service Pension Plan, which is a multi-employer joint trustee plan. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding.

The joint trustee board of the plan determines the required plan contributions annually.

The contribution of ITA to the plan is recorded as an expense for the year.

- ii. The costs of insured benefits reflected in these financial statements are the employer's portion of the insurance premiums owed for the coverage of employees during the period.

**d. Prepaid expenses**

Prepaid expenses include payments to private trainers for classes spanning the fiscal year end as well as other operational expenses and are charged to expense over the periods expected to benefit from the prepaid.

**e. Revenue recognition**

Revenues are recognized in the period when the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.

**Industry Training Authority**  
**Notes to Financial Statements**  
**for the year ended March 31, 2017**

**2. Summary of Significant Accounting Policies – continued**

**e. Revenue recognition - continued**

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability and are taken into revenue in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue in the period when they are used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

**f. Expenses**

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Grants and transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

**g. Foreign currency translation**

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transactions.

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at the reporting date. Revenues and expenses are translated at the rate prevailing at the transaction date. Foreign currency translation gains and losses are included in profit or loss in the period in which they arise.

**h. Financial instruments**

The fair value of a financial instrument is the estimated amount that ITA would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair values of cash, accounts receivable, due from government/other government organizations, accounts payable and accrued liabilities and due to government/other government organizations approximate their carrying values given their short-term maturities.

**Industry Training Authority  
Notes to Financial Statements  
for the year ended March 31, 2017**

**2. Summary of Significant Accounting Policies – continued**

**i. Measurement uncertainty**

The preparation of financial statements is in conformity with Canadian public sector accounting standards. These standards require management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include: collectability of accounts receivable and due from government/other government organizations, the useful life of tangible capital assets and rates for amortization.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

**3. Due from Government and Other Government Organizations**

	(in \$ thousands)	
	<b>Mar 31, 2017</b>	<b>Mar 31, 2016</b>
Provincial government	3,329	4,353
Federal government	86	83
Other government organizations	75	1
	<b>3,490</b>	<b>4,437</b>

**4. Accounts Payable and Accrued Liabilities**

	(in \$ thousands)	
	<b>Mar 31, 2017</b>	<b>Mar 31, 2016</b>
Accounts payable and accrued liabilities	1,376	2,080
Salaries and benefits payable	23	-
Accrued vacation pay	161	132
	<b>1,560</b>	<b>2,212</b>

**Industry Training Authority  
Notes to Financial Statements  
for the year ended March 31, 2017**

**5. Employee Future Benefits**

ITA and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pensions Act*. BC Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

Information about obligations for retirement benefits and other employee future benefits is as follows:

**a. Retirement and other employee future benefits – pension plan**

ITA and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pensions Act. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees was 9.43% (2016: 9.43%). ITA’s maximum contribution rate is 10.93% (2016: 10.93%). During the year ended March 31, 2017, ITA contributed \$703 (2015: \$664) to the plan. These contributions are ITA’s pension benefit expense. No pension liability for this type of plan is included in the financial statements. An actuarial valuation is conducted every three years to assess the financial position of the Public Service Pension Plan’s (PSPP’s) pension fund. The latest actuarial valuation as at March 31, 2014 indicated a funding surplus of \$392,000 for basic pension benefits on a going concern basis. The actuary does not attribute portions of the unfunded liability to individual employers. The next valuation will be as at March 31, 2017, with results available in early 2018.

**b. Long-term disability life insurance and health care benefits**

ITA provides life insurance, dental and health care benefits to employees on long-term disability leave for a period of two years after the date of disability. The insurance carrier waives the life insurance premium for employees on long-term disability; however, ITA is responsible for the payment of the premium costs of medical, dental and Medical Services Plan under this plan. These costs are event driven and are recorded when the long term disability event occurs. The costs of salary compensation paid to employees on long-term disability leave are fully insured through employee paid contributions and are not included in this plan.

**6. Due to Government and Other Government Organizations**

	(in \$ thousands)	
	Mar 31, 2017	Mar 31, 2016
Federal government	1	1
Provincial government	324	577
Other government organizations	1,355	2,614
	<b>1,680</b>	<b>3,192</b>

**Industry Training Authority  
Notes to Financial Statements  
for the year ended March 31, 2017**

**6. Due to Government and Other Government Organizations - continued**

ITA's liabilities to government and other government organizations are all amounts payable that are due within 30 days. Other government organizations includes: colleges, universities and school districts.

**7. Deferred Revenue**

ITA received \$530 and \$814 in tenant inducements for leasehold improvements to the Richmond office in fiscal 2012 and 2016 respectively. This revenue is being deferred and recognized over the term of the lease.

	(in \$ thousands)			
	<b>Balance</b>	<b>Receipts</b>	<b>Transferred</b>	<b>Balance</b>
	<b>Apr 1, 2016</b>		<b>to revenue</b>	<b>Mar 31, 2017</b>
Tenant inducement Richmond Office	1,036	-	(118)	918
Province - teacher technical training		25	-	25
	<b>1,036</b>	<b>25</b>	<b>(118)</b>	<b>943</b>

**8. Fiscal Risk Management**

**a. Financial management risk objectives and policies**

In the normal course of operations, ITA is exposed to financial risks that have the potential to negatively impact its financial performance. These risks may include credit risk and liquidity risk.

**b. Credit risk**

Credit risk is the risk that the ITA's counterparties will fail to meet their financial obligations to the ITA, causing a potential financial loss.

Accounts receivable primarily consists of amounts due from other governments/other government organizations; therefore, collection risk is low. ITA does not consider its exposure to credit risk to be material.

**c. Liquidity risk**

Liquidity risk is the risk that the ITA may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they come due.

ITA has in place a planning, budgeting and forecasting process to determine the funds required to support the ITA's normal operating requirements. ITA's annual budgets are approved by the Board of Directors.

**Industry Training Authority**  
**Notes to Financial Statements**  
for the year ended March 31, 2017

**9. Tangible Capital Assets**

2017 (in \$ thousands)

	Furniture and equipment	Computer hardware and software	Leasehold improvements	Mar 31, 2017 Total
<b>Cost</b>				
Opening balance	1,366	9,629	1,780	12,775
Additions	25	1,716	26	1,767
Disposals	-	(352)	-	(352)
Closing Balance	<b>1,391</b>	<b>10,993</b>	<b>1,806</b>	<b>14,190</b>
<b>Accumulated Amortization</b>				
Opening balance	805	5,164	402	6,371
Additions	297	984	179	1,460
Disposals	-	(352)	-	(352)
Closing Balance	<b>1,102</b>	<b>5,796</b>	<b>581</b>	<b>7,479</b>
<b>Net book value</b>	<b>289</b>	<b>5,197</b>	<b>1,225</b>	<b>6,711</b>

2016 (in \$ thousands)

	Furniture and equipment	Computer hardware and software	Leasehold improvements	Mar 31, 2016 Total
<b>Cost</b>				
Opening balance	1,318	7,929	1,769	11,016
Additions	48	1,704	11	1,763
Disposals	-	(4)	-	(4)
Closing Balance	<b>1,366</b>	<b>9,629</b>	<b>1,780</b>	<b>12,775</b>
<b>Accumulated Amortization</b>				
Opening balance	521	4,313	224	5,058
Additions	284	852	178	1,314
Disposals	-	(1)	-	(1)
Closing Balance	<b>805</b>	<b>5,164</b>	<b>402</b>	<b>6,371</b>
<b>Net book value</b>	<b>561</b>	<b>4,465</b>	<b>1,378</b>	<b>6,404</b>

**Industry Training Authority**  
**Notes to Financial Statements**  
for the year ended March 31, 2017

**10. Contractual Obligations**

ITA has entered into a number of multiple-year contracts for operating leases for premises. The lease commitments are for space costs and exclude operating costs. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Disclosure relates to the unperformed portion of the contracts.

**Office Leases**

(in \$ thousands)

Mar 31, 2018	430
Mar 31, 2019	423
Mar 31, 2020	434
Mar 31, 2021	436
Mar 31, 2022	437
There-after	1,246

**11. Expenses by Object**

The following is a summary of expenses by object:

	(in \$ thousands)	
	<b>Mar 31, 2017</b>	<b>Mar 31, 2016</b>
Training provider services (including Youth)	86,876	78,286
CJF-ESS contractor services	10,906	9,019
Compensation and staff development	9,220	8,762
Communications	1,901	2,301
Other operating costs	3,178	3,505
Information systems/telecommunications	1,590	1,738
Other administrative costs	679	834
Amortization	1,460	1,314
Building occupancy	935	874
Loss on disposal /writeoff	-	2
	<b>116,745</b>	<b>106,635</b>

**Industry Training Authority  
Notes to Financial Statements  
for the year ended March 31, 2017**

**12. Related Party Transactions**

ITA has the following transactions with the government and other government controlled organizations.

	(in \$ thousands)	
	<b>Mar 31, 2017</b>	<b>Mar 31, 2016</b>
<b>Transfers from:</b>		
Ministry of Jobs, Tourism & Skills Training		
- core funding	96,434	94,444
- projects CJF-ESS/LMA, LMP	11,550	11,104
Ministry of Technology, Innovation & Citizens' Services	366	441
Post secondary institutions	131	-
	108,481	105,989
<b>Transfers to:</b>		
Post secondary institutions	72,115	69,107
School districts	13,266	4,546
Public Service Pension Plan	703	664
Ministry of Technology, Innovation & Citizens' Services	740	651
Ministry of Education	766	655
Ministry of Health	133	119
Ministry of Jobs, Tourism & Skills Training	22	11
BC Stats	19	19
Ministry of Finance	5	-
Ministry of Environment	1	-
Ministry of Transportation & Infrastructure	-	141
	87,770	75,913

**13. Budgeted Figures**

Budgeted figures have been provided for comparison purposes and have been approved by the Board of Directors. These budgeted figures were included in ITA's 2016/17 Service Plan.