

**Financial Statements of Industry Training Authority
for the year ended March 31, 2016**

**Industry Training Authority
Management's Report
for the year ended March 31, 2016**

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 09, 2016



Farnaz Riahi CPA, CA
Chief Financial Officer



Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

INDEPENDENT AUDITOR'S REPORT

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, 2016 and the Statement 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, 2016 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.

Chartered Professional Accountants

Vancouver, British Columbia

May 9, 2016

Industry Training Authority
Statement of Financial Position
As at March 31, 2016
in thousands of dollars

	Note	March 31, 2016	March 31, 2015
Financial Assets			
Cash		17,808	18,759
Accounts receivable		94	33
Due from government/other government organizations	3	4,437	2,386
		<u>22,339</u>	<u>21,178</u>
Liabilities			
Accounts payable and accrued liabilities	4	2,212	2,815
Due to government/other government organizations	6	3,192	2,342
Deferred revenue	7	1,036	408
		<u>6,440</u>	<u>5,565</u>
Net financial assets		<u>15,899</u>	<u>15,613</u>
Non-financial assets			
Tangible capital assets	9	6,404	5,958
Prepaid expenses		527	834
		<u>6,931</u>	<u>6,792</u>
Accumulated surplus		<u>22,830</u>	<u>22,405</u>
Contractual obligations	10		

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

Approved on Behalf of the Board:




Gwyn Morgan, Board Chair

MJ Whitemarsh, Audit Committee Chair

Industry Training Authority
Statement of Operations and Changes in Accumulated Surplus
For the Year ended March 31, 2016
in thousands of dollars

	Note	Budget (Note 13)	March 31, 2016	March 31, 2015
Revenues				
Provincial general funding		94,444	94,444	94,444
Provincial grants and other		-	11,104	9,204
Federal funding received		-	-	7
Operating		350	441	470
Fees		400	506	477
Investment income		478	355	452
Other		118	210	53
		<u>95,790</u>	<u>107,060</u>	<u>105,107</u>
Expenses				
	<i>11</i>			
Engage industry (non standards work)		1,016	1,623	1,547
Define standards		1,826	1,672	2,161
Deliver assessments and certification		2,824	2,143	2,117
Invest in training pathways		79,080	88,276	87,655
Customer support		3,135	3,063	2,315
Communicate		776	2,690	2,619
Business support		7,133	7,168	6,502
		<u>95,790</u>	<u>106,635</u>	<u>104,916</u>
Annual surplus		<u>-</u>	<u>425</u>	<u>191</u>
Accumulated surplus at the beginning of the year			22,405	22,214
Accumulated surplus at end of year			<u><u>22,830</u></u>	<u><u>22,405</u></u>

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, 2016
in thousands of dollars

	Budget (Note 13)	March 31, 2016	March 31, 2015
Annual operating surplus	-	425	191
Acquisition of tangible capital assets	(1,600)	(1,763)	(2,875)
Amortization of tangible capital assets	1,150	1,314	844
Write-downs on tangible capital assets	-	3	-
	(450)	(446)	(2,031)
Consumption (acquisition) of prepaid expense, net	-	307	(131)
Increase (decrease) in net financial assets	(450)	286	(1,971)
Net financial assets at beginning of year	15,613	15,613	17,584
Net financial assets at end of year	15,163	15,899	15,613

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

Industry Training Authority
Statement of Cash Flows
For the Year ended March 31, 2016
in thousands of dollars

	March 31, 2016	March 31, 2015
Operating transactions		
Annual surplus	425	191
Non-cash items included in annual surplus increase/(decrease):		
Amortization	1,314	844
Write-downs on tangible capital assets	3	-
Change in prepaid expenses	307	(131)
Change in receivables	(2,112)	2,061
Change in payables and accrued liabilities	247	842
Change in deferred revenue	628	14
Cash provided by operating transactions	812	3,821
Capital transactions		
Cash used to acquire tangible capital assets	(1,763)	(2,875)
Cash applied to capital transactions	(1,763)	(2,875)
Increase/(decrease) in cash during the year	(951)	946
Cash at beginning of year	18,759	17,813
Cash at end of year	17,808	18,759

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

Industry Training Authority
Notes to Financial Statements
for the year ended March 31, 2016

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: standards, industry engagement, credential awareness, assessment and certification, training delivery and labour supply initiatives.

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, 2016, ITA has implemented 23 of the 29 recommendations.

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 by management 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:

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

Industry Training Authority
Notes to Financial Statements
for the year ended March 31, 2016 - continued

2. Summary of Significant Accounting Policies – continued

b. Tangible capital assets - continued

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.

Transfers of capital assets from related parties are recorded at carrying value. ITA has recorded additions relating to computer software for apprenticeship records at carrying value.

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.

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.

Industry Training Authority
Notes to Financial Statements
for the year ended March 31, 2016 - continued

2. Summary of Significant Accounting Policies – continued

e. Revenue recognition - continued

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, due to government/other government organizations approximate their carrying values given their short-term maturities.

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.

Industry Training Authority
Notes to Financial Statements
for the year ended March 31, 2016 - continued

2. Summary of Significant Accounting Policies – continued

i. Measurement uncertainty - continued

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)	
	Mar 31, 2016	Mar 31, 2015
Provincial government	4,353	2,211
Federal government	83	175
Other government organizations	1	-
	4,437	2,386

4. Accounts Payable and Accrued Liabilities

	(in \$ thousands)	
	Mar 31, 2016	Mar 31, 2015
Accounts payable and accrued liabilities	2,080	2,681
Salaries and benefits payable	-	11
Accrued vacation pay	132	123
	2,212	2,815

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:

Industry Training Authority
Notes to Financial Statements
for the year ended March 31, 2016 - continued

5. Employee Future Benefits - continued

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% (2015: 9.43%). ITA’s maximum contribution rate is 10.93% (2015: 10.93%). During the year ended March 31, 2016, ITA contributed \$664 (2015: \$526) 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. 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, 2016	Mar 31, 2015
Federal government	1	1
Provincial government	577	361
Other government organizations	2,614	1,980
	3,192	2,342

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.

Industry Training Authority
Notes to Financial Statements
for the year ended March 31, 2016 - continued

7. Deferred Revenue

	(in \$ thousands)			
	Balance	Receipts	Transferred	Balance
	Apr 1, 2015		to revenue	Mar 31, 2016
Tenant inducement Richmond Office	341	814	(119)	1,036
Province - trades sector alignment	67	-	(67)	-
	408	814	(186)	1,036

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.

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; 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, 2016 - continued

9. Tangible Capital Assets

2016 (in \$ thousands)

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

2015 (in \$ thousands)

	Furniture and equipment	Computer hardware and software	Leasehold improvements	Mar 31, 2015 Total
Cost				
Opening balance	528	7,009	604	8,141
Additions	790	920	1,165	2,875
Disposals	-	-	-	-
Closing Balance	1,318	7,929	1,769	11,016
Accumulated Amortization				
Opening balance	429	3,631	154	4,214
Additions	92	682	70	844
Disposals	-	-	-	-
Closing Balance	521	4,313	224	5,058
Net book value	797	3,616	1,545	5,958

Industry Training Authority
Notes to Financial Statements
for the year ended March 31, 2016 - continued

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.

	(in \$ thousands)					
Contractual obligations	Mar 31, 2017	Mar 31, 2018	Mar 31, 2019	Mar 31, 2020	Mar 31, 2021	There- after
Office Leases	463	430	423	434	436	1682

11. Expenses by Object

The following is a summary of expenses by object:

	(\$ in thousands)	
	Mar 31, 2016	Mar 31, 2015
Training provider services (including Youth)	78,286	78,354
CJF-ESS contractor services (Aboriginal, Immigrant and Women)	9,019	8,752
Compensation and staff development	8,762	7,242
Communications, website and brand awareness	2,301	2,067
Other operating costs	3,505	2,295
ITO-delivered services	-	1,960
Information systems / telecommunications	1,738	1,526
Other administrative costs	834	1,311
Amortization	1,314	844
Building occupancy	874	565
Loss on disposal/writeoff	2	-
	106,635	104,916

Industry Training Authority
Notes to Financial Statements
for the year ended March 31, 2016 - continued

12. Related Party Transactions

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

	(in \$ thousands)	
	Mar 31, 2016	Mar 31, 2015
Ministry of Jobs, Tourism and Skills Training and Minister Responsible for Labour		
- core funding	94,444	94,444
- projects CJF-ESS/LMA	11,104	9,204
Ministry of Technology, Innovation & Citizens' Services	441	470
	105,989	104,118
Transfers to:		
Post secondary institutions	69,107	70,245
School districts	4,571	4,385
Ministry of Technology, Innovation & Citizens' Services	651	670
Ministry of Education	655	627
Pension Service Pension Plan	664	526
BC Stats	19	19
Ministry of Health	119	86
Ministry of Jobs, Tourism and Skills Training and Minister Responsible for Labo	11	11
Ministry of Transportation and Infrastructure	141	-
	75,938	76,569

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 2015/16 Service Plan.