
Financial statements of Skilled Trades Ontario

March 31, 2024

Independent Auditor's Report	1-3
Statement of financial position	4
Statement of operations.....	5
Statement of changes in net assets	6
Statement of cash flows	7
Notes to the financial statements	8-14

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, 2024 and the statements of operations, changes in net assets and cash flows for the year ended March 31, 2024 (the "Year"), 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, 2024, 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 ("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.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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
July 30, 2024

Skilled Trades Ontario
Statement of financial position
As at March 31, 2024

	Notes	2024 \$	2023 \$
Assets			
Current assets			
Cash		31,355,588	29,117,370
Accounts receivable	3	247,937	342,629
Prepaid expenses		403,260	357,833
		32,006,785	29,817,832
Long term			
Deposits		93,085	93,085
Capital assets	4	190,509	247,401
		32,290,379	30,158,318
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5 and 10	1,909,418	1,602,383
Deferred revenue	6	10,686,170	8,994,801
Current portion of deferred rent inducements		6,216	—
Current portion of capital lease obligation	9	93,992	67,947
		12,695,796	10,665,131
Long term			
Deferred capital contributions	7	12,750	—
Deferred contributions	7	176,305	—
Deferred rent inducements		17,094	16,364
Capital lease obligation	9	65,869	83,360
		272,018	99,724
		12,967,814	10,764,855
Commitments			
	9		
Net assets			
Invested in capital assets		17,898	96,094
Internally restricted		12,801,200	13,000,000
Unrestricted net assets		6,503,467	6,297,369
		19,322,565	19,393,463
		32,290,379	30,158,318

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
Year ended March 31, 2024

		March 31, 2024 (12 months)	March 31, 2023 (15 months)
	Notes	\$	\$
Revenue			
Client fees	6	10,410,310	12,897,826
Other fees	6	4,485,490	5,202,464
Interest and other income		1,502,449	963,485
Government of Canada	7	129,020	—
Sponsorship revenues	6	76,500	—
Province of Ontario	7	3,921	—
Amortization of deferred capital contributions	7	750	—
		16,608,440	19,063,775
Expenses			
Salaries and benefits	10	12,399,874	13,627,515
General and administration		1,964,659	1,912,528
Client communications		868,034	881,766
Professional services		782,828	614,585
Trade governance and stakeholder meetings		504,494	315,729
Amortization		159,449	219,884
		16,679,338	17,572,007
(Deficiency) excess of revenue over expenses		(70,898)	1,491,768

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

Skilled Trades Ontario
Statement of changes in net assets
Year ended March 31, 2024

	Invested in capital assets \$	Internally restricted \$	Unrestricted \$	March 31, 2024 (12 months) Total \$	March 31, 2023 (15 months) Total \$
Net assets, beginning of year	96,094	13,000,000	6,297,369	19,393,463	17,901,695
(Deficiency) excess of revenue over expenses	(158,699)	(198,800)	286,601	(70,898)	1,491,768
Additions to capital assets	102,557	—	(102,557)	—	—
Deferred capital contributions	(13,500)	—	13,500	—	—
Capital lease obligations incurred	(102,557)	—	102,557	—	—
Capital lease obligations repaid	94,003	—	(94,003)	—	—
Net assets, end of year	17,898	12,801,200	6,503,467	19,322,565	19,393,463

Notes

7

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

Skilled Trades Ontario
Statement of cash flows
Year ended March 31, 2024

	Notes	March 31, 2024 (12 months) \$	March 31, 2023 (15 months) \$
Operating activities			
Excess (deficiency) of revenue over expenses		(70,898)	1,491,768
Add items not affecting cash			
Amortization of capital assets		159,449	219,884
Amortization of deferred capital contributions	7	(750)	—
Deferred rent inducements		6,946	16,364
Net changes in non-cash working capital balances			
Accounts receivable		94,692	525,715
Prepaid expenses and deposits		(45,427)	(192,488)
Accounts payable and accrued liabilities		307,035	(2,973,864)
Deferred revenue		1,691,369	(878,798)
		2,142,416	(1,791,419)
Investing activity			
Additions to capital assets		(102,557)	(201,643)
Financing activities			
Capital lease obligations repaid		(94,003)	(57,391)
Capital lease obligation incurred		102,557	201,643
Deferred capital contributions received	7	13,500	—
Deferred contributions received	7	176,305	—
		198,359	144,252
Net cash inflow(outflow)		2,238,218	(1,848,810)
Cash, beginning of year		29,117,370	30,966,180
Cash, end of year		31,355,588	29,117,370

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 31 to March 31. 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.

2. Significant accounting policies

Financial statement presentation

These financial statements have been prepared in accordance with Canadian 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), and reflect the following significant accounting policies:

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.

2. Significant accounting policies (continued)

Revenue recognition (continued)

Sponsorship revenue comprises revenues from third parties that is recognized at the conclusion of the sponsored event and when amounts are receivable.

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.

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

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.

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. During the Year, the Board of Directors passed a motion authorizing the use of up to \$250,000 to fund a long-term strategic initiative, of which \$198,800 was spent. 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.

2. Significant accounting policies (continued)

Internally restricted net assets (continued)

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. Accounts receivable

Accounts receivable are presented net of allowance for doubtful accounts which amounts to \$136,831 as at March 31, 2024 (\$293,319 as at March 31, 2023).

Accounts receivable include nil in net remittances receivable from the government as of March 31, 2024 (\$49,205 receivable as at March 31, 2023).

4. Capital assets

	Cost	Accumulated amortization	March 31, 2024 Net book value
	\$	\$	\$
Computer equipment and related software	2,972,371	(2,954,787)	17,584
Office equipment, furniture and fixture	491,152	(480,390)	10,762
Leased computer equipment and related software	286,233	(124,070)	162,163
	3,749,756	(3,559,247)	190,509
			March 31, 2023
	Cost	Accumulated amortization	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. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$273,046 net remittances payable from the government as of March 31, 2024 (nil owing as at March 31, 2023).

Skilled Trades Ontario
Notes to the financial statements
 March 31, 2024

6. Deferred revenue

	March 31, 2024	March 31, 2023
	\$	\$
Opening balance	8,994,801	9,873,599
Add: amounts received	16,608,169	17,221,492
Less: client fees recognized as revenue	10,410,310	12,897,826
Less: other fees recognized as revenue	4,485,490	5,202,464
Less: sponsorship revenues recognized as revenue	21,000	—
Balance, end of year	10,686,170	8,994,801

7. Deferred capital contributions and deferred contributions from related parties

The change in deferred capital contributions for the Year is as follows:

	March 31, 2024	March 31, 2023
	\$	\$
Opening balance	—	—
Add: amounts received	13,500	—
Less: amounts recognized as revenue	750	—
Balance, end of year	12,750	—

The changes in the deferred contributions for the Year are as follows:

	Province of Ontario	Government of Canada	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Opening balance	—	—	—	—
Add: amounts received	22,500	305,325	327,825	—
Less: amounts recognized as revenue	3,921	129,020	132,941	—
Less: amounts remitted	18,579	—	18,579	—
Balance, end of year	—	176,305	176,305	—

7. Deferred capital contributions and deferred contributions from related parties (continued)

In the Year, STO received its first contribution from the Government of Canada to support its initiative to modernize apprenticeship training and curriculum standards for Red Seal skilled trades. This initiative, which began in December 2023, is expected to conclude in March 2028. Funding was received for capital purchases and for other project-related costs. Any excess funding provided that exceeds STO's entitlement is repayable upon receipt of notice from the Government of Canada.

STO also received a contribution from the Ontario Ministry of Labour, Immigration, Training and Skills Development ("Province of Ontario") to partially fund its one-day inaugural industry summit event, which promoted the networking of trades professionals and growth of apprenticeship in Ontario.

8. Credit facility

STO has access to a credit facility with a major bank up to \$100,000 as of March 31, 2024 (\$100,000 at March 31, 2023). 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 year ended March 31, 2024 or the period ended March 31, 2023.

9. 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 \$
	<u> </u>	<u> </u>
2025	593,576	93,992
2026	596,638	44,925
2027	598,820	20,944
2028	222,212	—
2029	—	—
Total obligations	<u>2,011,246</u>	<u>159,861</u>
Less: current portion	<u>593,576</u>	<u>93,992</u>
	<u>1,417,670</u>	<u>65,869</u>

9. Commitments (continued)

The effective average interest rate of the capital leases is nil (nil as at March 31, 2023) with an average term to maturity of two years (three years as at as at March 31, 2023).

In the preceding period, STO secured a sublease for executive office space which included a rent inducement of \$34,528, inclusive of HST. Subsequent to the Year, STO signed an agreement which assigned the administration of this subleased executive office space to Infrastructure Ontario. Except for the monthly rent charge, the terms and conditions of the original lease remain unchanged.

10. 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 year ended March 31, 2024 amounted to \$59,147 (\$66,014 for the year ended March 31, 2023).

11. 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.