

Fact Sheet #4a

Training Completion Assurance Fund: Financial Security

Private Career Colleges Act, 2005

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1. THE TRAINING COMPLETION ASSURANCE FUND

The Training Completion Assurance Fund (TCAF) is established under the *Private Career Colleges Act, 2005* (PCCA). Participation in the TCAF is mandatory for all registered Ontario private career colleges (PCCs).

The purpose of the TCAF is to ensure that in the event a PCC stops providing a vocational program in which students are enrolled, the students will be given the opportunity:

- a) to complete the vocational program as provided by another PCC or other organization, or
- b) to receive a refund of the portion of the fees for which they did not receive any instruction or other benefit.

The TCAF is administered by the Superintendent of Private Career Colleges (Superintendent) with the assistance of the TCAF Advisory Board appointed by the Minister of Advanced Education and Skills Development.

In accordance with the PCCA regulations, PCCs are required:

- a) to provide the Superintendent with the prescribed amount of financial security, and
- b) to pay premiums into the TCAF.

In the event of a PCC closure, the financial security posted by the PCC will be used to provide students with training completions or refunds. Once the financial security has been exhausted, outstanding student claims will be paid out of the TCAF.

This Fact Sheet provides information on PCCs' financial security requirements. Information about PCCs' TCAF premium requirements can be found in *Fact Sheet #4B, Training Completion Assurance Fund: Premiums*.

2. AMOUNT OF FINANCIAL SECURITY

PCCs are required to provide forecasted financial statements in their application to register with the Superintendent. The vocational revenue forecasted in these statements is used to determine PCC's financial security requirements.

Vocational revenue includes all fees collected from students with respect to the vocational program, including, but not limited to: tuition fees, book fees, expendable supplies, uniforms and equipment, major equipment, field trips, professional/exam fees, other compulsory fees, international student fees and optional fees.

Once registered, PCCs must apply to renew their registration annually. The calculation of the amount of required financial security for the first period of registration differs from the calculation of financial security for the subsequent periods.

The formulas for calculation of the amount of required financial security and examples of calculations are provided below.

2.1. FINANCIAL SECURITY FOR THE FIRST REGISTRATION PERIOD

For the first period of registration, PCCs are required to provide financial security equal to the greater of:

- a) \$10,000, or
- b) 10% of the forecasted gross annual revenue from vocational programs for the first year of operations.

Example 1

Calculation of Financial Security for the First Registration Period

ABC Hairstyling College (ABC) was registered as a PCC on June 10, 2016. In its application for registration, ABC included forecasted financial statements for the year ending June 30, 2017.

Tuition revenue from ABC's only vocational program, hairstyling, was forecasted to be \$200,000. ABC forecasted that an additional \$50,000 of revenue would be earned from hairstyling kits and uniforms sold by ABC to its students.

To calculate the amount of ABC's required financial security:

1. Determine forecasted gross annual vocational revenue.

$$\$200,000 + \$50,000 = \$250,000$$

2. Multiply forecasted vocational revenue by 10%

$$\$250,000 \times 10\% = \$25,000.$$

3. Security requirement is the greater of \$10,000 and the result of the calculation 2 above.

$$\$10,000 < \$25,000$$

The amount of financial security required for ABC Hairstyling College is \$25,000.

2.2. FINANCIAL SECURITY FOR SUBSEQUENT PERIODS OF REGISTRATION

PCCs are required to apply for renewal of their registration annually. This application must include audited annual financial statements, audited monthly schedule of prepaid unearned revenue (PUR) and an audited schedule of revenue by funding source. The monthly schedule of PUR must be provided in a management schedule, separate from the annual financial statements. After the first period of registration, data from this schedule is used to determine both the amount of financial security and the TCAF premium requirements.

2.3. SUPERINTENDENT'S DISCRETION

Per PCCA Regulation 414/06, the Superintendent can increase financial security requirements of a PCC if the Superintendent determines that an increased security is required to protect students of the PCC. The Superintendent can also decrease a PCC's financial security requirements if the Superintendent determines that the reduced security will provide appropriate protection to the PCC students.

2.4. CAP ON THE AMOUNT OF FINANCIAL SECURITY

Up until December 31, 2016 the amount of financial security to be provided by the PCCs was capped at \$3,000,000. This cap has been removed effective January 1, 2017.

If on December 31, 2016 a PCC was required to provide security in the amount of \$3,000,000 and the amount calculated per section 2.1 above is greater than \$3,000,000, the PCC must provide the Superintendent with the difference on or before June 30, 2017.

2.4.1 Understanding PUR Schedule

For each month-end in the fiscal year, PCCs must calculate the amount of the collected vocational programs fees that have not been earned. Fees are considered “earned” when the related goods or services have been delivered. If goods or services have been partially delivered, a corresponding portion of the related fees may be considered earned.

To determine when revenue is earned, PCCs must follow their revenue recognition policy in accordance with generally accepted accounting principles. If a PCC does not have such policy in place, it should recognize revenues from vocational programs on a prorated basis over the duration of the program.

PUR schedule should not include fees collected from third-party funded students. For a definition of third-party funded students, please refer to Superintendent’s *Policy Directive #1: Exemption of Vocational Programs Funded by a Third-Party*.

Only the collected amounts should be recorded in the prepaid unearned vocational revenue account balance. Payments that are due should not be included in the prepaid unearned balance.

Fees are not considered earned simply because they are non-refundable. They are earned to the extent that the related goods or services have been delivered.

Unearned fees from international students are to be included in the monthly PUR schedule, whether or not they are held in a trust account.

PCCs shall not offset their PUR account balance with their accounts receivable, unless it is related to the same student.

2.4.2 Calculating Financial Security

At each renewal of registration, PCCs are required to provide financial security equal to the greater of:

- a) \$10,000, or
- b) 25% - 50% of the highest monthly PUR.

In b) above, the percentage of PUR used to calculate the security of a PCC is determined by the Superintendent using the PCC Capacity Assessment Tool (PCAT). PCAT assesses performance of a PCC and calculates applicable to the PCC percentage of PUR based on the PCC's risk level. To determine a PCC's risk level, PCAT takes into consideration the PCC's key financial indicators and compliance history.

Example 2

Calculation of Financial Security for a Subsequent Registration Period

2.4.3 ABC Esthetics College (ABC) delivers a three-month vocational program to 10 students. The \$6,000 tuition fee is collected from every student on January 30, 2017. The program starts on February 1, 2017, and ends on April 30, 2017.

All students also pay an additional \$1,000 for books and a tool kit on the first day of class. As the books and the tool kit are provided to the students immediately, there is no PUR with respect to these items.

Based on ABC's excellent key financial indicators and the PCCA compliance history, the Superintendent set the percentage of PUR used to calculate ABC's financial security at 25%.

To calculate the amount of ABC's required financial security:

1. Prepare monthly PUR schedule for the fiscal year.

ABC Esthetics College: Monthly PUR for Fiscal year 2017

End of the Month	PUR Balance, \$
January 30, 2017	60,000
February 28, 2017	40,000
March 31, 2017	20,000
April 30, 2017	0

End of the Month	PUR Balance, \$
May 31, 2017	0
June 30, 2017	0
July 31, 2017	0
August 31, 2017	0
September 30, 2017	0
October 31, 2017	0
November 30, 2017	0
December 31, 2017	0

- Determine the highest monthly PUR balance

Maximum PUR balance = \$60,000

- Multiply the highest monthly balance by 25%.

$\$60,000 \times 25\% = \$15,000$

- Security requirement is the greater of \$10,000 and the result of the calculation 3 above.

$\$10,000 < \$15,000$

The amount of financial security required for ABC Esthetics College is \$15,000.

2.5. PCCS WITH REGISTERED CHARITY STATUS

PCCs that are registered charities are exempt from posting financial security under the PCCA. These PCCs must annually provide a confirmation letter of charity status from the Canada Revenue Agency.

PCCs that are registered charities are not exempt from paying TCAF premiums.

3. TYPES OF FINANCIAL SECURITY

To be registered or have a registration renewed, PCCs must provide the Ministry with the required amount of financial security. The security can be posted as one of the following:

- a) A surety bond guaranteed by a surety company or another guarantor;
- b) A letter of credit issued by a bank or financial institution that is supervised or examined by the central bank of Canada or another governmental authority in Canada;
- c) A personal bond accompanied by collateral security issued by Canada or by any province of Canada.

All templates that are provided at the end of this document can be downloaded from the Private Career Colleges official website:
<http://www.tcu.gov.on.ca/pepg/audiences/pcc/register.html#financial>.

3.1. PLACING A SURETY BOND

PCCs interested in providing a surety bond as their financial security should contact a surety company licensed by the Financial Services Commission of Ontario (FSCO). A listing of licensed companies can be found on the FSCO website:

<http://www.fSCO.gov.on.ca/en/Pages/default.aspx> (see companies with classification: surety).

The surety bond agreement must be in the form specified by the Superintendent (See Attachment A). Surety bonds that are not in the specified form will not be accepted.

3.2. PLACING A LETTER OF CREDIT

PCCs interested in providing a letter of credit should contact a bank or financial institution and provide the Ministry with an original copy of the letter of credit in the form specified by the Superintendent (See Attachment B). Letters of credit that are not in the specified form will not be accepted.

3.3. PLACING A PERSONAL BOND ACCOMPANIED BY COLLATERAL SECURITY

The PCCs that choose to place a personal bond accompanied by collateral security with the Superintendent must deposit collateral security with the Ministry's custodian, RBC Dexia, and provide the Ministry with a completed Personal Bond Form (See Attachment C).

The PCCs that already placed a security (bond issued or guaranteed by Canada or any province) at another institution must transfer security to the Ministry's custodian.

The steps for placing the collateral security are outlined below.

Step 1 – Collateral Security Deposit

To deposit collateral security with the Ministry's custodian:

- a) Contact the Ministry at 416-314-0500 and advise that you would like to arrange a collateral security deposit. You will be directed to the appropriate staff.
- b) Ministry staff will coordinate your PCC's account set up with the Ministry's custodian. Once the account is opened, Ministry staff will provide you with account details so that you can arrange an electronic funds transfer.
- c) Once the funds have been transferred, Ministry staff will arrange to purchase a federal or provincial government bond on your behalf. Only bonds issued by Canada or by any province of Canada can be accepted as collateral security for a personal bond under the PCCA.

The Ministry is responsible for setting up safekeeping accounts and for purchasing appropriate security for private career colleges.

Step 2 – Personal Bond Form

Once the collateral security is deposited with the Ministry's custodian, the Ministry will issue a Personal Bond form (See Attachment "C"). The Personal Bond Form must be completed by an authorized officer in the presence of a witness from an approved occupation (see table below). Completed forms must be returned to the Ministry.

Type of Business		Authorized Officer	
Sole Proprietorship		Sole proprietor	
Partnership		Managing Partner	
Corporation		A director, officer or agent who, under the corporation's by-laws, has the authority to exercise such powers	
Approved Occupations for Role of Witness			
<ul style="list-style-type: none"> • Chiropractor • Dentist • Geoscientist • Judge • Lawyer (member of a provincial bar association) • Magistrate 	<ul style="list-style-type: none"> • Mayor • Medical doctor • Minister of religion authorized under provincial law to perform marriages • Notary public 	<ul style="list-style-type: none"> • Optometrist • Pharmacist • Police officer (municipal, provincial or RCMP) • Postmaster 	<ul style="list-style-type: none"> • Principal of a primary or secondary school • Professional accountant • Professional engineer • Veterinarian

Step 3 – Submitting Information

The original of the completed and signed Personal Bond Form must be delivered to the following address:

Ministry of Advanced Education and Skills Development
 Postsecondary Education Division
 Private Career Colleges Branch
 77 Wellesley Street West, P.O. Box 977
 Toronto, Ontario
 M7A 1N3

Any changes to collateral security of PCCs on deposit with the Ministry's custodian (e.g., increase/decrease of security amount) require the completion of a new Personal Bond Form.

3.4. CHANGING THE TYPE OF FINANCIAL SECURITY

PCCs may switch from one type of security to another at any time. To change security type, PCCs must obtain their preferred security by following the instructions above. Once the new security forms have been approved by the Ministry, the Superintendent will approve the release of the old security.

4. ANNUAL RENEWAL OF REGISTRATION

Registered PCCs are required to apply for renewal of their registration annually. The deadline for renewal is 6 months after the fiscal year-end of a PCC. At each fiscal year-end, the Ministry will send a PCC a Notice of Renewal as well as Guidelines for Renewal of Registration. This will notify the PCC of the upcoming renewal and will provide information about reporting requirements for renewal application. For further information regarding the renewal application, refer to the most recent *Guidelines for Renewal of PCC Registration*.

Attachment A

PRIVATE CAREER COLLEGES ACT, 2005

S.O. 2005 , CHAPTER 28, Schedule L

SURETY BOND OF A GUARANTEE COMPANY

Bond No.

Amount \$.....

WE, **[insert legal name of registered private career college]** (the “Principal”) as Principal and (the “Surety) as Surety are held and firmly bound to Her Majesty in right of Ontario (the “Obligee”) in the sum of Dollars (\$.....) of lawful money of Canada, to be paid to the Obligee, her successors and assigns, for which payment to be made, we, [name of Principal], bind ourselves, heirs, executors, administrators and assigns, and we, [name of Surety] bind ourselves, our successors and assigns jointly and firmly by signing this Bond.

The total liability imposed upon the Principal or Surety by this Bond and any and all renewals of this Bond shall be concurrent and not cumulative and shall in no event exceed the penal sum written above or the amount substituted for such penal sum by any subsequent endorsement or renewal certificate.

SEALED with our seals and dated this day of, 20

THE CONDITION of the above obligation is such that if the obligation does not by reason of any act, matter or thing at any time hereafter become or be forfeit under the *Private Career Colleges Ac, 2005* (the “Act”) and the regulations made under the Act, then the obligation shall be void but otherwise shall be and remain in full force and effect and shall be subject to forfeiture as provided by the Act and regulations.

SIGNED, SEALED AND DELIVERED
in the presence of

Principal

.....

Surety

Attachment B

**IRREVOCABLE LETTER OF CREDIT
PROPOSED AS FINANCIAL SECURITY PURSUANT TO
ONTARIO REGULATION 414/06, AS MADE UNDER
THE PRIVATE CAREER COLLEGES ACT, 2005**

Name of Issuer: Date

of Issue:

Issuer's Reference Number: Expiry

Date:

Customer: [insert legal name of registered private career college] Beneficiary:

The Crown in Right of Ontario
as represented by the Superintendent of Private Career Colleges
77 Wellesley Street West, P.O. Box 977
Toronto, Ontario
M7A 1N3

Amount:

RE: OUR IRREVOCABLE LETTER OF CREDIT NO:

The Issuer ("we") hereby issue in favour of the Beneficiary ("you") our Irrevocable Letter of Credit No: **[insert number]** for an aggregate amount of up to **[insert amount]** in lawful money of Canada covering: Security pursuant to the *Private Career Colleges Act, 2005*, S.O. 2005, c. 28, Schedule "L" (the "Act") and regulations made under the Act, to be available to you in accordance with the terms of this Letter of Credit.

1. We hereby irrevocably authorize you to draw on this Letter of Credit by forwarding a written demand for payment at sight under the signature of the Superintendent of Private Career Colleges or any of his/her successors to [Insert name and address of Issuer] making reference to the number of this Letter of Credit.

2. Any payment made under this Letter of Credit shall be made in immediately available funds in the lawful money of Canada payable to the Ontario Minister of Finance. We shall honour your demand for payment no later than the second business day following receipt of the written demand for payment at the address of the Issuer described above.
3. We will honour your demand without inquiring as to whether or not you have the right as between yourself and the Customer to make such demand and without recognizing any claims of the Customer or other remedies available to you at any time and from time to time, upon written demand for payment being made upon us.
4. It is a condition of this Letter of Credit that it shall be deemed to be automatically extended without any formal amendment or notice to that effect, from year to year for successive periods of one year each from the present or any future expiry date of this Letter of Credit unless at least sixty (60) days prior to any such present or future expiry date we shall notify you in writing by registered mail or courier delivered to:

Superintendent of Private Career Colleges
Ministry of Advanced Education and Skills Development
77 Wellesley Street West, P.O. Box 977
Toronto, Ontario, M7A 1N3

or any of his/her respective successors that we elect not to consider this Letter of Credit renewed for any such additional period and the Superintendent of Private Career Colleges acknowledges receipt of the notice and the expiry date of this Letter of Credit shall be the date of the Superintendent's acknowledgement.

5. Notwithstanding paragraph 4 of this Letter of Credit and notwithstanding delivery of any notice of non-renewal of this Letter of Credit, we agree that pursuant to the terms of this Letter of Credit, we shall make payment under this Letter of Credit at any time up until the last expiry date as well as at any time within six months after the last expiry date upon written demand for payment being made upon us.
6. Partial drawings are permitted under this Letter of Credit up to the full amount of this Letter of Credit.
7. This Letter of Credit is transferable in its entirety to any transferee who may succeed you.
8. The amount of this Letter of Credit may be reduced from time to time only by the amount drawn upon it by you or by formal notice in writing received by us from you and over the signature of the Superintendent of Private Career Colleges or any of his/her respective successors that you desire such reduction.

9. A request for any amendment except reduction in amount must be made directly to our Customer who will then instruct us accordingly.
10. We acknowledge and agree with you that this Letter of Credit is irrevocable.
11. This Letter of Credit shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario and the courts of the Province of Ontario shall have jurisdiction in all matters relating to this Letter of Credit. We hereby submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

Unless otherwise specified in this Letter of Credit, this Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits, 1993 Revision, I.C.C. Publication Number 500.

We engage to honour presentations submitted within the terms and conditions indicated above.

Attachment C

PRIVATE CAREER COLLEGES ACT, 2005 S.O. 2005, CHAPTER 28, Schedule L

PERSONAL BOND

Bond No. Amount \$.....

I [insert legal & operating name (if any) of registered private career college and list all campuses] (the “Obligor”) am held and firmly bound unto Her Majesty in right of Ontario (the “Obligee”) in the sum of Dollars (\$.....) of lawful money of Canada, to be paid to the Obligee, her successors and assigns, for which payment to be made, I [name of Obligor] bind myself, my heirs, executors, administrators and assigns, and I deposit with the Obligee as collateral security to this Bond.

The total liability imposed upon the Obligor by this Bond and any and all renewals of this Bond shall be concurrent and not cumulative and shall in no event exceed the penal sum written above or the amount substituted for such penal sum by any subsequent endorsement or renewal certificate.

THE CONDITION of the above obligation is such that if the obligation does not by reason of any act, matter or thing at any time hereafter become or be forfeit under the *Private Career Colleges Act, 2005* (the “Act”) and the regulations made under the Act, then the obligation shall be void but otherwise shall be and remain in full force and effect and shall be subject to forfeiture as provided by the Act and regulations.

Dated this day of, 20

Witness Obligor

Witness Information for Personal Bond under PCCA	
First Name:	
Last Name:	
Occupation: <i>(must be from the list of approved occupations)</i>	
Address:	
Telephone:	
In regards to PCC Name:	

NOTE

This document is provided as guidance only. For further information and the exact wording of a legislative provision please refer to the Private Career Colleges Act, 2005 and regulations.

NEED MORE INFORMATION?

If you have questions about the *Private Career Colleges Act, 2005* contact the Ministry of Advanced Education and Skills Development at:

Private Career Colleges Branch
Ministry of Advanced Education and Skills Development
77 Wellesley Street, P.O. Box 977
Toronto, ON M7A 1N3

Telephone: 416-314-0500 or 1-866-330-3395

Fax: 416-314-0499

Email: pcc@ontario.ca

Website: <http://www.tcu.gov.on.ca/pepg/audiences/pcc/>

The full text of the Act and regulations can also be downloaded from the Ontario government E-Laws website: www.e-laws.gov.on.ca

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