

MINISTRY OF TRAINING, COLLEGES AND UNIVERSITIES



*Private Career Colleges Act, 2005*

FACT SHEET #4A

**TRAINING COMPLETION  
ASSURANCE FUND:  
FINANCIAL SECURITY**

September 30, 2010

## Table of Contents

1. WHAT IS THE TRAINING COMPLETION ASSURANCE FUND? .....	<u>2</u>	Deleted: 2
2. AMOUNT OF FINANCIAL SECURITY .....	<u>3</u>	Deleted: 3
2.1 FINANCIAL SECURITY REQUIREMENTS FOR FIRST REGISTRATION PERIOD .....	<u>3</u>	Deleted: 3
2.2 FINANCIAL SECURITY REQUIREMENTS FOR SUBSEQUENT PERIODS OF REGISTRATION .....	<u>4</u>	Deleted: 4
2.3 SUPERINTENDENT’S DISCRETION .....	<u>7</u>	Deleted: 7
2.4 PCCs WITH VOCATIONAL REVENUE IN EXCESS OF \$25M .....	<u>8</u>	Deleted: 8
2.5 PCCs WITH REGISTERED CHARITY STATUS .....	<u>8</u>	Deleted: 8
3. TYPES OF FINANCIAL SECURITY .....	<u>9</u>	Deleted: 9
3.1 INSTRUCTIONS FOR PLACING A SURETY BOND .....	<u>9</u>	Deleted: 9
3.2 INSTRUCTION FOR PLACING A LETTER OF CREDIT .....	<u>9</u>	Deleted: 9
3.3 INSTRUCTIONS FOR PLACING A PERSONAL BOND ACCOMPANIED BY COLLATERAL SECURITY .....	<u>10</u>	Deleted: 10
3.4 CHANGING THE TYPE OF FINANCIAL SECURITY YOU PROVIDE TO THE MINISTRY .....	<u>12</u>	Deleted: 12
4. ANNUAL RENEWAL OF REGISTRATION .....	<u>12</u>	Deleted: 12
ATTACHMENT A .....	<u>14</u>	Deleted: 14
ATTACHMENT B .....	<u>15</u>	Deleted: 15
ATTACHMENT C .....	<u>18</u>	Deleted: 18

## 1. WHAT IS THE TRAINING COMPLETION ASSURANCE FUND?

The Training Completion Assurance Fund (TCAF) is a provision of the *Private Career Colleges Act, 2005* (PCCA). TCAF is administered by the Superintendent of Private Career Colleges with the assistance of a TCAF Advisory Board appointed by the Minister of Training, Colleges and Universities.

In accordance with the PCCA, private career colleges (PCCs) are required to provide the Superintendent with the prescribed amount of financial security. In addition, PCCs are required to pay premiums into the TCAF.

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

Participation in the TCAF is mandatory for all registered PCCs with the exemption of PCCs that are part of the "Segregated risk category." The Segregated risk category applies to PCCs that earn more than \$25M in annual gross vocational revenue. These PCCs are not required to pay premiums into TCAF but post \$3M in financial security.

This Fact Sheet provides further information on the financial security requirements of a PCC. For further information on the TCAF premium requirements of a PCC, please refer to *Fact Sheet #4B: TCAF Premiums*.

## 2. AMOUNT OF FINANCIAL SECURITY

Once they have obtained registration, PCCs must apply annually to renew their registration. In accordance with the PCCA, the calculation of the security amount for PCCs changes after the first period of registration.

In addition, there are different security requirements for PCCs earning \$25M or more in revenue from vocational programs or for PCCs that are also registered charities.

Security formulas and examples are provided below to assist you in forecasting the requirements for your PCC.

### 2.1 Financial Security Requirements for 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 forecasted gross annual revenue from vocational programs for the first year of operations.

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 the PCC's financial security requirements.

Vocational revenue refers to 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.

**Example 1**

ABC Hairstyling College registered as a PCC on June 10, 2010. In its application for registration, ABC Hairstyling College included forecasted financial statements for the year ending June 30, 2011. Tuition revenue from its only vocational program, hairstyling, was forecasted at \$200,000. ABC Hairstyling College forecasted an additional \$50,000 of revenue would be earned from hairstyling kits and uniforms sold by the PCC to its students.

To determine ABC Hairstyling College's financial security:

1. Determine the forecasted 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 or the calculation above.  
 $\$10,000 < \$25,000$

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

**2.2 Financial Security Requirements for Subsequent Periods of Registration**

On an annual basis, registered PCCs are required to apply for renewal of their registration. This application must include a review engagement or audited annual financial statements (as specified by the Ministry) as well as an **audited monthly schedule of prepaid unearned revenue (PUR)**.

**Beginning in 2011, all PCCs will be required to provide audited annual financial statements, an 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<sup>1</sup>, separate from the annual financial statements. After the first period of registration, data from this schedule is used to determine both the amount financial security and TCAF premium requirements.

### 2.2.1 Understanding the PUR Schedule

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

In determining when revenue is earned, PCCs must follow their own established 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 a vocational program on a prorated basis over the duration of the program.

### **Other Considerations**

- The 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 collected amounts should be recorded as part of the

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<sup>1</sup> Reference to Renewal of Registration Guidelines

prepaid unearned vocational revenue account balance. Payments which have not been received 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 unearned revenue schedule, whether or not they are held in a trust account.
- PCCs shall not offset their prepaid unearned vocational revenue account balance with their accounts receivable, unless it is related to the same student.

### 2.2.2 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% of the highest monthly balance of PUR.

#### **Example 2**

ABC Esthetics College delivers a three month vocational program to just one student. The \$6,000 tuition fee is collected from the student on January 30, 2010. The program starts February 1, 2010, and ends April 30, 2010.

The student pays 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 student immediately, there is no PUR with respect to these items.

ABC Esthetics College had no other students for this year.

ABC Esthetics College Monthly Prepaid Unearned Vocational Revenue Fiscal Year ended December 31, 2010	
MONTH	PREPAID UNEARNED VOCATIONAL REVENUE
January 30, 2010	6,000
February 28, 2010	4,000
March 31, 2010	2,000
April 30, 2010	0
May 31, 2010	0
June 30, 2010	0
July 31, 2010	0
August 31, 2010	0
September 30, 2010	0
October 31, 2010	0
November 30, 2010	0
December 31, 2010	0

To determine ABC Esthetics College's financial security:

1. Determine the highest monthly balance of PUR.  
\$6,000
2. Multiply the highest monthly balance by 25%.  
 $\$6,000 \times 25\% = \$1,500.$
3. Security requirement is the greater of \$10,000 or the calculation above.  
 $\$10,000 > \$1,500.$

The amount of financial security required for ABC Esthetics College is \$10,000.

### 2.3 Superintendent's Discretion

Per Ontario Regulation 414/06, under the PCCA, the Superintendent of Private Career Colleges has the authority to increase the financial security requirements of a PCC if the Superintendent determines that an increased security is required to protect the students of the PCC.

In addition, the Superintendent of Private Career Colleges has the authority to decrease the financial security requirements of a PCC if the Superintendent determines that the reduced security will provide appropriate protection to the students of the PCC.

#### **2.4 PCCs with Vocational Revenue in Excess of \$25M**

PCCs with gross annual revenue from vocational programs that exceed \$25M are placed in a “segregated risk” category. Such PCCs are not required to pay TCAF premiums. Instead, they are required to provide financial security of \$3M.

In the event a PCC in the segregated risk category ceases to operate, its students will only be compensated out of the \$3M financial security provided by the PCC. TCAF monies will not be used to provide additional compensation to these students.

Should the gross annual vocational revenues of a segregated risk PCC fall below \$20M, the PCC must leave the segregated risk category. The PCC will once again be required to pay TCAF premiums and provide financial security in accordance with the prescribed calculations above.

#### **2.5 PCCs with Registered Charity Status**

A registered charity is exempt from posting financial security under the PCCA. Such PCCs must continue to pay TCAF premiums. A registered charity must provide a confirmation letter of charity status from the Canada Revenue Agency annually.

### 3. TYPES OF FINANCIAL SECURITY

In order to be registered, a PCC must provide the Ministry with the required amount of financial security and one of the prescribed types of security. There are three types of financial security that can be posted under the Act:

- A surety bond guaranteed by a surety company or another guarantor
- 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
- 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.edu.gov.on.ca/eng/general/register.html#financial>

#### 3.1 Instructions for 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](#) (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 Instructions for Placing a Letter of Credit

PCCs interested in providing a letter of credit should contact a bank or financial institution. You must 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 Instructions for Placing a Personal Bond Accompanied by Collateral Security**

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 steps for placing the collateral security are outlined below.

#### Step 1 – Collateral Security Deposit

To deposit collateral security with the Ministry's custodian, please follow the instructions below:

1. Contact the Ministry of Training, Colleges and Universities at 416-314-0500 and advise that you would like to arrange a collateral security deposit. You will be directed to the appropriate staff.
2. Ministry staff will coordinate an account set up with the Ministry's custodian RBC Dexia on your behalf. Once an account is opened for your PCC, Ministry staff will provide you with account details so that you can arrange an electronic funds transfer (EFT).
3. Once the appropriate 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 acceptable security for private career colleges.
- Collateral security in support of a personal bond under the Act can be placed only with RBC Dexia (the Ministry's custodian). If you already have acceptable security (bond issued or guaranteed by Canada or any province) at another institution, the security must be transferred to RBC Dexia.

### Step 2 – Personal Bond Form

- Once the collateral security is deposited with RBC Dexia, 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**. 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"> <li>– Chiropractor</li> <li>– Dentist</li> <li>– Geoscientist</li> <li>– Judge</li> <li>– Lawyer (member of a provincial bar association)</li> <li>– Magistrate</li> </ul>	<ul style="list-style-type: none"> <li>– Mayor</li> <li>– Medical doctor</li> <li>– Minister of religion authorized under provincial law to perform marriages</li> <li>– Notary public</li> </ul>	<ul style="list-style-type: none"> <li>– Optometrist</li> <li>– Pharmacist</li> <li>– Police officer (municipal, provincial or RCMP)</li> <li>– Postmaster</li> </ul>	<ul style="list-style-type: none"> <li>– Principal of a primary or secondary school</li> <li>– Professional accountant</li> <li>– Professional engineer</li> <li>– Veterinarian</li> </ul>

### Step 3 – Submitting Information

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

Ministry of Training Colleges and Universities  
9th Floor, Mowat Block  
900 Bay Street  
Toronto, ON M7A 1L2

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

### **3.4 Changing the Type of Financial Security You Provide to the Ministry**

PCCs may switch from one type of security to another, at any time. In order to switch securities, PCCs must obtain their preferred security by following the instructions noted above.

Once the new security forms have been submitted and approved by the Ministry, the Superintendent will approve the release of the old security.

## **4. ANNUAL RENEWAL OF REGISTRATION**

On an annual basis, registered PCCs are required to apply for renewal of their registration. The deadline for renewal is 6 months after the fiscal year-end of your PCC. At each fiscal year-end, the Ministry will send you a *Notice of Renewal* as well as *Guidelines for Renewal of Registration*. These documents will remind you of your upcoming renewal and will inform you of the reporting requirements for your renewal application.

For further information regarding the renewal application, refer to the most recent *Guidelines for Renewal of 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

### STANDARD FORM WORDING FOR 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  
900 Bay Street,  
9th Floor, Mowat Block  
Toronto, Ontario, M7A 1L2

**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 Training, Colleges and Universities  
9<sup>th</sup> Floor, Mowat Block, 900 Bay Street  
Toronto, Ontario M7A 1L2

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 of registered private career college]** (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 [description of collateral security] 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:	

This document is provided for your information and convenience only. It is not a legal document. 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?

For further information on the requirements of the *Private Career Colleges Act, 2005* contact the Ministry of Training, Colleges and Universities at:

Private Career Colleges Branch  
Ministry of Training, Colleges and Universities  
9<sup>th</sup> Floor, Mowat Block  
900 Bay Street  
Toronto, ON M7A1L2

Telephone: (416) 314-0500 or 1-866-330-3395  
Fax: (416) 314-0499, Email: [pcc@ontario.ca](mailto:pcc@ontario.ca)

**OR**

Visit our website at: [www.edu.gov.on.ca/eng/general/private.html](http://www.edu.gov.on.ca/eng/general/private.html)

The full text of the act and regulations can also be downloaded from the Ontario government E-Laws website at:  
[www.e-laws.gov.on.ca](http://www.e-laws.gov.on.ca)