

**Immigration Consultants of
Canada Regulatory Council**
Financial Statements
For the year ended June 30, 2013

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Independent Auditor's Report

**To the Members of
Immigration Consultants of Canada Regulatory Council**

We have audited the accompanying financial statements of Immigration Consultants of Canada Regulatory Council, which comprise the statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011 and the statements of operations and changes in net assets (deficiency) and cash flows for the years ended June 30, 2013 and June 30, 2012, 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 accounting standards for not-for-profit organizations, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 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 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 in our audits 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 Immigration Consultants of Canada Regulatory Council as at June 30, 2013, June 30, 2012, and July 1, 2011 and the results of its operations and its cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants, Licensed Public Accountants

Markham, Ontario
September 5, 2013

Immigration Consultants of Canada Regulatory Council
Statement of Financial Position

	June 30 2013	June 30 2012	July 1 2011
Assets			
Current			
Cash	\$ 395,866	\$ -	\$ 13,217
Accounts receivable	278,365	373,605	41,357
Prepaid expenses	68,813	67,680	9,709
	743,044	441,285	64,283
Capital assets (Note 3)	603,594	609,494	9,711
	\$ 1,346,638	\$ 1,050,779	\$ 73,994
Liabilities			
Current			
Bank indebtedness (Note 4)	\$ -	\$ 60,775	\$ -
Accounts payable and accrued liabilities	347,997	633,669	283,892
Deferred rent liability	65,387	57,956	-
Deferred revenue	1,264,838	1,007,704	-
Current portion of long-term debt (Note 5)	150,000	200,000	-
Current portion of capital lease obligations (Note 6)	81,780	69,199	-
	1,910,002	2,029,303	283,892
Long-term debt (Note 5)	850,000	866,295	448,813
Capital lease obligations (Note 6)	140,800	200,818	-
	2,900,802	3,096,416	732,705
Net Assets (Deficiency)			
Invested in capital assets	603,594	609,494	9,711
Unrestricted	(2,157,758)	(2,655,131)	(668,422)
	(1,554,164)	(2,045,637)	(658,711)
	\$ 1,346,638	\$ 1,050,779	\$ 73,994

On behalf of the Board of Directors:

_____ Director

_____ Director

Immigration Consultants of Canada Regulatory Council Statement of Operations

For the year ended June 30	2013	2012
Revenue		
Membership revenue	\$ 3,885,148	\$ 2,260,078
Credit card administration fee	121,719	74,422
Examination revenue	259,700	241,800
Other income	401,911	175,079
	<u>4,668,478</u>	<u>2,751,379</u>
Expenditures		
Accounting	50,768	47,793
Amortization	129,051	68,701
Bad debts	37,413	19,808
Discipline process	82,929	-
Examination and practice management	132,616	314,919
Governance (Note 8)	442,237	432,709
Insurance	31,296	31,557
Interest and bank charges	170,624	120,571
Marketing and advertising	30,427	294,091
Office and administration	213,467	457,754
Professional fees (Note 9)	375,370	428,322
Rent	342,972	221,600
Salaries and benefits	2,012,877	1,451,090
Telephone	77,815	56,973
Translation	3,108	53,333
Travel and entertainment	44,035	139,084
	<u>4,177,005</u>	<u>4,138,305</u>
Excess (deficiency) of revenue over expenditures	\$ 491,473	\$ (1,386,926)

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

Immigration Consultants of Canada Regulatory Council
Statement of Changes in Net Assets (Deficiency)

<u>For the year ended June 30</u>	Invested in Capital assets	Unrestricted	Total 2013	Total 2012
Net assets (deficiency), beginning of year	\$ 609,494	\$ (2,655,131)	\$ (2,045,637)	\$ (658,711)
Excess (deficiency) of revenue over expenditures	(129,051)	620,524	491,473	(1,386,926)
Loss on disposal of capital assets	(918)	918	-	-
Invested in capital assets	124,069	(124,069)	-	-
Net assets (deficiency), end of year	\$ 603,594	\$ (2,157,758)	\$ (1,554,164)	\$ (2,045,637)

Immigration Consultants of Canada Regulatory Council Statement of Cash Flows

<u>For the year ended June 30</u>	<u>2013</u>	<u>2012</u>
Cash provided by (used in)		
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures	\$ 491,473	\$ (1,386,926)
Adjustments to reconcile excess (deficiency) of revenue over expenditures to net cash provided by (used in) operating activities		
Amortization	129,051	68,701
Loss on disposition of capital assets	918	-
Changes in non-cash working capital items		
Accounts receivable	95,240	(332,248)
Prepaid expenses	(1,133)	(57,971)
Accounts payable and accrued liabilities	(285,672)	349,777
Deferred rent liability	7,431	57,956
Deferred revenue	257,134	1,007,704
	<u>694,442</u>	<u>(293,007)</u>
Cash flows from financing activities		
Bank indebtedness	(60,775)	60,775
Proceeds from government loan	133,705	417,482
Proceeds from bank loan	-	200,000
Repayment of bank loan	(200,000)	-
Capital lease payments	(52,164)	(29,027)
	<u>(179,234)</u>	<u>649,230</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(119,342)</u>	<u>(369,440)</u>
Net change in cash	395,866	(13,217)
Cash, beginning of year	-	13,217
Cash, end of year	\$ 395,866	\$ -

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

Immigration Consultants of Canada Regulatory Council

Notes to Financial Statements

June 30, 2013

1. Summary of Significant Accounting Policies

a. Nature of Activities Incorporated on February 18, 2011, the Immigration Consultants of Canada Regulatory Council (the "Council" or "ICCRC") is the regulatory body for immigration consultants and a non-profit organization whose objective is to fairly and effectively regulate immigration consultants with accountability and transparency.

Pursuant to subsection 91(5) of the Immigration and Refugee Protection Act, the Minister of Citizenship and Immigration Canada has designated the Immigration Consultants of Canada Regulatory Council as the governing body for the regulation of immigration consultants effective June 30, 2011.

b. Basis of Accounting The Council has prepared its financial statements in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

c. Revenue Recognition Non-refundable membership fees are deferred and amortized to revenue over the term of the membership period. According to the transitional measures approved by the federal government upon setting up the Council, registered members of the Council who were previously members in good standing of Canadian Society of Immigration Consultants were exempt from membership fees until October 28, 2011.

Credit card administration fees, examination revenue, and other income are recognized when services are performed and collection is reasonably assured.

d. Capital Assets Capital assets are stated at cost less accumulated amortization. Amortization, based on the estimated useful life of the asset, is calculated on an annual basis as follows:

Computer equipment	- 3 years straight line basis
Computer software	- 2 years straight line basis
Office equipment	- 3 years straight line basis
Furniture	- 10 years straight line basis
Leasehold improvements	- 10 years straight line basis
Tradeshaw material	- 5 years straight line basis
Information and communication technology equipment	- 7 years straight line basis

Immigration Consultants of Canada Regulatory Council

Notes to Financial Statements

June 30, 2013

1. Summary of Significant Accounting Policies (continued)

e. Deferred Rent Liability

The Council has entered into leases with step-up rent periods. The total amount of cash to be paid over the term of the lease is accounted for on a straight-line basis over the term of the lease. The excess of rent expense over cash paid related to the step-up periods is reflected in liabilities.

f. Leases

Leases entered into by the Council as lessee that transfer substantially all the benefits and risks of ownership to the Council are recorded as capital leases and are included in property and equipment and capital lease obligations.

All other leases are classified as operating leases under which leasing costs are expensed on a straight-line basis over the term of the lease. Asset values recorded under capital leases are amortized using the same amortization method of the respective assets. Obligations recorded under capital leases are reduced by lease payments net of imputed interest.

g. Impairment of Long-Lived Assets

The Council monitors events and changes in circumstances which may require an assessment of the recoverability of its long-lived assets. If required, the Council would assess recoverability using estimated undiscounted future operating cash flows. If the carrying amount of an asset is not recoverable, an impairment loss is recognized in operations, measured by comparing the carrying amount of the assets to its fair values. As at June 30, 2013, there was no impairment loss recorded.

h. Use of Estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Immigration Consultants of Canada Regulatory Council

Notes to Financial Statements

June 30, 2013

2. First-time Adoption of Canadian Accounting Standards for Not-for-Profit Organizations

Effective July 1, 2012, the Council adopted the requirements of the new accounting framework, Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting. These are the Council's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended June 30, 2013, the comparative information presented in these financial statements for the year ended June 30, 2012 and in the preparation of an opening ASNPO balance sheet at the date of transition of July 1, 2011.

The Council issued financial statements for the year ended June 30, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. There was no impact to net assets (deficiency) and deficiency of revenue over expenditures reported in the Council's most recent previously issued financial statements.

The following exemption was used at the date of transition to ASNPO:

Estimates

In accordance with ASNPO, the Council has applied the mandatory exception from full retrospective application of ASNPO with respect to estimates. Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Council are consistent with their application under ASNPO as of July 1, 2011.

Immigration Consultants of Canada Regulatory Council
Notes to Financial Statements

June 30, 2013

3. Capital Assets

	2013		2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 76,148	\$ 24,162	\$ 29,443	\$ 7,366
Computer software	43,844	41,773	39,702	21,038
Office equipment	32,091	13,427	24,238	4,039
Furniture	83,928	8,372	41,753	2,088
Furniture under capital lease	78,025	11,704	73,298	3,665
Leasehold improvements	59,021	7,213	42,620	2,131
Tradeshaw material	3,757	1,127	3,757	376
Information and communication technology equipment	200,055	42,869	200,055	14,290
Information and communication technology equipment under capital lease	225,746	48,374	225,746	16,125
	802,615	199,021	680,612	71,118
		\$ 603,594		\$ 609,494

During the year, the Council acquired capital assets at an aggregate cost of \$124,069 (2012 - \$668,484) of which \$4,727 (2012 - \$299,044) were acquired by way of lease. The amortization for the year ended June 30, 2013 includes \$40,288 (2012 - \$19,790) related to assets under capital leases.

4. Bank Indebtedness

The Council has an available operating line of credit of up to \$150,000 (2012 - \$150,000) at prime plus 1.5% per annum that is secured by a general security agreement and waiver of distress agreement between the landlord of the rental premises and the Council. The unused balance on the line of credit is \$150,000 (2012 - \$150,000).

Immigration Consultants of Canada Regulatory Council Notes to Financial Statements

June 30, 2013

5. Long Term Debt

	2013	2012
Loan from Government of Canada (i)	\$ 1,000,000	\$ 866,295
Bank loan (ii)	-	200,000
	1,000,000	1,066,295
Less: current portion	150,000	200,000
	\$ 850,000	\$ 866,295

- (i) Non-interest bearing loan from the Government of Canada, Department of Citizenship and Immigration, to a maximum of \$1,000,000 towards eligible expenditures incurred by the Council between the date of incorporation and March 31, 2016.

The loan is repayable in installments as follows:

Year	Amount
2014	\$ 150,000
2015	200,000
2016	200,000
2017	200,000
2018	250,000
	\$ 1,000,000

- (ii) The Council obtained a \$200,000 term loan from a bank, bearing interest at the prime rate plus 1.5% per annum, with a due date of July 25, 2012. The loan was repaid in full during the year.

Immigration Consultants of Canada Regulatory Council Notes to Financial Statements

June 30, 2013

6. Capital Lease Obligations

	Expiry Date	Interest Rate	2013	2012
Information and communication technology leases				
	December 2014	16.527%	\$ 11,924	\$ 18,389
	December 2014	11.286%	14,917	23,554
	December 2014	8.931%	15,546	25,883
	December 2014	15.028%	9,375	15,140
	December 2014	12.615%	14,853	23,310
	December 2016	11.998%	1,868	2,419
	December 2016	8.536%	75,547	95,026
Furniture lease				
	January 2017	6.910%	58,575	66,296
	January 2018	6.930%	19,975	-
			222,580	270,017
Less: current portion			81,780	69,199
			\$ 140,800	\$ 200,818

Future aggregate commitments under capital leases:

	Future Lease Payments	Imputed Interest	Obligation
2014	\$ 98,233	\$ 16,453	\$ 81,780
2015	74,049	8,261	65,788
2016	49,368	4,089	45,279
2017	28,828	852	27,976
2018	1,791	34	1,757
	\$ 252,269	\$ 29,689	\$ 222,580

Immigration Consultants of Canada Regulatory Council Notes to Financial Statements

June 30, 2013

7. Commitments

The Council has several lease commitments for premises and equipment with minimum annual payments as follows:

	Burlington Premises	Montreal Premises	Vancouver Premises	Markham Premises	Equipment	Total
2014	\$ 124,360	\$ 27,146	\$ 12,810	\$ 29,280	\$ 12,748	\$ 206,344
2015	127,148	27,146	-	29,280	12,748	196,322
2016	127,148	27,146	-	29,280	12,748	196,322
2017	127,148	27,146	-	29,280	9,796	193,370
2018	131,052	27,146	-	32,330	690	191,218
Thereafter	457,287	88,224	-	137,250	-	682,761
Total	\$ 1,094,143	\$ 223,954	\$ 12,810	\$ 286,700	\$ 48,730	\$ 1,666,337

In addition to the above minimum future lease payments, a share of premise operating costs is also to be paid.

8. Governance

The Council has a board consisting of fifteen (2012 - fifteen) directors from which a Chair is elected. Directors receive \$1,500 for each Board meeting attended that lasts longer than one hour starting February 16, 2012. The Chair is paid \$5,000 per month. Directors are responsible to provide oversight to Management in managing the affairs of the Council and must submit a monthly activity report in order to receive payment.

Governance expense consists of the following:

	2013	2012
Director fees	\$ 217,500	\$ 273,500
AGM expense	68,410	104,268
Meetings	63,579	39,731
Other	92,748	15,210
	\$ 442,237	\$ 432,709

Immigration Consultants of Canada Regulatory Council Notes to Financial Statements

June 30, 2013

9. Professional Fees

	2013	2012
Audit	\$ 18,435	\$ 15,000
Legal	312,883	360,361
Other	44,052	52,961
	<u>\$ 375,370</u>	<u>\$ 428,322</u>

10. Financial Instruments

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Council's financial instruments that are exposed to concentrations of credit risk relate primarily to accounts receivable. The Council manages its exposure to this risk by evaluating the creditworthiness of new members and monitoring outstanding member balances. Accounts receivable is shown net of an allowance for doubtful accounts of \$152,056 (2012 - \$21,940).

The Council's cash is also subject to credit risk. The Council limits its exposure to this risk by maintaining cash with major financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Council encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Council will not have sufficient funds to settle transactions on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities, long-term debt, capital lease obligations, and commitments.

The Council continues to focus on maintaining adequate liquidity to meet operating working capital requirements and capital expenditures. The Council's ability to manage its liquidity is dependent on the receipt of funds from its ongoing operations.

11. Comparative Figures

The comparative figures have been reclassified, where applicable, to conform to the presentation used in the current year.