

**Immigration Consultants of
Canada Regulatory Council**
Financial Statements
For the year ended June 30, 2014

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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 statement of financial position as at June 30, 2014, the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants, Licensed Public Accountants

Markham, Ontario
September 11, 2014

Immigration Consultants of Canada Regulatory Council
Statement of Financial Position

June 30 2014 2013

Assets

Current

Cash	\$ 156,412	\$ 395,866
Short-term investments (Note 2)	900,000	-
Accounts receivable	207,120	278,365
Prepaid expenses	72,033	68,813

1,335,565 743,044

Capital assets (Note 3)

612,788 603,594

\$ 1,948,353 **\$ 1,346,638**

Liabilities

Current

Accounts payable and accrued liabilities	\$ 233,348	\$ 347,997
Deferred rent liability	95,794	65,387
Deferred revenue	1,478,404	1,264,838
Current portion of long-term debt (Note 5)	200,000	150,000
Current portion of capital lease obligations (Note 6)	65,491	81,780

2,073,037 1,910,002

Long-term debt (Note 5)

650,000 850,000

Capital lease obligations (Note 6)

75,015 140,800

2,798,052 2,900,802

Net Assets (Deficiency)

Invested in capital assets	612,788	603,594
Unrestricted	(1,462,487)	(2,157,758)

(849,699) (1,554,164)

\$ 1,948,353 **\$ 1,346,638**

On behalf of the Board of Directors:


 _____ Director


 _____ Director

Immigration Consultants of Canada Regulatory Council Statement of Operations

For the year ended June 30	2014	2013
Revenue		
Membership revenue	\$ 4,491,571	\$ 3,885,148
Examination revenue	300,900	259,700
Cancellation fees and other income	407,744	523,630
	<u>5,200,215</u>	<u>4,668,478</u>
Expenditures		
Accounting	23,914	50,768
Amortization	136,264	129,051
Bad debts	38,347	37,413
Discipline process	286,348	82,929
Examination and practice management	80,125	132,616
Governance (Note 8)	362,498	442,237
Insurance	30,595	31,296
Interest and bank charges	183,468	170,624
Marketing and advertising	42,763	30,427
Office and administration	112,198	213,467
Professional fees (Note 9)	403,335	375,370
Rent	430,001	342,972
Salaries and benefits	2,201,733	2,012,877
Telephone	104,588	77,815
Translation	12,905	3,108
Travel and entertainment	46,668	44,035
	<u>4,495,750</u>	<u>4,177,005</u>
Excess of revenue over expenditures	\$ 704,465	\$ 491,473

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

For the year ended June 30	Invested in Capital assets	Unrestricted	2014	2013
Net assets (deficiency), beginning of year	\$ 603,594	\$ (2,157,758)	\$ (1,554,164)	\$ (2,045,637)
Excess (deficiency) of revenue over expenditures	(136,264)	840,729	704,465	491,473
Purchase of capital assets	145,458	(145,458)	-	-
Net assets (deficiency), end of year	<u>\$ 612,788</u>	<u>\$ (1,462,487)</u>	<u>\$ (849,699)</u>	<u>\$ (1,554,164)</u>

Immigration Consultants of Canada Regulatory Council Statement of Cash Flows

For the year ended June 30	2014	2013
Cash provided by (used in)		
Cash flows from operating activities		
Excess of revenue over expenditures	\$ 704,465	\$ 491,473
Adjustments to reconcile excess of revenue over expenditures to net cash provided by (used in) operating activities		
Amortization	136,264	129,051
Loss on disposition of capital assets	-	918
Changes in non-cash working capital items		
Accounts receivable	71,245	95,240
Prepaid expenses	(3,220)	(1,133)
Accounts payable and accrued liabilities	(114,649)	(285,672)
Deferred rent liability	30,407	7,431
Deferred revenue	213,566	257,134
	<u>1,038,078</u>	<u>694,442</u>
Cash flows from financing activities		
Bank indebtedness	-	(60,775)
Proceeds from government loan	-	133,705
Repayment of long-term debt	(150,000)	(200,000)
Capital lease payments	(82,074)	(52,164)
	<u>(232,074)</u>	<u>(179,234)</u>
Cash flows from investing activities		
Purchase of capital assets	(145,458)	(119,342)
Purchase of short-term investments	(900,000)	-
	<u>(1,045,458)</u>	<u>(119,342)</u>
Net change in cash	(239,454)	395,866
Cash, beginning of year	395,866	-
Cash, end of year	\$ 156,412	\$ 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, 2014

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.

Credit card administration fees, examination revenue, and cancellation fees 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, 2014

1. Summary of Significant Accounting Policies (continued)

- e. Financial Instruments** Financial instruments are recorded at fair value when acquired or issued and subsequently measured at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in the circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.
- f. 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.
- g. 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.
- h. 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 future undiscounted 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 asset to its discounted cash flow value. As at June 30, 2014, there was no impairment loss recorded.
- i. 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, 2014

2. Short-Term Investments

	2014	2013
Short-term savings, bearing interest at 1.50%, maturing June 27, 2015	\$ 700,000	\$ -
One year cashable GIC, bearing interest at 1.20%, maturing November 25, 2014	200,000	-
	\$ 900,000	\$ -

3. Capital Assets

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 81,508	\$ 49,897	\$ 76,148	\$ 24,162
Computer software	79,974	48,094	43,844	41,773
Office equipment	86,656	33,219	32,091	13,427
Furniture	98,711	17,504	83,928	8,372
Furniture under capital lease	78,025	19,506	78,025	11,704
Leasehold improvements	93,641	13,115	59,021	7,213
Tradeshaw material	3,757	1,879	3,757	1,127
Information and communication technology equipment	200,055	71,448	200,055	42,869
Information and communication technology equipment under capital lease	225,746	80,623	225,746	48,374
	948,073	335,285	802,615	199,021
		\$ 612,788		\$ 603,594

During the year, the Council acquired capital assets at an aggregate cost of \$145,458 (2013 - \$124,069) of which \$nil (2013 - \$4,727) were acquired by way of lease. The amortization for the year ended June 30, 2014 includes \$40,051 (2013 - \$40,288) related to assets under capital leases.

4. Banking Facility

The Council has an available operating line of credit of up to \$150,000 (2013 - \$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 at year end is \$150,000 (2013 - \$150,000).

Immigration Consultants of Canada Regulatory Council
Notes to Financial Statements

June 30, 2014

5. Long-Term Debt

	2014	2013
Loan from Government of Canada (i)	\$ 850,000	\$ 1,000,000
Less: current portion	200,000	150,000
	\$ 650,000	\$ 850,000

- (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 Ending June 30,	Amount
2015	\$ 200,000
2016	200,000
2017	200,000
2018	250,000
	\$ 850,000

Immigration Consultants of Canada Regulatory Council
Notes to Financial Statements

June 30, 2014

6. Capital Lease Obligations

	Expiry Date	Interest Rate	2014	2013
Information and communication technology leases				
	December 2014	16.527%	\$ 4,305	\$ 11,924
	December 2014	11.286%	5,254	14,917
	December 2014	8.931%	5,414	15,546
	December 2014	15.028%	3,361	9,375
	December 2014	12.615%	5,265	14,853
	December 2016	11.998%	1,384	1,868
	December 2016	8.536%	55,986	75,547
Furniture lease				
	January 2017	6.910%	43,656	58,575
	January 2018	6.930%	15,881	19,975
			140,506	222,580
Less: current portion			65,491	81,780
			\$ 75,015	\$ 140,800

Future aggregate commitments under capital leases:

Year Ending June 30,	Future Lease Payments	Imputed Interest	Obligation
2015	\$ 73,950	\$ 8,459	\$ 65,491
2016	49,481	4,202	45,279
2017	28,849	874	27,975
2018	1,795	34	1,761
	\$ 154,075	\$ 13,569	\$ 140,506

Immigration Consultants of Canada Regulatory Council Notes to Financial Statements

June 30, 2014

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
2015	\$ 145,502	\$ 27,146	\$ 56,353	\$ 29,280	\$ 12,748	\$ 271,029
2016	145,502	27,146	59,726	29,280	12,748	274,402
2017	151,620	27,146	61,668	24,400	9,796	274,630
2018	156,275	27,146	63,447	32,330	690	279,888
2019	159,600	27,146	63,595	32,940	690	283,971
Thereafter	385,700	61,079	42,397	104,310	-	593,485
Total	\$ 1,144,199	\$ 196,809	\$ 347,186	\$ 252,540	\$ 36,672	\$ 1,977,405

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 (2013 - 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:

	2014	2013
Director fees	\$ 190,000	\$ 217,500
AGM expense	70,792	68,410
Meetings	46,627	63,579
Other	55,079	92,748
	\$ 362,498	\$ 442,237

9. Professional Fees

	2014	2013
Audit	\$ 26,945	\$ 18,435
Legal	342,072	312,883
Other	34,318	44,052
	\$ 403,335	\$ 375,370

Immigration Consultants of Canada Regulatory Council Notes to Financial Statements

June 30, 2014

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 \$465,244 (2013 - \$152,056).

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.