

Higher Education  
Quality Council  
of Ontario

*An agency of the Government of Ontario*



Conseil ontarien  
de la qualité de  
l'enseignement supérieur

*Un organisme du gouvernement de l'Ontario*

# Higher Education Quality Council of Ontario

## 2018–19 Annual Report



## **Who We Are**

Established in 2005, the Higher Education Quality Council of Ontario (HEQCO) is an agency of the Government of Ontario that brings evidence-based research to the continued improvement of the province's postsecondary education (PSE) system.

### **Our Mandate**

“To assist the Ministry of Training, Colleges and Universities (MTCU) in improving all aspects of the postsecondary education sector, including improving the quality of education provided in the sector, access to postsecondary education and accountability of postsecondary educational institutions.”  
(HEQCO Act, 2005)

### **Our Mission**

HEQCO informs the future of Ontario higher education through authoritative research, effective communication of meaningful data and evidence-based options for solutions to the challenges facing Ontario's postsecondary system.

### **Our Vision**

HEQCO seeks to influence the key decisions, practices and policies that will guide Ontario's public postsecondary system to national and international leadership, while providing Ontarians with the greatest opportunities for social mobility and economic success.

## Our Values

- **Primacy of independent, high-quality research:** HEQCO maintains its distinctive position in the research community as a credible, authoritative and influential agency through a foundation of independent, objective, high-quality analysis to provide the best evidence-based advice to government and postsecondary institutions. Attentive to emerging trends, HEQCO has the agility to pursue promising new avenues of research as opportunities arise.
- **Sustained engagement with leaders worldwide:** HEQCO's global perspective on higher education research, policy and practice brings the best ideas, research findings and insights to Ontario. Many of Ontario's PSE challenges are shared by jurisdictions across Canada and worldwide. Through these global partnerships, we ensure that the very best thinking from around the world is made available to Ontario decision-makers as a catalyst for informed decisions, collaboration and innovation.
- **Accessible and meaningful communication:** In bridging the gap between research knowledge and its active use in addressing pressing challenges in higher education, HEQCO contributes to the effective movement of evidence-based solutions into policy development and best practice.
- **An advocate for data collection and transparency:** Data is the lifeblood of evidence-based policy decision-making, yet our work is constrained by significant and persistent data gaps at both the provincial and national level. HEQCO remains an advocate for a more transparent, open and holistic approach to higher education data, in partnership with educational institutions, organizations and governments.
- **Accountability is a foundational tool for system improvement:** Achieving critical goals in access and quality demands monitoring and measuring to ensure that strategies are demonstrably leading to system improvement. This is the essence of accountability.
- **Responsive to government priorities and mandates:** HEQCO ensures that evidence-based research of the highest quality informs policy decision-making and practice, in alignment with the Ministry of Training, Colleges and Universities (MTCU).
- **Equipped to achieve its goals:** HEQCO is committed to ensuring that its organizational structure and staff capabilities maximize impact and drive toward the achievement of its vision for Ontario postsecondary education.

## Message from the President and Board Chair

The 2018–19 fiscal year was a milestone of sorts for the Higher Education Quality Council of Ontario. Several multi-year research projects came to fruition resulting in important findings and recommendations to the Ministry of Training, Colleges and Universities regarding the future of the province’s postsecondary system and its institutions.

As HEQCO has long maintained, an effective postsecondary system must provide a high-quality education to all students, and ensure that they gain the skills required to succeed in today’s fast-changing labour market. In 2018–19, HEQCO released the results of two research projects that sought to measure the skills acquired by postsecondary students. In partnership with 20 Ontario colleges and universities, HEQCO conducted two multi-year pilot assessments of Ontario students’ numeracy, literacy and critical-thinking skills. The trials, involving more than 7,500 students, were among the first major attempts to measure employment-related skills in students on a large scale. The results revealed that one in four graduating students did not meet the level of competency in literacy or numeracy necessary for long-term success in the workforce.

Ensuring the financial sustainability of postsecondary institutions and the sector is a central focus of HEQCO’s research program; institutions cannot deliver their core mandates if they are not sustainable. To that end, HEQCO has conducted extensive research on sustainability, identifying key metrics that serve to provide a better understanding of the challenges facing the province’s 20 universities and 24 colleges. In 2018–19, HEQCO published *The Sustainability of the Ontario Public Postsecondary System: Putting Together the Pieces of the Puzzle*, a report that summarizes HEQCO’s main research findings, and outlines its recommendations for ensuring the long-term financial health of our postsecondary institutions. The report warns that as universities and colleges struggle to deal with rising costs and stagnant revenues, academic quality risks being compromised. The paper sets out several key recommendations to mitigate the financial challenges that institutions face and ensure their future security and sustainability.

As mandated by the Ontario government, HEQCO worked in 2018–19 to ensure that all publicly funded universities and colleges develop, implement and comply with a campus-wide free-speech policy. It also initiated research to examine the state of apprenticeship in Ontario and identify opportunities to improve the province’s apprenticeship system.

Since its inception, HEQCO has worked to ensure that all students have equitable access to postsecondary education and are able to reap its rewards. In March, HEQCO published *Redefining Access to Postsecondary Education*, a paper that calls for a new approach to achieving equitable access for underrepresented and marginalized students, one that starts much earlier along the educational pathway. A second report, *Parental Education and Postsecondary Attainment: Does the Apple Fall Far From the Tree?*, focused on first-generation students — those from a family where neither parent completed PSE. It found a substantial attainment gap still exists between first-generation students and their counterparts from families where at least one parent attained a credential, despite years of government policies meant to improve access for these and other underrepresented students. Both reports conclude that government resources aimed at supporting first-generation and other underrepresented students would be better spent on interventions applied at the K–12 sector.

We are proud of the work HEQCO has accomplished over the past year. As is evident in the following pages, HEQCO is undertaking more large-scale projects that are in alignment with the priorities of the Ministry of Training, Colleges and Universities. We invite you to read the report to learn more about HEQCO's work and its contributions to the higher education landscape.



**Harvey P. Weingarten**

**President and CEO**



**Nobina Robinson**

**Chair of the Board**

## **The Year in Review**

### **Research Priorities**

As outlined in our 2018–2021 Multi-Year Business Plan (awaiting approval) and informed by HEQCO's Mandate Letter our 2018–19 research agenda focused on the following priorities:

- Ensuring that students graduate with the knowledge and skills they need to succeed in the workplace and in life by promoting the assessment of skills and competencies
- Enhancing academic quality and choice by assessing the sustainability of postsecondary institutions and the sector, and by promoting outcomes-based funding and differentiation among higher education institutions
- Protecting free-speech rights on the province's college and university campuses
- Increasing apprenticeship opportunities to address worker shortages in Ontario's skilled-trades sector
- Improving access to higher education for non-traditional and underrepresented students

### **Skills Assessment**

Non-disciplinary skills are becoming increasingly important in today's fast-changing labour market. HEQCO is working to ensure that students graduate with the knowledge and skills they need to succeed in today's workplace, including appropriate levels of numeracy, literacy, problem solving and critical thinking.

In 2018–19, HEQCO released the results of one of its largest and most ambitious research projects to date: the Essential Adult Skills Initiative, or EASI. This multi-year study is one of the first major attempts to measure employment-related skills in university and college students on a large scale. It found that postsecondary students are experiencing some gains in literacy, numeracy and critical-thinking scores over the course of their undergraduate studies. Yet one in four graduating students scored below adequate in measures of literacy or numeracy and less than a third scored at superior levels.

A second trial known as the Postsecondary and Workplace Skills project, or PAWS, found little difference between the test scores of incoming and graduating college students in critical-thinking abilities, with some improvement seen in university student scores. Together the two trials involved more than 7,500

students at 20 Ontario universities and colleges and reaffirmed that large-scale assessment of students' employment-related skills is feasible. HEQCO encourages all postsecondary institutions in the province to teach, measure and credential the skills that are highly sought by today's employers, rather than discipline-specific knowledge alone.

Since 2012, HEQCO has partnered with a group of institutions and researchers to develop new ways to identify and measure the essential skills that postsecondary students ought to learn. In the fall of 2018 HEQCO published *Driving Academic Quality: Lessons from Ontario's Skills Assessment Projects*, a collection of essays by educators, researchers and administrators who were involved in HEQCO's Learning Outcomes Assessment Consortium.

HEQCO will continue to undertake research to determine whether postsecondary students acquire appropriate levels of numeracy, literacy and other essential skills, and explore ways that these skills can be taught effectively and efficiently, with a particular emphasis on math and numeracy skills. HEQCO will develop strategies and tools for implementing skills assessment, and provide policy advice and guidance on creating programs and credentials that ensure the success of Ontario's students.

### **System Sustainability**

Ensuring the financial sustainability of postsecondary institutions and the sector is a core feature of HEQCO's research program. It has conducted extensive research on sustainability, identifying key metrics that serve to provide a better understanding of the challenges facing the province's 20 universities and 24 colleges. In 2018–19, HEQCO published *The Sustainability of the Ontario Public Postsecondary System: Putting Together the Pieces of the Puzzle*, a report that summarizes HEQCO's main findings, and outlines its recommendations for ensuring the long-term financial health of our postsecondary institutions. The report warns that as universities and colleges struggle to deal with rising costs and stagnant revenues, academic quality risks being compromised.

The report notes that static rates of domestic enrolment in most areas of the province outside of the Greater Toronto Area will limit growth in government operating grants as well as tuition fees over the coming years. To balance their budgets, institutions will have little choice but to curb spending, especially labour costs — which account for their single largest expenditure item.

The report also sets out several recommendations to mitigate these challenges, including the adoption of provisions that would encourage more senior faculty members to retire at age 65, such as prohibiting faculty members from collecting both a full salary and a full pension at the same time, imposing salary

caps and eliminating progress-through-the-ranks salary increases for faculty past the age of 65. It also suggests increasing the teaching load of full-time faculty members, particularly those who are no longer active in research.

HEQCO will continue to research ways of maintaining quality while ensuring the fiscal sustainability of the province's postsecondary institutions. HEQCO's work on sustainability will assist the government in developing meaningful metrics and evaluation tools for improving the province's funding model as well as mechanisms for holding institutions accountable, such as Strategic Mandate Agreements and disclosure of faculty workloads.

### **Free Speech**

The Ontario government has mandated that all publicly funded universities and colleges must develop, implement and comply with a free-speech policy effective January 1, 2019. HEQCO has reported to the Ministry of Training, Colleges and University that all colleges and universities had publicly posted a free-speech policy as directed by the government, and it has provided an analysis of these policies to the Minister. Colleges and universities must report annually on their progress to HEQCO starting in September 2019. HEQCO will review and assess these annual reports and provide a summary report to government and the public on the implementation of these freedom of speech policies.

### **Apprenticeship Opportunities**

To meet the needs of Ontario's skilled-trades sector, HEQCO has initiated research to examine the state of apprenticeship in Ontario, and identify opportunities to improve the apprenticeship system. It will conduct research on how Ontario can encourage more employers to hire and train apprentices to fill the skills gap in the skilled-trades sector. It will also research best practices from other jurisdictions that could be used to improve apprenticeship training in the province.

### **Access**

Equitable access to postsecondary education has been a major focus of HEQCO's work since its founding. Decades of research has shown that first-generation students, low-income students,



Indigenous students and students with disabilities are less likely to enrol in postsecondary education and less likely to attain a PSE credential than their peers.

In 2018–19, HEQCO published two reports on the topic of underrepresented students. *Redefining Access to Postsecondary Education*, published in early March, 2019, calls for a new approach to achieving equitable access to PSE. It argues that a dramatic rise in enrolment at Ontario’s colleges and universities over the past two decades has done little to improve the equity of access for underrepresented students, even alongside an expanded student financial-assistance program, a cap on tuition fees and targeted funding for institutions to recruit and support these students.

A second report, *Parental Education and Postsecondary Attainment: Does the Apple Fall Far From the Tree?*, focused on first-generation students — those from a family where neither parent completed PSE. It found an attainment gap of more than 20 percentage points between 25-to-34 year-old first-generation students and their counterparts from families where at least one parent attained a credential, despite years of government policies meant to improve access for these and other underrepresented students. Both reports conclude that government resources aimed at supporting first-generation and other underrepresented students would be better spent on policies and interventions applied to the K–12 sector.

In addition, HEQCO hosted its eighth annual conference, *Access in Practice: Putting Great Ideas to Work*, in April 2018. The two-day event included more than 20 sessions, three workshops, 92 speakers and HEQCO’s first-ever student pitch competition, where teams of students competed to come up with innovative solutions to the barriers faced by underrepresented students. The conference aims to engage sector leaders, government officials, educators and community advocates.

## HEQCO's Performance Measures 2018–19

In conjunction with the Ministry of Training, Colleges and Universities, HEQCO has developed a list of operational performance measures to ensure our strategic direction is clear and leading to work that furthers postsecondary education in Ontario. More defined outcome measurements continue to be developed and will be reported on in future Annual Reports.

### 1. High-quality research informed by government priorities

In 2018–19, HEQCO's research focused on core mandate issues of access, skills measurement and learning outcomes, and system design as well as an ongoing evaluation of free speech on campuses. Additionally, as outlined in its mandate letter, research was initiated into the apprenticeship system in Ontario. HEQCO's published research is peer-reviewed by subject experts in order to ensure that it is high quality and provides value. In recent years, HEQCO has shifted its focus to fewer projects but more large-scale multi-year initiatives. The 2018–19 fiscal year saw the publication of 13 research reports as well as the publication of *Driving Academic Quality: Lessons from Ontario's Skills Assessment Projects*, a book that summarized the findings of the first phase of projects from the Learning Outcomes Assessment Consortium.

### 2. Policy impact and government engagement

HEQCO's core legislative mandate is to assist the Minister and Ministry of Training, Colleges and Universities (MTCU) and make recommendations that contribute to the formulation of government policy. This past year, HEQCO's work on demographic trends relating to labour market needs and the sustainability of institutions helped inform the government's decision to not move forward on expansion projects including the Ryerson University law school and various campus expansion projects.

Almost every element of the current government's postsecondary agenda reflects themes, actions and policies that HEQCO has been researching and writing about for the last three to five years, attesting to the influence of our work on government policies and directions.

**Risk event:** Several projects underway to evaluate the impact and effectiveness of changes to the Ontario student aid system were ended at the direction of staff from the Ministry of Training, Colleges and Universities due to planned changes to the tuition fee structure and Ontario Student Assistance Program. HEQCO's research on improving equity of access for students in Ontario has continued and focuses on larger, systemic overviews.

### 3. Partnerships and sector engagement

HEQCO maintains a unique position as the only organization of its type in Canada. Since its inception in 2005, HEQCO has built and maintained partnerships with universities, colleges, government ministries and various other stakeholders to help inform the work of improving Ontario's postsecondary sector.

HEQCO worked with a number of different groups in 2018–19 including the Hamilton Community Foundation, People for Education, Plaid Consulting, The Social Research and Demonstration Corporation, R.A. Malatest & Associates and the institutions involved in the Access and Retention and Learning Outcomes Assessment consortiums.

**Risk event:** Changes to discretionary spending and travel put in place by the new Ontario government led to a significant reduction in conference participation, presentations and engagement in sector events and activities, particularly those taking place outside of the province. This presents a challenge for an organization that has a mandate to bring the best practices to Ontario, and engage with and maintain/develop partnerships with stakeholders and relevant groups which are conducting work that informs and assists the research and policy work of Ontario.

### 4. Audience engagement

HEQCO continues to engage with its audience in Ontario, across Canada and internationally. Subscribers to our weekly email number in excess of 3,100 and our social media channels have continued their steady expansion with more than 4,400 followers collectively — a growth of more than 15% over the previous year. The majority of our email subscribers are affiliated with universities and colleges, with other readers from government, industry and business, K–12 and the media.

Despite a planned reduction in publications and blogs in 2018–19, HEQCO's overall web traffic was relatively constant and the number of readers per publication was greater than in previous years. Several publications including *On Test: Skills, Summary of Findings from HEQCO's Skills Assessment Pilot Studies, Education and Labour Market Impacts of the Future to Discover Project* and *The Sustainability of the Ontario Public Postsecondary System: Putting Together the Pieces of the Puzzle* were among the most read publications in HEQCO's history.

HEQCO also worked toward increased audience engagement in the postsecondary sector with our eighth annual conference held in April of 2018. The conference, *Access in Practice*, focused on the theme of access to postsecondary education for the second consecutive year and brought together

more than 400 representatives from colleges and universities, the K–12 sector, the government and community organizations to explore initiatives that they could adapt, implement and assess to ensure that all students have the opportunity to pursue postsecondary education.

**Risk event:** In light of changes to discretionary spending policies, HEQCO made the decision not to stage an annual conference in early 2019 at a cost. These conferences have been tremendously successful in past years and presented an excellent opportunity to connect with an engaged, interested audience for higher education issues and expose audiences to the work and advances being made in Ontario. Moving forward HEQCO is looking at alternative event options to facilitate this type of engagement.

#### 5. Responsible financial management

HEQCO is subject to internal and external audits. While HEQCO meets all relevant requirements of government legislation, regulations, directives and guidelines, HEQCO also seeks to achieve a clean audit annually from its external auditors. This means that HEQCO's financial statements and reports are transparent, thorough and do not hide important facts. In 2018–19, HEQCO achieved a clean audit, as it has for more than a decade.

## **Board of Directors**

HEQCO's board of directors is responsible for approving the overall strategic direction of the council and ensuring that its activities remain firmly aligned with its mandate.

To meet these responsibilities, the board works closely with management to develop and approve the organization's annual business plan and budget.

Board members are appointed by the Lieutenant Governor in Council pursuant to the Higher Education Quality Council of Ontario Act, 2005. Board members draw on their backgrounds in business, academia and government to guide and support the success of HEQCO's initiatives.

### **Suzanne B. Herbert**

Appointed: October 18, 2017

Expiration Date: October 17, 2020

Annual Remuneration: \$0

### **Patricia Lang**

Appointed: February 8, 2018

Expiration Date: February 7, 2020

Annual Remuneration: \$600

### **Denis Mayer**

Appointed: January 5, 2015 (first term), January 4, 2017 (second term)

Expiration Date: January 5, 2017 (first term), January 4, 2020 (second term)

Annual Remuneration: \$700

### **John Milloy**

Appointed: March 27, 2018

Expiration Date (Resigned): December 1, 2018

Annual Remuneration: \$500

## Appendix: Publications

The following were published in 2018–19:

Title
Parental Education and Postsecondary Attainment: Does the Apple Fall Far From the Tree?
Redefining Access to Postsecondary Education
Minding the Gap? Ontario Postsecondary Students' Perceptions on the State of Their Skills
Opportunities and Challenges in Predictive Modelling for Student Retention
Harvey P. Weingarten – Skills in Postsecondary Education: Where to now?
Education and Labour Market Impacts of the Future to Discover Project: Technical Report
Education and Labour Market Impacts of the Future to Discover Project: Summary of Key Findings
Measuring Critical-thinking Skills of Postsecondary Students
Measuring Essential Skills of Postsecondary Students: Final Report of the Essential Adult Skills Initiative
On Test: Skills, Summary of Findings from HEQCO's Skills Assessment Pilot Studies
Driving Academic Quality: Lessons from Ontario's Skills Assessment Projects <b>(self-published ebook)</b>
Competency-based Education: Driving the Skills-measurement Agenda
Barriers to Work-integrated Learning Opportunities
Integrating Pedagogy and Technology to Measure Program and Institutional Learning Outcomes at the University of Guelph
The Sustainability of the Ontario Public Postsecondary System: Putting Together the Pieces of the Puzzle
Harvey P. Weingarten – Why is the "Q" word in our name?

# **Higher Education Quality Council of Ontario**

**Financial Statements**

**For the Year Ended March 31, 2019**

## MANAGEMENT REPORT

### Management's Responsibility for the Financial Statements


The accompanying financial statements of Higher Education Quality Council of Ontario (the "Council") are the responsibility of the Council's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Council's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Council meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by RSM Canada LLP, independent external auditors appointed by the Council. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Council's financial statements.

  
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Harvey P. Weingarten  
President & CEO

  
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Nobina Robinson  
Board Chair

June 13, 2019





## INDEPENDENT AUDITOR'S REPORT

### To the Directors of Higher Education Quality Council of Ontario

#### *Opinion*

We have audited the financial statements of Higher Education Quality Council of Ontario, (the Council), which comprise the statement of financial position as at March 31, 2019 and the statements of operations, changes in net debt, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2019, and results of its operations, changes in net debt, 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. 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 the Council 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 opinion.

#### *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 the Council'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 the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the Council'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 the Council'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 the Council 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.

RSM Canada LLP

Chartered Professional Accountants  
Licensed Public Accountants  
June 13, 2019  
Toronto, Ontario

**Higher Education Quality Council of Ontario**  
**Statement of Financial Position**  
**As at March 31, 2019**

	2019	2018
<b>Financial Assets</b>		
Cash	\$ 948,836	\$ 1,132,047
HST recoverable	30,236	27,846
Accounts receivable	-	900
Interest receivable	1,868	1,410
	<b>980,940</b>	<b>1,162,203</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	973,450	1,124,755
Due to Ministry of Training, Colleges and Universities (Note 3)	50,130	23,390
Deferred capital contributions (Note 4)	37,687	61,553
Deferred revenue	-	99,090
	<b>1,061,267</b>	<b>1,308,788</b>
<b>Net Debt</b>	<b>(80,327)</b>	<b>(146,585)</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 5)	37,687	61,553
Prepaid expenses	42,640	85,032
	<b>80,327</b>	<b>146,585</b>
<b>Accumulated Surplus</b>	<b>\$ -</b>	<b>\$ -</b>

*Commitments (Note 8)*

Approved by the Board

  
 Director

  
 Director

**Higher Education Quality Council of Ontario**  
**Statement of Operations**  
**Year Ended March 31, 2019**

	Budget 2019	Actual 2019	Actual 2018
<b>Revenue</b>			
Provincial funding	\$ 5,145,254	\$ 5,166,519	\$ 5,375,760
Non-Provincial funding	299,520	5	-
Amortization of deferred capital contributions (Note 4)	25,243	27,816	40,448
Conference revenue	101,090	101,840	97,680
Interest income	8,547	12,031	8,547
	5,579,654	5,308,211	5,522,435
<b>Expenses (Note 6)</b>			
Governance	463,226	463,430	500,569
Research	4,930,713	4,670,401	4,842,752
Administration	185,715	174,380	179,114
	5,579,654	5,308,211	5,522,435
<b>Surplus for the year</b>	-	-	-
<b>Accumulated surplus, beginning of year</b>	-	-	-
<b>Accumulated surplus, end of year</b>	\$ -	\$ -	\$ -

**Higher Education Quality Council of Ontario**  
**Statement of Changes in Net Debt**  
**Year Ended March 31, 2019**

	Budget 2019	Actual 2019	Actual 2018
<b>Net debt, beginning of year</b>	\$ 146,585	\$ <b>146,585</b>	\$ 181,372
Acquisition of tangible capital assets	10,000	<b>3,950</b>	26,422
Amortization of tangible capital assets	25,243	<b>(27,816)</b>	(40,448)
Disposition of tangible capital assets	-	<b>10,070</b>	10,429
Other adjustments - prepaid expenses	-	<b>(42,392)</b>	(20,761)
Loss on writeoff of tangible capital assets	-	<b>(10,070)</b>	(10,429)
<b>Net debt, end of year</b>	\$ 181,828	\$ <b>80,327</b>	\$ 146,585

**Higher Education Quality Council of Ontario**  
**Statement of Cash Flows**  
**Year Ended March 31, 2019**

	2019	2018
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Surplus for the year	\$ -	\$ -
Items not affecting cash		
Amortization of deferred capital contributions	(27,816)	(40,448)
Amortization of tangible capital assets	27,816	40,448
Net changes in non-cash working capital		
HST recoverable	(2,390)	63,953
Interest receivable	(458)	(636)
Accounts receivable	900	24,100
Prepaid expenses	42,392	20,761
Accounts payable and accrued liabilities	(151,305)	34,613
Deferred revenue	(99,090)	8,030
Due to Ministry of Training, Colleges and Universities	26,740	(81,111)
	<b>(183,211)</b>	<b>69,710</b>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(3,950)	(26,422)
<b>Financing activities</b>		
Contributions for purchase of tangible capital assets	3,950	26,422
<b>Increase (decrease) in cash for the year</b>	<b>(183,211)</b>	<b>69,710</b>
<b>Cash, beginning of year</b>	<b>1,132,047</b>	<b>1,062,337</b>
<b>Cash, end of year</b>	<b>\$ 948,836</b>	<b>\$ 1,132,047</b>

## **1. THE ORGANIZATION**

### **Formation and Status**

The authority to create the Higher Education Quality Council of Ontario (the "Council") was established in the Higher Education Quality Council of Ontario Act, 2005 (the "Act"). The Council is a Crown Agency of the Ministry of Training, Colleges and Universities ("MTCU") (formerly Ministry of Advanced Education and Skills Development or "MAESD") and is classified as an operational services agency.

The Higher Education Quality Council is a corporation without share capital and is not subject to the Corporations Act or the Corporation Information Act. The Council is subject to section 132, subsection 134(1) and section 136 of The Business Corporations Act. As an agent of the Crown, the Council is not subject to income tax.

The Council is, and exercises its powers only as an agent of the Crown. Limits on the Council's ability to undertake certain activities are set out in both the Act and The Memorandum of Understanding between the Council and MTCU dated December 6, 2006 and as renewed in The Memorandum of Understanding dated January 9, 2013.

### **Council Operations**

The objective of the Council is to assist the Ministry of Training, Colleges and Universities in improving all aspects of the post-secondary education sector, including improving the quality of education provided in the sector, access to post-secondary education and accountability of post-secondary educational institutions.

The Council is governed by a Board of Directors who is appointed by Order-in-Council.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Higher Education Quality Council of Ontario are the representations of management prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board. No statement of remeasurement gains or losses has been presented as no remeasurement gains or losses have occurred during the year.

Significant accounting policies followed by the Council are as follows:

### **Accrual Basis of Accounting**

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the year in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the year the goods or services are acquired, a legal liability is incurred or transfers are due.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Government Transfer Payments**

The Council is funded solely by the Province of Ontario in accordance with budget arrangements established by the MTCU. These financial statements reflect agreed funding arrangements approved by the MTCU.

Government transfer payments from the MTCU are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

**Allocation of Expenses**

The Council engages in providing research, support and advocacy for improvement of all aspects of the postsecondary education sector. The cost of each object includes salaries and benefits, research activities, and other operating expenses that are directly related to providing the services. Salaries and benefits are allocated to governance, research and administration based on the activity to which they relate or benefit. Research related contracts and projects have been allocated to research. Other operating expenses have been charged to governance, research and administration based on head count at year-end.

**Deferred Contributions**

Certain amounts, including transfer payments from the MTCU, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed.

Any amounts received that are used to fund the acquisition of tangible capital assets are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. Deferred capital contributions are amortized into revenue in accordance with the amortization policy applied to the related capital asset recorded.

**Tangible Capital Assets**

Tangible capital assets are recorded at historical cost. The cost of tangible capital assets contributed is recorded at the estimated fair value on the date of contribution. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. Computer software licence fees are recognized as an expense when incurred.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Tangible Capital Assets (Cont'd)**

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 years
Furniture and equipment	5 years
Leasehold improvements	life of lease

Expenditures for tangible capital assets that are less than \$1,000 are expensed as incurred.

The Council reviews the carrying amount, amortization and useful lives of its capital assets regularly. If the capital asset no longer has any long-term service potential to the Council, the excess of the net carrying amount over any residual value is recognized as an expense in the statement of operations.

**Financial Assets and Liabilities**

The Council initially measures its financial assets and liabilities at fair value. The Council subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and interest receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to Ministry of Training, Colleges and Universities.

**Leases and Rent Expense**

Leases are accounted for as operating leases wherein rental payments are initially recorded in the statement of operations and are adjusted to a straight-line basis over the term of the related lease. The difference between the straight-line rent expense and the rental payments, as stipulated under the lease agreement, is included in accounts payable and accrued liabilities.

**Use of Estimates**

The preparation of these financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Actual results could differ from those estimates. Estimates relate primarily to accruals for research contracts and amortization of tangible capital assets and related amortization of capital contributions, which are based on the estimated useful lives of the tangible capital assets.

**3. DUE TO THE MINISTRY OF TRAINING, COLLEGES AND UNIVERSITIES**

In accordance with the Council's Memorandum of Understanding, funding received in excess of expenditures may be required to be repaid and is recorded as due to MTCU.

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**4. DEFERRED CAPITAL CONTRIBUTIONS**

During the year, the Council utilized \$3,950 (2018 - \$26,422) of its MTCU funding for additional capital asset purchases. The MTCU funds used to purchase these capital assets have been included as part of deferred capital contributions and are to be amortized into revenue on the same basis as the amortization of the purchased assets.

	<b>2019</b>	<b>2018</b>
Balance, beginning of year	\$ 61,553	\$ 75,579
Contributions received	3,950	26,422
Less: amounts recognized in revenue	(27,816)	(40,448)
<b>Balance, end of year</b>	<b>\$ 37,687</b>	<b>\$ 61,553</b>

**5. TANGIBLE CAPITAL ASSETS**

<b>Cost</b>	<b>Computer Equipment</b>	<b>Leasehold Improvements</b>	<b>Furniture and Equipment</b>	<b>Total 2019</b>	<b>Total 2018</b>
Balance, beginning of the year	\$ 170,360	\$ 907,975	\$ 148,502	\$ 1,226,837	\$ 1,210,844
Additions	-	3,950	-	3,950	26,422
Dispositions	(10,070)	-	-	(10,070)	(10,429)
<b>Balance, end of year</b>	<b>\$ 160,290</b>	<b>\$ 911,925</b>	<b>\$ 148,502</b>	<b>\$ 1,220,717</b>	<b>\$ 1,226,837</b>

<b>Accumulated Amortization</b>	<b>Computer Equipment</b>	<b>Leasehold Improvements</b>	<b>Furniture and Equipment</b>	<b>Total 2019</b>	<b>Total 2018</b>
Balance, beginning of the year	\$ 152,475	\$ 903,644	\$ 109,165	\$ 1,165,284	\$ 1,135,265
Additions	14,984	2,690	10,142	27,816	40,448
Dispositions	(10,070)	-	-	(10,070)	(10,429)
<b>Balance, end of year</b>	<b>\$ 157,389</b>	<b>\$ 906,334</b>	<b>\$ 119,307</b>	<b>\$ 1,183,030</b>	<b>\$ 1,165,284</b>

<b>Net book value</b>	<b>\$ 2,901</b>	<b>\$ 5,591</b>	<b>\$ 29,195</b>	<b>\$ 37,687</b>	<b>\$ 61,553</b>
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**6. EXPENSES BY OBJECT**

	Governance	Research	Administration	Total 2019	Total 2018
Salaries and benefits	\$ 377,393	\$ 1,982,743	\$ 149,088	\$ 2,509,224	\$ 2,754,743
Research activities	-	2,125,035	-	2,125,035	2,030,107
Other operating expenses	86,037	562,623	25,292	673,952	737,585
	\$ 463,430	\$ 4,670,401	\$ 174,380	\$ 5,308,211	\$ 5,522,435

**7. PENSION AGREEMENTS**

The Council makes contributions on behalf of its staff to the Public Service Pension Plan administered by the Ontario Pension Board, which is a multi-employer plan. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The contribution rates in 2018/2019 were 6.9% of the Year's Maximum Pensionable Earnings ("YMPE") plus 10% on earnings above the YMPE.

Contributions in the amount of \$125,281 (2018 - \$123,415) are included in expenses in the statement of operations, and \$17,043 (2018 - \$6,285) is included in accounts payable and accrued liabilities.

**8. LEASE OBLIGATIONS AND OTHER COMMITMENTS**

The Council entered into a lease of 7,670 rentable square feet of office space on the 24th floor of 1 Yonge Street, Toronto, negotiated by the Ontario Realty Corporation, for a term of five years beginning on May 15, 2007. Rentable square feet increased to 7,717 as a result of the landlord's improvements to meet requirements in the Council's lease. Rent is payable monthly.

The Council renewed the lease for an additional five years commencing May 15, 2012 and expiring on May 14, 2017. The new net rate was \$17.00 per square foot (\$15.00 per square foot for May 2007 - May 2012).

The Council renewed the second lease extension (final option) from May 15, 2017 until August 31, 2020. Base rent is \$21.00 per square foot from May 2017 to 2018, and \$22.00 per square foot from May 2018 to August 2020.

Minimum future lease payments under operating leases are as follows:

	Rent	Equipment
2019 - 2020	\$ 169,774	\$ 4,701
2020 - 2021	70,739	-
	\$ 240,513	\$ 4,701

**8. LEASE OBLIGATIONS AND OTHER COMMITMENTS (Cont'd)**

The gross rent rate was \$42.40 per square foot or \$327,193 for the period from April 1, 2018 to March 31, 2019.

**Contractual Obligations**

The Council has signed multi-year contracts with academic researchers where deliverables and payments are due over several years up to 2022. The amounts for research services yet to be provided are as follows:

2019 - 2020	\$ 638,515
2020 - 2021	396,107
2021 - 2022	10,671
	<hr/>
	<b>\$ 1,045,293</b>
	<hr/>

**9. FINANCIAL RISK MANAGEMENT**

The Council is exposed to financial risks, including credit and liquidity risk. The Council has adopted an integrated risk management framework. The framework provides a consistent methodology to manage risks. Management believes exposure to other risks, including interest rate and market risks, is minimal.

**Credit Risk**

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Council is subject to credit risk related to its cash. Credit risk with respect to cash is managed by holding cash balances at a high credit quality financial institution in Canada.

**Liquidity Risk**

Liquidity risk results from the Council's potential inability to meet its obligations associated with financial liabilities as they come due. The Council manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. The Council's exposure to liquidity risk relates to the amount of accounts payable and accrued liabilities. The Council is dependent on the continued support of the MTCU for its continued operations.