Annual Report

2006/07

Higher Education Quality Council of Ontario

Conseil ontarien de la qualité de l'enseignement supérieur
The Higher Education Quality Council of Ontario is an independent Crown agency of the Ontario government dedicated to ensuring the continued improvement of the postsecondary education system in Ontario. The Council was created through the Higher Education Quality Council of Ontario Act, 2005. It is mandated to conduct research, evaluate the postsecondary education system and provide policy recommendations to the Minister of Training, Colleges and Universities with a view to enhance the quality, access and accountability of Ontario’s higher education system.
Chair’s message

Welcome to the first annual report of the Higher Education Quality Council of Ontario.

In 2005, the Honourable Bob Rae presented the Government of Ontario with an outstanding report on higher education. One of his core concerns was, “how do we make our postsecondary system vital and sustainable for generations to come?” In his view, short-term budget issues had excessively dominated higher education policy in Ontario. He also thought there had been too many ad hoc “reviews” that made recommendations under tight deadlines and then disappeared.

The Ontario government accepted Mr. Rae’s advice that there should be an independent advisory body to provide assessments of our higher education system and advice about how to improve it. To that end, the Higher Education Quality Council of Ontario was created in 2005, in support of the ambition to continue building a higher education sector capable of meeting the challenges of a knowledge society and a global economy.

I was delighted to have been appointed Chair of the Council in May 2006. My longstanding personal belief in the value of education is deeply held. I was the first in my family to go on to higher education and that opportunity transformed my life. Given how important education has been to me, both personally and professionally, I am honoured to have been asked to take on this challenging role with the Council.

This annual report provides a summary of the Council’s activities in its first year of operation. During this period, our aim has been to build the foundation for the work that lies ahead. The government named a total of five members to Council. We have engaged a talented staff led by President James Downey and Vice President of Research Ken Norrie to move forward with our ambitious agenda. Together, we have developed a business plan and research strategy that will focus and guide our activities.

In our initial endeavours, we have been greatly assisted by SEG Management Consultants, the staff of the Ministry of Training, Colleges and Universities, and Dr. David Trick, whose experience in higher education has been pivotal to the establishment of the Council. I wish to acknowledge their invaluable work and extend my gratitude for their contributions. I also want to thank members of the Council’s board of directors for their commitment and support, and for giving so generously of their time and knowledge.

I also wish to acknowledge and welcome the support of the leaders of Ontario’s colleges and universities and the many stakeholder groups that have taken an interest in the role of the Council.

My colleagues and I share a firm belief that the Council must not just be a think-tank. We need to help create the conditions that will make improvement possible. The Council ought to provide advice to the government that will make a difference for students, their families and their future employers.

The Council has been given a broad mandate to assess how well our system of higher education is doing, and to advise the government on where we should plan to go. We believe we can be most effective in this regard by prioritizing our activities in four broad categories: a quality framework, accessibility, accountability and inter-institutional transfer. These areas of focus are discussed in greater detail in this report.

In carrying out this work, we are mindful that our capacity to contribute to enhancing higher education in Ontario depends on our relationship with all those who have an interest in this sector. As such, we have resolved to operate in an open and consultative way, and to seek and consider good advice from the many sources with compelling ideas for the future. Without compromising our independence, we seek to foster collaboration, cooperation and candid dialogue. In that spirit, in our initial year we embarked on the first of many consultations to explore the most promising approaches to our challenge.

There’s a story of a tourist in Ireland searching for a certain stately home. Exhausted after getting lost trekking across the countryside, he asks a local farmer for directions. The farmer takes him to the beginning of a long, winding road at the far end of which, barely visible, stands the stately home. The tourist says, “That’s still a long road,” to which the farmer replies with a twinkle, “Sure then, ‘tis a long road, but if ‘t were any shorter it wouldn’t reach the house, now would it?”

The road to an excellent higher education system is very long, one with no proper end. There are, however, places along the way where a society can stop and check direction, take stock of provisions, and replenish its resolve to reach the goal.

We seek a higher education system that is accessible, accountable, and of the highest quality. If we at the Higher Education Quality Council of Ontario can help to point the way, we will have achieved our mission.

The Hon. Frank Iacobucci, Q.C.
Chair, Higher Education Quality Council of Ontario
The Council’s First Year

Building a Solid Foundation

In its first year, the Council has been focused on building an appropriate and effective organization and identifying the tools necessary to deliver on its mandate.

**INFRASTRUCTURE**

- During 2006-07, the Council worked closely with the staff of the Ministry of Training, Colleges and Universities to put infrastructure in place to permit the Council to operate as an independent agency.
- The minister appointed the chair in May 2006, and other board members were appointed in September and October 2006.
- The Council met six times during the year, on October 7, November 21, and December 21, 2006 and January 10, February 15, March 20, 2007.
- Key positions were filled, including the president and chief executive officer, the vice president, research, the director, executive services and the director, corporate services.
- Interim offices were established, and arrangements were put in place to establish permanent offices for the Council at 1 Yonge Street in Toronto.

**GOVERNANCE**

- A Memorandum of Understanding between the Ministry and the Council was developed to ensure clarity in the roles of the Council and the Ministry. It was signed on December 7, 2006. A communications protocol with the Ministry was also prepared.
- The Council established governance procedures including by-laws, banking arrangements and the appointment of external auditors.
- An audit committee was established to review and make recommendations to Council on audit arrangements.
- The Council approved general policies and principles to be used in staffing the Secretariat, including policies on hiring, compensation and conflict of interest. These principles were used to recruit senior positions within the Secretariat.

**OUTREACH**

- The chair and the president met with many of the major stakeholder organizations in higher education in Ontario.
- In January 2007, the president spoke at The Forum of the Federations conference on Higher Education in Federations: An International Discussion in Gatineau, Quebec.
- In February 2007, the chair gave the keynote address at the annual conference of Colleges Ontario in Toronto.
- In March 2007, the Council was accepted for membership in the International Network for Quality Assurance Agencies of Higher Education.

In 2004-05, the Ontario government conducted a system-wide review which culminated in a report by the Honourable Bob Rae entitled Ontario: A Leader in Learning. The recommendations in that
Refining a Business and Research Plan

The Council’s initial meetings focused on the preparation of its first business plan for 2007-08. Research will be a major activity of the Council, and its objectives in this regard are set out in the business plan as a focused multi-year research plan. The Council expects to provide regular updates on this multi-year research agenda. Also, the Council will publish an annual review, which will take stock of the higher education sector in Ontario and provide advice on future policy directions.

In August 2006, the Council released a consultation paper, *Priorities and Research Agenda for the Higher Education Quality Council of Ontario: A Discussion Paper*. Thirty-eight organizations and individuals responded, confirming the Council’s four primary areas for focus:

**A QUALITY FRAMEWORK**

The Council will research learning quality practices. These will include practices that are being applied to university and college education, apprenticeship and life-long learning at the postsecondary level for students of all ages and at all stages of life. Research will not be limited to quality learning practices in place in Ontario, and will encompass practices in other jurisdictions to determine if any would be worth adopting in Ontario. The Council will then consider the most effective methods for making information about quality available to current and prospective students.

**ACCOUNTABILITY**

The Council will undertake research on best practices in accountability, taking into account the need for transparent and useful reporting on results achieved while reducing unnecessary reporting burdens.

**INTER-INSTITUTIONAL TRANSFER**

The Council will conduct research on inter-institutional transfer in Ontario and on transfer models in other jurisdictions, to better understand their benefits and implications.

**ACCESSIBILITY**

The Council will assess overall participation rates in higher education, including those for underrepresented groups. It will consider the impact of future demand on higher education and the capacity of the system to provide high-quality education for students.
About the Council

Board of Directors

THE HONOURABLE FRANK IACOBUCCI, Q.C.
Chair, Term: May 12, 2006 to May 11, 2009

The Honourable Frank Iacobucci has had a distinguished career in private legal practice, academia, government and the judiciary. He was born, raised and educated in Vancouver, British Columbia, where he received his B.Comm. and LL.B. from the University of British Columbia. He went on to receive his LL.M. and Dip. Int’l L. from Cambridge University. He began his career in 1964 as a lawyer at a large New York firm, where he practiced corporate and securities law. In 1967, he joined the Faculty of Law, University of Toronto, and was a professor of law there until 1985. He also served as vice president, internal affairs at the University of Toronto from 1975 to 1979 and dean of the Faculty of Law from 1979 to 1983. From 1983 to 1985, he was vice president and provost of the University. In 1985, Mr. Iacobucci was appointed deputy minister of justice and deputy attorney general for Canada; in 1988, chief justice of the Federal Court of Canada; and in 1991, a justice of the Supreme Court of Canada.

The Honourable Frank Iacobucci retired from the Supreme Court of Canada in June 2004 and served as interim president of the University of Toronto from September 2004 until June 2005. On July 1, 2005, he joined Torys LLP as counsel and became chairman of Torstar Corporation. He currently serves as a conduct review advisor for the Canada Pension Plan Investment Board and is a member of the board of directors of the St. Christopher House Community Endowment.

Ms. Campbell holds a LL.B. and LL.M. (banking and financial services) from Osgoode Hall Law School. She was called to the Bar in Ontario in 1997.

GISELÉ CHRÉTIEN
Board Member, Term: September 6, 2006 to September 5, 2009

Gisèle Chrétien served as president of Collège Boréal in Sudbury from 1998 to 2006. Prior to this, she was vice-president of programs and academic support at Collège Boréal, dean of community and health services and director of health services.

Ms. Chrétien is currently the chair of the board of directors of the Sudbury Regional Hospital, and chair of the board of directors of TFO. She was also vice-chair of the board of directors of TVOntario and member of the board of directors of the Sudbury Food Bank. She holds a diploma in nursing from Cambrian College, a B.Sc. in nursing from Laurentian University and an M.Ed. from the Ontario Institute of Studies in Education at the University of Toronto.

NAVIN DAVE
Board Member, Term: September 20, 2006 to September 19, 2009

Navin Dave is the managing partner for global resource leveraging for KPMG.

From 1984 to 1988 he was partner-in-charge of the Calgary office management consulting division. In 1994, he transferred to New Delhi, India as managing partner of KPMG India. On his return to Canada, he was appointed Calgary office managing partner and area managing partner for Western Canada.

Mr. Dave holds a B.Sc. mechanical engineering from the University of London and M.Sc. production engineering from the University of Birmingham. He is a fellow of the Institute of Chartered Accountants and a certified management consultant.

Prior to joining the legal department of TD Bank Financial Group in December 2000, Ms. Campbell practiced at the firm of McCarthy Tétrault LLP in their business law group. Ms. Campbell is a member of the board of directors of the St. Christopher House Community Endowment.

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NORIE CAMPBELL
Board Member, Term: October 5, 2006 to October 4, 2009

Norie Campbell is the senior vice president and assistant general counsel in the legal department at TD Bank Financial Group. From June 2004 to January 2006, she was vice president and special assistant to the chief executive officer.

Prior to joining the legal department of TD Bank Financial Group in December 2000, Ms. Campbell practiced at the firm of McCarthy Tétrault LLP in their business law group. Ms. Campbell is a member of the board of directors of the St. Christopher House Community Endowment.

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JAMES DOWNEY
President, Chief Executive Officer and Secretary to the Council
James Downey joined the Council on January 2, 2007 after an extensive international search. Dr. Downey has been president of three universities: Carleton University, the University of New Brunswick and the University of Waterloo. He also served as president of the Canadian Bureau for International Education, chair of the Association of Atlantic Universities, and chair of the Corporate Higher Education Forum. He was also special adviser to the premier of New Brunswick; special adviser to the Association of Universities and Colleges of Canada; and co-chair of the New Brunswick Commission on Excellence in Education. He also founded and directed Canada’s first center for the study of cooperative education. In 2000 he was the recipient from the Association of Commonwealth Universities of the Symons Medal for outstanding service to higher education in the Commonwealth, and in 2005 he received the David C. Smith award from the Council of Ontario Universities for his contributions to universities and public policy in Canada. He is an Officer of the Order of Canada.

KEN NORRIE
Vice President, Research
Ken Norrie joined the Council on February 8, 2007. He most recently served as provost and vice president, academic at McMaster University. He is also professor of economics at McMaster University. He has held various academic postings across Canada including the University of Alberta as professor and associate dean of arts (Social Sciences), chair of the economics department and dean of arts. Dr. Norrie was also a visiting associate professor at Queen’s University, and was seconded to the Royal Commission on the Economic Union and Development Prospects for Canada (the Macdonald Commission). Dr. Norrie was also Clifford Clark Visiting Economist at the Department of Finance, Government of Canada, and editor of *Canadian Public Policy/Analyse de Politique* between 1986 and 1990, and has served on the editorial boards of *Canadian Journal of Economics*, *Canadian Journal of Regional Science*, *Prairie Forum* and *National History*. Dr. Norrie earned an Honours degree in economics from the University of Saskatchewan in 1967, an M.Phil. from Yale University in 1969 and a Ph.D. from Yale in 1971.

ELKA WALSH
Director, Executive Services
Elka Walsh joined the Council on March 1, 2007. Prior to joining the Higher Education Quality Council of Ontario, she was principal consultant with Gesink Walsh Consultants, providing advice to colleges and universities on strategic project management and corporate policy development. Before that, she was a project manager at Humber College Institute of Technology and Advanced Learning. She has also been a senior policy advisor with several ministries at the Government of Ontario, including Training, Colleges and Universities. Ms. Walsh has an Honours degree in European politics from the University of Toronto and a M.A. in Comparative Public Policy from McMaster University. She is currently a senior Ph.D. candidate at McMaster University, in Comparative Public Policy.

LAURA BUTLER
Director, Corporate Services
Laura Butler joined the Council on April 1, 2007. Ms. Butler came to the Council from the Ministry of the Attorney General where she was the Regional Manager, Central West Region, Criminal Law Division, a position she had since 1994. She has extensive experience in both the provincial and federal governments including positions in the Ontario Ministry of Housing, Ontario Women’s Directorate, and Department of the Secretary of State of Canada. Previously, Ms. Butler also operated her own business providing accounting services to small businesses. She is a graduate of Mohawk College of Applied Arts and Technology.

PHILIP STEENKAMP
Board Member (non-voting), Term: September 6, 2006 to September 5, 2009
Philip Steenkamp was appointed deputy minister of the Ontario Ministry of Training, Colleges and Universities in March 2006. Prior to this, he was deputy minister of strategic policy and social development, Office of the Premier of British Columbia. Earlier, he was deputy minister of the B.C. Ministry of Advanced Education where he led the development of a long-term, comprehensive vision for post-secondary education designed to add 25,000 new student spaces by 2010.

Dr. Steenkamp holds a B.A. Honours in History and English from the University of Natal in Durban, South Africa, and M.A. and Ph.D. in African history from Queen’s University, Kingston, Ontario.

Senior Management Team
Building Relationships with the Community

The Higher Education Quality Council of Ontario recognizes that its capacity to contribute to enhancing higher education in Ontario depends on its relationship with all those who have an interest in this sector.

The Council is committed to operating in an open and consultative manner, seeking to foster collaboration, cooperation and candid dialogue.

In August 2006, the Council released a consultation paper, Priorities and Research Agenda for the Higher Education Quality Council of Ontario: A Discussion Paper. Thirty-eight organizations and individuals responded, confirming the Council’s four primary areas for focus. The Council looks forward to continued constructive dialogues as its research becomes reality.

A View to 2007-08

With a solid foundation now in place and a business and research plan to guide its activities, the Council expects the pace of its work to continue to increase in 2007-08.

In summer 2007, the Council will release its annual review of higher education in Ontario. The 2007 Review and Research Plan will assess which areas need further exploration. It will also lay out in greater detail the specific research activities the Council will undertake in the subsequent 12 months.

A major aspect of the Council’s work is to promote a constructive dialogue among all those with an interest in higher education. To that end, the Council plans to host a series of workshops and conferences to supplement its research activities. The first workshop will focus on the national Survey of Student Engagement and the universities’ experience with this survey instrument: what works, what does not and should the survey be included as part of Ontario’s quality framework? The second workshop will focus on the survey instruments used by the colleges, including the Ontario College Students Engagement Survey. The workshop will focus on discussing this survey and other surveys to determine what makes them useful, and how the surveys could be used as part of a broader quality framework for Ontario. Other workshops will be planned as the Council continues its research agenda.

In addition, the Council will establish a Research Consultation Group to provide ongoing advice as the Council pursues its research objectives.
Auditor’s Report
To the Members of the Board of Directors
Higher Education Quality Council of Ontario

We have audited the statement of financial position of the Higher Education Quality Council of Ontario as at March 31, 2007 and the statements of operations, changes in net debt and cash flows for the period from December 6, 2006 to March 31, 2007. These financial statements are the responsibility of the Council’s management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Higher Education Quality Council of Ontario at March 31, 2007 and the results of its operations, changes in net debt and cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
April 27, 2007
Higher Education Quality Council Of Ontario
Statement of Financial Position
MARCH 31, 2007

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>FINANCIAL ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$1,088,226</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>5,166</td>
</tr>
<tr>
<td>GST receivable</td>
<td>1,493</td>
</tr>
<tr>
<td></td>
<td>1,094,885</td>
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<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued charges</td>
<td>375,489</td>
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<tr>
<td>Deferred capital contributions (Note 4)</td>
<td>678,270</td>
</tr>
<tr>
<td>Due to Ministry of Training, Colleges and Universities (Note 3)</td>
<td>397,331</td>
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<tr>
<td></td>
<td>1,451,090</td>
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<tr>
<td><strong>NET DEBT</strong></td>
<td>(356,205)</td>
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<tr>
<td><strong>NON-FINANCIAL ASSETS</strong></td>
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<tr>
<td>Tangible capital assets (Note 5)</td>
<td>353,218</td>
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<tr>
<td>Prepaid expenses</td>
<td>2,987</td>
</tr>
<tr>
<td></td>
<td>356,205</td>
</tr>
<tr>
<td><strong>ACCUMULATED SURPLUS</strong></td>
<td>$ –</td>
</tr>
</tbody>
</table>

APPROVED BY THE BOARD

[Signatures of Directors]
Higher Education Quality Council Of Ontario
Statement of Operations
FOR THE PERIOD FROM DECEMBER 6, 2006 TO MARCH 31, 2007

<table>
<thead>
<tr>
<th></th>
<th>Budget (Note 9)</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(unaudited)</td>
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<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
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<tr>
<td>Provincial funding</td>
<td>$ 1,100,000</td>
<td>$ 724,399</td>
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<tr>
<td>Interest income</td>
<td>–</td>
<td>5,166</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,100,000</td>
<td>729,565</td>
</tr>
</tbody>
</table>

|                                    |                 |              |
| **EXPENSES**                       |                 |              |
| General and administrative         |                 |              |
| Salaries and benefits              | 179,500         | 132,830      |
| Travel and communications          | 43,500          | 18,639       |
| Consulting services                | 747,000         | 474,582      |
| Professional services              | 105,000         | 90,158       |
| Office                             | 25,000          | 13,356       |
| **Total**                          | 1,100,000       | 729,565      |

|                                    |                 |              |
| **SURPLUS FOR THE PERIOD AND**     |                 |              |
| **ACCUMULATED SURPLUS, END OF PERIOD** | $ –             | $ –          |
## Statement of Changes in Net Debt

**For the period from December 6, 2006 to March 31, 2007**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus for the period</td>
<td>$ –</td>
</tr>
<tr>
<td>Acquisition of tangible capital assets</td>
<td>353,218</td>
</tr>
<tr>
<td>Amortization of tangible capital assets</td>
<td>–</td>
</tr>
<tr>
<td>Acquisition of prepaid expense</td>
<td>2,987</td>
</tr>
<tr>
<td>Increase in net debt and net debt at end of period</td>
<td>$ 356,205</td>
</tr>
</tbody>
</table>

Higher Education Quality Council Of Ontario
### Higher Education Quality Council Of Ontario

**Statement of Cash Flows**

**For the period from December 6, 2006 to March 31, 2007**

#### CASH PROVIDED BY (USED IN):

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Activities</strong></td>
<td></td>
</tr>
<tr>
<td>Surplus for the period</td>
<td>$ –</td>
</tr>
<tr>
<td>Change in non-cash working capital items</td>
<td></td>
</tr>
<tr>
<td>Interest receivable</td>
<td>$(5,166)</td>
</tr>
<tr>
<td>GST receivable</td>
<td>$(1,493)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>$(2,987)</td>
</tr>
<tr>
<td>Accounts payable and accrued charges</td>
<td>$375,489</td>
</tr>
<tr>
<td>Due to Ministry of Training, Colleges and Universities</td>
<td>$397,331</td>
</tr>
<tr>
<td><strong>Total Cash Provided</strong></td>
<td>$763,174</td>
</tr>
<tr>
<td><strong>Capital Activities</strong></td>
<td></td>
</tr>
<tr>
<td>Purchase of tangible capital assets</td>
<td>$(353,218)</td>
</tr>
<tr>
<td><strong>Financing Activities</strong></td>
<td></td>
</tr>
<tr>
<td>Deferred contributions related to capital assets</td>
<td>$678,270</td>
</tr>
<tr>
<td><strong>Increase in Cash for the Period and Cash Balance, End of Year</strong></td>
<td>$1,088,226</td>
</tr>
</tbody>
</table>
Higher Education Quality Council Of Ontario

Notes to the Financial Statements

MARCH 31, 2007

1. THE ORGANIZATION

Formation and status

The authority to create the Higher Education Quality Council of Ontario was established in the Higher Education Quality Council of Ontario Act, 2005. The Council is a Crown Agency of the Ministry of Training, Colleges and Universities (MTCU) 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.

Council operations

The objective of the Council is to assist the Minister of Training, Colleges and Universities 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.

Council members were appointed in 2006, held their first meeting in October 2006 and commenced operations as of December 6, 2006. The Council received its first transfer of funds from the Provincial government in December 2006. These financial statements reflect the activity of the Council for the 115 day period from December 6, 2006, the date The Memorandum of Understanding was signed, to March 31, 2007.
Notes to the Financial Statements
MARCH 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Higher Education Quality Council of Ontario (the “Council”) are the representations of management prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board (“PSAB”) of the Canadian Institute of Chartered Accountants.

Accounting policies followed by the Council are as follows:

**Basis of accounting**

**Accrual basis of accounting**

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

**Government transfer payments**

The Council is funded solely by the Province of Ontario in accordance with budget arrangements established by 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.

**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.
2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of accounting (continued)

Deferred contributions (continued)

Any amounts received that are used to fund expenses that are recorded as 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 is recognized as an expense when incurred.

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: 3-5 years
- Leasehold improvements: Life of lease

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the year. Actual results could differ from these amounts.
Higher Education Quality Council Of Ontario
Notes to the Financial Statements
MARCH 31, 2007

3. DUE TO MINISTRY OF TRAINING, COLLEGES AND UNIVERSITIES

Funding received in excess of expenditures may be required to be repaid and is recorded as due to Ministry of Training, Colleges and Universities.

4. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions in the amount of $678,270 relate primarily to funding received for leasehold improvements that were in progress at year end. An amount of $325,052 was unspent at March 31, 2007.

5. TANGIBLE CAPITAL ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Accumulated Amortization</th>
<th>Net Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer hardware</td>
<td>$ 7,270</td>
<td>$ –</td>
<td>$ 7,270</td>
</tr>
<tr>
<td>Leasehold improvements in progress</td>
<td>345,948</td>
<td>–</td>
<td>345,948</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 353,218</strong></td>
<td><strong>–</strong></td>
<td><strong>$ 353,218</strong></td>
</tr>
</tbody>
</table>

There was no amortization recorded in the period as the premises had not been occupied at year end.

6. PENSION AGREEMENTS

The Council makes contributions on behalf of its staff to the Public Service Pension Plan (PSPP) administered by the Ontario Pension Board (OPB), 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.

Effective January 1, 2007, the contribution rates are 8% of the Year’s Basic Earnings, plus 6.2% of the Year’s Maximum Pensionable Earnings (YMPE), and if applicable, 8% of earnings in excess of the YMPE. Contributions in the amount of $647 were made for employee earnings starting March 1, 2007, and are included as an expenditure on the statement of financial activities.
Higher Education Quality Council Of Ontario

Notes to the Financial Statements

MARCH 31, 2007

7. LEASE OBLIGATIONS AND OTHER COMMITMENTS

In February 2007 the Council assumed the lease for 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 5 years beginning May 5, 2007. Rent is payable monthly starting May 15, 2007, following a month for the landlord’s remedial work and the Council’s two-month fixturing period. Annual rent will be approximately $240,000.

The council entered into a contract for leasehold improvement in the amount of $67,000. Costs incurred to March 31 were approximately $46,000. The lease agreement provides for a cash allowance in the amount of $62,500 to be paid by the landlord at May 5, 2007. This lease inducement will be accounted for as a reduction of rental expense on a straight line basis, over the term of the lease.

8. FUNDING OF START UP COSTS

The Council receives all funding from the Ministry of Training, Colleges and Universities. In addition to the amounts recorded in these financial statements, the Ministry paid $723,245 on behalf of the Council for one-time start-up costs incurred prior to the signing of the Memorandum of Understanding. The Council will not have to repay the Ministry nor will this represent recurring funding in future years.

9. BUDGET FIGURES

The total budget of $1,800,000 has been approved by the MTCU with $1,100,000 being for operations and $700,000 for the purchase of capital assets. The figures have been reported for the purposes of these statements to comply with PSAB reporting standards.