

Financial Statements of

**PRIVATE CAREER TRAINING
INSTITUTIONS AGENCY**

Year ended March 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Public Administrator of the Private Career Training Institutions Agency

We have audited the accompanying financial statements of Private Career Training Institutions Agency, which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising 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 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.

Auditors' 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 our 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, we consider 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 Private Career Training Institutions Agency as at March 31, 2016, and its results of operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line.

Chartered Professional Accountants

May 10, 2016
Burnaby, Canada

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
		(recast - note 3)
Financial assets		
Cash and cash equivalents	\$ 546,613	\$ 1,056,027
Accounts and accrued receivables	156,974	27,673
	<u>703,587</u>	<u>1,083,700</u>
Liabilities		
Accounts payable and accrued liabilities (notes 4 and 12)	392,777	486,623
Deferred revenue	6,568	21,861
Deferred lease inducement (note 10)	22,816	33,346
	<u>422,161</u>	<u>541,830</u>
Net financial assets	281,426	541,870
Non-financial assets		
Tangible capital assets (note 5)	543,672	299,451
Prepaid expenses	35,415	27,513
	<u>579,087</u>	<u>326,964</u>
Accumulated surplus	<u>\$ 860,513</u>	<u>\$ 868,834</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 860,513	\$ 868,834
	<u>\$ 860,513</u>	<u>\$ 868,834</u>

Contingencies (note 8)
Commitments (note 10)

See accompanying notes to financial statements.



Public Administrator

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	2016		
	Budget	2016	2015
	(note 2(b))		
Revenue:			
Accreditation fees	\$ 2,350,569	\$ 2,438,484	\$ 2,053,185
Registration fees	756,537	679,989	762,099
Other fees, revenue, and recovery (note 6)	36,608	311,028	53,203
Management fees (note 12)	464,209	464,209	611,011
Investment income	4,500	4,111	7,491
	<u>3,612,423</u>	<u>3,897,821</u>	<u>3,486,989</u>
Expenses:			
Accreditation on-site audits	684,325	402,200	325,698
Amortization	124,160	99,018	96,799
Bank and payroll service charges	21,750	25,275	20,328
Board	-	-	4,507
Communications	-	848	1,597
Computer supplies and maintenance	94,944	92,556	45,647
Consultants - other	12,000	73,397	77,963
Courier and postage	4,500	5,703	4,485
Equipment lease and maintenance	16,341	16,462	16,625
Insurance	17,831	15,985	14,523
Office and supplies	16,000	29,234	16,404
Professional fees	116,430	277,293	85,026
Recruiting	-	25,539	12,418
Rent	278,177	267,648	272,283
Salaries and benefits	2,079,693	2,174,355	2,016,874
Staff development and conferences	35,000	46,322	28,156
Telephone and fax	33,361	27,024	26,328
Transition costs (note 7)	144,836	243,571	186,933
Travel and meals	67,911	76,725	58,480
Uncollectible accounts	-	4,096	2,271
Workshops	10,000	2,891	6,168
	<u>3,757,259</u>	<u>3,906,142</u>	<u>3,319,513</u>
Annual surplus (deficit)	(144,836)	(8,321)	167,476
Accumulated operating surplus, beginning of year	868,834	868,834	701,358
Accumulated operating surplus, end of year	<u>\$ 723,998</u>	<u>\$ 860,513</u>	<u>\$ 868,834</u>

See accompanying notes to financial statements.

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Statement of Changes in Net Financial Assets

Year ended March 31, 2016, with comparative information for 2015

	2016 Budget (note 2(b))	2016	2015
Annual surplus (deficit)	\$ (144,836)	\$ (8,321)	\$ 167,476
Acquisition of tangible capital assets	-	(343,239)	(140,565)
Amortization of tangible capital assets	124,160	99,018	96,799
	124,160	(244,221)	(43,766)
Acquisition of prepaid expenses	-	(35,415)	(27,513)
Consumption of prepaid expenses	-	27,513	25,090
	-	(7,902)	(2,423)
Increase (decrease) in net financial assets	(20,676)	(260,444)	121,287
Net financial assets, beginning of year	541,870	541,870	420,583
Net financial assets, end of year	\$ 521,194	\$ 281,426	\$ 541,870

See accompanying notes to financial statements.

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
		(recast - note 3)
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ (8,321)	\$ 167,476
Items not involving cash:		
Amortization	99,018	96,799
Amortization of lease inducement	(10,530)	(10,530)
	80,167	253,745
Change in non-cash operating working capital:		
Accounts and accrued receivable	(129,301)	2,639
Prepaid expenses	(7,902)	(2,423)
Accounts payable and accrued liabilities	(93,846)	251,032
Deferred revenue	(15,293)	21,861
	(166,175)	526,854
Capital activities:		
Purchase of tangible capital assets	(343,239)	(140,565)
Net change in cash and cash equivalents	(509,414)	386,289
Cash and cash equivalents, beginning of year	1,056,027	669,738
Cash and cash equivalents, end of year	\$ 546,613	\$ 1,056,027

See accompanying notes to financial statements.

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Operations:

The Private Career Training Institutions Agency (the “Agency”) was incorporated under the Private Career Training Institutions Act on November 22, 2004. It is a continuation of the Private Post-Secondary Education Commission (the “Commission”). All assets and liabilities of the Commission were transferred to the Agency at book values. The Agency is exempt from federal and provincial income and capital taxes under Section 149(1)(d) of the Income Tax Act.

The Agency is a self-funding Crown Agency whose mandate as set out in the Private Career Training Institutions Act is as follows:

- to establish basic education standards for registered institutions and to provide consumer protection to the students and prospective students of registered institutions;
- to establish standards of quality that must be met by accredited institutions; and
- to carry out, in the public interest, its powers, duties, and functions under this Private Career Training Institutions Act, the regulations and the bylaws.

In April 2014, the Ministry of Advanced Education (the “Ministry”) announced that the Agency would be dissolved and its functions transferred to the Ministry. The Board of Directors of the Agency was replaced by the Public Administrator who provides oversight over the Agency’s operations until the Agency is dissolved. The Private Training Act (the “Act”), the legislation to dissolve the Agency, received Royal assent on March 25, 2015. The Agency will continue its current operations until the Act comes into force. The timeline for implementation of the Act is late summer of 2016. The final date for transition will be specified in the regulations and is therefore still subject to approval by Cabinet. As the timing of the Act coming into force and events leading up to the dissolution of the Agency are still uncertain, these financial statements have been prepared assuming the Agency will continue as a going concern for the next fiscal year.

2. Significant accounting policies:

(a) Basis of accounting:

These financial statements are prepared by management in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants Canada.

(b) Budget:

The budget information reported in these financial statements represents the 2015/16 budget developed by management. The 2015/16 budget was approved by the Public Administrator on May 14, 2015.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid.

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(d) Revenue:

Registration and accreditation fees are recognized when services are provided to the institutions, the price is fixed or determinable, and collectability is reasonably assured. The portion of registration and accreditation fees that relate to the period following the Agency's year end have been reflected on the statement of financial position as deferred revenue.

Prior to June 1, 2009, the regulations of the Agency obligated registered institutions to make payments to the Student Training Completion Fund Trust (the "Fund Trust") based on a percentage of tuition fees charged to students. Effective June 1, 2009 the regulations and the bylaws of the Agency obligate registered institutions to make monthly payments to the Fund Trust and the Agency on the basis of a fixed annual fee based on the institutions' prior fiscal year tuition revenue and by a sum equal to a percentage of the tuition received each month during the current fiscal year. The payment rates to the Fund Trust are established by the Regulations of the Private Career Training Institutions Act. The fixed annual fee and the payment rates to the Agency are established by the bylaws of the Agency. Such information is cross referenced to institutions' financial statements and annual enrolment reporting received by the Agency. Payments are recorded based on information from the participating institutions.

(e) Tangible capital assets:

Tangible capital assets are recorded at cost with amortization provided on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 years
Computer software	2 years
Office furniture	5 years
ERP development	6 years
Tenant improvements	straight-line basis over term of the lease

(f) Functional and object reporting:

The operations of the Agency are comprised of a single function. As a result, the expenses of the Agency are presented by object in the statement of operations.

(g) Financial instruments:

Derivatives and equity instruments quoted in an active market are measured at fair value. All other financial assets and financial liabilities are measured at cost or amortized cost.

The Agency's financial instruments consist of cash and cash equivalents, accounts and accrued receivables, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Agency is not exposed to any significant interest, currency or credit risks arising from these financial instruments.

All financial assets except derivatives are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(g) Financial instruments (continued):

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

(h) Trust under administration:

Trusts administered by the Agency as directed by agreement or statute for certain beneficiaries are not included in the Agency's financial statements.

(i) Employee future benefits:

The Agency and its employees make contributions to the Municipal Pension Plan. The Municipal Pension Plan is a multi-employer contributory defined benefit pension plan. These contributions are expensed as paid.

(j) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and determination of accrued award distribution. Actual results could differ from those estimates.

3. Recast of prior year comparative figures:

During the year, the Agency determined that the high interest savings account previously classified as portfolio investments should be presented as a cash equivalent. The impact of this immaterial error has been recorded retrospectively and prior periods have been recast as follows:

Cash and cash equivalents at March 31, 2015:

Cash, as previously reported	\$	297,244
Reclassification of cash equivalents		758,783
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Cash and cash equivalents, as recast	\$	1,056,027

Portfolio investments at March 31, 2015

Portfolio investments, as previously reported	\$	758,783
Reclassification of cash equivalents		(758,783)
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Portfolio investments, as recast	\$	-

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Notes to Financial Statements (continued)

Year ended March 31, 2016

4. Accounts payable and accrued liabilities:

	2016	2015
Accounts payable and accrued liabilities	\$ 257,981	\$ 381,289
Student Training Completion Fund fee revenue payable	134,796	105,334
	\$ 392,777	\$ 486,623

5. Tangible capital assets:

Cost	Balance, March 31, 2015	Additions	Balance, March 31, 2016
Computer equipment	\$ 167,067	\$ 6,646	\$ 173,713
Office furniture	77,862	-	77,862
Tenant improvements	40,948	-	40,948
Computer software	82,694	23,368	106,062
ERP development	258,580	313,225	571,805
	\$ 627,151	\$ 343,239	\$ 970,390

Accumulated amortization	Balance, March 31, 2015	Amortization expense	Balance, March 31, 2016
Computer equipment	\$ 116,372	\$ 31,488	\$ 147,860
Office furniture	67,974	4,869	72,843
Tenant improvements	20,192	6,847	27,039
Computer software	80,066	13,249	93,315
ERP development	43,096	42,565	85,661
	\$ 327,700	\$ 99,018	\$ 426,718

	Net book value March 31, 2015	Net book value March 31, 2016
Computer equipment	\$ 50,695	\$ 25,853
Office furniture	9,888	5,019
Tenant improvements	20,756	13,909
Computer software	2,628	12,747
ERP development	215,484	486,144
	\$ 299,451	\$ 543,672

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Other fees, revenue, and recovery:

	2016	2015
Other fees and revenue (a)	\$ 84,594	\$ 53,203
Insurance recovery of legal fees	184,854	-
Recovery of ERP project costs from Ministry	41,580	-
	<hr/> \$ 311,028	<hr/> \$ 53,203

(a) Other fees and revenue includes fees related to inspections, change of ownership, change of name, change of location and miscellaneous revenue.

7. Transition costs:

Transition costs relate to expenditures incurred to prepare the Agency for transition of its functions to the Ministry.

8. Contingencies:

Certain legal actions are pending against the Agency, the outcome of which cannot be determined at this time. Management expects that a loss is not likely to occur. For those actions where it is not possible to determine the outcome of the proceedings, no provision for any potential liability has been recorded in these financial statements. Any settlements will be recorded when they can be estimated.

9. Security requirements:

Many institutions applying for registration with the former Commission were to provide financial security in conjunction with their application. Security requirements were met by way of investment and surety bonds, letters of credit or cash. As of March 31, 2016, the Agency had \$39,986 (2015 - \$40,387) of cash held in trust for the security requirements. These amounts have not been included in these financial statements.

The Agency no longer requires financial security in conjunction with applications but has balances remaining as it is still involved in the transition from the Commission.

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Notes to Financial Statements (continued)

Year ended March 31, 2016

10. Commitments:

The Agency leases premises under a 6-year, 6-month lease for office space at Suite 203, 1155 West Pender Street, Vancouver expiring May 31, 2018.

Under the terms of the lease, remaining basic rent is \$135,919 annually until the expiry date of May 31, 2018. The aggregate of basic rent over the remaining term of the lease is \$294,492. In addition to basic rent, the Agency is required to pay a portion of certain operating costs and property taxes.

Also under the terms of the lease, the Agency received free rent for four months. This free rent was recorded as a deferred lease inducement, which is a non-cash item and is being amortized over the term of the lease.

The Agency is also obligated under operating leases for a copier, phone system and postage meters that expire in 2017 to 2018.

The Agency is committed to annual payments for all leases for future years as follows:

Year	Amount
2017	\$ 154,491
2018	149,940
2019	30,077
	<hr/>
	\$ 334,508

11. Financial instruments:

The Agency through its financial assets and liabilities is exposed to various risks. The following analysis provides an assessment of those risks at March 31, 2016.

(a) Credit risk:

Credit risk is the risk that the Agency will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Agency to significant concentrations of credit risk consists primarily of accounts receivable.

The maximum amount of credit risk exposure is limited to the carrying amount of the balance in the financial statements.

(b) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents includes a high interest savings account that bear some interest rate risk as the market price may fluctuate based on changes in interest rates.

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Notes to Financial Statements (continued)

Year ended March 31, 2016

11. Financial instruments (continued):

(c) Market risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Agency is exposed to interest rate risk on its cash equivalents.

(d) Liquidity risk:

Liquidity risk is the risk that the Agency will not be able to meet its obligations as they fall due. The Agency maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

12. Student Training Completion Fund Trust:

The Agency established the Fund Trust for the sole purpose of helping carry out its mandate. The beneficiaries of the Fund Trust are students attending registered institutions. The Agency administers the Fund Trust in exchange for annual management fees of \$464,209 (2015 - \$611,011), which was set out by the Public Administrator of the Agency. The Agency collects fees on behalf of the Fund Trust and provides certain administrative functions.

As at March 31, 2016, an amount of \$134,796 (2015 - \$105,334) was owed by the Agency to the Fund Trust and is included in Student Training Completion Fund fee revenue payable (note 4). At March 31, 2016, there were no amounts owed by the Fund Trust to the Agency (2015 - \$60).

The Fund Trust prepares separate financial statements and no Fund Trust assets, liabilities or transactions have been reported in the Agency's financial statements.

The following summarizes the financial position of the Fund Trust and its operations for its fiscal year ended March 31, 2016:

	2016	2015
Cash, cash equivalents and portfolio investments	\$ 16,290,114	\$ 15,590,886
Accounts and accrued receivable	145,904	113,717
	16,436,018	15,704,603
Accounts payable and accrued liabilities	69,812	66,286
Contingent liabilities	365,000	2,000
Accumulated surplus	\$ 16,001,206	\$ 15,636,317
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 15,285,748	\$ 14,662,505
Accumulated remeasurement gains	715,458	973,812
	\$ 16,001,206	\$ 15,636,317

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Notes to Financial Statements (continued)

Year ended March 31, 2016

12. Student Training Completion Fund Trust (continued):

	2016	2015
Revenue:		
Initial contribution	\$ 98,000	\$ 36,000
Tuition revenue fee payments	1,470,783	1,250,233
Recoveries from institutions of student complaint tuition refunds	67,741	21,103
Investment	263,273	701,018
Other	647	2,306
	1,900,444	2,010,660
Expenses:		
Student tuition claims	547,736	137,290
Student complaint tuition refunds	67,741	21,103
Administrative expenses	593,983	724,759
Uncollectible accounts	67,741	-
	1,277,201	883,152
Annual surplus	\$ 623,243	\$ 1,127,508

	2016	2015
Cash provided by operating activities	\$ 957,582	\$ 1,102,519
Cash used in investing activities	(414,271)	(964,133)

13. Municipal pension plan:

The Agency and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 185,000 active members and approximately 80,000 retired members.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next actuarial valuation will be performed as at December 31, 2015 with results available in 2016. Defined contribution plan accounting is applied to the Plan, as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating obligation, Plan assets and cost to individual entities participating in the Plan.

The Agency paid \$139,099 (2015 - \$143,128) for employer contributions and the employees contributed \$124,508 (2015 - \$125,470) to the Plan in 2016.

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Notes to Financial Statements (continued)

Year ended March 31, 2016

14. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.