Financial Statements of

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Year ended March 31, 2015

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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, 2015, the statements of operations, remeasurement gains and losses, 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, 2015, and its results of operations, its remeasurement gains and losses, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards**.**

KPMG LLP

Chartered Accountants

May 14, 2015

Burnaby, Canada

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY
Statement of Financial Position

March 31, 2015, with comparative information for 2014

		2015		2014
Financial assets				
Cash	$	297,244	$	68,446
Accounts and accrued receivables (note 10)		27,673		30,312
Portfolio investments (note 3)		758,783		601,292
		1,083,700		700,050
Liabilities				
Accounts payable and accrued liabilities (notes 4 and 10)		486,623		235,591
Deferred revenue		21,861		-
Deferred lease inducement (note 8)		33,346		43,876
		541,830		279,467
Net financial assets		541,870		420,583
Non-financial assets				
Tangible capital assets (note 5)		299,451		255,685
Prepaid expenses		27,513		25,090
		326,964		280,775
Accumulated surplus	$	868,834	$	701,358
Accumulated surplus is comprised of:				
Accumulated operating surplus	$	868,834	$	701,358
	$	868,834	$	701,358

Contingent liability (note 6)
Commitments (note 8)

See accompanying notes to financial statements.

_________________ Public Administrator

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

	2015 Budget (note 2(b))	2015	2014
Revenue:			
Accreditation fees	$ 2,181,382	$ 2,058,185	$ 1,927,806
Registration fees	887,831	757,099	611,287
Other fees and miscellaneous	27,958	53,203	37,572
Management fees and chargebacks (note 10)	611,011	611,011	482,887
Investment	7,125	7,491	32,940
	3,715,307	3,486,989	3,092,492
Expenses:			
Accreditation on-site audits	354,225	325,698	252,840
Amortization	75,262	96,799	38,948
Bank and payroll service charges	25,750	20,328	16,369
Board	66,210	4,507	30,974
Communications	15,000	1,597	2,401
Computer supplies and maintenance	88,857	60,078	8,102
Consultants - other	135,750	187,388	20,173
Courier and postage	4,500	4,485	6,816
Equipment lease and maintenance	16,341	16,625	16,536
Insurance	15,325	14,523	13,664
Office and supplies	20,000	16,404	26,705
Professional fees	145,800	85,026	111,880
Recruiting	30,000	12,418	3,470
Rent	307,761	272,283	300,702
Salaries and benefits	2,131,576	2,016,874	2,131,615
Staff development and conferences	35,000	28,156	9,128
Telephone and fax	32,488	26,328	29,529
Travel and meals	94,301	91,557	45,707
Uncollectible accounts	-	2,271	3,119
Workshops	12,000	36,168	4,913
Contingency	109,161	-	-
	3,715,307	3,319,513	3,073,591
Annual surplus	-	167,476	18,901
Accumulated operating surplus, beginning of year	701,358	701,358	682,457
Accumulated operating surplus, end of year	$ 701,358	$ 868,834	$ 701,358

See accompanying notes to financial statements.

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Statement of Remeasurement Gains and Losses

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Accumulated remeasurement gains, beginning of year	$ -	$ 18,929
Amounts reclassified to the statement of operations:		
Realized gain on portfolio investments	-	(18,929)
Net remeasurement gains for the year	-	(18,929)
Accumulated remeasurement gains, end of year	$ -	$ -

See accompanying notes to financial statements.

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Statement of Changes in Net Financial Assets

Year ended March 31, 2015, with comparative information for 2014

	2015 Budget (note 2(b))	2015	2014
Annual surplus	$ -	$ 167,476	$ 18,901
Acquisition of tangible capital assets	-	(140,565)	(223,190)
Amortization of tangible capital assets	75,262	96,799	38,948
	75,262	(43,766)	(184,242)
Acquisition of prepaid expenses	-	(27,513)	(25,090)
Consumption of prepaid expenses	-	25,090	21,563
	-	(2,423)	(3,527)
Effect of remeasurement gains for the year	-	-	(18,929)
	-	(2,423)	(22,456)
Increase in net financial assets	75,262	121,287	(187,797)
Net financial assets, beginning of year	420,583	420,583	608,380
Net financial assets, end of year	$ 495,845	$ 541,870	$ 420,583

See accompanying notes to financial statements.

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Annual surplus	$ 167,476	$ 18,901
Items not involving cash:		
Amortization	96,799	38,948
Lease inducement	(10,530)	(10,530)
	253,745	47,319
Change in non-cash operating working capital:		
Accounts and accrued receivable	2,639	67,100
Prepaid expenses	(2,423)	(3,527)
Accounts payable and accrued liabilities	251,032	(14,340)
Deferred revenue	21,861	(58,397)
	526,854	38,155
Capital activities:		
Purchase of tangible capital assets	(140,565)	(223,190)
Investing activities:		
Decrease (increase) of portfolio investments	(157,491)	17,640
Net change in cash	228,798	(167,395)
Cash, beginning of year	68,446	235,841
Cash, end of year	$ 297,244	$ 68,446

See accompanying notes to financial statements.

1. Operations:

The Private Career Training Institutions Agency (the "Agency") was incorporated under the Private Career Training Institutions Act (the "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 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 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. Information about the timing of the Act coming into force and events leading up to the dissolution of the Agency are currently unknown. As a result, 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 of Canada.

(b) Budget:

The budget information reported in these financial statements represents the 2015 budget developed by management. The 2015 budget was approved by the Board on March 25, 2014.

2. Significant accounting policies (continued):

(c) 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 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.

(d) 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

(e) 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.

(f) 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. Financial instruments are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category, as described below:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

Level 3 Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

The Agency's financial instruments consist of cash, portfolio investments, 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.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

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

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

(g) Investment income:

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, writedowns on investments where the loss in value is determined to be other than temporary. Investment transactions are recorded on a trade date basis. Transaction costs are expensed as incurred.

(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.

2. Significant accounting policies (continued):

(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. Portfolio investments:

Portfolio investments is comprised of a high interest investment savings account carried at amortized cost, which approximates fair value.

4. Accounts payable and accrued liabilities:

	2015	2014
Accounts payable and accrued liabilities	$ 381,289	$ 137,458
Student Training Completion Fund fee revenue payable	105,334	98,133
	$ 486,623	$ 235,591

5. Tangible capital assets:

Cost	Balance, March 31, 2014	Additions	Disposals	Balance, March 31, 2015
Computer equipment	$ 139,640	$ 64,254	$ 36,827	$ 167,067
Office furniture	74,950	3,607	695	77,862
Tenant improvements	37,713	3,235	-	40,948
Computer software	81,573	4,021	2,900	82,694
ERP development	193,132	65,448	-	258,580
	$ 527,008	$ 140,565	$ 40,422	$ 627,151

5. Tangible capital assets (continued):

Accumulated amortization	Balance, March 31, 2014	Disposals	Amortization expense	Balance, March 31, 2015
Computer equipment	$ 119,265	$ 36,827	$ 33,934	$ 116,372
Office furniture	63,192	695	5,477	67,974
Tenant improvements	13,963	-	6,229	20,192
Computer software	74,903	2,900	8,063	80,066
ERP development	-	-	43,096	43,096
	$ 271,323	$ 40,422	$ 96,799	$ 327,700

	Net book value March 31, 2014	Net book value March 31, 2015
Computer equipment	$ 20,375	$ 50,695
Office furniture	11,758	9,888
Tenant improvements	23,750	20,756
Computer software	6,670	2,628
ERP development	193,132	215,484
	$ 255,685	$ 299,451

6. Contingent liability:

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

7. 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, 2015, the Agency had $40,387 (2014 - $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.

8. 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 $430,410. 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 2016 to 2018.

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

Year	Amount
2016	$ 157,083
2017	154,491
2018	149,940
2019	30,077
	$ 491,591

9. 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, 2015.

(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. Portfolio investments include investments that bear some interest rate risk as the market price may fluctuate based on changes in interest rates.

9. 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 portfolio investments.

(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.

10. 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 $611,011 (2014 - $482,887), which was set out by the Board of Directors of the Agency. The Agency collects fees on behalf of the Fund Trust and provides certain administrative functions.

As at March 31, 2015, an amount of $105,334 (2014 – $98,133) 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, 2015, there was $60 owed by the Fund Trust to the Agency (2014 – nil).

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, 2015:

	2015	2014
Cash and portfolio investments	$ 15,590,886	$ 13,791,319
Accounts and accrued receivable	113,717	108,625
	15,704,603	13,899,944
Accounts payable and accrued liabilities	68,286	88,183
Contingent liabilities	2,000	-
Accumulated surplus	$ 15,636,317	$ 13,811,761
Accumulated surplus is comprised of:		
Accumulated operating surplus	$ 14,662,505	$ 13,534,997
Accumulated remeasurement gains	973,812	276,764
	$ 15,636,317	$ 13,811,761

10. Student Training Completion Fund Trust (continued):

	2015	2014
Revenue:		
Initial contribution	$ 36,000	$ 54,000
Tuition revenue fee payments	1,250,233	1,214,628
Recoveries from institutions of student complaint tuition refunds	21,103	278,646
Investment	701,018	1,034,835
Other	2,306	-
	2,010,660	2,582,109
Expenses:		
Student tuition claims	137,290	495,810
Student complaint tuition refunds	21,103	278,646
Administrative expenses	724,759	611,747
Uncollectible accounts	-	256,825
	883,152	1,643,028
Annual surplus	$ 1,127,508	$ 939,081

	2015	2014
Cash provided by operating activities	$ 1,102,519	$ 842,621
Cash used in investing activities	(964,133)	(875,575)

11. Municipal pension plan:

The Agency and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteed 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 182,000 active members and approximately 75,000 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 $143,128 (2014 - $140,333) for employer contributions while the employees contributed $125,470 (2014 - $124,706) to the Plan in 2015.