

Private Career Training Institutions Agency
Financial Statements
For the year ended March 31, 2013

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For the year ended March 31, 2013

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Independent Auditor's Report

To the Board 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, 2013 and the Statements of Operations, Changes in Net Financial Assets, Changes in Accumulated Operating Surplus, Remeasurement Gains and Losses and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Private Career Training Institutions Agency as at March 31, 2013 and the results of its operations, change in net financial assets, remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants

Vancouver, British Columbia
May 23, 2013

Private Career Training Institutions Agency
Statement of Financial Position

March 31 **2013** **2012**

Financial Assets

Cash (Note 5)	\$ 235,841	\$ 207,953
Accounts receivable (Note 14)	97,412	28,515
Portfolio Investments (Note 6)	<u>637,861</u>	<u>619,006</u>
	<u>971,114</u>	<u>855,474</u>

Liabilities

Accounts payable and accrued liabilities (Note 7)	249,931	219,223
Deferred revenue	58,397	75,156
Deferred lease inducement (Note 11)	<u>54,406</u>	<u>64,936</u>
	<u>362,734</u>	<u>359,315</u>

Net Financial Assets 608,380 496,159

Non-Financial Assets

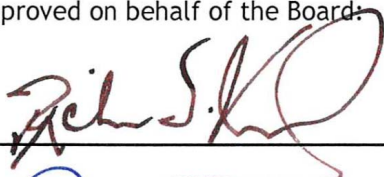
Tangible capital assets (Schedule 1)	71,443	63,491
Prepaid expenses	<u>21,563</u>	<u>28,226</u>
	<u>93,006</u>	<u>91,717</u>

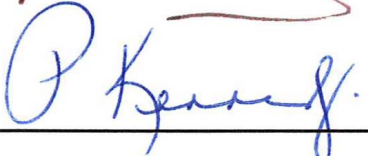
Accumulated Surplus (Note 12) \$ 701,386 \$ 587,876

Accumulated surplus is comprised of:

Accumulated operating surplus	\$ 738,548	\$ 632,919
Accumulated rereasurement losses	<u>(37,162)</u>	<u>(45,043)</u>
	<u>\$ 701,386</u>	<u>\$ 587,876</u>

Approved on behalf of the Board:





Private Career Training Institutions Agency
Statement of Operations

For the year ended March 31	Budget	2013	2012
Revenue			
Accreditation fees	\$1,816,370	\$ 1,771,243	\$ 1,684,275
Registration fees	523,574	525,254	562,703
Other fees and miscellaneous revenue	28,895	30,556	27,755
Management fees and chargebacks (Note 14)	407,020	471,040	374,221
Investment revenue	10,000	10,570	9,998
	<u>2,785,859</u>	<u>2,808,663</u>	<u>2,658,952</u>
Expenses			
Accreditation on-site audits	341,445	207,038	134,250
Advertising and recruiting	60,720	47,147	28,219
Amortization	73,278	32,375	57,939
Bank and payroll service charges	15,408	14,499	12,874
Board	50,000	43,662	50,537
Computer supplies and maintenance	11,046	14,358	44,311
Consultants - other	16,000	13,492	90,103
Courier and postage	6,500	10,578	12,243
Equipment lease and maintenance	14,125	12,460	11,095
Insurance	9,624	9,013	3,321
Office and supplies and expenses	24,676	25,124	48,083
Professional fees	119,000	137,398	116,489
Rent	277,317	266,138	259,294
Salaries and benefits	1,659,169	1,778,518	1,745,736
Staff development and conferences	29,000	13,181	29,021
Telephone and fax	31,240	28,501	32,352
Travel and meals	37,311	31,243	44,618
Uncollectible accounts	-	8,969	8,057
Workshops	10,000	9,440	15,112
	<u>2,785,859</u>	<u>2,703,134</u>	<u>2,743,654</u>
Excess of revenues over expenses (expenses over revenues) for the year	-	105,529	(84,702)
Gain on recapture of uncashed student refunds (Note 9)	-	-	14,973
Gain on disposal of tangible capital assets	-	100	-
Excess of revenues over expenses (expenses over revenues) for the year	<u>\$ -</u>	<u>\$ 105,629</u>	<u>\$ (69,729)</u>

The accompanying notes are an integral part of these financial statements

Private Career Training Institutions Agency
Statement of Changes in Net Financial Assets

<u>For the year ended March 31</u>	<u>Budget</u>	<u>2013</u>	<u>2012</u>
Annual surplus (deficit)	\$ -	\$ 105,629	\$ (69,729)
Acquisition of tangible capital assets	-	(40,327)	(70,952)
Amortization of tangible capital assets	73,278	32,375	57,939
	<u>73,278</u>	<u>(7,952)</u>	<u>(13,013)</u>
Acquisition of prepaid expenses	-	(21,563)	(28,226)
Consumption of prepaid expenses	-	28,226	18,891
	<u>-</u>	<u>6,663</u>	<u>(9,335)</u>
Increase (decrease) in net financial assets	73,278	104,340	(92,077)
Effect of remeasurement gains for the year	-	7,881	5,179
Net financial assets, beginning of year	<u>496,159</u>	<u>496,159</u>	<u>583,057</u>
Net financial assets, end of year	\$ 569,437	\$ 608,380	\$ 496,159

Private Career Training Institutions Agency
Statement of Changes in Accumulated Operating Surplus

<u>For the year ended March 31</u>	<u>2013</u>	<u>2012</u>
Accumulated operating surplus, beginning of year	\$ 632,919	\$ 702,648
Operating surplus (deficit) for the year	105,629	(69,729)
Accumulated operating surplus, end of year	<u>\$ 738,548</u>	<u>\$ 632,919</u>

Private Career Training Institutions Agency
Statement of Remeasurement Gains and Losses

<u>For the year ended March 31</u>	<u>2013</u>	<u>2012</u>
Accumulated remeasurement losses, beginning of year	<u>\$ (45,043)</u>	<u>\$ (50,222)</u>
Unrealized gains attributable to portfolio investments	8,986	5,506
Amounts reclassified to statement of operations:		
Realized loss on portfolio investments	<u>(1,105)</u>	<u>(327)</u>
Net remeasurement gains for the year	<u>7,881</u>	<u>5,179</u>
<u>Accumulated remeasurement losses, end of year</u>	<u>\$ (37,162)</u>	<u>\$ (45,043)</u>

Private Career Training Institutions Agency
Statement of Cash Flows

For the year ended March 31	2013	2012
Cash provided by (used in)		
Operating transactions		
Excess of revenue over expenses for the year	\$ 105,629	\$ (69,729)
Item not involving cash		
Amortization	32,375	57,939
Gain on disposition of tangible capital assets	(100)	-
Lease inducement	(10,530)	64,936
	<u>127,374</u>	<u>53,146</u>
Changes in non-cash working capital balances		
Accounts receivable	(68,897)	20,936
Prepaid expenses	6,663	(9,335)
Accounts payable and accrued liabilities	42,802	(22,782)
STCF fee revenue payable	(12,096)	5,093
Unclaimed PPSEC payments to students	-	(14,973)
Deferred registration and accreditation fee revenue	(16,759)	6,009
	<u>79,087</u>	<u>38,094</u>
Capital transaction		
Purchase of tangible capital assets	(40,327)	(70,952)
Proceeds on disposal of tangible capital assets	100	-
	<u>(40,227)</u>	<u>(70,952)</u>
Investing transactions		
Decrease (Increase) of portfolio investments	<u>(10,972)</u>	<u>90,037</u>
Increase (decrease) in cash during the year	27,888	57,179
Cash, beginning of year	<u>207,953</u>	<u>150,774</u>
Cash, end of year	<u>\$ 235,841</u>	<u>\$ 207,953</u>

Private Career Training Institutions Agency

Notes to Financial Statements

March 31, 2013

1. Nature of 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 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.

2. Summary of Significant Accounting Policies

Basis of Accounting These financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Canadian Public Sector Accounting Board.

Revenue Registration and accreditation fees are recognized when estimable. 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.

Private Career Training Institutions Agency
Notes to Financial Statements

March 31, 2013

2. Summary of Significant Accounting Policies (Continued)

**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	- over 3 years
Computer software	- over 2 years
Office furniture	- over 5 years
ERP development	- not amortized until in use
Tenant improvements	- straight line basis over term of the lease

**Financial
Instruments**

Derivatives and equity instruments quoted in an active market are measured at fair value. The Agency has elected to measure other specific financial instruments at fair value, to correspond with how they are evaluated and managed. These financial instruments are identified by financial asset and financial liability classification and are not reclassified for the duration of the period they are held. 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.
- 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 consists of cash, portfolio investments, accounts receivable, 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.

Private Career Training Institutions Agency
Notes to Financial Statements

March 31, 2013

2. Summary of Significant Accounting Policies (Continued)

**Financial
Instruments
(Continued)**

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.

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value

**Measurement
Uncertainty**

The preparation of 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 revenues and expenses during the year then ended. The actual outcome could differ from the estimates made in the preparation of the financial statements.

3. Income and Capital Taxes

The Agency is exempt from federal and provincial income and capital taxes under Section 149(1)(d) of the Income Tax Act.

Private Career Training Institutions Agency
Notes to Financial Statements

March 31, 2013

4. Reliance on Participating Institutions' Data

Prior to June 1st, 2009 the regulations of the Agency obligated registered institutions to make payments to the Fund based on a percentage of tuition fees charged to students. Effective June 1st, 2009 the regulations and the bylaws of the Agency obligate registered institutions to make monthly payments to the Fund 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 are established by the Regulations to 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.

5. Cash Concentration

The Agency has one bank account at a chartered bank.

6. Portfolio Investments

	Fair value hierarchy level	March 31 2013	March 31 2012
Canadian short-term fixed income	Level 1	\$ 498,651	\$ 16,099
Global equity	Level 1	139,210	131,989
Term deposit	Level 1	-	432,000
Subtotal		637,861	580,088
Canadian asset-backed commercial paper	Level 2	-	38,918
		\$ 637,861	\$ 619,006

The Canadian market for third-party sponsored Asset Backed Commercial Paper ("ABCP") suffered a liquidity disruption in mid-August 2007. The ABCP was subject to a court supervised restructuring process that has resulted in the pooled assets being replaced by asset-backed long-term notes.

Private Career Training Institutions Agency
Notes to Financial Statements

March 31, 2013

6. Portfolio Investments (Continued)

The Agency's management has estimated the fair value of these assets using a valuation model provided by the external investment advisors which includes consideration of a guarantee provided by the investment advisors and arm's length sales of ABCP during the year by the Agency.

The Agency sold all of the ABCPs during the fiscal year. A gain of \$1,105 was recognized on the disposition.

7. Accounts Payable and Accrued Liabilities

	March 31 2013	March 31 2012
Accounts payable and accrued liabilities	\$ 159,110	\$ 116,304
STCF fee revenue payable	90,822	102,919
	<u>\$ 249,932</u>	<u>\$ 219,223</u>

8. Contingent Liability

As at March 31, 2013, certain legal actions are pending against the Agency and Fund Trust, 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 the accounts. Any settlements will be recorded when they can be estimated.

9. Gain on Recapture of Uncashed Student Refunds

Student refunds that are not claimed are held as a liability for 7 years while the Agency makes attempt to contact the student. If the student cannot be located, after 7 years the amount is brought into the Agency's income.

Private Career Training Institutions Agency
Notes to Financial Statements

March 31, 2013

10. 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, 2013 the following requirements were held in trust by the Agency and are not reported elsewhere in these financial statements:

Cash	\$ 40,387
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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 Private Post-Secondary Education Commission.

11. 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 \$702,250. 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 December 2011, and January, February and March of 2012. 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
2014	\$ 166,537
2015	157,083
2016	157,083
2017	154,492
2018	149,940
Thereafter	<u>30,077</u>
	<u>\$ 815,212</u>

Private Career Training Institutions Agency
Notes to Financial Statements

March 31, 2013

12. Capital Disclosures

The Agency's objectives, when managing its capital, are to safeguard its ability to continue as a going concern so it can continue to provide services to students. Annual budgets are developed and monitored to ensure the Agency's capital is maintained at an appropriate level.

13. Financial Instrument Risks

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, 2013.

(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 Trust Fund to significant concentrations of credit risk consist primarily of cash, accounts receivable and portfolio investments.

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 (Note 6).

(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 fair value and interest rate risk on its portfolio investments (Note 6).

As at March 31, 2013, the Agency's total exposure to market risk is \$637,861.

(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.

Private Career Training Institutions Agency
Notes to Financial Statements

March 31, 2013

14. Student Training Completion Fund Trust

The Agency established the Student Training Completion Fund Trust (the "Fund Trust") for the sole purpose of helping carry out its mandate. The Agency administers the Fund Trust in exchange for annual management fees of \$362,020 (2012 - \$336,000), which is set out by the Board of Directors of the Agency.

As at March 31, 2013, an amount of \$90,822 (2012 - \$102,919) was owed by the Agency to the Fund Trust and is included in STCF Fee revenue payable. At March 31, 2013, the Fund Trust owed the Agency \$51,846 (2012 - \$11,909) and was included in accounts receivable.

The Fund Trust prepares separate financial statements and no Fund Trust assets, liabilities or transactions have been reported elsewhere in these financial statements.

The following summarizes the financial position of the Fund Trust and its operations for its fiscal year ended March 31, 2013:

	<u>March 31</u> <u>2013</u>	<u>March 31</u> <u>2012</u>
Assets		
Cash and portfolio investments	\$ 13,156,918	\$ 12,494,276
Accounts receivable	129,026	122,672
	<u>\$ 13,285,944</u>	<u>\$ 12,616,948</u>
Liabilities		
Accounts payable and accrued liabilities	205,044	\$ 111,028
Accumulated Surplus	<u>\$ 13,080,900</u>	<u>\$ 12,505,920</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 13,174,689	\$ 12,785,903
Accumulated remeasurement losses	<u>(93,789)</u>	<u>(279,983)</u>
	<u>\$ 13,080,900</u>	<u>\$ 12,505,920</u>

Private Career Training Institutions Agency
Notes to Financial Statements

March 31, 2013

15. Student Training Completion Fund Trust (Continued)

	Year Ended March 31 2013	Year Ended March 31 2012
Revenues		
STCF initial contribution	\$ 31,624	\$ 66,351
Tuition revenue fee payments	1,161,102	1,196,579
Recoveries from institutions of student complaint tuition refunds	92,075	34,872
Investment and miscellaneous revenue	387,633	368,092
	<u>1,672,434</u>	<u>1,665,894</u>
Expenses		
Student tuition claims	655,519	459,088
Student complaint tuition refunds	30,894	15,375
Administrative expenses	597,235	480,649
	<u>1,283,648</u>	<u>955,112</u>
Excess of revenue over expenses	<u>\$ 388,786</u>	<u>\$ 710,782</u>

Private Career Training Institutions Agency
Schedule 1 - Tangible Capital Assets

March 31, 2013

	Cost, beginning of year	Additions	Disposals	Cost, end of year	Accumulated amortization, beginning of year	Amortization	Disposals	Accumulated amortization, end of year	Net carrying amount, end of year
Computer equipment	\$ 102,083	\$ 13,998	\$ -	\$ 116,081	\$ 91,805	\$ 11,077	\$ -	\$ 102,882	\$ 13,199
Office furniture	66,730	6,389	(2,119)	71,000	53,867	6,370	(2,119)	58,118	12,882
Tenant improvements	26,510	8,473	-	34,983	1,360	4,421	-	5,781	29,202
Computer software	76,906	6,515	(6,619)	76,802	61,706	10,507	(6,619)	65,594	11,208
ERP development	-	4,952	-	4,952	-	-	-	-	4,952
March 31, 2013 total	\$ 272,229	\$ 40,327	\$ (8,738)	\$ 303,818	\$ 208,738	\$ 32,375	\$ (8,738)	\$ 232,375	\$ 71,443
Computer equipment	98,087	11,591	(7,595)	102,083	86,520	12,880	(7,595)	91,805	10,278
Office furniture	56,330	10,400	-	66,730	48,244	5,623	-	53,867	12,863
Tenant improvements	103,807	26,510	(103,807)	26,510	84,253	20,914	(103,807)	1,360	25,150
Computer software	70,357	6,549	-	76,906	49,621	12,085	-	61,706	15,200
March 31, 2012 total	\$ 328,581	\$ 55,050	\$ (111,402)	\$ 272,229	\$ 268,638	\$ 51,502	\$ (111,402)	\$ 208,738	\$ 63,491