

Financial Statements of

**PRIVATE CAREER TRAINING
INSTITUTIONS AGENCY**

Five month period ended August 31, 2016



KPMG LLP
Metro Tower I
4710 Kingsway, Suite 2400
Burnaby BC V5H 4M2
Canada
Telephone (604) 527-3600
Fax (604) 527-3636

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 August 31, 2016, the statements of operations, changes in net financial assets and cash flows for the five month period 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 August 31, 2016, and its results of operations, changes in net financial assets and cash flows for the five month period then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

March 16, 2017
Burnaby, Canada

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Statement of Financial Position

August 31, 2016, with comparative information for March 31, 2016

	August 31, 2016	March 31, 2016
Financial assets		
Cash and cash equivalents	\$ 461,979	\$ 546,613
Accounts and accrued receivables (note 11)	87,574	156,974
	<u>549,553</u>	<u>703,587</u>
Liabilities		
Accounts payable and accrued liabilities (notes 3 and 11)	511,468	392,777
Deferred revenue	-	6,568
Deferred lease inducement (note 9)	18,428	22,816
	<u>529,896</u>	<u>422,161</u>
Net financial assets	19,657	281,426
Non-financial assets		
Tangible capital assets (note 4)	887,882	543,672
Prepaid expenses	61,088	35,415
	<u>948,970</u>	<u>579,087</u>
	<u>\$ 968,627</u>	<u>\$ 860,513</u>

Contingencies (note 7)

Commitments (note 9)

See accompanying notes to financial statements.



Public Administrator

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Statement of Operations

Five month period ended August 31, 2016, with comparative information for the year ended March 31, 2016

	Five month period ended August 31, 2016 Budget (note 2(b))	Five month period ended August 31, 2016	Year ended March 31, 2016
Revenue:			
Accreditation fees	\$ 1,026,035	\$ 1,163,402	\$ 2,438,484
Registration fees	235,328	168,436	679,989
Other fees, revenue, and recovery (note 5)	108,295	97,793	311,028
Management fees (note 11)	193,420	193,420	464,209
Investment income	833	884	4,111
	1,563,911	1,623,935	3,897,821
Expenses:			
Accreditation on-site audits	167,583	198,666	402,200
Amortization	62,091	38,745	99,018
Bank and payroll service charges	10,531	12,688	25,275
Commissioner	20,833	7,403	-
Communications	353	186	848
Computer supplies and maintenance	32,565	23,986	92,556
Consultants – other	20,833	36,369	73,397
Courier and postage	2,376	2,165	5,703
Equipment lease and maintenance	15,095	6,366	16,462
Insurance	6,660	7,863	15,985
Office and supplies	12,180	16,280	29,234
Professional fees	52,957	44,349	277,293
Recruiting	4,167	2,641	25,539
Rent	118,520	112,884	267,648
Salaries and benefits	960,149	925,995	2,174,355
Staff development and conferences	14,583	13,899	466,322
Telephone and fax	12,093	12,654	27,024
Transition cost (note 6)	-	-	243,571
Travel and meals	42,385	40,913	76,725
Uncollectible accounts	1,707	1,603	4,096
Workshops	6,250	10,166	2,891
	1,563,911	1,515,821	3,906,142
Surplus (deficit) for the period	-	108,114	(8,321)
Accumulated operating surplus, beginning of period	860,513	860,513	868,834
Accumulated operating surplus, end of period	\$ 860,513	\$ 968,627	\$ 860,513

See accompanying notes to financial statements.

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Statement of Changes in Net Financial Assets

Five month period ended August 31, 2016, with comparative information for the year ended March 31, 2016

	Five month period ended August 31, 2016 Budget (note 2(b))	Five month period ended August 31, 2016	Year ended March 31, 2016
Surplus (deficit) for the period	\$ -	\$ 108,114	\$ (8,321)
Acquisition of tangible capital assets	-	(392,955)	(343,239)
Amortization of tangible capital assets	62,091	38,745	99,018
	62,091	(344,210)	(244,221)
Acquisition of prepaid expenses	-	(75,560)	(35,415)
Consumption of prepaid expenses	-	49,887	27,513
	-	(25,673)	(7,902)
Increase (decrease) in net financial assets	62,091	(261,769)	(260,444)
Net financial assets, beginning of period	281,426	281,426	541,870
Net financial assets, end of period	\$ 343,517	\$ 19,657	\$ 281,426

See accompanying notes to financial statements.

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Statement of Cash Flows

Five month period ended August 31, 2016, with comparative information for the year ended March 31, 2016

	Five month period ended August 31, 2016	Year ended March 31, 2016
Cash provided by (used in)		
Operations:		
Surplus (deficit) for the period	\$ 108,114	\$ (8,321)
Items not involving cash:		
Amortization	38,745	99,018
Amortization of lease inducement	(4,388)	(10,530)
	142,471	80,167
Change in non-cash operating working capital:		
Accounts and accrued receivable	69,400	(129,301)
Prepaid expenses	(25,673)	(7,902)
Accounts payable and accrued liabilities	118,691	(93,846)
Deferred revenue	(6,568)	(15,293)
	298,321	(166,175)
Capital activities:		
Purchase of tangible capital assets	(382,955)	(343,239)
Net change in cash and cash equivalents	(84,634)	(509,414)
Cash and cash equivalents, beginning of period	546,613	1,056,027
Cash and cash equivalents, end of period	\$ 461,979	\$ 546,613

See accompanying notes to financial statements.

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Notes to Financial Statements

Five month period ended August 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 was 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 at that time. 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 provided oversight over the Agency's operations until the Agency was dissolved on September 1, 2016. The Private Training Act (the "Act"), the legislation to dissolve the Agency, received Royal assent on March 25, 2015 and came into force on September 1, 2016. As such, the Agency ceased to exist on September 1, 2016 and all its assets and liabilities were transferred to the Ministry. These financial statements have been prepared on a going concern basis since the operations previously performed by the Agency continue under the Ministry.

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 budget for the five month period ended August 31, 2016 developed by management. This budget was approved by the Public Administrator on July 19, 2016.

(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)

Five month period ended August 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 period 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.

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Notes to Financial Statements (continued)

Five month period ended August 31, 2016

2. Significant accounting policies (continued):

(g) Financial instruments (continued):

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.

(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 period. 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. Accounts payable and accrued liabilities:

	August 31, 2016	March 31, 2016
Accounts payable and accrued liabilities	\$ 354,236	\$ 257,981
Student Training Completion Fund fee revenue payable (note 11)	157,232	134,796
	<u>\$ 511,468</u>	<u>\$ 392,777</u>

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Notes to Financial Statements (continued)

Five month period ended August 31, 2016

4. Tangible capital assets:

Cost	Balance, March 31, 2016	Additions	Removal	Balance, August 31, 2016
Computer equipment	\$ 173,713	\$ 5,351	\$ (12,287)	\$ 166,777
Office furniture	77,862	13,831	-	91,693
Tenant improvements	40,948	35,730	-	76,678
Computer software	106,062	-	(25,489)	80,573
ERP development	571,805	328,043	-	899,848
	\$ 970,390	\$ 382,955	\$ (37,776)	\$ 1,315,569

Accumulated amortization	Balance, March 31, 2016	Amortization expense	Removal	Balance, August 31, 2016
Computer equipment	\$ 147,860	\$ 10,591	\$ (12,287)	\$ 146,164
Office furniture	72,843	2,315	-	75,158
Tenant improvements	27,039	3,421	-	30,460
Computer software	93,315	4,683	(25,489)	72,509
ERP development	85,661	17,735	-	103,396
	\$ 426,718	\$ 38,745	\$ (37,776)	\$ 427,687

	Net book value March 31, 2016	Net book value August 31, 2016
Computer equipment	\$ 25,853	\$ 20,613
Office furniture	5,019	16,535
Tenant improvements	13,909	46,218
Computer software	12,747	8,064
ERP development	486,144	796,452
	\$ 543,672	\$ 887,882

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Notes to Financial Statements (continued)

Five month period ended August 31, 2016

5. Other fees, revenue, and recovery:

	Five month period ended August 31, 2016	Year ended March 31, 2016
Other fees and revenue (a)	\$ 40,834	\$ 84,594
Insurance recovery of legal fees	26,294	184,854
Recovery of ERP project costs from Ministry	30,665	41,580
	<hr/>	<hr/>
	\$ 97,793	\$ 311,028

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

6. Transition costs:

Transition costs relate to expenditures incurred during the year ended March 31, 2016 to prepare the Agency for transition of its functions to the Ministry.

7. 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.

8. 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 August 31, 2016, the Agency had \$39,932 (March 31, 2016 - \$39,986) 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)

Five month period ended August 31, 2016

9. 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. The lease was assumed by the Ministry on September 1, 2016 when the Agency's operations transferred to the Ministry.

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 \$237,859. 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 payments for all leases for future periods as follows:

Period	Amount
September 1, 2016 to March 31, 2017	\$ 90,120
April 1, 2017 to March 31, 2018	149,940
April 1, 2018 to March 31, 2019	30,077
	<u>\$ 270,137</u>

10. 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 August 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)

Five month period ended August 31, 2016

10. 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.

11. 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 management fees of \$193,420 for the five month period ended August 31, 2016 (year ended March 31, 2016 - \$464,209) 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 August 31, 2016, an amount of \$157,232 (March 31, 2016 - \$134,796) was owed by the Agency to the Fund Trust and is included in Student Training Completion Fund fee revenue payable (note 3). At August 31, 2016, an amount of \$1,569 was owed by the Fund Trust to the Agency (March 31, 2016 – nil) and is included in accounts and accrued receivables.

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 as at and for the five month period ended August 31, 2016:

	August 31, 2016	March 31, 2016
Cash, cash equivalents and portfolio investments	\$ 17,030,684	\$ 16,290,114
Accounts and accrued receivable	161,863	145,904
	17,192,547	16,436,018
Accounts payable and accrued liabilities	94,873	69,812
Contingent liabilities	150,000	365,000
Accumulated surplus	\$ 16,947,674	\$ 16,001,206
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 16,947,674	\$ 15,285,748
Accumulated remeasurement gains	-	715,458
	\$ 16,947,674	\$ 16,001,206

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Notes to Financial Statements (continued)

Five month period ended August 31, 2016

11. Student Training Completion Fund Trust (continued):

	Five month period ended August 31, 2016	Year ended March 31, 2016
Revenue:		
Initial contribution	\$ 12,000	\$ 98,000
Tuition revenue fee payments	700,717	1,470,783
Recoveries from institutions of student complaint tuition refunds	-	67,741
Investment	1,335,720	263,273
Other	-	647
	<u>2,048,437</u>	<u>1,900,444</u>
Expenses:		
Student tuition claims	159,933	547,736
Student complaint tuition refunds	-	67,741
Administrative expenses	226,578	593,983
Uncollectible accounts	-	67,741
	<u>386,511</u>	<u>1,277,201</u>
Surplus for the period	\$ 1,661,926	\$ 623,243
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	Five month period ended August 31, 2016	Year ended March 31, 2016
Cash provided by operating activities	\$ 1,456,028	\$ 957,582
Cash provided by (used in) investing activities	14,164,407	(414,271)

PRIVATE CAREER TRAINING INSTITUTIONS AGENCY

Notes to Financial Statements (continued)

Five month period ended August 31, 2016

12. 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 188,000 active members and approximately 84,000 retired members.

The most recent actuarial valuation as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits. The next actuarial valuation will be performed as at December 31, 2018 with results available in 2019. 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 \$54,701 (year ended March 1, 2016 - \$139,099) for employer contributions and the employees contributed \$59,467 (year ended March 1, 2016 - \$124,508) to the Plan for the five month period ended August 31, 2016.