

Private Post-Secondary Education Commission of British Columbia

2001/02 Annual Report

PRIVATE POST-SECONDARY EDUCATION COMMISSION OF BRITISH COLUMBIA



I. ORGANIZATION OVERVIEW

MANDATE

The Commission's mandate is to provide consumer protection to students attending private post-secondary education institutions in British Columbia. This is accomplished by requiring the registration of such institutions and by providing a voluntary accreditation program to registered institutions to ensure that standards of integrity and educational competence are met and maintained.

MISSION

- To provide consumer protection
- To encourage integrity and high standards of educational competence within the private post-secondary sector
- To implement and supervise with fairness and equity registration and accreditation

VISION

The Private Post-Secondary Education Commission envisions a province where all British Columbians are provided with full consumer protection in respect of registered institutions; where students are assured they will receive high quality programs and services from institutions accredited by the Commission; and where accredited private training institutions' courses and/or programs are recognized by provincial policy and formal articulation agreements, applied on a consistent, system-wide basis so learners' interests are safeguarded.

| | | | |
|----------------------------|---|-------------------------|----|
| I. Organization Overview | 1 | IV. Financial Report | 7 |
| II. Message From The Chair | 2 | V. Corporate Governance | 16 |
| III. The Year In Review | 4 | | |

ENABLING LEGISLATION

The Private Post-Secondary Education Commission of British Columbia (PPSEC) is a government agency established in 1992 pursuant to the *Private Post-Secondary Education Act (R.S.B.C. 1996, c. 375)*.

STRUCTURE

Commission

The Commission consists of not more than 15 members appointed by the Minister of Advanced Education, with one member designated as Chair. Responsible for appointing the Executive Director, the Commission exercises a fiduciary and policy development function as respects PPSEC operations. Subject to the Private Post-Secondary Education Act and Regulations, the Commission issues General Directives to institutions respecting various aspects of their operations, and has developed criteria for the accreditation of registered institutions.

Executive Director

The Executive Director has authority under the Act to appoint examiners; issue, suspend, cancel or deny registration and accreditation certificates; set terms or conditions for granting or continuing a registration or accreditation certificate; have institutions investigated; and offer opinions regarding whether a student was misled as a result of a representation made by an institution.

SERVICES

Registration

The Registrar, supported by three Registration Officers and two Assistants, oversees the registration and annual re-registration of over 1,100 main and branch campuses each year. Additionally, the Registration staff maintains a program of on-site compliance auditing of institutions, and ensures that institutions are complying with the requirement to post satisfactory financial securities.

It should be noted that the Registrar position was one of those eliminated at the end of the 2001/02 fiscal year owing to the loss of a government grant in the upcoming fiscal year.

Accreditation

Reporting to the Executive Director, three Accreditation Officers and one Assistant provide support to institutions applying for accreditation with the Commission. They also monitor the standards and performance of the more than 250 institutions currently accredited.

Student Complaint Investigation

A Student Complaints Advisor assists the Executive Director in responding to students who are filing complaints or seeking a tuition refund under section 28 of the Act. This position was also eliminated at the end of the 2001/02 fiscal year because of a projected budget shortfall.

Location of Operations

The Commission's offices are located at 850 – 1185 West Georgia Street, Vancouver, B.C.

Principal Clients Served

There are more than 1,100 main and branch campuses registered with the Commission, of which 250 are currently accredited. These institutions offered 7,191 certificate and diploma programmes to 283,727 registrants last year.

In addition, the 15 out-of-country degree-granting institutions registered with the Commission offered 38 undergraduate and graduate programs to 4,990 registrants.

II. MESSAGE FROM THE CHAIR

Given the recent decision of the Provincial Government to replace the Private Post-Secondary Education Commission with a self-regulating industry board, in all likelihood this will be the last Annual Report filed by the Commission. Accordingly I write this message with a mixture of pride in what has been achieved over the past decade and sadness at the imminent demise of the Commission.

The past year has been a time of increasing uncertainty as the Commission's operations have been the subject of a number of government-initiated reviews. The first of these was a study undertaken at the behest of the Ministry of Advanced Education by the Internal Audit & Advisory Services Branch of the Office of the Comptroller General, Ministry of Finance. They reviewed the Commission's resource capacity and overhead funding requirements for handling forecasted increases in institution accreditation. They also examined the alignment of the Commission's operational activities to the *Private Post-Secondary Education Act* and assessed the adequacy of fees established by provincial regulation to meet current and anticipated costs of Commission operations.

Their Report found that key operational activities performed or planned by the Commission are consistent with the *Private Post-Secondary Education Act* and Regulations. In their opinion, the Commission has the management and administrative capacity, and the operational service delivery methodology, to meet anticipated increases in

operational activity. They support the Commission's plans to streamline its operations, and recommend that the Ministry of Advanced Education draft an amendment to the Act to eliminate the need for institutions to re-register annually.

The Report found that fees and penalties, as currently set by the Act and Regulations, do not allow the Commission to generate sufficient revenue to cover the full cost of its operations, and noted that the provincial government is currently funding about ten percent of the Commission's operational expenditures. Accordingly, they recommend that the Ministry work with the Commission to develop a strategy to obtain funds to cover incremental accreditation costs.

Many of the recommendations contained in the above-referenced Report were reflected in the Commission's 2002 – 2005 Service Plan, which was filed with the Minister of Advanced Education in February 2002. The goals and performance measures contained in that Plan were intended to minimize the regulatory burden on the private post-secondary industry consistent with maintaining consumer protection and institutional integrity. They include the elimination of the requirement for annual re-registration, improving the effectiveness of the compliance auditing and the student complaint investigation processes, implementation of the Tuition Assurance Fund, enhancing the accreditation process, and adjusting fees to ensure the Commission is fully industry-funded.

Shortly after the election of the new provincial government in May 2001, the Commission was advised that it would be part of the government's Core Services Review as well as the Administrative Justice Project. The purpose of the Administrative Justice Review was to recommend changes that would make the delivery of private post-secondary education more effective and efficient for business and students. The Core Services Review was

intended to confirm the government's core roles and responsibilities, and to identify ways to improve the delivery of services.

On February 8, 2002 the Attorney General announced that, pursuant to the Administrative Justice Review, the Private Post-Secondary Education Commission will be replaced by a self-regulating and self-funding industry board. The new board will regulate private post-secondary institutions offering career-related or vocational and technical training. It will also provide consumer protection for students attending registered institutions. Registered private post-secondary institutions may still be accredited on a voluntary basis. Accreditation will continue to be a requirement for institutions wishing to be designated for student loans.

Pending the proclamation of enabling legislation, the *Private Post-Secondary Education Act* and Regulations remain in force and the Commission staff is maintaining operations pursuant to that statute. Owing to the uncertainty associated with the various government reviews, however, the Minister of Advanced Education chose not to renew Commission member appointments at the end of October 2001, with the consequence that the twelve-member Commission was reduced in size to two members, myself as Chair and Blair Littler, the Ministry representative. Loss of the government grant for the upcoming fiscal year also resulted in staff layoffs at the end of March 2002, with the Registrar, Student Complaint Advisor and Receptionist positions being eliminated.

The Private Post-Secondary Education Commission was established in 1992 to provide consumer protection to students, as well as ensure conformity of standards of educational competence. Over the past decade the credibility of the private post-secondary industry has increased significantly as a

result of PPSEC registration and accreditation. Where once there was a loose aggregation of institutions with no standards or accountability, we now see the emergence of a dynamic private post-secondary education and training sector that has unquestionably increased the range of choice available to B.C. students. All those who have served on the Commission over the past ten years should take pride in these accomplishments.

In closing, I would like to thank the Commission members whose terms expired in October 2001 for their years of service to the Commission and to the industry. Similarly, I would like to express my appreciation to the staff for their steadfast commitment to fulfilling the mandate of the Commission through what has been a stressful and often challenging year.



BETTY TULLY

Chair

III. THE YEAR IN REVIEW

**REGISTRATION**

Private post-secondary institutions in British Columbia must comply with the *Private Post-Secondary Education Act*, which requires any person or organization providing training or instruction in the province to persons 17 years of age or older to register with the Private Post-Secondary Education Commission.

Institutions are required to register main and branch campuses. Registration activity for the period April 1, 2002 to March 31, 2002 was as follows:

| DATE | REGISTERED INSTITUTIONS |
|----------------|-------------------------|
| April 2001 | 1,112 |
| May 2001 | 1,111 |
| June 2001 | 1,119 |
| July 2001 | 1,115 |
| August 2001 | 1,133 |
| September 2001 | 1,141 |
| October 2001 | 1,123 |
| November 2001 | 1,127 |
| December 2001 | 1,121 |
| January 2002 | 1,104 |
| February 2002 | 1,112 |
| March 2002 | 1,121 |

Registration activity since 1992 reflects rapid growth through the mid 1990s, and a relatively steady state over the past six years.

| YEAR | REGISTERED INSTITUTIONS |
|------------|-------------------------|
| March 1993 | 628 |
| March 1994 | 806 |
| March 1995 | 893 |
| March 1996 | 994 |
| March 1997 | 1,082 |
| March 1998 | 1,102 |
| March 1999 | 1,140 |
| March 2000 | 1,122 |
| March 2001 | 1,103 |
| March 2002 | 1,121 |

COMPLIANCE AUDITING

A program of on-site compliance auditing of registered institutions was implemented in the spring of 1998 in response to the fact that the Commission had met with varied success in recovering a minimum of 75% of unearned tuition for students displaced by a business failure.

Compliance audit activity over the past three fiscal years is as follows:

| DATE | COMPLIANCE AUDITS |
|------------|-------------------|
| March 2000 | 280 |
| March 2001 | 258 |
| March 2002 | 274 |

FINANCIAL SECURITIES

The purpose of registration is consumer protection. All institutions registered with the Commission must provide a financial security equivalent to 75% of the maximum amount of unearned revenue (tuition) they hold during a registration year.

While the number of registered institutions has remained relatively constant over the past three years, the total value of financial securities held by the Commission has increased by 99% in the same time period. This dramatic increase in securities is largely attributable to the on-site validation of institutions' unearned revenue calculations during compliance audit visits.

In the event of an institutional closure the security is used to refund any unearned tuition to students. A total of 157 institutions closed during the past fiscal year. Most of these were orderly closures with all students being trained out. In only 6 instances was it necessary to make claims against institutional securities, and in only two instances did students receive less than their full claim entitlement.

Claims against security due to institutional closure from 1992 to date are as follows:

| YEAR | TOTAL CLAIM AMOUNT | TOTAL REFUND AMOUNT |
|-------------|---------------------------|----------------------------|
| 1993 | \$ 74,267.00 | \$ 72,501.24 |
| 1994 | \$ 51,282.00 | \$ 20,000.00 |
| 1995 | \$ 69,126.86 | \$ 67,979.86 |
| 1996 | \$ 88,492.30 | \$ 46,532.30 |
| 1997 | \$293,777.17 | \$ 96,617.17 |
| 1998 | \$191,319.88 | \$142,728.62 |
| 1999 | \$856,473.17 | \$506,824.02 |
| 2000 | \$103,500.80 | \$103,500.80 |
| 2001 | \$288,763.68 | \$246,235.14 |
| 2002 | \$338,269.28 | \$286,687.66 |

At fiscal year-end, March 31, 2002, the Commission held \$61,358,449 in trust assets. Categorized by type of financial instrument, they were as follows:

| | |
|-------------------|--------------|
| Surety Bonds | \$31,657,441 |
| Letters of Credit | \$23,812,982 |
| Cash Deposits | \$ 5,688,026 |
| Investment Bonds | \$ 200,000 |



ACCREDITATION

The *Private Post-Secondary Education Act* stipulates that an institution registered under the Act may apply for accreditation. Accordingly the Commission offers a voluntary accreditation process designed to ensure that standards of integrity and educational competence are met by accredited institutions.

Effective August 2000, institutions designated to receive BCSAP funding were required by the Ministry of

Advanced Education to be accredited by the Commission. That requirement resulted in a significant increase in the number of accredited institutions. So too has the recent announcement by Human Resources Development Canada that private post-secondary institutions in British Columbia accepting students on Employment Insurance support will have to be accredited by the Commission by May 2003. The level of accreditation-related activity is further enhanced by the fact that the first cohort of accredited institutions are now completing their five-year term and are in the process of renewing their accreditation.

The history of accreditation activity over the past six years is reflected in the following. It shows the number of institutions at the various stages of the accreditation process at the end of each fiscal year.

| STAGE | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|------------------|------|------|------|------|------|------|
| New Applications | 49 | 157 | 163 | 82 | 41 | 54 |
| Self-Study | 13 | 13 | 54 | 102 | 41 | 26 |
| Audit | 0 | 9 | 9 | 40 | 1 | 3 |
| Accredited | 30 | 46 | 64 | 115 | 222 | 250 |

STUDENT COMPLAINTS

Section 28 of the *Private Post-Secondary Education Act* provides for tuition refunds for students if they have enrolled with an institution not registered with the Commission or if, in the opinion of the Executive Director, a student was misled as a result of a representation made by an institution. Students seeking an opinion under section 28 of the Act must file a formal Student Complaint with the Commission.

In an effort to improve the efficiency with which student complaints were handled, the Commission established a Student Complaints Advisor position early in 2001. The Advisor counselled students who were inquiring about their rights under the Act, and encouraged them to

make use of the dispute resolution process available at all registered institutions. In the case of formal complaints, the Advisor liaised with both parties to the complaint, compiled all relevant information, and outlined the issues in a preliminary report. Regrettably, the Student Complaints Advisor position was one of those terminated at the end of the 2001/02 fiscal year owing to the budget shortfall associated with the loss of the government grant in the upcoming fiscal year.

The Executive Director wrote 36 formal opinions during the 2001/02 fiscal year. In only two instances was he convinced that the student had been misled by the institution and therefore owed a tuition refund.

Two opinions written in the previous fiscal year resulted in applications by institutions for judicial review in B.C. Supreme Court. In the first instance, the judge upheld the opinion of the Executive Director ordering a full refund for fourteen students. In the second case, the judge overturned an opinion that had ordered a refund to one international student. As is evidenced in the Statement of Operations section of this Report, the absence of a cost-effective appeal mechanism in the Act as relates to student opinions resulted in the Commission incurring legal expenses well in excess of the amount budgeted for in the 2001/02 operating budget.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

As the Statement of Operations reflects, revenue derived from registration fees declined by \$24,000 over the preceding year. In large part this can be attributed to a reduction in the assessment of late-registration fees, as most institutions completed the annual re-registration process within the sixty-day notice period.

The \$200,000 grant from the Ministry of Advanced Education was \$50,000 more than the year before, in response to escalating accreditation costs. Strategies for eliminating the need for an annual Ministry grant were identified in the Report on PPSEC Resource Capacity and Overhead Funding Assessment prepared by the Internal Audit & Advisory Services Branch, Ministry of Finance, as well as in the PPSEC Service Plan 2002 – 2005.

While revenue derived from accreditation fees remained lower than the peak year of 1999/00, the volume of accreditation application fees, self-study fees and audit fees significantly exceeded budgeted expectations. These increases are largely the result of Human Resource Development Canada's recently announced policy that institutions accepting Employment Insurance supported students must be accredited by May 2003. The higher than expected accreditation revenue also reflects the fact that the original cohort of accredited institutions is completing its five-year accreditation term and is applying for renewal.

The \$17,755 reduction in interest and miscellaneous revenue is reflective of the state of the economy and the low interest rates throughout the 2001/02 fiscal year. Overall, the total revenue available to the Commission for the past fiscal year was almost identical to that of the previous year.

EXPENSES

Turning to the expenditure side of the Statement of Operations, the first significant departure from the expenditure pattern of the 2000/2001 fiscal year is in the area of Commissioner expenses. The 80% savings is accounted for by the fact that the Commission held fewer bi-monthly meetings than usual in 2001/2002, and by the government's decision to reduce the fourteen-member Commission to two members seven months into the fiscal year.

The doubling of Professional Fee expenses over the preceding fiscal year was the result of the Commission's legal expenses being 186% over the \$20,000 budgeted amount. This overrun resulted from legal costs associated with two judicial reviews, two applications in B.C. Supreme Court for injunctions restraining institutions that were contravening the Act, and an appeal of the suspension of an institution's registration. Reductions in expenditures in the Office Supplies, Repairs and Maintenance, and Miscellaneous categories helped offset the overrun in Professional Fees.

The \$160,896 increase in the Salaries and Benefits expense category reflects the conversion of a half-time Accreditation Officer position to full-time, as well as the hiring of a full-time Student Complaints Advisor. This expenditure item also includes \$78,741 in one-time severance costs for the three full-time positions that were terminated at the end of the fiscal year. If the Commission had not had to incur these severance costs, the excess of revenues over expenses for the year would have been \$6,798, rather than the shortfall of \$71,943 that will be charged against the Commission's Special Purpose fund.

AUDITORS' REPORT

**To the Commissioners of the
Private Post-Secondary Education Commission**

We have audited the Statement of Financial Position of the Private Post-Secondary Education Commission as at March 31, 2002 and the Statements of Operations, Changes in Net Assets, and Cash Flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Vancouver, British Columbia

May 10, 2002

STATEMENT OF FINANCIAL POSITION

| For the year ended March 31 | 2002 | 2001 |
|---|------------|------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 812,734 | \$ 764,508 |
| Accounts receivable | 8,356 | 19,626 |
| Prepaid expenses | 15,406 | 10,937 |
| | 836,496 | 795,071 |
| Capital assets (Note 1) | 16,939 | 26,580 |
| | \$ 853,435 | \$ 821,651 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 140,744 | \$ 52,364 |
| Deferred registration and accreditation fee revenue | 573,289 | 557,942 |
| | 714,033 | 610,306 |
| Net Assets | | |
| Invested in capital assets | 16,939 | 26,580 |
| Internally restricted for special purposes (Note 4) | 80,097 | 158,838 |
| Available | 42,366 | 25,927 |
| | 139,402 | 211,345 |
| | \$ 853,435 | \$ 821,651 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

APPROVED ON BEHALF OF THE BOARD:


Commissioner

STATEMENT OF OPERATIONS

| For the year ended March 31 | TOTAL | |
|--|-------------|------------|
| | 2002 | 2001 |
| Revenue | | |
| Registration fees | \$ 841,470 | \$ 865,615 |
| Grant from Ministry of Advanced Education | 200,000 | 150,000 |
| Accreditation fees and costs (net, Note 3) | 143,571 | 157,911 |
| Interest and miscellaneous | 24,940 | 42,695 |
| | 1,209,981 | 1,216,221 |
| Expenses | | |
| Advertising and publications | 9,402 | 9,520 |
| Amortization | 28,460 | 23,002 |
| Commissioners | 9,030 | 42,849 |
| Equipment rental | 6,004 | 5,674 |
| Miscellaneous | 2,988 | 23,664 |
| Office and supplies | 46,420 | 66,686 |
| Professional fees | 63,528 | 30,233 |
| Rent | 130,886 | 128,372 |
| Repairs and maintenance | 4,271 | 11,552 |
| Salaries and benefits (Note 4) | 934,864 | 773,968 |
| Telephone and fax | 18,761 | 20,990 |
| Travel and meals | 27,310 | 27,349 |
| | 1,281,924 | 1,163,859 |
| Net (loss) income from operations | (71,943) | 52,362 |
| Gain on disposal of assets | – | 147 |
| Excess of revenues over (under) expenses for the year | \$ (71,943) | \$ 52,509 |

STATEMENT OF CHANGES IN NET ASSETS

| For the year ended March 31 | INVESTED IN CAPITAL ASSETS | INTERNALLY RESTRICTED FOR SPECIAL PURPOSES | AVAILABLE | TOTAL | |
|---|-------------------------------|---|-----------|------------|------------|
| | | | | 2002 | 2001 |
| Balance, beginning of year | \$ 26,580 | \$ 158,838 | \$ 25,927 | \$ 211,345 | \$ 158,836 |
| Excess of revenue over (under) expenses for the year | – | (78,741) | 6,798 | (71,943) | 52,509 |
| Amortization | (28,460) | – | 28,460 | – | – |
| Inter-fund transfers | 18,819 | – | (18,819) | – | – |
| Balance, end of year | \$ 16,939 | \$ 80,097 | \$ 42,366 | \$ 139,402 | \$ 211,345 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS

| For the year ended March 31 | 2002 | 2001 |
|---|-------------------|-------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess of revenue over expenses for the year | \$ (71,943) | \$ 52,509 |
| Items not involving cash | | |
| Amortization | 28,460 | 23,002 |
| Gain (loss) on disposal of capital assets | - | (147) |
| | (43,483) | 75,364 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | 11,270 | 39,845 |
| Prepaid expenses | (4,469) | 1,089 |
| Accounts payable and accrued liabilities | 88,380 | (40,757) |
| Deferred registration and accreditation fee revenue | 15,347 | (57,066) |
| | 67,045 | 18,475 |
| Investing activities | | |
| Purchase of capital assets | (18,819) | (8,891) |
| Disposal of capital assets | - | 148 |
| | (18,819) | (8,743) |
| Increase in cash during the year | 48,226 | 9,732 |
| Cash, beginning of year | 764,508 | 754,776 |
| Cash, end of year | \$ 812,734 | \$ 764,508 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

March 31, 2002

Nature of Business

The Private Post-Secondary Education Commission was incorporated under the Private Post-Secondary Education Act on July 27, 1990. The Commission is an agent of the Province of British Columbia.

The Commission is involved in developing and administering a mandatory registration system and voluntary accreditation program for private postsecondary educational institutions in the Province of British Columbia. There is a planned transition as outlined in Note 7.

Revenue

Registration fees are recognized over the registration period. The portion of registration and accreditation fees that relate to the period following the Commission's year end have been reflected on the balance sheet as deferred revenue. The period of registration commences when all requirements of registration are met.

Capital Assets

Capital assets are recorded at cost with amortization provided on a straight-line basis at the following annual rates:

| | |
|---------------------|--|
| Computer hardware | – 33 1/3% |
| Computer software | – 50% |
| Office furniture | – straight line basis over 5 years |
| Tenant improvements | – straight line basis over term of the lease |

Financial Instruments

The Commission's financial instruments consists of cash, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Commission is not exposed to any significant interest, currency or credit risks arising from these financial instruments. Fair values of financial instruments are approximated by their carrying values unless otherwise stated.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at March 31, 2002 and revenues and expenses during the year then ended. The actual outcome could differ from the estimates made in the preparation of the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2002

1. Capital Assets

| | | | 2002 | 2001 |
|---------------------|------------|-----------------------------|-------------------|-------------------|
| | COST | ACCUMULATED AMORTIZATION | NET BOOK VALUE | NET BOOK VALUE |
| Computer equipment | \$ 231,936 | \$ 219,231 | \$ 12,705 | \$ 19,190 |
| Office furniture | 68,443 | 64,850 | 3,593 | 5,840 |
| Tenant improvements | 4,326 | 3,685 | 641 | 1,550 |
| | \$ 304,705 | \$ 287,766 | \$ 16,939 | \$ 26,580 |

2. Income, Capital and Goods and Services Taxes

The Commission is exempt from federal and provincial income and capital taxes under Section 141(1)(d) of the Income Tax Act. As an agent of the Province, the Commission is not subject to goods and services tax.

3. Accreditation Fees and Costs

| | 2002 | 2001 |
|--------------|------------|------------|
| Revenue | \$ 228,073 | \$ 442,701 |
| Direct costs | 84,502 | 284,790 |
| | \$ 143,571 | \$ 157,911 |

4. Net Assets Internally Restricted for Special Purposes

The Commission has internally designated these amounts as funding for costs associated with carrying out the Commission's mandate, enforcement of the Act, and as a stabilization fund for fluctuations in registration.

During the current year, three employees were terminated in an effort to reduce expenditures and balance the budget. Severance payments were made to the employees for a combined total of \$78,741. These payments are not typical expenditures of the Commission and consequently salaries and benefits are higher for the year ended March 31, 2002 than in prior years. This payout was funded from the Special Purposes fund.

5. Security requirements

Many institutions applying for registration with the Commission are to provide financial security in conjunction with their application. Security requirements are met by way of investment and surety bonds, letters of credit or cash. As of March 31, 2002 the following requirements were held in trust by the Commission and are not reported elsewhere in these financial statements:

| | |
|---------------------------|--------------|
| Cash and investment bonds | \$ 5,888,026 |
| Letters of credit | \$23,812,982 |
| Surety bonds | \$31,657,441 |

NOTES TO FINANCIAL STATEMENTS (continued)

6. Commitments

The Commission is obligated under operating leases for office premises and office equipment which expire in November 2002 (office premises) and December 2005 (office equipment) and is committed to annual payments for the next five years as follows:

| Year | Amount |
|------|-----------|
| 2003 | \$84,692 |
| 2004 | 5,904 |
| 2005 | 5,904 |
| 2006 | 4,428 |
| 2007 | — |
| | <hr/> |
| | \$100,928 |

7. Going Concern

The Private Post-Secondary Education Commission will be replaced by a self-regulating and self-funding industry board. The change is a result of the Provincial Government's administrative justice review announced February 7, 2002, by the Attorney General.

An advisory committee will work with the Ministry of Advanced Education on all aspects of the transition to a new model. There will be no immediate changes; the legislation and regulations for the Private Post-Secondary Education Commission remain in place until transition is complete.

During the transition phase, students attending any institution currently registered with the Private Post-Secondary Education Commission will continue to have their fees covered by the existing consumer protection system.

These financial statements are prepared on a going concern basis as opposed to a liquidation basis as it is believed that operations will continue and future transition to a new model will be orderly.

ACCOUNTANTS' REPORT ON THE SECURITY REQUIREMENTS HELD
BY THE PRIVATE POST-SECONDARY EDUCATION COMMISSION

**To the Commissioners of the
Private Post-Secondary Education Commission**

As specifically agreed, we have performed the following procedures on the security requirements held by the Private Post-Secondary Education Commission as at March 31, 2002. As reported in the accounting records of the Commission:

- (a) We obtained a listing of institutions registered with the Commission and selected a sample of 30 institutions for testing.
- (b) We reviewed the security requirements as specified by the Commission to ensure that the security collected was consistent with the security requirements. No exceptions were noted.
- (c) For each institution selected, we physically verified the existence of the security instrument on March 31, 2002. No exceptions were noted.
- (d) We verified that the face amount of the security instrument was equal to or in excess of the security required by the Commission. No exceptions were noted.

The procedures do not constitute an audit of the security requirements held by the Commission and, accordingly, we do not express an opinion on the security requirements held by the Commission as at March 31, 2002.

This report is for use solely by the Commissioners of the Private Post-Secondary Education Commission.



Chartered Accountants

Vancouver, British Columbia
April 2, 2002

COMMISSIONERS SERVING 2001/02

Roxanne Ang
*Tourism Training Institute
 Vancouver BC
 (Term expired Oct. 31/01)*

Harpreet Bachra
*Kwantlen University College
 Surrey BC
 (Term expired Oct. 31/01)*

John Casey
*Educational Consultant
 Nelson BC
 (Term expired Oct. 31/01)*

Lou Dryden
*North Island College
 Courtenay BC
 (Term expired Oct. 31/01)*

Gerald LaBelle
*Canadian College of
 Business & Language
 Victoria BC
 (Term expired Oct. 31/01)*

Blair Littler
*Ministry of Advanced
 Education
 Victoria BC*

Valerie MacLean
*Better Business Bureau
 Vancouver BC
 (Term expired Oct. 31/01)*

Norma Strachan
*Association of Service
 Providers for Employment
 & Career Training
 Victoria BC
 (Term expired Oct.31/01)*

Betty Tully
 Chairperson
*Tully and Company
 Sooke BC*

Myrt Turner
*M. Turner & Associates
 Prince George BC
 (Term expired Oct. 31/01)*

COMMISSION STAFF 2001/02

GENERAL ADMINISTRATION

Jim Wright
 Executive Director

Sonja Westerhof
 Finance Officer

Starla Hill
 Student Complaints Advisor

Nadia Rad
 Receptionist/Secretary

REGISTRATION

Shawn Witney
 Registrar

Jennifer Bradshaw
 Registration Officer

Peter Bullock
 Registration Officer

Susan Smith
 Registration Officer

Marnie Danyluk
 Registration Assistant

Bettina Wood
 Registration Assistant

ACCREDITATION

Stephen Siblock
 Accreditation Officer

Nick Turner
 Accreditation Officer

Sue Williams
 Accreditation Officer

Lina Smith
 Accreditation Assistant



PPSEC

T. 604 660-4400 F. 604 660-3312 850-1185 W. Georgia St.
1-800-661-7441 www.ppsec.bc.ca Vancouver, BC V6E 4E6