

**School District No. 73 Business Company
Financial Statements
For the Year Ended June 30, 2024**

Contents

| | |
|---|------------|
| Independent Auditor's Report | 2-4 |
| Financial Statements | |
| Balance Sheet | 5 |
| Statement of Operations and Retained Earnings | 6 |
| Statement of Cash Flows | 7 |
| Notes to Financial Statements | 8 - 15 |



Independent Auditor's Report

To the shareholder of School District No. 73 Business Company

Opinion

We have audited the financial statements of School District No. 73 Business Company ("the Entity"), which comprise the balance sheet as at June 30, 2024, and the statements of operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at June 30, 2024, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter-Basis of Accounting and Restriction on Use

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Entity with its internal reporting requirements of its shareholder, School District No. 73 (Kamloops-Thompson). As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Entity and School District No. 73 (Kamloops-Thompson) and should not be used by parties other than the Entity and School District No. 73 (Kamloops-Thompson). Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Kamloops, British Columbia
September 25, 2024

School District No. 73 Business Company
Balance Sheet

| As at June 30 | 2024 | 2023 |
|---------------------------------|--------------|--------------|
| Assets | | |
| Current | | |
| Cash | \$ 815,169 | \$ 591,989 |
| Accounts receivable | 112,668 | 115,098 |
| Prepaid expenses | 3,415 | - |
| Due from Virtual School Society | 2,000 | 2,000 |
| Due from shareholder (Note 3) | 1,982,549 | 1,875,738 |
| | 2,915,801 | 2,584,825 |
| Equipment (Note 2) | 12,227 | 18,368 |
| | \$ 2,928,028 | \$ 2,603,193 |

Liabilities and Shareholder's Equity

| | | |
|--|--------------|--------------|
| Current | | |
| Accounts payable and accrued liabilities | \$ 58,911 | \$ 70,522 |
| Deferred revenue | 245,730 | 253,845 |
| Due to shareholder (Note 3) | 60,545 | 45,851 |
| | 365,186 | 370,218 |
| Shareholder's Equity | | |
| Share capital (Note 4) | 1 | 1 |
| Contributed surplus (Note 6) | 370,101 | 370,101 |
| Retained earnings | 2,192,740 | 1,862,873 |
| | 2,562,842 | 2,232,975 |
| | \$ 2,928,028 | \$ 2,603,193 |

On behalf of the Board:

Trina Cassidy Director

Rhonda Kershaw Director

School District No. 73 Business Company Statement of Operations and Retained Earnings

| For the year ended June 30 | 2024 | 2023 |
|---|---------------------|---------------------|
| Revenue | | |
| Course fees | \$ 683,332 | \$ 542,920 |
| Course fees - summer school | 233,340 | - |
| Interest revenue | 137,496 | 97,143 |
| | <u>1,054,168</u> | <u>640,063</u> |
| Operating expenses | | |
| Advertising | 1,091 | - |
| Agent fees | 19,120 | 88,715 |
| Amortization | 6,141 | 9,661 |
| Bank charges and interest (recovery) | (589) | 39,677 |
| Global Education contractors | 381,865 | 354,184 |
| Global Education website | 11,300 | 17,502 |
| Insurance | 5,850 | 5,850 |
| Management fees (Note 3) | 41,041 | 32,003 |
| Office expenses | 8,742 | 18,265 |
| Professional fees | 23,667 | 16,163 |
| Software fees | 9,738 | 11,271 |
| Summer school (Note 3) | 161,912 | - |
| Travel and marketing | 29,993 | 8,048 |
| | <u>699,871</u> | <u>601,339</u> |
| Net income | 354,297 | 38,724 |
| Retained earnings, beginning of the year | 1,862,873 | 1,824,149 |
| Dividends | (24,430) | - |
| Retained earnings, end of the year | \$ 2,192,740 | \$ 1,862,873 |

The accompanying notes are an integral part of these financial statements.

School District No. 73 Business Company Statement of Cash Flows

| For the year ended June 30 | 2024 | 2023 |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Cash receipts from customers | \$ 910,985 | \$ 881,423 |
| Cash paid to suppliers and employees | (708,755) | (558,428) |
| Interest received | 137,497 | 97,143 |
| | <u>339,727</u> | <u>420,138</u> |
| Cash flows to investing activities | | |
| Purchase of investments | - | (2,277) |
| Advances to shareholder | (92,117) | (109,460) |
| | <u>(92,117)</u> | <u>(111,737)</u> |
| Cash flows from financing activities | | |
| Dividends paid | (24,430) | - |
| | <u>(24,430)</u> | <u>-</u> |
| Net increase in cash | 223,180 | 308,401 |
| Cash, beginning of the year | 591,989 | 283,588 |
| Cash, end of the year | \$ 815,169 | \$ 591,989 |

The accompanying notes are an integral part of these financial statements.

School District No. 73 Business Company

Notes to Financial Information

June 30, 2024

1. Significant Accounting Policies

Nature of Business School District No. 73 Business Company (the "Company") was incorporated under the School Act of British Columbia on February 14, 2006.

The Company is engaged in delivering on-line courses to international students.

The Company is a wholly owned subsidiary of School District No. 73 (Kamloops-Thompson) (the "School District"), which is a school district defined by the School Act of British Columbia. As such, the Company is also governed by the School Act, and is exempt from income tax under the provisions of the *Income Tax Act*.

Basis of Accounting

As a government business enterprise, Canadian public sector accounting standards require the Company to adhere to the standards applicable to publicly accountable enterprises in the CPA Handbook-Accounting. Accordingly the Company is required under the Canadian generally accepted accounting principles to prepare its financial statement using the International Financial Reporting Standards. Management has determined that the internal reporting needs of the Company and its shareholder, School District No.73 (Kamloops-Thompson), are met through the use of Canadian accounting standards for private enterprise ("ASPE") and, therefore, these financial statements have been prepared in accordance with that framework. Since ASPE is not designed to necessarily meet the needs of all users of the financial statements of a government business enterprise, the readers of these financial statements may require additional information.

Revenue Recognition

Course fees are recognized as revenue once 14 days or 5% of the course has been completed as course fees become non refundable at this point.

Service contract revenues are recognized as revenue in the year that the services are provided.

School District No. 73 Business Company Notes to Financial Information

June 30, 2024

1. Significant Accounting Policies (continued)

**Financial
Instruments**

Arm's length financial instruments are recorded at fair value at initial recognition.

Related party financial instruments quoted in an active market or those with observable inputs significant to the determination of fair value or derivative contracts are recorded at fair value at initial recognition. All other related party financial instruments are recorded at cost at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

School District No. 73 Business Company Notes to Financial Information

June 30, 2024

1. Significant Accounting Policies (continued)

| Equipment | <p>Equipment is stated at cost less accumulated amortization. In the event that the facts and circumstances indicate that the Company's property and equipment may be impaired, an evaluation of the recoverability would be performed. Such an evaluation entails comparing the future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a writedown to market value or cash flow is required. Any impairment is included in earnings for the year. Amortization is provided over the estimated useful life of the assets, using the declining balance method, at the following annual rates:</p> <table><thead><tr><th></th><th style="text-align: right;">Rate</th></tr></thead><tbody><tr><td>Computer equipment</td><td style="text-align: right;">50%</td></tr><tr><td>Computer software</td><td style="text-align: right;">20%</td></tr><tr><td>Furniture and equipment</td><td style="text-align: right;">20%</td></tr></tbody></table> | | Rate | Computer equipment | 50% | Computer software | 20% | Furniture and equipment | 20% |
|--|---|--|-------------|--------------------|-----|-------------------|-----|-------------------------|-----|
| | Rate | | | | | | | | |
| Computer equipment | 50% | | | | | | | | |
| Computer software | 20% | | | | | | | | |
| Furniture and equipment | 20% | | | | | | | | |
| Impairment of Long-lived Assets | <p>In the event that facts and circumstances indicate that the Company's long-lived assets may be impaired, a test of recoverability would be performed.</p> <p>Such a test entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required.</p> <p>For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.</p> | | | | | | | | |
| Use of Estimates | <p>The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make assumptions and estimates that have an effect on 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. Actual results could be different from these estimates.</p> | | | | | | | | |

School District No. 73 Business Company Notes to Financial Information

June 30, 2024

1. Significant Accounting Policies (continued)

| | |
|-------------------------------------|--|
| Foreign Currency Translation | Foreign currency accounts are translated into Canadian dollars as follows: |
|-------------------------------------|--|

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period except for the foreign currency gains and losses on the long-term monetary items which are deferred and amortized over the remaining terms of the related items.

**School District No. 73 Business Company
Notes to Financial Information**

June 30, 2024

2. Equipment

| | 2024 | | 2023 | |
|-------------------------|---------------|-----------------------------|---------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Computer equipment | \$ 8,014 | \$ 8,014 | \$ 8,014 | \$ 8,014 |
| Computer software | 28,838 | 17,303 | 28,838 | 11,535 |
| Furniture and equipment | 2,281 | 1,589 | 2,281 | 1,216 |
| | 39,133 | 26,906 | 39,133 | 20,765 |
| | | \$ 12,227 | | \$ 18,368 |

School District No. 73 Business Company Notes to Financial Information

June 30, 2024

3. Related Party Transactions

Included in amounts due from Shareholder are surplus funds invested into an interest earning shared investment pool with the Ministry of Finance of the Province of British Columbia through a contract with the School District. These amounts are included in the amount due from shareholder. All interest earned on these funds are returned by the School District to the Company. The Company can require repayment of these funds at any time, and repayment would normally be within two business days.

| | 2024 | 2023 |
|-----------------|--------------|--------------|
| Opening balance | \$ 1,875,738 | \$ 1,793,100 |
| Interest earned | 106,811 | 82,638 |
| | \$ 1,982,549 | \$ 1,875,738 |

Included in the amounts due to Shareholder are the annual management fee charged by the School District as well as other expenses (reimbursements) for items paid for on behalf of the Company.

The management fee represents administrative and other support provided by the School District. This amount is due to the shareholder at year end, is non-interest bearing, without specific terms of repayment and due on demand.

| | 2024 | 2023 |
|--------------------------------|-----------|-----------|
| Opening balance | \$ 45,851 | \$ 72,673 |
| Management fee | 41,041 | 32,003 |
| Management fee - summer school | 60,000 | - |
| Expenses reimbursed to SD73 | (86,347) | (58,825) |
| | \$ 60,545 | \$ 45,851 |

4. Share Capital

Issued and outstanding share:

| | 2024 | 2023 |
|------------------------|------|------|
| Class A Share (voting) | \$ 1 | \$ 1 |

School District No. 73 Business Company Notes to Financial Information

June 30, 2024

5. Contributed Surplus

During the 2013 year, the Virtual School Society transferred the operations and assets of the LearnNowBC to the Company. As a result of the transfer of operations, the Company acquired infrastructure and working capital relating to this contract from the Virtual School Society ("VSS"). The Province, by way of Memorandum of Understanding and Transfer Under Agreement with the Company, was able to provide continued funding which LearnNowBC is economically dependant upon. As such, the transfer of operations was transacted at carrying value and the Company acquired the following, which resulted in contributed surplus in the financial statements.

| | |
|------------------------|-------------------|
| Property and equipment | \$ 263,370 |
| Working capital | 50,004 |
| Adjustment | <u>56,727</u> |
| Contributed Surplus | <u>\$ 370,101</u> |

School District No. 73 Business Company Notes to Financial Information

June 30, 2024

6. Financial Instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Company's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable from companies that operate in the same industry. The Company provides credit to its clients in the normal course of its operations.

The Company mitigates credit risk on its receivables through diversification of its customer base and limiting its exposure to any one customer.

There have not been any changes in the risk from the prior year.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Company will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions.

There have not been any changes in the risk from the prior year.

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. The Company is exposed to interest rate risk on its interest earning shared investment pool with the Ministry of Finance of the Province of British Columbia through a contract with the School District.

The Company is exposed to changes in interest rates related to its investments in an interest earning shared investment pool. The Company's primary objective is to ensure the security of principal amounts invested and provide for a high degree of liquidity, as the Company can require repayment of these funds at any time and repayment would be within 2 business days (Note 3).

There have not been any changes in the risk from the prior year.
