

School District No. 73 Business Company
Financial Statements
For the Year Ended June 30, 2019

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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, 2019, 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, 2019, 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.

Chartered Professional Accountants

Kamloops, British Columbia
September 16, 2019

School District No. 73 Business Company
Balance Sheet

June 30 2019 2018

Assets

Current

Cash	\$ 1,319,915	\$ 1,262,802
Accounts receivable	90,387	74,223
Prepaid expenses	43,420	40,342
Due from Virtual School Society	2,000	2,000
	1,455,722	1,379,367

Equipment (Note 2)	512	1,024
	\$ 1,456,234	\$ 1,380,391

	1,455,722	1,379,367
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	\$ 1,456,234	\$ 1,380,391
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Liabilities and Shareholder's Equity

Current

Accounts payable and accrued liabilities (Note 3)	\$ 106,502	\$ 73,864
Deferred revenue	138,765	119,012
Due to shareholder (Note 5)	119,710	76,100
	364,977	268,976

Shareholder's Equity

Share capital (Note 5)	1	1
Contributed surplus (Note 7)	370,101	370,101
Retained earnings	721,155	741,313
	1,091,257	1,111,415

	1,091,257	1,111,415
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	\$ 1,456,234	\$ 1,380,391
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On behalf of the Board:

Signature on file Director

Signature on file Director

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

For the year ended June 30	2019	2018
Revenue		
Course fees	\$ 1,070,045	\$ 981,644
LearnNowBC	-	150,000
Interest revenue	27,923	17,171
	1,097,968	1,148,815
Operating expenses		
Agent fees	417,150	299,313
Amortization	512	22,073
Bad debt expense	2,807	2,291
Global Education contractors	445,854	311,332
Global Education website	11,732	12,628
Insurance	2,772	3,928
LearnNowBC website	-	5,000
Management fees (Note 4)	55,745	56,582
Office expenses	10,016	1,045
Professional fees	14,937	48,492
Training	1,669	1,143
Travel and marketing	19,289	30,691
Wages and benefits	35,643	81,018
	1,018,126	875,536
Income before other income	79,842	273,279
Other income		
Loss on write-off of property, plant and equipment	-	(71,656)
Net income	79,842	201,623
Retained earnings, beginning of the year	741,313	539,690
Dividends	(100,000)	-
Retained earnings, end of the year	\$ 721,155	\$ 741,313

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	2019	2018
Cash flows from operating activities		
Cash receipts from customers	\$ 1,073,632	\$ 964,884
Cash paid to suppliers and employees	(932,307)	(863,734)
Interest received	27,923	17,171
	169,248	118,321
Cash flows from investing activities		
Acquisition of property and equipment	-	(1,365)
Advances to related parties	(112,135)	(35,851)
	(112,135)	(37,216)
Net increase in cash	57,113	81,105
Cash, beginning of the year	1,262,802	1,181,697
Cash, end of the year	\$ 1,319,915	\$ 1,262,802

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

School District No. 73 Business Company

Notes to Financial Statements

June 30, 2019

1. Significant Accounting Policies

Nature of Business School District No. 73 Business Company (the "Business Company") was incorporated under the School Act of British Columbia on February 14, 2006. The Business Company is engaged in delivering on-line courses to international students.

The Business 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 Business Company is also governed by the School Act.

Basis of Accounting As a government business enterprise, Canadian public sector accounting standards require School District No. 73 Business Company (the "Business 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 statmenet using the International Financial Reporting Standards. Mangagement has determined that the interal 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 courses has been completed ascourse 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 Statements

June 30, 2019

1. Significant Accounting Policies (continued)

Financial Instruments

Financial instruments are recorded at fair value at initial recognition.

In subsequent years, 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.

Equipment

Equipment is stated at cost less accumulated amortization. In the event that the facts and circumstances indicate that the Business 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:

	Rate
Computer equipment	50%

School District No. 73 Business Company
Notes to Financial Statements

June 30, 2019

1. Significant Accounting Policies (continued)

Use of Estimates 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.

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 Statements

June 30, 2019

2. Equipment

	2019		2018	
	Cost	Accumulate d Amortizatio n	Cost	Accumulated Amortization
Computer equipment	\$ 1,365	\$ 853	\$ 1,365	\$ 341
		\$ 512		\$ 1,024

3. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$2,753 (2017 - \$1,273).

4. Related Party Transactions

During the year, the Business Company was charged a management fee by the School District in the amount of \$55,745 (2018 - \$56,582). This fee represents administrative and other support provided by the School District. This amount is included in due to shareholder at year end.

The amount due from the shareholder relates to the administration fee payable to the School District and is subject to normal credit terms for trade payables.

5. Share Capital

Issued and outstanding shares:

	2019	2018
Class A Share	\$ 1	\$ 1

School District No. 73 Business Company Notes to Financial Statements

June 30, 2019

6. Contributed Surplus

During the 2013 year, the Virtual School Society transferred the operations and assets of the LearnNowBC to the Business Company. As a result of the transfer of operations, the Business 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 Business 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 Business 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>
