

School District No. 73
Business Company
Financial Statements
For the year ended March 31, 2014

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Independent Auditor's Report

To the Shareholder of
School District No. 73 Business Company

We have audited the accompanying financial statements of School District No. 73 Business Company, which comprise the balance sheet as at March 31, 2014, and the statements of operations and retained earnings, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on Canadian accounting standards for private enterprises.



Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist School District No. 73 Business Company with its internal reporting to its shareholder, School District No. 73 (Kamloops/Thompson) and the Province of British Columbia. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for School District No. 73 Business Company and School District No. 73 (Kamloops/Thompson) and should not be used by parties other than School District No. 73 Business Company and School District No. 73 (Kamloops/Thompson) and the Province of British Columbia.

BDO CANADA LLP

Chartered Accountants
Kamloops, British Columbia
August 13, 2014

School District No. 73 Business Company
Balance Sheet

As at March 31 **2014** **2013**

Assets

Current

Cash	\$	499,626	\$	419,360
Accounts receivable		208,124		182,067
Prepaid expenses		1,461		11,415
Due from Virtual School Society		50,000		-

759,211 **612,842**

Property, plant and equipment (Note 6)		168,458		211,439
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\$ 927,669 **\$ 824,281**

Liabilities and Shareholders' equity

Current

Accounts payable and accrued liabilities (Note 3)	\$	185,850	\$	180,237
Deferred revenue		98,849		156,995
Due to Virtual School Society		-		6,727
Due to shareholder (Note 3)		122,522		76,183

407,221 **420,142**

Shareholders' equity

Share capital (Note 4)		1		1
Contributed surplus (Note 5)		370,101		313,374
Retained earnings		150,346		90,764

520,448 **404,139**

\$ 927,669 **\$ 824,281**

Commitments (Note 8)

Approved on behalf of the Board:

_____ Director

_____ Director

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

For the year ended March 31	2014	2013
Revenue		
LearnNowBC	\$ 2,100,000	\$ 1,210,977
Course fees	209,065	184,294
Interest revenue	12,777	2,443
Other revenue	128,596	125,953
	2,450,438	1,523,667
Expenses		
Amortization	44,815	51,930
Bank charges and interest	1,587	2,403
Global Education contractors	107,762	89,135
Global Education website	12,272	16,801
Insurance	5,827	4,795
LearnNowBC academic advising	24,300	16,400
LearnNowBC contracted management services	180,758	81,136
LearnNowBC office lease	52,502	39,795
LearnNowBC website	1,276,235	689,361
Management fees (Note 3)	122,522	76,183
Office expenses	31,596	16,740
Professional fees	23,384	8,952
Training	5,686	5,820
Travel and marketing	42,158	26,986
Tutoring	459,452	322,220
	2,390,856	1,448,657
Net income for the year	59,582	75,010
Retained earnings, beginning of year	90,764	15,754
Retained earnings, end of year	\$ 150,346	\$ 90,764

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

School District No. 73 Business Company
Statement of Cash Flows

	2014	2013
Operating activities		
Cash receipts from customers	\$ 2,362,060	\$ 1,533,639
Cash paid to contractors and suppliers	(2,357,238)	(1,124,322)
Interest received	11,482	2,443
	16,304	411,760
Cash flows from operating activities		
Investing activities		
Purchase of capital assets	(1,833)	-
Loans and advances with related parties	65,795	-
	63,962	-
Cash flows from investing activities		
Net increase in cash and cash equivalents	80,266	411,760
Cash, beginning of year	419,360	7,600
Cash, end of year	\$ 499,626	\$ 419,360

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

School District No. 73 Business Company
Notes to Financial Statements

March 31, 2014

3. Related Party Transactions

During the year, the Company charged School District No. 73 (Kamloops/Thompson) an

School District No. 73 Business Company
Notes to Financial Statements

March 31, 2014

6. Property, Plant and Equipment

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 4,436	\$ 2,869	\$ 2,603	\$ 141
Computer software	256,345	92,284	256,345	51,269
Furniture and equipment	4,422	1,592	4,422	521
	265,203	96,745	263,370	51,931
Net book value		\$ 168,458		\$ 211,439

7. 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 Business 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 Business Company's financial instruments that are exposed to concentrations of credit risk relate primarily to the accounts receivable from companies that operate in the same industry.

8. Commitments

The Business Company has entered into a lease for a building for \$4,985 per month under a lease expiring March 31, 2015.

The minimum annual operating lease commitment is as follows:

2015	\$59,820
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Independent Auditor's Comments on Supplementary Information

To the Shareholder of
School District No. 73 Business Company

We have audited the financial statements of School District No. 73 Business Company, which comprise the balance sheet as at March 31, 2014, and the statements of operations and retained earnings and cash flows for the year then ended, and the notes to the financial statements, and have issued our

School District No. 73 Business Company
Statement of Operations

School District No. 73 Business Company
Statement of Operations
Schedule 2 - LearnNowBC

	2014	2013
Revenue		
LearnNowBC	2,100,000	1,210,977
Interest revenue	11,681	2,147
Other revenue	\$ 128,596	125,953
	<u>2,240,277</u>	<u>1,339,077</u>
Expenses		
Amortization	44,815	51,930
Bank charges and interest	291	323
Insurance	5,511	4,504
LearnNowBC academic advising	24,300	16,400
LearnNowBC contracted management services	180,758	81,136
LearnNowBC office lease	52,502	39,795
LearnNowBC website	1,276,235	689,361
Management fees	112,014	66,954
Office expenses	31,596	16,678
Professional fees	22,712	7,434
Travel and marketing	27,408	15,324
Tutoring	459,452	322,220
	<u>2,237,594</u>	<u>1,312,059</u>
Net income for the year	\$ 2,683	\$ 27,018