

Conestoga Student Services Inc.
Financial Statements
For the Year Ended April 30, 2021

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For the Year Ended April 30, 2021

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Independent Auditor's Report

To the Board of Directors of Conestoga Student Services Inc.

Qualified Opinions

We have audited the financial statements of Conestoga Student Services Inc. (the Company), which comprise the balance sheet as at April 30, 2021, and the statements of operations and deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Qualified Opinion on the Financial Position

In our opinion, except for the possible effects on the comparative information of the matter described in the Basis of Qualified Opinions section of our report, the accompanying balance sheet presents fairly, in all material respects, the financial position of the Company as at April 30, 2021 in accordance with Canadian accounting standards for private enterprises.

Qualified Opinion on the Results of Operations and Cash Flows

In our opinion, except the possible effects of the matter described in the Basis for Qualified Opinions section of our report, the accompanying statements of operations and deficit and cash flows present fairly, in all material respects, the results of operations and cash flows of the Company for the year ended April 30, 2021 in accordance with Canadian accounting standards for private enterprises.

Basis for Qualified Opinion

Due to government imposed lockdowns implemented on March 1, 2020 to prevent the further spread of COVID-19, both Conestoga Student Services Inc.'s restaurant facilities and the Conestoga College Campus were subject to restrictions and limitations. As a result, we were unable to observe the counting of physical inventories nor examine the state of inventories on hand as at the beginning of the year or satisfy ourselves concerning those inventory quantities by alternate means. Since opening inventories affect the determination of the results of operations and cash flows, we were unable to determine whether any adjustments to the results of operations and cash flows might be necessary for 2021. Our audit opinion on the financial statements for the year ended April 30, 2021 is modified accordingly because of the possible effects of this limitation in scope. Our audit opinion on the financial statements for the year ended April 30, 2020 was also modified for the reason described above.

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 Company 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.



Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. 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 the 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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.

Emphasis of Matter - Restated Comparative information

We draw attention to Note 3 to the financial statements, which explains that certain comparative information presented for the year ended April 30, 2020 has been restated. Our opinion is not modified in respect of this matter.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
September 9, 2021

Conestoga Student Services Inc.
Balance Sheet

April 30	2021	2020
		(restated - Note 3)
Assets		
Current		
Cash (Note 4)	\$ 224,626	\$ 237,057
Accounts receivable	3,536	46,952
Inventories (Note 6)	5,253	18,561
Prepaid expenses	1,483	2,048
	234,898	304,618
Property, plant and equipment (Note 7)	42,024	52,552
Franchise fee (Note 8)	-	916
	\$ 276,922	\$ 358,086

Liabilities and Shareholder's Deficiency

Current		
Accounts payable and accrued liabilities (Note 9)	\$ 9,747	\$ 31,565
CEBA loan payable (Note 5)	30,000	30,000
Due to Conestoga Students Incorporated (Note 10)	697,360	697,360
	737,107	758,925
Shareholder's Deficiency		
Share capital (Note 11)	100	100
Deficit	(460,285)	(400,939)
	(460,185)	(400,839)
	\$ 276,922	\$ 358,086

On behalf of the Board:

_____ Director

_____ Director

Conestoga Student Services Inc.
Statement of Operations and Deficit

For the year ended April 30	2021	2020
		(restated - Note 3)
Revenue		
Charter	\$ -	\$ 30,875
Health and wellness	-	136,562
Pita Pit (Note 10)	283	172,646
Venue (Note 10)	2,420	340,537
	<u>2,703</u>	<u>680,620</u>
Operating expenses		
Amortization of franchise fee	916	1,000
Amortization of property, plant and equipment	10,528	17,852
Charter (Note 10)	-	20,000
General	8,607	21,705
Health and wellness	526	93,506
Pita Pit food	-	59,051
Pita Pit general	4,409	20,989
Wages and salaries	70,070	344,405
Venue food and beverage	9,629	156,872
Venue general	1,013	26,890
	<u>105,698</u>	<u>762,270</u>
Loss before other income (expenses)	<u>(102,995)</u>	<u>(81,650)</u>
Other income (expenses)		
Impairment loss	-	(40,081)
Government assistance (Note 5)	43,649	41,066
	<u>43,649</u>	<u>985</u>
Net loss for the year	(59,346)	(80,665)
Deficit, beginning of year	<u>(400,939)</u>	<u>(320,274)</u>
Deficit, end of year	<u>\$ (460,285)</u>	<u>\$ (400,939)</u>

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

Conestoga Student Services Inc.
Statement of Cash Flows

For the year ended April 30	2021	2020
		(restated - Note 3)
Cash flows from operating activities		
Net loss for the year	\$ (59,346)	\$ (80,665)
Items not affecting cash:		
Amortization of property, plant and equipment	10,528	17,852
Amortization of franchise fee	916	1,000
Impairment loss on property, plant and equipment		40,081
Forgiveness of CEBA loan		(10,000)
	(47,902)	(31,732)
Changes in non-cash working capital:		
Accounts receivable	43,416	(30,132)
Inventories	13,308	(2,466)
Prepaid expenses	565	(12)
Accounts payable and accrued liabilities	(21,818)	(6,172)
	(12,431)	(70,514)
Cash flows from financing activities		
Advance of CEBA loan payable	-	40,000
Net decrease in cash	(12,431)	(30,514)
Cash, beginning of the year	237,057	267,571
Cash, end of the year	\$ 224,626	\$ 237,057

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

Conestoga Student Services Inc. Notes to Financial Statements

April 30, 2021

1. Significant Accounting Policies

Nature of Business	Conestoga Student Services Inc. (the "Company") was incorporated on October 27, 2015 under the Ontario Business Corporations Act and subsequently began operations. The Company is engaged in the business of operating a restaurant franchise, a pub-style restaurant, a charter bus service, and a health and wellness centre for students of Conestoga College.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for private enterprises.
Revenue Recognition	Revenue from sales and services are recognized when the significant risks and rewards of ownership are transferred to the customer, which generally coincides with the time of performance of the service or the point of sale transaction, collectability is reasonably assured, persuasive evidence of an arrangement exists and the sales price is fixed and determinable. Revenue is recorded net of allowable discounts and rebates.
Inventories	Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.
Property, Plant and Equipment	Property, plant and equipment are stated at cost less accumulated amortization. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the asset are capitalized.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Computer equipment	Declining balance	25%
Computer software	Declining balance	25%
Furniture and equipment	Declining balance	10%
Vehicle	Declining balance	20%

One half of the annual rate is provided in the year of acquisition and no amortization is provided in the year of disposal.

Conestoga Student Services Inc.
Notes to Financial Statements

April 30, 2021

1. Significant Accounting Policies (continued)

Impairment of Long-lived Assets 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.

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.

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.

Intangible Assets Purchased intangible assets are initially recorded at cost.

Intangible assets with finite useful lives are amortized over their estimated useful lives as follows:

	Method	Rate
Franchise Fee	Straight-line	5 years

Intangible assets with finite useful lives are tested for impairment when events or circumstances indicate that their carrying amount may not be recoverable. The impairment 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 fair value is required.

Income Taxes The Company uses the income taxes payable method of accounting for income taxes. Under this method, the company reports as an expense (income) of the year only the cost (benefit) of current income taxes determined in accordance with the rules established by taxation authorities.

Use of Estimates The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used for accounting for such items as inventories, accrued liabilities and useful lives of property, plant and equipment. Actual results could differ from management's best estimates as additional information becomes available in the future.

Conestoga Student Services Inc.
Notes to Financial Statements

April 30, 2021

1. Significant Accounting Policies (continued)

Government Assistance Government assistance received during the year for current expenses is included in the determination of net income for the year.

Financial Instruments Financial instruments are recorded at fair value at initial recognition.

In subsequent years, 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.

Conestoga Student Services Inc. Notes to Financial Statements

April 30, 2021

2. Going Concern

The Company's ability to continue as a going concern is dependent upon the continued financial support of Conestoga Students Incorporated, the shareholder, and the Company's ability to achieve a profitable level of operations to provide it with sufficient funds to operate the business. If the Company is unable to achieve the above, there is a possibility that the organization may be unable to continue to realize on its assets and to discharge its liabilities in the normal course of operations.

These financial statements are prepared on a going concern basis in accordance with Canadian accounting standards for private enterprises which assumes that the Company will be able to obtain adequate financial support as required and realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of the assets and liabilities.

3. Prior Period

During the current year, the Company determined that some property, plant and equipment were impaired in the prior year and were not written down to the lower of market value or discounted cash flow value. As a result, property, plant and equipment were overstated at the prior year end. The result of this correction to the prior year is as follows:

	As Previously stated	Adjustment	Restated
<u>Balance Sheet</u>			
Property, plant and equipment	\$ 72,592	\$ (20,040)	\$ 52,552
Deficit	\$ (380,899)	\$ (20,040)	\$ (400,939)
<u>Statement of Operations and Deficit</u>			
Net loss for the year	\$ (60,625)	\$ (20,040)	\$ (80,665)
Deficit, beginning of the year	(320,274)	-	(320,274)
Deficit, end of the year	\$ (380,899)	\$ (20,040)	\$ (400,939)

4. Cash

The organization's bank account is held with one chartered bank. The bank account earns nominal interest.

Conestoga Student Services Inc.
Notes to Financial Statements

April 30, 2021

5. Government Assistance

During the year, the Company recorded approximately \$1,770 (2020 - \$3,800) and \$41,879 (2020 - \$27,267) in financial assistance through the 10% Temporary Wage Subsidy for Employers and the Canada Emergency Wage Subsidy programs, respectively.

The Company received a COVID-19 relief loan from the Canada Emergency Business Account, which is an interest-free loan of \$40,000. In line with the program, repayment of the loan prior to December 31, 2022 will result in loan forgiveness of 25%. This forgivable portion was recognized in the year that the loan was received, as it is likely the debt will be repaid prior to December 31, 2022.

6. Inventories

	2021	2020
Pita Pit inventory	\$ 1,149	\$ 4,919
Venue inventory	4,104	13,642
	\$ 5,253	\$ 18,561

7. Property, Plant and Equipment

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	(restated - Note 3)			
Computer equipment	\$ 1,185	\$ 915	\$ 1,185	\$ 826
Computer software	3,425	3,425	3,425	3,425
Furniture and equipment	54,243	54,243	54,243	54,243
Vehicle	113,266	71,512	113,266	61,073
	\$ 172,119	\$ 130,095	\$ 172,119	\$ 119,567
		\$ 42,024		\$ 52,552

Conestoga Student Services Inc.
Notes to Financial Statements

April 30, 2021

8. Franchise Fee

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Franchise fee	\$ 5,000	\$ 5,000	\$ 5,000	\$ 4,084
		\$ -		\$ 916

9. Accounts Payable and Accrued Liabilities

	2021		2020	
Accounts payable and accrued liabilities	\$ 9,709	\$ 17,933	\$ 38	\$ 13,632
Government remittances payable				
	\$ 9,747	\$ 31,565		

Included in accounts payable and accrued liabilities is \$580 (2020 - \$Nil) due to Conestoga Students Incorporated, the parent organization.

Conestoga Student Services Inc.
Notes to Financial Statements

April 30, 2021

10. Related Party Balances and Transactions

	<u>2021</u>	<u>2020</u>
Due to Conestoga Students Incorporated, the parent organization	<u>\$ 697,360</u>	<u>\$ 697,360</u>

This balance is interest free, unsecured and has no fixed terms of repayment.

The following table summarizes the transactions during the year with Conestoga Students Incorporated.

	<u>2021</u>	<u>2020</u>
Revenue:		
Catering revenues	<u>\$ -</u>	<u>\$ 56,355</u>

These transactions are in the normal course of operations and are measured at the exchange amount (the amount of consideration established and agreed by the related parties).

11. Share Capital

Issued and outstanding shares:

 Unlimited Common shares

	<u>2021</u>	<u>2020</u>
100 common shares, voting	<u>\$ 100</u>	<u>\$ 100</u>

Conestoga Student Services Inc. Notes to Financial Statements

April 30, 2021

12. Income Taxes

The company has available to it losses of approximately \$310,000 which can be used to reduce income taxes in future periods which expire between 2036 and 2038. These tax benefits have not been recognized in the financial statements.

The Company accounts for income taxes using the taxes payable method. As a result, the Company's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

	2021	2020
Loss before taxes	\$ (59,346)	\$ (80,665)
Combined basic federal and provincial tax rates	26.50 %	26.50 %
Expected income tax expense	(15,727)	(21,376)
Increase (decrease) in income tax expense resulting from:		
Difference between net income for accounting and tax purposes	(3,005)	(343)
Non-capital loss carryforward created	18,732	21,719
Income tax expense	\$ -	\$ -

13. Commitments

Under the Pita Pit franchise agreement, which expires in April 2021, Conestoga Student Services Inc. is obligated to pay Pita Pit Limited 5% of gross Pita Pit sales.

14. Financial Instrument Risks

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. The Company's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable. The Company mitigates credit risk on its receivables through diversification of its customer base and limiting its exposure to any one customer.

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. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, and amounts due to its parent organization.

Conestoga Student Services Inc.
Notes to Financial Statements

April 30, 2021

15. Uncertainty due to COVID-19

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.
