COLUMBIA BASIN BROADBAND CORPORATION

FINANCIAL STATEMENTS

AS AT MARCH 31, 2019

CONTENTS

RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the accompanying financial statements. The financial statements have been prepared in accordance with financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and include amounts that are based on estimates and judgements. Management believes that the financial statements fairly present Columbia Basin Broadband Corporation's financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management. The financial statements have been approved by the Columbia Basin Broadband Corporation's Board of Directors.

Management has established and maintained appropriate systems of internal control which are designed to provide reasonable assurance that Columbia Basin Broadband Corporation's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of financial statements. These systems include formal written policies and appropriate delegation of authority and segregation of responsibilities within the organization.

The Auditor General of British Columbia has been appointed by the Columbia Basin Broadband Corporation's Board of Directors, to express an opinion as to whether the financial statements present fairly, in all material respects, Columbia Basin Broadband Corporation's financial position, results of operations, changes in net debt and cash flows in conformity with financial reporting provisions of public sector accounting standards. The Auditor's report follows and outlines the scope of their examination and their opinion on the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The external auditors have full and open access to the Columbia Basin Broadband Corporation's Board of Directors, with and without the presence of management.

Johnny Strilaeff	Christine Lloyd, CPA, CGA
President & CEO	Director, Finance & Operations

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Columbia Basin Broadband Corporation, and
To the Minister of Children and Family Development, Province of British Columbia

Qualified Opinion

I have audited the accompanying financial statements of Columbia Basin Broadband Corporation ("the entity"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and change in accumulated deficit, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2019, and the results of its operations and changes in accumulated deficit, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Qualified Opinion

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

As described in Note 2 to the financial statements, the entity's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In my opinion, certain contributions of the entity do not meet the definition of a liability, and as such, the entity's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. When the cumulative effects of this departure to date are adjusted through opening accumulated deficit, the liability for deferred capital contributions as at March 31, 2019 would have been lower by $1,404 thousand, accumulated deficit, beginning of year, would have been lower by $1,181 thousand, and current year revenue would have been higher by $223 thousand. Accordingly, current year surplus would have been higher by $223 thousand, and net debt would have been lower by $1,404 thousand.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the entity's financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Other Matters

Without modifying my opinion, I advise the reader that I was not engaged to audit the comparative financial statements of Columbia Basin Broadband Corporation as at March 31, 2018, for their fair presentation in accordance with Canadian Public Sector Accounting Standards. The financial statements of Columbia Basin Broadband Corporation as at March 31, 2018 were audited by a professional accounting firm who previously reported on their compliance with Section 23.1 of the *Budget Transparency and Accountability Act* including Treasury Board Regulation 198/2011 prescribing the accounting policy for contributions. However, because that audit reported against a different framework than that of the current year, I must advise you that the comparative information in the financial statements and related disclosures were not audited in accordance with Canadian Public Sector Accounting Standards, but rather in compliance with Section 23.1 of the *Budget Transparency and Accountability Act*.

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

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the 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 when the entity will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of Financial Statements

My objectives are to obtain reasonable assurance about whether the entity's 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 my 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 aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Russ Jones

Russ Jones, FCPA, FCA
Deputy Auditor General

Victoria, British Columbia, Canada
June 12, 2019

COLUMBIA BASIN BROADBAND CORPORATION
STATEMENT OF FINANCIAL POSITION
(in thousands)

AS AT MARCH 31		2019		2018
FINANCIAL ASSETS				
Cash	$	1,438	$	498
Accounts receivable (Note 3)		136		622
		1,574		1,120
LIABILITIES				
Accounts payable and accrued liabilities (Note 4)		166		207
Deferred capital contributions (Note 5)		1,404		1,181
Deferred revenue (Note 5)		69		1,144
Broadband initiatives liabilities (Note 6)		79		720
Advances from Columbia Basin Trust (Note 7)		12,216		11,144
		13,934		14,396
Net Debt		(12,360)		(13,276)
NON-FINANCIAL ASSETS				
Prepaid expenses		149		166
Tangible capital assets (Note 8)		5,445		5,418
		5,594		5,584
ACCUMULATED DEFICIT	$	(6,766)	$	(7,692)

Nature of Columbia Basin Broadband Corporation (Note 1)

Approved on behalf of the Board of Directors:

Ron Miles
Chair

Greg Deck
Director

COLUMBIA BASIN BROADBAND CORPORATION
STATEMENT OF OPERATIONS AND CHANGE IN ACCUMULATED SURPLUS (DEFICIT)
(in thousands)

FOR THE YEAR ENDED MARCH 31	Budget (Note 13)	2019	2018
REVENUES			
Grant revenues (Note 9)	$ 2,272	$ 2,619	$ 503
Connection fees	390	417	385
Service provider fees	297	276	147
Indefeasible right of use fees	118	122	144
Contract revenues	60	65	130
Other revenue	4	6	8
	3,141	3,505	1,317
EXPENSES			
Amortization	721	630	604
Staff remuneration and development	626	513	403
Network expenses	413	483	471
Federal program expenses (Note 9)	54	336	398
Internet bandwidth and connection fees	421	285	243
Hardware and software maintenance	206	174	143
Professional fees	215	104	191
Office and general	54	54	48
	2,710	2,579	2,501
ANNUAL SURPLUS (DEFICIT)	$ 431	$ 926	$ (1,184)
Accumulated deficit, beginning of year		(7,692)	(6,508)
ACCUMULATED DEFICIT, end of year		$ (6,766)	$ (7,692)

COLUMBIA BASIN BROADBAND CORPORATION
STATEMENT OF CHANGE IN NET DEBT
(in thousands)

FOR THE YEAR ENDED MARCH 31	**Budget** (Note 13)	**2019**	**2018**
ANNUAL DEFICIT	$ 431	$ 926	$ (1,184)
Acquisition of prepaid expenses	-	(149)	(166)
Use of prepaid expenses	-	166	110
Acquisition of tangible capital assets	(902)	(676)	(2,090)
Disposal of tangible capital assets	-	19	-
Amortization of tangible capital assets	721	630	604
	(181)	(10)	(1,542)
Change in Net Debt	250	916	(2,726)
NET DEBT, beginning of year	(13,276)	(13,276)	(10,550)
NET DEBT, end of year	$ (13,026)	$ (12,360)	$ (13,276)

COLUMBIA BASIN BROADBAND CORPORATION
STATEMENT OF CASH FLOWS
(in thousands)

FOR THE YEAR ENDED MARCH 31	2019	2018
CASH FLOWS FROM/APPLIED TO OPERATING ACTIVITIES		
Cash received from broadband income	$ 3,139	$ 1,847
Cash paid for operating expenses	(1,707)	(1,711)
Cash paid for broadband initiatives	(907)	(999)
	525	(863)
CASH FLOWS APPLIED TO CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(676)	(2,090)
Disposal of tangible capital assets	19	-
	(657)	(2,090)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from Columbia Basin Trust	1,072	3,050
INCREASE IN CASH	940	97
CASH, beginning of year	498	401
CASH, end of year	$ 1,438	$ 498

1. NATURE OF COLUMBIA BASIN BROADBAND CORPORATION

(a) Formation of Columbia Basin Broadband Corporation and continuing operations

Columbia Basin Broadband Corporation (CBBC) was formed in June 2011 under the *Canada Business Corporations Act* and is a wholly owned and controlled subsidiary of Columbia Basin Trust (the Trust). CBBC is a technology company with a mission to advance social and economic development in the Basin through the development and use of broadband technology. CBBC's operations are dependant on continued financial support from the Trust through loans and advances (Note 7). The Trust is committed to fund the operations of CBBC into the foreseeable future.

(b) Nature of Columbia Basin Trust

The Trust is a corporation established by the *Columbia Basin Trust Act*. The purpose of the Trust is to manage its assets for the ongoing economic, social and environmental well being of the Columbia Basin region. The sole share of the Trust is held by the Minister of Finance on behalf of the Province.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of CBBC are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of CBBC are as follows:

(a) Basis of accounting

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia (Section 23.1) supplemented by Regulations 257/2010 and 198/2011 (Regulations) issued by the Province of British Columbia Treasury Board.

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for public sector organizations in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations to adopt Canadian public sector accounting standards without any PS4200 elections.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

i. Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

ii. Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

2. (a) Basis of accounting (continued)

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that

iii. government transfers that do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and

iv. externally restricted contributions be recognized as revenue in the period in which the stipulations are met.

As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

(b) Tangible capital assets and amortization

Tangible capital assets are recorded at cost, which includes amounts directly related to the acquisition, construction, design, development, improvement or betterment of the assets. Costs may include overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

The cost less residual value, of depreciable tangible capital assets is amortized on a straight-line basis over their expected useful lives as follows:

	Years
Fibre optics	25
Inside plant	15
Network hardware	3 - 7

Tangible capital assets are written down to their residual value when conditions indicate that they no longer contribute to CBBC's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs are accounted for as expenses in the statement of operations. Transfers of capital assets from related parties are recorded at carrying value.

(c) Revenue recognition

CBBC derives revenues primarily from providing access to its broadband network and to a third party's telecommunication network as well as from providing services over those networks. Customers are mainly in the government sector. CBBC's agreements are for access services which are typically billed monthly. Revenues are recognized in the period in which the goods or services associated with the revenue have been provided, evidence of an agreement exists and the amount is readily determinable. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. Where payment related to fees or agreements for services is collected in advance, deferred revenue is recorded and revenue is recognized in a manner consistent with how the fee is earned or service is provided.

2. (c) Revenue recognition (continued)

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

i. Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded.

   The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

ii. Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

Contributions are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose. Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

(d) Leasing

Leases are classified as leased tangible capital assets whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Any assets leased to third parties under operating leases remain on the statement of financial position.

(e) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

A function represents the activities related to providing a type of service, an object represents the type of resource utilized to provide the service. As CBBC's activities are comprised of a single function, expenses are presented by object in the statement of operations.

(f) Taxes

CBBC is exempt from income taxes under paragraph 149(1)(d) of the *Income Tax Act*. CBBC is also exempt from Federal Large Corporations Tax under subsection 181.1(3) of the *Income Tax Act*.

(g) Foreign currency translation

Foreign currency transactions are translated at the exchange rates prevailing at the dates of transactions.
Monetary assets and liabilities included in the fair value measurement category denominated in foreign currencies, are

2. (g) Foreign currency translation (continued)

translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

(h) Financial instruments

Derivatives and equity instruments quoted in an active market are measured at fair value. CBBC measures other specific financial instruments at cost and amortized cost to correspond with how they are evaluated and managed. Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

For financial instruments measured using amortized cost, amortized cost is defined as the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus cumulative amortization using the effective interest method and minus any impairment losses. The effective interest rate method is used to determine interest revenue or expense.

For portfolio investments measured at cost, the cost method records the initial investment at cost and earnings from such investments are recognized only to the extent received or receivable. When an investment is written down to recognize an impairment loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

Financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations and any related fair value changes previously recorded in the statement of remeasurement gains and losses are reversed to the extent of the impairment. Impairment losses are not reversed for a subsequent increase in value.

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

CBBC has designated its financial instruments as follows:

i. **Cash**
Cash includes cash on hand and demand deposits. CBBC presents its Statement of Cash Flows using the direct method.

ii. **Other financial assets and financial liabilities**
Accounts receivable and accounts payable and accrued liabilities are measured at amortized cost and are recorded at their amortized cost using the effective interest method.

(i) Prepaid expenses

Prepaid expenses consist of amounts paid in advance or deposits made for which CBBC will receive goods or services in future years.

(Tabular amounts in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect 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 the revenues and expenses during the period. Significant estimates include assumptions for determining the life of tangible capital assets. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. ACCOUNTS RECEIVABLE

	2019	2018
Government of Canada receivable	$ 55	$ 496
Accounts receivable	55	46
Other receivables	26	80
	$ 136	$ 622

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Accounts payable	$ 123	$ 128
Accrued liabilities	43	79
	166	207

5. DEFERRED CAPITAL CONTRIBUTIONS AND DEFERRED REVENUE

	Deferred Capital Contributions	Deferred Revenue	Total
March 31, 2019			
Opening balance	$ 1,181	$ 1,144	$ 2,325
Contributions received during the year	343	-	343
Transfers to revenue during the year	(120)	(1,075)	(1,195)
	$ 1,404	$ 69	$ 1,473
March 31, 2018			
Opening balance	$ 720	$ 1,191	$ 1,911
Contributions received during the year	577	-	577
Transfers to revenue during the year	(116)	(47)	(163)
	$ 1,181	$ 1,144	$ 2,325

Deferred capital contributions and deferred revenue will be recognized in revenue as follows:

	Deferred Capital Contributions	Deferred Revenue	Total
2020	$ 125	$ 69	$ 194
2021	125	-	125
2022	125	-	125
Thereafter	1,029	-	1,029
	$ 1,404	$ 69	$ 1,473

(Tabular amounts in thousands)

6. BROADBAND INITIATIVES LIABILITIES

Broadband initiatives liabilities refers to obligations that are payable to various organizations in regards to the *Connecting Canadians Program.* The *Connecting Canadians Program* extends and/or enhances broadband networks for rural and remote Canadian communities and provides access to high quality broadband services for households to participate in the digital economy. The *Connecting Canadians Program* was substantially completed by March 31, 2019.

	2019	2018
Liabilities, beginning of year	$ 720	$ 1,321
Funds authorized during the year	266	398
Funds paid during the year	(907)	(999)
Liabilities, end of year	$ 79	$ 720

7. ADVANCES FROM COLUMBIA BASIN TRUST

The Trust advanced $1.1 million to CBBC in fiscal 2019 (fiscal 2018 - $3 million) for a cumulative total of $12.2 million. The amount is without interest or security and is payable on demand.

8. TANGIBLE CAPITAL ASSETS

	Fibre Optics	Network Hardware	Inside Plant	Total
March 31, 2019				
Cost				
Opening balance	$ 3,744	$ 2,933	$ 727	$ 7,404
Additions	386	205	85	676
Disposals	(3)	(11)	(9)	(23)
	4,127	3,127	803	8,057
Accumulated amortization				
Opening balance	(481)	(1,347)	(158)	(1,986)
Amortization	(166)	(406)	(58)	(630)
Disposals	-	3	1	4
	(647)	(1,750)	(215)	(2,612)
	$ 3,480	$ 1,377	$ 588	$ 5,445
March 31, 2018				
Cost				
Opening balance	$ 2,363	$ 2,315	$ 636	$ 5,314
Additions	1,381	618	91	2,090
	3,744	2,933	727	7,404
Accumulated amortization				
Opening balance	(330)	(946)	(106)	(1,382)
Amortization	(151)	(401)	(52)	(604)
	(481)	(1,347)	(158)	(1,986)
	$ 3,263	$ 1,586	$ 569	$ 5,418

(Tabular amounts in thousands)

9. GRANT REVENUES AND FEDERAL PROGRAM EXPENSES

CBBC and several Internet Service Providers entered into various agreements related to the Government of Canada's *Connecting Canadians Program*. The *Connecting Canadians Program* extends and/or enhances broadband networks for rural and remote Canadian communities and provides access to high quality broadband services for households to participate in the digital economy. Grant revenues and federal program expenses are related to the Internet Service Providers under the *Connecting Canadians Program*. This program was substantially completed by March 31, 2019.

10. CONTRACTUAL RIGHTS

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. CBBC's contractual rights arise because of contracts entered into for various broadband sevices.

The following table summarizes the contractual rights of CBBC's future assets:

	2020	2021	2022	2023	2024
Connection fees	$ 421	$ 348	$ 324	$ 272	$ 277
Service provider fees	134	128	99	85	7
Indefeasible right of use fees	95	62	60	60	60
	$ 650	$ 538	$ 483	$ 417	$ 344

11. RISK MANAGEMENT

(a) Credit risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

CBBC's maximum exposure to credit risk at March 31 was:

	2019	2018
Accounts receivable	$ 136	$ 622

(b) Liquidity risk

Liquidity risk refers to the risk that CBBC will encounter difficulty in meeting obligations associated with financial liabilities. CBBC monitors and maintains its liquidity to ensure sufficient capacity to repay its financial liabilities when they become due. CBBC considers that it has sufficient liquidity to meet its financial obligations. As discussed in Note 1(a), CBBC is dependant on continual financial support from the Trust and expects to be dependant on the Trust into the foreseeable future.

The maximum exposure to liquidity risk at March 31 was:

	2019	2018
Accounts payable and accrued liabilities	$ 166	$ 207
Broadband initiatives liabilities	$ 79	$ 720
Advances from Columbia Basin Trust	$ 12,216	$ 11,144

12. RELATED PARTY TRANSACTIONS

The Trust controls CBBC and provides funding for broadband operations as required. The Trust advanced a total of $12.2 million to CBBC as of March 31, 2019 (fiscal 2018 - $11.1 million). Advances are without interest and are payable on demand. Based on the market rate of borrowing of 4.25% at March 31, 2019, CBBC would have incurred annual interest costs of $519,000 in fiscal 2019 for funding obtained from an unrelated external source.

13. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the CBBC's annual budget approved by the Board of Directors in November 2017.