

**EASTERN ONTARIO REGIONAL NETWORK INC.**

**FINANCIAL STATEMENTS**

**MARCH 31, 2015**

**EASTERN ONTARIO REGIONAL NETWORK INC.**

**FINANCIAL STATEMENTS**

**MARCH 31, 2015**

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# EASTERN ONTARIO REGIONAL NETWORK



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## EASTERN ONTARIO REGIONAL NETWORK INC.

For The Year Ended March 31, 2015

### MANAGEMENT REPORT

The accompanying financial statements of the Eastern Ontario Regional Network Inc. are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The organization maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the organization's assets are appropriately accounted for and adequately safeguarded.

The organization's Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

The Board of Directors reviews and approves the organization's financial statements for issuance to the members of the Eastern Ontario Regional Network Inc. The Board of Directors meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the financial statements and the independent auditors' report.

The financial statements have been audited by Collins Barrow Kawarthas LLP in accordance with Canadian generally accepted auditing standards on behalf of the organization. Collins Barrow Kawarthas LLP has full and free access to the organization.

Chair

C. ABC

Date

Sept 22, 2015

Chief Executive Officer

David F. L.

Date

Sept 15 2015

**INDEPENDENT AUDITORS' REPORT****To the Members of the Board of Directors of the Eastern Ontario  
Regional Network Inc.***Report on the Financial Statements*

We have audited the accompanying financial statements of the Eastern Ontario Regional Network Inc., which comprise the statement of financial position as at March 31, 2015, the statements of operations and accumulated surplus, net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Eastern Ontario Regional Network Inc. as at March 31, 2015 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

*Collins Barrow Kawarthas LLP*

Chartered Professional Accountants  
Peterborough, Ontario  
September 22, 2015

# EASTERN ONTARIO REGIONAL NETWORK INC.

## STATEMENT OF FINANCIAL POSITION

At March 31, 2015

	2015	2014
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash	4,333,337	18,887,496
HST receivable	1,796,748	1,775,915
Grants receivable	6,418,583	7,193,663
Accounts receivable	187,021	98,294
<b>TOTAL FINANCIAL ASSETS</b>	<b>12,735,689</b>	<b>27,955,368</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	7,264,024	8,040,823
Advances from EOWC (note 4)	4,209,410	5,258,985
Deferred revenue (note 3)	-	13,868,314
<b>TOTAL LIABILITIES</b>	<b>11,473,434</b>	<b>27,168,122</b>
<b>NET FINANCIAL ASSETS</b>	<b>1,262,255</b>	<b>787,246</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	-	1,039
<b>ACCUMULATED SURPLUS (note 9)</b>	<b>1,262,255</b>	<b>788,285</b>

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

# EASTERN ONTARIO REGIONAL NETWORK INC.

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended March 31, 2015

	Budget 2015 \$ (Unaudited)	Actual 2015 \$	Actual 2014 \$
<b>REVENUES</b>			
Government of Canada	11,517,683	11,157,487	8,574,273
Province of Ontario	11,517,682	11,157,486	8,574,272
Municipal contributions	5,517,724	1,047,739	924,162
In-kind contributions (note 5)	8,232,195	10,234,430	16,744,254
Sustainability funding - private sector partners	473,970	473,970	334,603
Interest	-	77,720	69,561
Other	-	33,028	-
<b>TOTAL REVENUES</b>	<b>37,259,254</b>	<b>34,181,860</b>	<b>35,221,125</b>
<b>EXPENSES</b>			
General - eligible	2,314,985	1,532,068	1,606,113
General - ineligible	4,777,062	660,258	488,703
Satellite	1,210,981	1,221,199	6,363,218
Access	28,482,256	30,294,365	26,428,488
<b>TOTAL EXPENSES</b>	<b>36,785,284</b>	<b>33,707,890</b>	<b>34,886,522</b>
<b>ANNUAL SURPLUS</b>	<b>473,970</b>	<b>473,970</b>	<b>334,603</b>
<b>ACCUMULATED SURPLUS - beginning of year</b>	<b>788,285</b>	<b>788,285</b>	<b>453,682</b>
<b>ACCUMULATED SURPLUS - end of year</b>	<b>1,262,255</b>	<b>1,262,255</b>	<b>788,285</b>

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

# EASTERN ONTARIO REGIONAL NETWORK INC.

## STATEMENT OF NET FINANCIAL ASSETS For the Year Ended March 31, 2015

	Budget 2015 \$ (Unaudited)	Actual 2015 \$	Actual 2014 \$
<b>ANNUAL SURPLUS</b>	473,970	473,970	334,603
(Increase)/decrease in prepaid expenses	-	1,039	(1,039)
<b>INCREASE IN NET FINANCIAL ASSETS</b>	473,970	475,009	333,564
<b>NET FINANCIAL ASSETS - beginning of year</b>	787,246	787,246	453,682
<b>NET FINANCIAL ASSETS - end of year</b>	1,261,216	1,262,255	787,246

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

# EASTERN ONTARIO REGIONAL NETWORK INC.

## STATEMENT OF CASH FLOWS For the Year Ended March 31, 2015

	2015	2014
	\$	\$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Annual surplus	473,970	334,603
(Increase)/decrease in HST receivable	(20,833)	287,859
(Increase)/decrease in grants receivable	775,080	(315,225)
Increase in accounts receivable	(88,727)	(85,167)
(Increase)/decrease in prepaid expenses	1,039	(1,039)
Increase/(decrease) in accounts payable and accrued liabilities	(776,799)	1,519,200
<b>Net increase in cash from operating transactions</b>	<b>363,730</b>	<b>1,740,231</b>
<b>FINANCING</b>		
Decrease in advances from EOWC	(1,049,575)	(875,316)
Decrease in deferred revenue	(13,868,314)	(8,785,776)
<b>Net decrease in cash from financing transactions</b>	<b>(14,917,889)</b>	<b>(9,661,092)</b>
<b>DECREASE IN CASH</b>	<b>(14,554,159)</b>	<b>(7,920,861)</b>
<b>CASH - beginning of year</b>	<b>18,887,496</b>	<b>26,808,357</b>
<b>CASH - end of year</b>	<b>4,333,337</b>	<b>18,887,496</b>

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



# EASTERN ONTARIO REGIONAL NETWORK INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2015

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### 1. NATURE OF OPERATIONS

Eastern Ontario Regional Network Inc. (EORN) was incorporated without share capital on May 20, 2010 and was formed to manage a project of the Eastern Ontario Wardens' Caucus (EOWC) to improve internet access to at least 95 percent of homes and businesses in Eastern Ontario, with the support of the Federal, Provincial and Municipal governments and the private sector.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies are as follows:

(a) Reporting Entity

These financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the Eastern Ontario Regional Network Inc.

(b) Recognition of Revenues and Expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

(c) Government Funding

Government funding is recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(d) Tangible Capital Assets

Network Infrastructure

The organization retains ownership of 51% of the funded network assets of this project; however, all repairs and maintenance and upgrade costs are the responsibility of the service providers contracted to provide the network infrastructure. Since the organization does not retain operational control over the network infrastructure, they have not been recorded as tangible capital assets but are reported as an expense on the statement of operations and accumulated surplus.

Other

The organization does not have any other tangible capital assets.

(e) Non-financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the organization because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the organization unless they are sold.

# EASTERN ONTARIO REGIONAL NETWORK INC.

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended March 31, 2015

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Reserves

Certain amounts are set aside in reserves for future operating purposes. Transfers to and/or from reserves are an adjustment to the reserves when approved.

(g) Use of Estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions, in such areas as accrued liabilities and collectability of receivables, 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 revenues and expenses during the year. Actual results could differ from those estimates.

(h) Financial Instruments

The organization's financial instruments consist of cash, HST receivable, grants receivable, accounts receivable, accounts payable and accrued liabilities and advances from EOWC. Unless otherwise noted, it is management's opinion that the carrying value of the financial instruments approximates their fair values and that the organization does not have any significant concentration of interest, currency or credit risk.

### 3. DEFERRED REVENUE

Deferred revenue consists of amounts received from the Province of Ontario in advance of claims plus interest on those advances as follows:

	2015	2014
	\$	\$
Balance - beginning of year	13,868,314	22,654,090
Add: Interest	334,841	236,802
Less transfer to operations:		
Claims released per statement of account	11,069,635	9,022,578
Claims filed but not yet released (a)	3,133,520	-
	14,203,155	9,022,578
Balance - end of year	-	13,868,314

(a) Claims filed but not released have been combined with grants receivable as the grants receivable will be settled net of the advances received from the Province.

# EASTERN ONTARIO REGIONAL NETWORK INC.

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended March 31, 2015

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### 4. ADVANCES FROM EOWC

The organization has received advances from a related organization, Eastern Ontario Wardens' Caucus (EOWC), in order to fund the network construction project. The advances are based on contribution agreements between EOWC and each of the member municipalities. No interest was payable on the advances for fiscal 2015.

### 5. IN-KIND CONTRIBUTIONS

In-kind contributions are comprised of private sector contributions to the project.

### 6. BUDGET FIGURES

The budget, approved by the organization in December 2014, for 2015 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Net Financial Assets. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

### 7. ECONOMIC DEPENDENCE

The organization receives the majority of its funding from government grants, municipal contributions and private sector partners' contributions. As such the organization is economically dependent on these funding sources for its ongoing operations.

### 8. COMMITMENTS

The organization has entered into an agreement with the County of Peterborough for geographic information systems and information technology services with a cost of \$83,550 per year.

The organization has entered into an agreement with the County of Hastings for financial and administrative services with a cost of \$112,500 per year.

### 9. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2015	2014
	\$	\$
<b>Reserves</b>		
Sustainability funding reserve	1,262,255	788,285
	<u>1,262,255</u>	<u>788,285</u>

As part of EORN's various funding agreements with governments and private sector partners, EORN will receive sustainability funding that is being set aside in a reserve to fund operating expenses after March 31, 2015.

### 10. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation.

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