

EASTERN ONTARIO REGIONAL NETWORK INC.

FINANCIAL STATEMENTS

MARCH 31, 2016

EASTERN ONTARIO REGIONAL NETWORK INC.

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EASTERN ONTARIO REGIONAL NETWORK



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EASTERN ONTARIO REGIONAL NETWORK INC.

For The Year Ended March 31, 2016

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

Waverly Anon

Date

Sept 13 2016

Chief Executive Officer

David Fell

Date

Sept 13 2016

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, 2016, 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, 2016 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
Licensed Public Accountants

Peterborough, Ontario
September 14, 2016

EASTERN ONTARIO REGIONAL NETWORK INC.

STATEMENT OF FINANCIAL POSITION

At March 31, 2016

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash	4,496,297	4,333,337
HST receivable	32,942	1,796,748
Grants receivable	22,596	6,418,583
Accounts receivable	214,866	187,021
TOTAL FINANCIAL ASSETS	4,766,701	12,735,689
LIABILITIES		
Accounts payable and accrued liabilities	93,712	7,264,024
Advances from EOWC (note 3)	3,410,734	4,209,410
TOTAL LIABILITIES	3,504,446	11,473,434
NET FINANCIAL ASSETS	1,262,255	1,262,255
ACCUMULATED SURPLUS (note 7)	1,262,255	1,262,255

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, 2016

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
REVENUES			
Member contributions	1,441,000	800,512	1,047,739
Sustainability funding	361,331	361,332	473,970
Community Futures Development Corporation	-	100,000	-
Eastern Ontario Wardens Caucus	-	25,000	-
Eastern Ontario Mayors Caucus	-	15,000	-
In-kind contributions (note 4)	9,000	21,165	10,234,430
Interest	-	43,884	77,720
Other	-	3,000	33,028
Government of Canada	-	-	11,157,487
Province of Ontario	-	-	11,157,486
TOTAL REVENUES	1,811,331	1,369,893	34,181,860
EXPENSES			
Operations	1,048,831	894,313	-
Regional economic development	162,500	28,641	-
Leadership council	-	4,662	-
Leadership - collaborative EODP contract	-	200,000	-
Municipal services project	150,000	89,034	-
Broadband education project	150,000	2,963	-
Broadband infrastructure - cell gap project	150,000	125,280	-
Technology innovation project	150,000	25,000	-
Network construction project	-	-	33,707,890
TOTAL EXPENSES	1,811,331	1,369,893	33,707,890
ANNUAL SURPLUS	-	-	473,970
ACCUMULATED SURPLUS - beginning of year	1,262,255	1,262,255	788,285
ACCUMULATED SURPLUS - end of year	1,262,255	1,262,255	1,262,255

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, 2016

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
ANNUAL SURPLUS	-	-	473,970
Decrease in prepaid expenses	-	-	1,039
INCREASE IN NET FINANCIAL ASSETS	-	-	475,009
NET FINANCIAL ASSETS - beginning of year	1,262,255	1,262,255	787,246
NET FINANCIAL ASSETS - end of year	1,262,255	1,262,255	1,262,255

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, 2016

	2016	2015
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	-	473,970
Decrease in HST receivable	1,763,806	(20,833)
Decrease in grants receivable	6,395,987	775,080
Increase in accounts receivable	(27,845)	(88,727)
Decrease in prepaid expenses	-	1,039
Decrease in accounts payable and accrued liabilities	(7,170,312)	(776,799)
Net increase in cash from operating transactions	961,636	363,730
FINANCING		
Decrease in advances from EOWC	(798,676)	(1,049,575)
Decrease in deferred revenue	-	(13,868,314)
Net decrease in cash from financing transactions	(798,676)	(14,917,889)
INCREASE IN CASH	162,960	(14,554,159)
CASH - beginning of year	4,333,337	18,887,496
CASH - end of year	4,496,297	4,333,337

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, 2016

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.

EORN is now focused on expanding and leveraging regional broadband access, both fixed and mobile. In 2015, EORN developed a 10-year Digital Strategy to ensure that improved broadband access will deliver economic growth and a better quality of life to Eastern Ontario communities.

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.

Member contributions are earned based on operating and other project expenses in excess of other revenue sources. The total remaining unspent member contributions is shown as advances from EOWC on the Statement of Financial Position.

Sustainability funding is recognized in the financial statements as revenues in the period in which it is earned based on the terms of the funding agreement.

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.

In-kind contributions are recorded based on the fair value of the goods or services received at no cost.

(c) 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.

EASTERN ONTARIO REGIONAL NETWORK INC.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Tangible Capital Assets

Network Infrastructure

The organization retains ownership of 51% of the funded network assets of the network construction project completed in 2015; 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 have been reported as an expense on the statement of operations and accumulated surplus.

Other

The organization does not have any other tangible capital assets.

3. 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 its member municipalities. No interest is payable on the advances for fiscal 2016.

4. IN-KIND CONTRIBUTIONS

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

5. BUDGET FIGURES

The budget, approved by the organization for 2016 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Net Financial Assets. Budget figures are not subject to audit.

6. COMMITMENTS

The organization has entered into an agreement with the County of Peterborough for information technology services with a cost of \$9,500 plus HST per year.

The organization has entered into an agreement with the County of Hastings for financial and administrative services with a cost of \$115,000 plus HST per year.

7. ACCUMULATED SURPLUS

Accumulated surplus consists of sustainability funding that EORN received as part of various funding agreements with private sector partners to fund operating expenses after March 31, 2015.

8. COMPARATIVE FIGURES

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