

EASTERN ONTARIO REGIONAL NETWORK INC.

FINANCIAL STATEMENTS

MARCH 31, 2017

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EASTERN ONTARIO REGIONAL NETWORK



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EASTERN ONTARIO REGIONAL NETWORK INC.

For The Year Ended March 31, 2017

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 auditor, 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 auditor's 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

Date

September 13, 2017

Chief Executive Officer

Date

September 13, 2017

INDEPENDENT AUDITOR'S 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, 2017, 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.

Auditor's 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 auditor's 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, 2017 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 13, 2017

EASTERN ONTARIO REGIONAL NETWORK INC.

STATEMENT OF FINANCIAL POSITION

At March 31, 2017

	2017	2016
	\$	\$
FINANCIAL ASSETS		
Cash	3,866,730	4,496,297
HST receivable	49,944	32,942
Grants receivable	22,596	22,596
Accounts receivable	174,448	214,866
TOTAL FINANCIAL ASSETS	4,113,718	4,766,701
LIABILITIES		
Accounts payable and accrued liabilities	149,947	93,712
Advances from EOWC (note 3)	2,629,226	3,410,734
Deferred revenue	72,290	-
TOTAL LIABILITIES	2,851,463	3,504,446
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, 2017

	Budget 2017 \$ (Unaudited)	Actual 2017 \$	Actual 2016 \$
REVENUES			
Member contributions	1,150,682	781,508	800,512
Sustainability funding	384,968	384,968	361,332
Community Futures Development Corporation	-	-	100,000
Eastern Ontario Wardens Caucus	25,000	25,000	25,000
Eastern Ontario Mayors Caucus	15,000	15,000	15,000
In-kind contributions (note 4)	9,000	10,783	21,165
Interest	-	46,327	43,884
Consulting services	-	66,010	-
Other	-	-	3,000
TOTAL REVENUES	1,584,650	1,329,596	1,369,893
EXPENSES			
Operations	1,265,250	819,863	894,313
Regional economic development	112,500	35,374	28,641
Leadership council	45,300	66,726	204,662
Municipal services project	193,000	210,893	89,034
Broadband education project	200,000	43,356	2,963
Broadband infrastructure - cell gap project	130,000	61,505	125,280
Technology innovation project	50,000	-	25,000
Consulting - Deep River	-	37,869	-
Consulting - Nova Scotia	-	54,010	-
TOTAL EXPENSES	1,996,050	1,329,596	1,369,893
ANNUAL DEFICIT	<u>(411,400)</u>	-	-
ACCUMULATED SURPLUS - beginning of year		1,262,255	1,262,255
ACCUMULATED SURPLUS - end of year		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, 2017

	Budget 2017 \$ (Unaudited)	Actual 2017 \$	Actual 2016 \$
ANNUAL DEFICIT	(411,400)	-	-
NET FINANCIAL ASSETS - beginning of year	1,262,255	1,262,255	1,262,255
NET FINANCIAL ASSETS - end of year	850,855	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, 2017

	2017	2016
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	-	-
Change in non-cash assets and liabilities		
HST receivable	(17,002)	1,763,806
Grants receivable	-	6,395,987
Accounts receivable	40,418	(27,845)
Accounts payable and accrued liabilities	56,235	(7,170,312)
Deferred revenue	72,290	-
Net change in cash from operating activities	151,941	961,636
FINANCING ACTIVITIES		
Change in advances from EOWC	(781,508)	(798,676)
NET CHANGE IN CASH	(629,567)	162,960
CASH - beginning of year	4,496,297	4,333,337
CASH - end of year	3,866,730	4,496,297

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, 2017

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 as both a revenue and expense based on the fair value of the goods or services received at no cost.

Consulting services are recognized in the financial statements as revenues in the period in which it is earned based on the terms of the agreements.

(c) Deferred Revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

EASTERN ONTARIO REGIONAL NETWORK INC.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended March 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) 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.

(e) 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 was payable on the advances for fiscal 2017.

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 2017 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.

EASTERN ONTARIO REGIONAL NETWORK INC.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended March 31, 2017

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.