

EASTERN ONTARIO REGIONAL NETWORK INC.
FINANCIAL STATEMENTS
MARCH 31, 2018

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EASTERN ONTARIO REGIONAL NETWORK



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EASTERN ONTARIO REGIONAL NETWORK INC.

For The Year Ended March 31, 2018

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

9/11/18

Chief Executive Officer

Date

9/11/18

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, 2018, 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, 2018 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 11, 2018

EASTERN ONTARIO REGIONAL NETWORK INC.

STATEMENT OF FINANCIAL POSITION

At March 31, 2018

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash	3,240,758	3,866,730
HST receivable	65,369	49,944
Grants receivable	-	22,596
Accounts receivable	138,389	174,448
TOTAL FINANCIAL ASSETS	3,444,516	4,113,718
LIABILITIES		
Accounts payable and accrued liabilities	80,752	149,947
Advances from EOWC (note 3)	2,251,509	2,629,226
Deferred revenue	-	72,290
TOTAL LIABILITIES	2,332,261	2,851,463
NET FINANCIAL ASSETS	1,112,255	1,262,255
ACCUMULATED SURPLUS (note 7)	1,112,255	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, 2018

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
REVENUES			
Member contributions	537,363	377,905	781,508
Sustainability funding	345,096	316,346	384,968
In-kind contributions (note 4)	9,000	10,876	10,783
Interest	-	49,150	46,327
Consulting services	42,590	120,490	66,010
TOTAL REVENUES	934,049	874,767	1,289,596
EXPENSES			
Operations	1,192,250	827,693	819,863
Regional economic development	75,000	11,758	35,374
Leadership council	33,612	33,612	26,726
Municipal services project	145,000	52,817	210,893
Broadband education project	100,000	15,721	43,356
Broadband infrastructure - cell gap project	150,000	55,744	61,505
Technology innovation project	75,000	-	-
Consulting - Deep River	-	9,015	37,869
Consulting - Nova Scotia	-	18,407	54,010
TOTAL EXPENSES	1,770,862	1,024,767	1,289,596
ANNUAL DEFICIT	<u>(836,813)</u>	(150,000)	-
ACCUMULATED SURPLUS - beginning of year		1,262,255	1,262,255
ACCUMULATED SURPLUS - end of year		1,112,255	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, 2018

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
ANNUAL DEFICIT	(836,813)	(150,000)	-
NET FINANCIAL ASSETS - beginning of year	1,262,255	1,262,255	1,262,255
NET FINANCIAL ASSETS - end of year	425,442	1,112,255	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, 2018

	2018	2017
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual deficit	(150,000)	-
Change in non-cash assets and liabilities		
HST receivable	(15,425)	(17,002)
Grants receivable	22,596	-
Accounts receivable	36,059	40,418
Accounts payable and accrued liabilities	(69,195)	56,235
Deferred revenue	(72,290)	72,290
Net change in cash from operating activities	(248,255)	151,941
FINANCING ACTIVITIES		
Change in advances from EOWC	(377,717)	(781,508)
NET CHANGE IN CASH	(625,972)	(629,567)
CASH - beginning of year	3,866,730	4,496,297
CASH - end of year	3,240,758	3,866,730

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, 2018

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.

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) Tangible Capital Assets

Network Infrastructure

During 2017, the organization transferred ownership of its 51% share of the funded network assets of the network construction project completed in 2015 to the service providers.

Other

The organization does not have any other tangible capital assets.

EASTERN ONTARIO REGIONAL NETWORK INC.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) 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.

(e) 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.

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 2018.

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 2018 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 with an annual cost of \$30,500 plus HST for information technology and support services with additional hourly costs for GIS and procurement services. The original term of the agreement is from January 1, 2018 to December 31, 2018 and it will renew annually until terminated with an annual increase consistent with the County's collective agreement.

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 until terminated.

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.
