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**OPENMEDIA ENGAGEMENT NETWORK**

**FINANCIAL STATEMENTS**

**MARCH 31, 2019**

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# OPENMEDIA ENGAGEMENT NETWORK

## CONTENTS

MARCH 31, 2019

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	Page
Independent Auditors' Report	1 - 3
Statement of Financial Position	4
Statement of Revenue and Expenditures	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 13

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## INDEPENDENT AUDITORS' REPORT

To the Members of OpenMedia Engagement Network:

### Qualified Opinion

We have audited the financial statements of OpenMedia Engagement Network (the "Organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of revenue and expenditures, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

### Basis for Qualified Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In common with many not-for-profit organizations, the Organization derives support from the general public in the form of donation revenue, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization, and we were not able to determine whether any adjustments might be necessary to donations, excess of revenue over expenditures, assets and net assets.

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

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



## INDEPENDENT AUDITORS' REPORT (continued)

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)**

In preparing these financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



## INDEPENDENT AUDITORS' REPORT (continued)

### Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization 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.

We 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 we identify during the audit.

*Logan Katz LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Ottawa, Canada  
September 26, 2019

# OPENMEDIA ENGAGEMENT NETWORK

## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 713,314	\$ 428,734
Accounts receivable (Note 2)	20,008	323,674
Prepaid expenditures	2,387	4,165
	<u>735,709</u>	<u>756,573</u>
<b>PROPERTY AND EQUIPMENT (Note 3)</b>	3,278	4,439
<b>INVESTMENTS (Note 4)</b>	50,005	50,005
	<u>\$ 788,992</u>	<u>\$ 811,017</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 53,431	\$ 43,233
Government remittances payable	6,653	9,507
	<u>60,084</u>	<u>52,740</u>
<b>DEFERRED CONTRIBUTIONS (Note 5)</b>	-	220,745
	<u>60,084</u>	<u>273,485</u>
<b>NET ASSETS</b>		
Invested in property and equipment	3,278	4,439
Unrestricted	725,630	533,093
	<u>728,908</u>	<u>537,532</u>
	<u>\$ 788,992</u>	<u>\$ 811,017</u>

Financial instruments (Note 6)

ON BEHALF OF THE BOARD:

\_\_\_\_\_, Director

\_\_\_\_\_, Director

# OPENMEDIA ENGAGEMENT NETWORK

## STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31, 2019

	2019	2018
	(12 months)	(15 months)
<b>REVENUE</b>		
Business contributions	\$ 284,009	\$ 499,427
Individual donations	823,533	868,268
Organizational donations	29,764	71,265
(Loss) gain on foreign exchange	(7,197)	201,700
Reimbursements		
Regulatory proceedings	14,696	56,469
Other	4,031	17,223
Investment income	2,478	554
	<u>1,151,314</u>	<u>1,714,906</u>
<b>EXPENDITURES</b>		
Amortization	1,161	1,442
Communications	96,801	125,049
Human resources	13,311	31,789
Insurance	1,126	2,452
Office	103,998	143,352
Salaries and benefits	417,006	907,204
Subcontractors	301,436	352,812
Travel	25,099	27,824
	<u>959,938</u>	<u>1,591,924</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>\$ 191,376</u>	<u>\$ 122,982</u>

# OPENMEDIA ENGAGEMENT NETWORK

## STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2019

	2019			2018	
	Invested in Property and Equipment	Unrestricted	Total	Total	
<b>BALANCES AT BEGINNING OF YEAR</b>	\$ 4,439	\$ 533,093	\$ 537,532	\$ 414,550	
Excess of (expenditures over revenue) revenues over expenditures	(1,161)	192,537	191,376	122,982	
<b>BALANCES AT END OF YEAR</b>	\$ 3,278	\$ 725,630	\$ 728,908	\$ 537,532	



# OPENMEDIA ENGAGEMENT NETWORK

## STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2019

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures	\$ 191,376	\$ 122,982
Adjustment for:		
Amortization	1,161	1,442
Deferred contributions recognized as revenue	(220,745)	(1,791,766)
Changes in non-cash operating working capital:		
Accounts receivable	303,666	164,593
Prepaid expenditures	1,778	(2,291)
Accounts payable and accrued liabilities	10,198	(102,000)
Government remittances payable	(2,854)	2,151
	284,580	(1,604,889)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net restricted contributions received	-	1,864,591
<b>INCREASE IN CASH</b>	284,580	259,702
Cash at beginning of year	428,734	169,032
<b>CASH AT END OF YEAR</b>	\$ 713,314	\$ 428,734

# OPENMEDIA ENGAGEMENT NETWORK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

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### GENERAL

OpenMedia Engagement Network (the "Organization") is a not-for-profit organization incorporated in September 2004 under Part II of the Canada Corporations Act and subsequently continued under the Canada Not-for-profit Corporations Act. The primary purpose of the Organization is to promote open and affordable Internet access. As a not-for-profit organization, the Organization is exempt from income tax on its surplus.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNFP") and include the following significant accounting policies:

##### Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

##### *Investment Income*

Investment income includes interest income earned on investments held. Unrestricted investment income is recorded directly in the statement of revenue and expenditures when earned.

##### Deferred Contributions

##### *Business Contributions and Organizational Donations*

Deferred contributions relate to restricted operating funding received in the current year pertaining to activities, and therefore expenditures, to be incurred in the subsequent period.

##### *Individual Donations*

Deferred individual donations relate to specific campaign funding received in the current year pertaining to the subsequent period.

##### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short term deposits with a cooperative bank, as well as PayPal accounts and Bitcoins, all of which are highly liquid.

# OPENMEDIA ENGAGEMENT NETWORK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property and Equipment

Property and equipment are recorded at cost. Amortization is provided using the declining balance basis at the following annual rates:

Computer equipment	55%
Furniture and equipment	20%

#### Financial Instruments

##### *Measurement of Financial Instruments*

The Organization initially measures its financial assets and liabilities at fair value.

The Organization subsequently measures all its financial assets at amortized cost or cost, and all financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial assets measured at cost include investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

##### *Impairment*

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of revenue and expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of revenue and expenditures. The accounts receivable is netted by an allowance for doubtful accounts of \$Nil (2018 - \$Nil).

##### *Transaction Costs*

Transaction costs are comprised primarily of legal, accounting, underwriters' fees and other costs directly attributable to the acquisition, issuance or disposal of financial assets or financial liabilities. Transaction costs related to financial assets or financial liabilities that are measured at amortized cost are netted against the carrying value of the financial asset or liability.

# OPENMEDIA ENGAGEMENT NETWORK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Foreign Currency Translation

The Organization uses the temporal method to translate its foreign currency transaction.

Income and expense items are translated at the exchange rate at the date the transaction occurs. Exchange gains and losses are included in the statements of revenue and expenditures.

#### Use of Estimates

These financial statements have been prepared by management in accordance with ASNFPO and accordingly, require 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 amount of revenues and expenditures during the reporting period. Actual results could differ from these estimates. The significant estimates in the financial statements include the estimated useful lives of property and equipment, allowance for doubtful accounts, the amount of certain accounts receivable and the amount of certain accrued liabilities.

### 2. ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following:

	2019	2018
Donations and contributions receivable	\$ 20,008	\$ 241,431
Cost recovery claims recoverable	-	82,243
	\$ 20,008	\$ 323,674

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# OPENMEDIA ENGAGEMENT NETWORK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

### 3. PROPERTY AND EQUIPMENT

	2019			2018	
	Cost	Accumulated Amortization	Net	Net	
Computer equipment	\$ 5,347	\$ 5,347	\$ -	\$ 341	
Furniture and equipment	7,469	4,191	3,278	4,098	
	\$ 12,816	\$ 9,538	\$ 3,278	\$ 4,439	

### 4. INVESTMENTS

Investments consist of:

	2019		2018	
Investment in New Mode Consulting Inc.	\$ 50,000	\$ 50,000		
VanCity membership shares	5	5		
	\$ 50,005	\$ 50,005		

### 5. DEFERRED CONTRIBUTIONS

The changes in the deferred contributions balance for the year are as follows:

	2019		2018	
Balance at beginning of year	\$ 220,745	\$ 147,920		
Restricted contributions received in year	-	1,864,591		
Less: contributions recognized as revenue	(220,745)	(1,791,766)		
Balance at end of year	\$ -	\$ 220,745		

# OPENMEDIA ENGAGEMENT NETWORK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

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### 6. FINANCIAL INSTRUMENTS

#### Risks

The Organization is exposed to various risks through its financial instruments, without being exposed to interest rate. The following analysis provides a measure of the Organization's risk exposure at the statement of financial position date:

#### *Currency Risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Organization's funding is in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations. As at March 31, 2019, cash, accounts receivable, and deferred revenue of \$77,871, \$Nil and \$Nil respectively (2018 - \$101,919, \$160,850, and \$160,850) are denominated in US dollars and converted to Canadian dollars. As at March 31, 2019, cash and deferred revenue of 4.64 and Nil respectively (2018 - 2.7 and 1) are denominated in Bitcoin and converted to Canadian dollars.

The Organization had a total foreign exchange gain on the sale of 0 Bitcoin of \$Nil (2018 - 9 Bitcoin of \$167,173) which is included in the gain on foreign exchange.

#### *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Organization manages its liquidity risk through use of cash forecasts.

#### Credit Facility

The Organization has an authorized \$100,000 line of credit bearing interest at a credit union prime rate plus 1.5% per annum, which remained unused as at March 31, 2019. The line of credit is secured by a general security agreement.

The Organization has available \$30,000 of credit on various credit cards, bearing interest at 19.5% per annum, of which \$15,416 remained unused as at the year end. The balance used is included in accounts payable and accrued liabilities.