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**OPENMEDIA ENGAGEMENT NETWORK**

**FINANCIAL STATEMENTS**

**MARCH 31, 2020**

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# OPENMEDIA ENGAGEMENT NETWORK

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MARCH 31, 2020

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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, 2020, 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, 2020, 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 (ASNFPPO).

### 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 ASNFPPO 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 24, 2020

# OPENMEDIA ENGAGEMENT NETWORK

## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 421,368	\$ 713,314
Accounts receivable	2,362	20,008
Government remittances recoverable	7,781	-
Prepaid expenditures	20,865	2,387
	452,376	735,709
<b>CAPITAL ASSETS (Note 2)</b>	2,623	3,278
<b>INVESTMENTS (Note 3)</b>	50,005	50,005
	\$ 505,004	\$ 788,992
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 30,477	\$ 53,431
Government remittances payable	-	6,653
	30,477	60,084
<b>NET ASSETS</b>		
Invested in property and equipment	2,622	3,278
Unrestricted	471,905	725,630
	474,527	728,908
	\$ 505,004	\$ 788,992

Financial instruments (Note 5)

Subsequent events (Note 6)

COVID-19 (Note 7)

ON BEHALF OF THE BOARD:

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

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

# OPENMEDIA ENGAGEMENT NETWORK

## STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31, 2020

	2020	2019
<b>REVENUE</b>		
Business contributions	\$ 60,943	\$ 284,009
Individual donations	575,582	823,533
Organizational donations	29,934	29,764
Gain (loss) on foreign exchange	15,652	(7,197)
Reimbursements		
Regulatory proceedings	11,040	14,696
Other	720	4,031
Investment income	2,621	2,478
	696,492	1,151,314
<b>EXPENDITURES</b>		
Amortization	656	1,161
Communications	107,606	96,801
Human resources	14,308	13,311
Insurance	1,773	1,126
Office	106,939	103,998
Salaries and benefits	462,322	417,006
Subcontractors	223,277	301,436
Travel	33,992	25,099
	950,873	959,938
<b>EXCESS OF (EXPENDITURES OVER REVENUE)</b>		
<b>REVENUE OVER EXPENDITURES</b>	\$ (254,381)	\$ 191,376

# OPENMEDIA ENGAGEMENT NETWORK

## STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2020

	2020			2019	
	Invested in Property and Equipment	Unrestricted	Total	Total	
<b>BALANCES AT BEGINNING OF YEAR</b>	\$ 3,278	\$ 725,630	\$ 728,908	\$ 537,532	
Excess of (expenditures over revenues) revenues over expenditures	(656)	(253,725)	(254,381)	191,376	
<b>BALANCES AT END OF YEAR</b>	\$ 2,622	\$ 471,905	\$ 474,527	\$ 728,908	



# OPENMEDIA ENGAGEMENT NETWORK

## STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2020

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of (expenditures over revenue) revenue over expenditures	\$ (254,381)	\$ 191,376
Adjustment for:		
Amortization	656	1,161
Deferred contributions recognized as revenue	-	(220,745)
Changes in non-cash operating working capital:		
Accounts receivable	17,646	303,666
Prepaid expenditures	(18,478)	1,778
Accounts payable and accrued liabilities	(22,955)	10,198
Government remittances payable	(14,434)	(2,854)
	(291,946)	284,580
<b>(DECREASE) INCREASE IN CASH</b>	(291,946)	284,580
Cash at beginning of year	713,314	428,734
<b>CASH AT END OF YEAR</b>	\$ 421,368	\$ 713,314

# OPENMEDIA ENGAGEMENT NETWORK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

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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, 2020

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

#### Capital Assets

Capital assets are recorded at cost. Amortization is provided using the declining balance basis at the following annual rates:

Furniture and equipment	20%
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#### 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 and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable, and 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 (2019 - \$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.

#### Foreign Currency Translation

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

Monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Items appearing in the current year's statements of revenue and expenditures are translated at the exchange rate in effect at the transaction date. Exchange gains and losses are included in the statements of revenue and expenditures.

# OPENMEDIA ENGAGEMENT NETWORK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

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

#### Use of Estimates

These financial statements have been prepared by management in accordance with ASNFPPO 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 capital assets, allowance for doubtful accounts, the amount of certain accounts receivable and the amount of certain accrued liabilities.

### 2. CAPITAL ASSETS

	2020		2019	
	Cost	Accumulated Amortization	Net	Net
Computer equipment	\$ 5,347	\$ 5,347	\$ -	\$ -
Furniture and equipment	7,469	4,846	2,623	3,278
	\$ 12,816	\$ 10,193	\$ 2,623	\$ 3,278

### 3. INVESTMENTS

Investments consist of:

	2020		2019	
Investment in New Mode Consulting Inc.	\$ 50,000	\$ 50,000		
VanCity membership shares	5	5		
	\$ 50,005	\$ 50,005		

# OPENMEDIA ENGAGEMENT NETWORK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

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### 4. DEFERRED CONTRIBUTIONS

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

	2020	2019
Balance at beginning of year	\$ -	\$ 220,745
Contributions deferred during the year	-	-
Less: contributions recognized as revenue	-	(220,745)
Balance at end of year	\$ -	\$ -

### 5. 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, 2020, cash and accounts receivable of \$46,339 and \$Nil respectively (2019 - \$77,871 and \$Nil) are denominated in US dollars and converted to Canadian dollars. As at March 31, 2020, cash of 4.67 (2019 - 4.64) is denominated in Bitcoin and converted to Canadian dollars.

#### *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, 2020. The line of credit is secured by a general security agreement.

The Organization has available \$45,000 of credit on various credit cards, bearing interest at 19.50% per annum, of which \$38,930 remained unused as at the year end. The balance used is included in accounts payable and accrued liabilities.

# OPENMEDIA ENGAGEMENT NETWORK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

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### 6. SUBSEQUENT EVENT

Subsequent to the year end, the Organization filed a cost recovery application for their participation in regulatory proceedings at the Canadian Radio-Television Commission (CRTC) during the year. If successful the Organization would receive regulatory proceedings revenue in the amount of \$66,784, with corresponding legal expenses of \$49,749 to be paid from that amount. It is the Organization's understanding that, should the application be denied, they would have no liability for these expenses. Given the uncertainty surrounding the status of the application to date and contingent nature of the associated costs, no provision for either has been recorded in these financial statements.

### 7. COVID-19

In March 2020, the World Health Organization declared the COVID-19 coronavirus outbreak to constitute a pandemic. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's parent donors, employees and vendors all of which are uncertain and cannot be predicted. As such, the extent to which COVID-19 may impact the Organization's financial condition or results of operations cannot be reasonably estimated at this time.