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# **OPENMEDIA ENGAGEMENT NETWORK**

## **FINANCIAL STATEMENTS**

**MARCH 31, 2023**

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# OPENMEDIA ENGAGEMENT NETWORK

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MARCH 31, 2023

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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, 2023, 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, 2023, 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 *Auditors' 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 auditors' 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 11, 2023

# OPENMEDIA ENGAGEMENT NETWORK

## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2023

|  | 2023       | 2022       |
|--|------------|------------|
| <b>ASSETS</b>                            |            |            |
| <b>CURRENT ASSETS</b>                    |            |            |
| Cash                                     | \$ 307,667 | \$ 642,404 |
| Accounts receivable                      | 5,655      | 7,187      |
| Prepaid expenditures                     | 19,347     | 19,787     |
|  | 332,669    | 669,378    |
| <b>CAPITAL ASSETS (Note 2)</b>           | 12,109     | 11,211     |
| <b>INVESTMENTS (Note 3)</b>              | 8          | 5          |
|  | \$ 344,786 | \$ 680,594 |
| <b>LIABILITIES AND NET ASSETS</b>        |            |            |
| <b>CURRENT LIABILITIES</b>               |            |            |
| Accounts payable and accrued liabilities | \$ 40,328  | \$ 57,907  |
| Government remittances payable           | 25,339     | 31,193     |
|  | 65,667     | 89,100     |
| <b>NET ASSETS</b>                        |            |            |
| Invested in capital assets               | 12,109     | 11,210     |
| Unrestricted                             | 267,010    | 580,284    |
|  | 279,119    | 591,494    |
|  | \$ 344,786 | \$ 680,594 |

Financial instruments (Note 5)

Government assistance (Note 6)

ON BEHALF OF THE BOARD:

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

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

# OPENMEDIA ENGAGEMENT NETWORK

## STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31, 2023

|   | 2023             | 2022             |
|---|------------------|------------------|
| <b>REVENUE</b>  |                  |                  |
| Business contributions  | \$ 150,684       | \$ 277,829       |
| Gain on foreign exchange  | 4,524            | 2,688            |
| Individual donations  | 470,195          | 550,008          |
| Organizational donations  | 30,892           | 137,926          |
| Reimbursements  |                  |                  |
| Regulatory proceedings  | -                | 130              |
| Other   | 7,364            | 864              |
|   | 663,659          | 969,445          |
| <b>EXPENDITURES</b>   |                  |                  |
| Amortization  | 631              | 4,036            |
| Communications  | 67,295           | 63,830           |
| Human resources   | 11,203           | 20,268           |
| Insurance   | 2,559            | 3,466            |
| Office  | 69,788           | 61,967           |
| Salaries and benefits   | 816,263          | 675,998          |
| Subcontractors  | 7,702            | 23,523           |
| Travel  | 593              | 907              |
|   | 976,034          | 853,995          |
| <b>Excess of (expenditures over revenue)</b>                              |                  |                  |
| <b>revenue over expenditures, before other item</b>                       | (312,375)        | 115,450          |
| <b>OTHER ITEM</b>   |                  |                  |
| Impairment loss on investment (Note 3)                                    | -                | (50,000)         |
| <b>EXCESS OF (EXPENDITURES OVER REVENUE) REVENUE OVER EXPENDITURES \$</b> | <b>(312,375)</b> | <b>\$ 65,450</b> |

# OPENMEDIA ENGAGEMENT NETWORK

## STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2023

|  | 2023                             |              |            | 2022       |  |
|--|----------------------------------|--------------|------------|------------|--|
|  | Invested in<br>Capital<br>Assets | Unrestricted | Total      | Total      |  |
| <b>BALANCES AT BEGINNING OF YEAR</b>                               | \$ 11,210                        | \$ 580,284   | \$ 591,494 | \$ 526,044 |  |
| Excess of (expenditures over revenue)<br>revenue over expenditures | (630)                            | (311,745)    | (312,375)  | 65,450     |  |
| Acquisition of capital assets                                      | 1,529                            | (1,529)      | -          | -          |  |
| <b>BALANCES AT END OF YEAR</b>                                     | \$ 12,109                        | \$ 267,010   | \$ 279,119 | \$ 591,494 |  |



# OPENMEDIA ENGAGEMENT NETWORK

## STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2023

|   | 2023         | 2022       |
|---|--------------|------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |              |            |
| Excess of (expenditures over revenue) revenue over expenditures | \$ (312,375) | \$ 65,450  |
| Items not including cash::                                      |              |            |
| Amortization  | 631          | 4,036      |
| Impairment loss on investment                                   | -            | 50,000     |
|   | (311,744)    | 119,486    |
| Changes in non-cash operating working capital:                  |              |            |
| Accounts receivable   | 1,532        | 180,732    |
| Prepaid expenditures  | 440          | 1,008      |
| Accounts payable and accrued liabilities                        | (17,580)     | (28,779)   |
| Government remittances payable                                  | (5,854)      | 18,487     |
| Deferred contributions  | -            | (80,036)   |
|   | (333,206)    | 210,898    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |              |            |
| Acquisition of capital assets                                   | (1,531)      | (13,149)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |              |            |
| Repayments of CEBA loan   | -            | (40,000)   |
| <b>(DECREASE) INCREASE IN CASH</b>                              | (334,737)    | 157,749    |
| Cash at beginning of year                                       | 642,404      | 484,655    |
| <b>CASH AT END OF YEAR</b>                                      | \$ 307,667   | \$ 642,404 |

# OPENMEDIA ENGAGEMENT NETWORK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023

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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 taxes.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO) 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 with a cooperative bank and in PayPal accounts.

# OPENMEDIA ENGAGEMENT NETWORK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023

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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:

|                         |     |
|-------------------------|-----|
| Computer equipment      | 30% |
| 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 and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, 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 (2022 - \$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 statement of revenue and expenditures.

# OPENMEDIA ENGAGEMENT NETWORK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023

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### 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, the allowance for doubtful accounts and the amount of certain accrued liabilities.

#### Government Assistance

Government assistance related to COVID-19 relief received or receivable for the current year expenditures are included in income as eligible expenditures are incurred and there is reasonable assurance that the assistance will be realized.

### 2. CAPITAL ASSETS

|                         | 2023      |                             |           | 2022      |  |
|-------------------------|-----------|-----------------------------|-----------|-----------|--|
|                         | Cost      | Accumulated<br>Amortization | Net       | Net       |  |
| Computer equipment      | \$ 20,024 | \$ 9,258                    | \$ 10,766 | \$ 9,533  |  |
| Furniture and equipment | 7,469     | 6,126                       | 1,343     | 1,678     |  |
|                         | \$ 27,493 | \$ 15,384                   | \$ 12,109 | \$ 11,211 |  |

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# OPENMEDIA ENGAGEMENT NETWORK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023

### 3. INVESTMENTS

Investments consist of:

|   | 2023 | 2022      |
|---|------|-----------|
| Investment in New Mode Consulting Inc.                    | \$ - | \$ 50,000 |
| Impairment loss on investment in New Mode Consulting Inc. | -    | (50,000)  |
| VanCity membership shares                                 | 8    | 5         |
|   | \$ 8 | \$ 5      |

During the prior year, the organization had taken an impairment loss of \$50,000 on the investment in New Mode Consulting Inc. The loss taken was based on management's best estimate of the net realizable value of the investment. The impairment was recognized in '*Impairment loss on investment*' in the statement of revenue and expenditures.

### 4. DEFERRED CONTRIBUTIONS

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

|   | 2023 | 2022      |
|---|------|-----------|
| Balance at beginning of year              | \$ - | \$ 80,036 |
| Contributions received during the year    | -    | -         |
| Less: contributions recognized as revenue | -    | (80,036)  |
| Balance at end of year                    | \$ - | \$ -      |

### 5. FINANCIAL INSTRUMENTS

#### Risks

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

# OPENMEDIA ENGAGEMENT NETWORK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023

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### 5. FINANCIAL INSTRUMENTS (continued)

#### *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, 2023, cash and accounts receivable of \$98,403 and \$Nil respectively (2022 - \$259,737 and \$Nil) are denominated in US dollars and converted to Canadian dollars. As at March 31, 2023, cash and accounts receivable of \$2,203 and \$Nil respectively (2022 - \$2,203 and \$Nil) are denominated in Great Britain Pounds 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, 2023 (2022 - \$Nil). 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 \$38,088 remained unused as at March 31, 2023 (2022 - \$28,555 unused). The balance used is included in accounts payable and accrued liabilities.

### 6. GOVERNMENT ASSISTANCE

To assist in mitigating the impact of the COVID-19 pandemic, the Organization participated in the following government assistance programs:

#### *Canada Emergency Business Account ("CEBA") program:*

This program provides an interest-free \$60,000 loan to help cover operating costs during a period where revenues have been temporarily reduced, due to the economic impacts of the virus. If the loan is repaid on or before December 31, 2023, 25% of the loan, or \$20,000, will be forgiven. The Organization repaid the loan in full during the 2022 fiscal year and the forgivable portion was recognized as other revenue in the statement of revenue and expenditures in the 2021 fiscal year.

Government assistance may be subject to a Canada Revenue Agency review and assessment of the Organization's eligibility. If it is determined that the Organization is ineligible, any amounts to be repaid will be included as an expenditure in that fiscal year.