OPENMEDIA ENGAGEMENT NETWORK

FINANCIAL STATEMENTS

DECEMBER 31, 2016

OPENMEDIA ENGAGEMENT NETWORK

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DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of OpenMedia Engagement Network:

Report on the Financial Statements
We have audited the accompanying financial statements of OpenMedia Engagement Network (the "Organization"), which comprise the balance sheet as at December 31, 2016, and the statements of revenue and expenditures, changes in net 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 accounting standards for not-for-profit organizations ("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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the Organization'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 Organization's internal control. 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.

Basis for Qualified 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.

Opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with ASNFPO.

Logan Katz LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Canada
June 21, 2017

OPENMEDIA ENGAGEMENT NETWORK

BALANCE SHEET

AS AT DECEMBER 31, 2016

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 169,032	$ 426,338
Accounts receivable (Note 3)	488,267	79,237
Loan receivable (Note 2)	50,000	50,000
Prepaid expenditures	1,874	1,296
	709,173	556,871
PROPERTY AND EQUIPMENT (Note 4)	5,881	5,119
INVESTMENTS (Note 5)	5	50,005
	$ 715,059	$ 611,995
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 145,233	$ 39,599
Government remittances payable	7,356	7,431
	152,589	47,030
DEFERRED CONTRIBUTIONS (Note 6)	147,920	170,258
	300,509	217,288
NET ASSETS		
Invested in property and equipment	5,881	5,119
Unrestricted	408,669	389,588
	414,550	394,707
	$ 715,059	$ 611,995

Subsequent event (Note 2)
Financial instruments (Note 7)

ON BEHALF OF THE BOARD:

__________________________, Director   __________________________, Director

OPENMEDIA ENGAGEMENT NETWORK

STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED DECEMBER 31, 2016

	2016	2015
REVENUE		
Business contributions	$ 563,441	$ 368,447
Individual donations	679,246	552,553
Organizational donations	90,050	148,345
Reimbursements		
Regulatory proceedings	234,943	3,948
Other	15,028	31,077
Investment income	2,294	1,436
	1,585,002	1,105,806
EXPENDITURES		
Amortization	1,878	1,619
Communications	112,794	82,390
Human resources	45,653	16,231
Insurance	2,454	2,709
Office	122,385	107,048
Salaries and benefits	882,508	695,327
Subcontractors	358,120	130,617
Travel	39,367	14,075
	1,565,159	1,050,016
EXCESS OF REVENUE OVER EXPENDITURES	$ 19,843	$ 55,790

OPENMEDIA ENGAGEMENT NETWORK

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2016

	2016			2015
	Invested in Property and Equipment	Unrestricted	Total	Total
BALANCES AT BEGINNING OF YEAR	$ 5,119	$ 389,588	$ 394,707	$ 338,917
Excess of (expenditures over revenue) revenues over expenditures	(1,878)	21,721	19,843	55,790
Acquisition of property and equipment	2,640	(2,640)	-	-
BALANCES AT END OF YEAR	$ 5,881	$ 408,669	$ 414,550	$ 394,707

OPENMEDIA ENGAGEMENT NETWORK

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenditures	$ 19,843	$ 55,790
Adjustment for:		
Amortization	1,878	1,619
Deferred contributions recognized as revenue	(207,877)	(96,769)
Changes in non-cash operating working capital:		
Accounts receivable	(409,030)	(16,141)
Prepaid expenditures	(578)	-
Accounts payable and accrued liabilities	105,634	(163)
Government remittances payable	(75)	7,392
	(490,205)	(48,272)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(2,640)	(4,336)
Proceeds from disposition of investment	50,000	-
Loan receivable disbursement	-	(50,000)
	47,360	(54,336)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted contributions received	185,539	250,001
(DECREASE) INCREASE IN CASH	(257,306)	147,393
Cash at beginning of year	426,338	278,945
CASH AT END OF YEAR	$ 169,032	$ 426,338

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 ("ASNFPO") 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.

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 Canadian chartered bank, as well as PayPal accounts and Bitcoins, all of which are highly liquid.

Investment Income

Investment income includes interest income earned on Guaranteed Investment Certificates. Dividend income is recorded when the dividends are declared.

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, accounts receivable and loan 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 (2015 - $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.

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 receivables and the amount of certain accrued liabilities.

Investments

The Company initially measures all investments at fair value, adjusted by any related transaction costs.

The Company elects to subsequently measure all investments at cost.

2. LOAN RECEIVABLE

In 2015, the Organization advanced $50,000 to a third party, New Mode Consulting Inc., with the terms being non-interest bearing and repayable in full on September 3, 2016. An amendment was issued during the year to update the repayable date to June 30, 2018. The Organization may elect to convert this note into 100 class B non-voting shares of New Mode Consulting Inc. at a conversion price per share valued at 90% of the quotient of the fair market value.

Subsequent to year end, the Organization converted the loan receivable at a conversion price per share of $0.639, resulting in 78,247 Class B Non-Voting shares.

3. ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following:

	2016	2015
Donations and contributions receivable	$ 253,354	$ 79,237
Cost recovery claims recoverable (Note 7)	234,913	-
	$ 488,267	$ 79,237

4. PROPERTY AND EQUIPMENT

	2016			2015
	Cost	Accumulated Amortization	Net	Net
Computer equipment	$ 5,347	$ 4,589	$ 758	$ 1,685
Furniture and equipment	7,469	2,346	5,123	3,434
	$ 12,816	$ 6,935	$ 5,881	$ 5,119

5. INVESTMENTS

Investments consist of:

	2016	2015
Guaranteed Investment Certificates	$ -	$ 50,000
VanCity membership shares	5	5
	$ 5	$ 50,005

6. DEFERRED CONTRIBUTIONS

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

	2016	2015
Balance at beginning of year	$ 170,258	$ 17,026
Restricted contributions received in year	185,539	250,001
Less: contributions recognized as revenue	(207,877)	(96,769)
Balance at end of year	$ 147,920	$ 170,258

7. 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 balance sheet date:

Credit Risk
The Organization is exposed to credit risk on its loan receivable from a third party start up corporation and from two cost recovery claims with the Canadian Radio-television and Telecommunications Commission. Subsequent to year end one of the two claims was verified and awarded, the second claim is based on the same set of facts.

Currency Risk
The Organization receives funding in a foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations. As at December 31, 2016, included in cash and accounts receivable is $27,858 and $34,363, respectively, in US dollars 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.

7. FINANCIAL INSTRUMENTS (continued)

Concentration of Credit Risk

Two cost recovery claims with the Canadian Radio-television and Telecommunications Commission account for 54% of the accounts receivable balance. These amounts are collectible from multiple arm's length entities.

Credit Facility

The Organization has available $30,000 of credit on various credit cards, bearing interest at 19.5% per annum, of which $15,233 remained unused as at the year end. The balance used is included in accounts payable and accrued liabilities.