OPENMEDIA ENGAGEMENT NETWORK

FINANCIAL STATEMENTS

DECEMBER 31, 2014

OPENMEDIA ENGAGEMENT NETWORK

CONTENTS

DECEMBER 31, 2014

	Page
Independent Auditors' Report	1
Balance Sheet	2
Statement of Revenue and Expenditures	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 10

6, chemin Gurdwara Road
Suite/bureau 105
Ottawa ON K2E 8A3
AGN Member/membre

T (613) 228-8282
F (613) 228-8284
logankatz.com

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, 2014, 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, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2014, 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 13, 2015

OPENMEDIA ENGAGEMENT NETWORK

BALANCE SHEET

AS AT DECEMBER 31, 2014

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	$ 278,945	$ 261,231
Accounts receivable	63,096	66,031
Prepaid expenditures	1,296	1,371
	343,337	328,633
PROPERTY AND EQUIPMENT (Note 2)	2,402	4,205
INVESTMENTS	50,005	100,000
	$ 395,744	$ 432,838
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 39,762	$ 14,962
Government remittances payable	39	10,266
	39,801	25,228
DEFERRED CONTRIBUTIONS (Notes 3 and 6)	17,026	61,421
	56,827	86,649
NET ASSETS		
Invested in property and equipment	2,402	4,205
Unrestricted net assets (Note 6)	336,515	341,984
	338,917	346,189
	$ 395,744	$ 432,838

Financial instruments (Note 4)
Commitments (Note 5)

ON BEHALF OF THE BOARD:

___________________________, Director ___________________________, Director

LOGAN KATZ LLP SRL | chartered professional accountants | comptables professionnels agréés

OPENMEDIA ENGAGEMENT NETWORK

STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED DECEMBER 31, 2014

	2014	2013
REVENUE		
Grants	$ -	$ 1,046
Business donations (Note 6)	253,717	320,146
Individual donations (Note 6)	502,995	315,690
Organizational donations (Note 6)	62,890	71,847
Social enterprise	300	-
Reimbursements		
Regulatory proceedings	38,725	-
Other	4,470	4,646
Investment	1,610	1,041
	864,707	714,416
EXPENDITURES		
Amortization	1,803	1,303
Communications	54,033	45,099
Human resources	6,988	7,241
Insurance	2,482	2,338
Office	63,763	51,751
Salaries and benefits	589,202	284,795
Social enterprise	14,815	-
Subcontractors	124,020	200,622
Travel	14,873	4,842
	871,979	597,991
EXCESS OF (EXPENDITURES OVER REVENUE) REVENUE OVER EXPENDITURES	$ (7,272)	$ 116,425

OPENMEDIA ENGAGEMENT NETWORK

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2014

	2014			2013
	Invested in Property and Equipment	Unrestricted	Total	Total
BALANCES AT BEGINNING OF YEAR, as originally stated	$ 4,205	$ 403,405	$ 407,610	$ 229,764
Prior period adjustment (Note 6)	-	(61,421)	(61,421)	-
BALANCES AT BEGINNING OF YEAR, as restated	4,205	341,984	346,189	229,764
Excess of (expenditures over revenue) revenue over expenditures	(1,803)	(5,469)	(7,272)	116,425
BALANCES AT END OF YEAR	$ 2,402	$ 336,515	$ 338,917	$ 346,189

LOGAN KATZ LLP SRL | chartered professional accountants | comptables professionnels agréés

OPENMEDIA ENGAGEMENT NETWORK

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of (expenditures over revenue) revenue over expenditures	$ (7,272)	$ 116,425
Adjustment for:		
Amortization	1,803	1,303
Changes in non-cash operating working capital:		
Accounts receivable	2,935	(65,684)
Prepaid expenditures	75	(27)
Accounts payable and accrued liabilities	24,800	8,919
Government remittances payable	(10,227)	5,046
	12,114	65,982
CASH FLOWS FROM FINANCING ACTIVITIES		
Excess of externally restricted contributions recognized as revenue over those received and deferred	(44,395)	33,921
Net proceeds from disposition (acquisition) of investments	49,995	(100,000)
Acquisition of property and equipment	-	(4,622)
	5,600	(70,701)
INCREASE (DECREASE) IN CASH	17,714	(4,719)
Cash at beginning of year	261,231	265,950
CASH AT END OF YEAR	$ 278,945	$ 261,231

LOGAN KATZ LLP SRL | chartered professional accountants | comptables professionnels agréés

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:

<u>Revenue Recognition</u>

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.

<u>Deferred Contributions</u>

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.

<u>Property and Equipment</u>

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%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 accounts receivable.

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 (2013 - $Nil).

Transaction Costs
The Organization recognizes its transaction costs in the statements of revenue and expenditures and changes in net assets in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Foreign Currency Translation

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 and changes in net assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, and the amount of certain liabilities.

2. PROPERTY AND EQUIPMENT

		2014		2013
	Cost	Accumulated Amortization	Net	Net
Computer equipment	$ 3,790	$ 2,553	$ 1,237	$ 2,748
Furniture and equipment	2,050	885	1,165	1,457
	$ 5,840	$ 3,438	$ 2,402	$ 4,205

3. DEFERRED CONTRIBUTIONS

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

	2014	2013 (Note 6)
Balance at beginning of year	$ 61,421	$ 27,500
Restricted contributions received in year	17,026	61,421
Less: contributions recognized as revenue	(61,421)	(27,500)
Balance at end of year	$ 17,026	$ 61,421

4. FINANCIAL INSTRUMENTS

Risks

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

Currency Risk
The Organization receives funding in a foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

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.

Investments

The Organization's investment consists of an interest-earning instrument at annual rates varying between 1.50% and 3.05%, maturing June 2016.

Credit Facility

The Organization has available $20,000 of credit on various credit cards, of which $13,250 remained unused as of the year end.

5. COMMITMENTS

The Organization has entered into a lease agreement for office premises which expires March 31, 2015. Subsequent to year end the Organization extended the lease agreement to March 31, 2016, and entered into a new lease agreement that includes additional office space which expires February 28, 2016. Future minimum annual lease payments to expiry are as follows:

2015	$	31,153
2016		7,550

6. PRIOR PERIOD ADJUSTMENT

The Organization receives contributions that can be meant to be used towards core operational costs in a subsequent period. In the prior year, such contributions were incorrectly recorded as revenue. Accordingly the financial statements as at December 31, 2013 and for the year then ended have been restated, the impact resulting in an increase to deferred contributions and a decrease to revenue. The changes to the 2013 comparative figures are summarized as follows:

Increase in deferred contributions	$	61,421
Decrease in revenue		61,421
Decrease in unrestricted net assets at end of year		61,421

7. COMPARATIVE FIGURES

In addition to the information provided in Note 6, comparative figures have been reclassified in order to conform with the presentation adopted in the current year.