
OPENMEDIA ENGAGEMENT NETWORK

FINANCIAL STATEMENTS

DECEMBER 31, 2015

OPENMEDIA ENGAGEMENT NETWORK

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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, 2015, 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 ("ASNFP") 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, 2015, and its results of operations and its cash flows for the year then ended in accordance with ASNFP.



Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Canada
June 9, 2016

OPENMEDIA ENGAGEMENT NETWORK

BALANCE SHEET

AS AT DECEMBER 31, 2015

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 426,338	\$ 278,945
Accounts receivable	79,237	63,096
Loan receivable (Note 2)	50,000	-
Prepaid expenditures	1,296	1,296
	556,871	343,337
PROPERTY AND EQUIPMENT (Note 3)	5,119	2,402
INVESTMENTS (Note 5)	50,005	50,005
	\$ 611,995	\$ 395,744
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 39,599	\$ 39,762
Government remittances payable	7,431	39
	47,030	39,801
DEFERRED CONTRIBUTIONS (Note 4)	170,258	17,026
NET ASSETS		
Invested in property and equipment	5,119	2,402
Unrestricted net assets	389,588	336,515
	394,707	338,917
	\$ 611,995	\$ 395,744

Financial instruments (Note 5)

ON BEHALF OF THE BOARD:

_____, Director

_____, Director

OPENMEDIA ENGAGEMENT NETWORK

STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED DECEMBER 31, 2015

	2015	2014
REVENUE		
Business contributions	\$ 368,447	\$ 253,717
Individual donations	552,553	502,995
Organizational donations	148,345	62,890
Social enterprise	-	300
Reimbursements		
Regulatory proceedings	3,948	38,725
Other	31,077	4,470
Investment income	1,436	1,610
	<u>1,105,806</u>	<u>864,707</u>
EXPENDITURES		
Amortization	1,619	1,803
Communications	82,390	54,033
Human resources	16,231	6,988
Insurance	2,709	2,482
Office	107,048	63,763
Salaries and benefits	695,327	589,202
Social enterprise	-	14,815
Subcontractors	130,617	124,020
Travel	14,075	14,873
	<u>1,050,016</u>	<u>871,979</u>
EXCESS OF REVENUE OVER EXPENDITURES		
(EXPENDITURES OVER REVENUE)	\$ 55,790	\$ (7,272)

OPENMEDIA ENGAGEMENT NETWORK

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2015

	2015			2014	
	Invested in Property and Equipment	Unrestricted	Total	Total	
BALANCES AT BEGINNING OF YEAR	\$ 2,402	\$ 336,515	\$ 338,917	\$	346,189
Excess of (expenditures over revenue) revenue over expenditures	(1,619)	57,409	55,790		(7,272)
Acquisition of property and equipment	4,336	(4,336)	-		-
BALANCES AT END OF YEAR	\$ 5,119	\$ 389,588	\$ 394,707	\$	338,917

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STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenditures (expenditures over revenue)	\$ 55,790	\$ (7,272)
Adjustment for:		
Amortization	1,619	1,803
Deferred contributions recognized as revenue	(96,769)	(61,421)
Changes in non-cash operating working capital:		
Accounts receivable	(16,141)	2,935
Prepaid expenditures	-	75
Accounts payable and accrued liabilities	(163)	24,800
Government remittances payable	7,392	(10,227)
	(48,272)	(49,307)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(4,336)	-
Proceeds from disposition of investments	-	49,995
Loan receivable disbursement	(50,000)	-
	(54,336)	49,995
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted contributions received	250,001	17,026
INCREASE IN CASH	147,393	17,714
Cash at beginning of year	278,945	261,231
CASH AT END OF YEAR	\$ 426,338	\$ 278,945

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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.

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 a PayPal account and Bitcoins, all of which are highly liquid.

Investment Income

Investment income includes interest income earned on Guaranteed Investment Certificates.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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 and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable, loan 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 (2014 - \$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.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 property and equipment, allowance for doubtful accounts, and the amount of certain liabilities.

2. LOAN RECEIVABLE

In the current year, the Organization advanced \$50,000 to a third party, New Mode Consulting Inc. The loan is non-interest bearing and is repayable in full on September 3, 2016. On or after September 3, 2016, 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 equal to the quotient of the fair market value.

3. PROPERTY AND EQUIPMENT

	2015			2014	
	Cost	Accumulated Amortization	Net	Net	
Computer equipment	\$ 5,347	\$ 3,662	\$ 1,685	\$ 1,237	
Furniture and equipment	4,830	1,396	3,434	1,165	
	\$ 10,177	\$ 5,058	\$ 5,119	\$ 2,402	

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

4. DEFERRED CONTRIBUTIONS

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

	2015	2014
Balance at beginning of year	\$ 17,026	\$ 61,421
Restricted contributions received in year	250,001	17,026
Less: contributions recognized as revenue	(96,769)	(61,421)
Balance at end of year	\$ 170,258	\$ 17,026

5. FINANCIAL INSTRUMENTS

Risks

The Organization is exposed to various risks through its financial instruments, without being exposed to interest rate or concentrations of credit risk. 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.

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, 2015, included in cash is \$181,339 in US dollars and converted in 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.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

5. FINANCIAL INSTRUMENTS (continued)

Investments

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

Credit Facility

The Organization has available \$30,000 of credit on various credit cards, of which \$19,087 remained unused as of the year end.