

AD-01-18

Resolution AGM 01-2018-06

**SOUTHWESTERN INTEGRATED
FIBRE TECHNOLOGY INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2016

SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.

DECEMBER 31, 2016

CONTENTS

Management's Responsibility for the Financial Statements	1
Independent Auditor's Report	2
Statement of Financial Position	4
Statement of Operations	5
Statement of Change in Net Financial Assets	6
Statement of Cash Flow	7
Notes to the Financial Statements	8

SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.


MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Southwestern Integrated Fibre Technology Inc. (the "Organization") are the responsibility of the Organization's management and have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 1 to the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Organization's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded (in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada), and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management. The Board of Directors meet with management and the external auditor to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by Collins Barrow SGB LLP, independent external auditor appointed by the Organization. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Organization's financial statements.



Chief Executive Officer

December 8, 2017

COLLINS BARROW SGB LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of Southwestern Integrated Fibre Technology Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Southwestern Integrated Fibre Technology Inc., which comprise the statement of financial position as at December 31, 2016, and the statements of operations, change in net financial assets and cash flow 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 public sector accounting standards 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.

Auditor's 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 auditor's 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 auditor considers 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Southwestern Integrated Fibre Technology Inc. as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

COLLINS BARROW SGB LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Emphasis of Matter

We draw attention to Note 2 to the financial statement which describes that Southwestern Integrated Fibre Technology Inc. adopted Canadian public sector accounting standards on January 1, 2016 with a transition date of October 19, 2015. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position at December 31, 2015 and October 19, 2015 and the statements of operations, change in net financial assets and cash flows for the period ended December 31, 2015 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is not audited.


Collins Barrow SGB LLP

Licensed Public Accountants
Collingwood, Ontario
December 8, 2017

SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	2016	2015
	\$	\$ (Unaudited) (Note 2)
Financial assets		
Accounts receivable from members	2,560,811	-
Due from Western Ontario Wardens' Caucus	58,909	-
HST recoverable	6,738	-
Government grants receivable (Note 7)	168,000	-
	2,794,458	-
Liabilities		
Accounts payable and accruals	161,491	-
Due to Western Ontario Wardens' Caucus	-	71,697
	161,491	71,697
Net financial assets (net debt) and accumulated surplus (deficit) (Note 4)	2,632,967	(71,697)

Approved  Chair
March 3, 2018 Date

See accompanying notes to the financial statements

SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparatives for the period ended December 31, 2015)

	Budget 2016 \$ (Note 8)	Actual 2016 \$	Actual 2015 \$ (Unaudited) (Note 2)
Revenues			
Contributions from members (Note 6)	510,000	2,975,811	768,000
Government grants (Note 7)	-	168,000	-
	510,000	3,143,811	768,000
Expenses (Note 5)			
Consulting	510,000	308,173	827,842
Marketing	-	5,306	966
Miscellaneous	-	6,525	-
Office expense	-	204	-
Professional fees	-	27,658	-
Salaries and wages	-	65,441	-
Travel	-	25,840	10,889
	510,000	439,147	839,697
Annual surplus (deficit)	-	2,704,664	(71,697)
Accumulated (deficit) surplus, beginning of year		(71,697)	-
Accumulated surplus (deficit), end of year (Note 4)	-	2,632,967	(71,697)

See accompanying notes to the financial statements

SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparatives for the period ended December 31, 2015)

	Budget 2016	Actual 2016	Actual 2015
	\$ (Note 8)	\$	\$ (Unaudited) (Note 2)
Annual surplus (deficit)	-	2,704,664	(71,697)
Change in net financial assets (net debt)	-	2,704,664	(71,697)
Net debt, beginning of year		(71,697)	-
Net financial assets (net debt), end of year		2,632,967	(71,697)

See accompanying notes to the financial statements

SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2016 (with comparatives for the period ended December 31, 2015)

	2016	2015
	\$	\$ (Unaudited) (Note 2)
Cash flows from (for):		
Operating activities		
Annual surplus (deficit)	2,704,664	(71,697)
Changes in:		
Accounts receivable from members	(2,560,811)	-
HST recoverable	(6,738)	-
Government grants receivable	(168,000)	-
Accounts payable and accruals	161,491	-
Net change in cash from operations	130,606	(71,697)
Financing activities		
Due to (from) Western Ontario Wardens' Caucus	(130,606)	71,697
Net change in cash position	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	-	-

See accompanying notes to the financial statements

SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

Nature of operations

Southwestern Integrated Fibre Technology Inc. ("the Organization") is a government not-for-profit organization incorporated without share capital under the Canada Not-for-profit Corporations Act on October 19, 2015. The corporation was formed by the Western Ontario Wardens' Caucus (WOWC) on behalf of WOWC, Region of Waterloo, Region of Niagara, Town of Caledon and the separated cities in the project area. Members include municipalities, first nations, schools, health care providers and community networks. The purpose of the Organization is to bring high speed broadband internet to the South Western Ontario region.

1. Summary of significant accounting policies

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies are as follows:

(a) Reporting entity

These financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of Southwestern Integrated Fibre Technology Inc.

(b) Recognition of revenues and expenses

Revenues and expenses are reported on the accrual bases of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the good or services are acquired and a legal liability is incurred or transfers are due.

Contributions from members are recorded as revenue at the time invoices are issued and contributions become collectible.

Government grants are recognized in the financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Conditional government grants are recognized to the extent the conditions imposed on them have been fulfilled. Unconditional government grants are recognized when monies are receivable. Grants are recognized as deferred revenue when grant stipulations give rise to a liability. Grant revenue is recognized in the statement of operations as the stipulation liabilities are settled.

(c) Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term, highly liquid financial instruments with a maturity of three months or less from the date of acquisition.

SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

1. Summary of significant accounting policies (continued)

(d) Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires 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 amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(e) Tangible capital assets

(i) Network infrastructure

The Organization retains ownership of 51% of the funded network assets of the network construction project; however, all repairs and maintenance and upgrade costs are the responsibility of the service providers contracted to provide the network infrastructure. Since the Organization does not retain operational control over the network infrastructure, they have not been recorded as tangible capital assets but have been reported as an expense on the statement of operations.

(ii) Other

The Organization does not have any other tangible capital assets.

2. First time adoption of Canadian public sector accounting standards

Effective January 1, 2016, the Organization adopted the requirements of the CPA Canada Handbook and has adopted Canadian public sector accounting standards (PSAB). This framework is in accordance with Canadian GAAP. These are the first financial statements prepared in accordance with this framework which has been applied retrospectively. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended December 31, 2016, the comparative information presented in these financial statements for the period ended December 31, 2015 and in the preparation of an opening balance sheet at October 19, 2015 - which is the Organization's date of incorporation and transition.

The adoption of PSAB had no impact on the previously reported assets, liabilities, and accumulated surplus of the Organization, and accordingly, no adjustments have been recorded in the comparative statements of financial position, operations, change in net financial assets or cash flow. Thus an opening balance sheet as at October 19, 2015 has not been presented. The Organization's presentation and disclosures included in these financial statements reflect the presentation and disclosure requirements of PSAB.

3. Contingencies

The year following delivery of broadband services to users and generating positive net revenues, a portion of those revenues for each fiscal year will be allocated to repay the refundable portion of the contributions made by members. Refundable portions are defined in member agreements and range from 49% to 71% of the amount contributed. As of December 31, 2016 of the \$12,804,050 of member contributions 60% is refundable when positive net revenues are earned. Repayment of the refundable portion will be made to members based on their proportion of all member contributions. Members have the option to waive repayment at the time it becomes eligible and to require the Organization to reinvest the funds into the high speed broadband internet network infrastructure.

SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

4. Accumulated surplus (deficit)

The accumulated surplus consists of individual fund surplus as follows:

	2016	2015
	\$	\$
Surplus (deficit):		(Unaudited) (Note 2)
Member contributions towards high speed broadband internet project	2,632,967	(71,697)
Accumulated surplus (deficit)	2,632,967	(71,697)

Accumulated surplus consists of sustainability funding that the Organization received as part of agreements with members to fund operating expenses after October 19, 2015.

5. Related party transactions

Included in expenses is \$56,889 paid to the The Corporation of the County of Grey for wage and benefit costs incurred to administer the Organization from January 1, 2016 to December 22, 2016.

Also included in expenses is \$8,460 paid to the The Corporation of the County of Lambton for wage and benefits costs incurred to administer the Organization from December 12, 2016 to December 31, 2016.

6. Contributions from members

Members have agreed to contribute \$12,804,050 over the period beginning in fiscal year 2016 and ending December 31, 2019. As of December 31, 2016 \$3,743,811 was billed and recognized as revenue. The remaining revenue will be recognized as billed in future periods.

7. Government grants

The Governments of Canada and Ontario will each provide up to \$556,377 under Phase 1 of the high speed broadband internet network project. Phase 1 of the project includes information gathering, planning, analysis and assessment of the technical and financial feasibility of the proposed project. As of December 31, 2016 \$168,000 has been earned, based on eligible expenses incurred.

8. Budget amounts

The operating budget approved by the Board of Directors for 2016 is reflected on the statements of operations and change in net assets and was not audited. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements.