

**AD-02-18**

Resolution AGM01-2018-07

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**SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.**  
**INDEX TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.  
MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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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.



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Chief Executive Officer  
February 14, 2018

# 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, 2017, 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, 2017, 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*


Licensed Public Accountants  
Collingwood, Ontario  
February 14, 2018

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**SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2017**

	2017 ACTUAL \$	2016 ACTUAL \$
<b><u>FINANCIAL ASSETS</u></b>		
Cash in Bank	4,359,420	0
Accounts Receivable from Members	600,000	2,560,811
Due from the Western Ontario Wardens' Caucus	0	58,909
Accounts Receivable Other	10,730	0
HST Recoverable	208,033	6,738
Government Grants Receivable (Note 6)	1,112,754	168,000
<b>TOTAL FINANCIAL ASSETS</b>	<b>6,290,937</b>	<b>2,794,458</b>
<b><u>LIABILITIES</u></b>		
Accounts Payable and Accruals	356,217	161,491
<b>NET FINANCIAL ASSETS</b>	<b>5,934,720</b>	<b>2,632,967</b>
<b>Net Financial Assets and Accumulated Surplus (Note 3)</b>	<b>5,934,720</b>	<b>2,632,967</b>

Approved  Chair  
March 3, 2018 Date

The accompanying notes and schedules are an integral part of this financial statement.

**SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>2017 BUDGET \$</b>	<b>2017 ACTUAL \$</b>	<b>2016 ACTUAL \$</b>
	(Note 7)		
<b>REVENUE</b>			
Contributions from Members (Note 5)	5,970,000	5,001,119	2,975,811
Government Grants (Note 6)	0	944,754	168,000
Memberships	50,000	34,450	0
Interest	20,000	32,287	0
Other Revenue	0	721	0
	<u>6,040,000</u>	<u>6,013,331</u>	<u>3,143,811</u>
<b>EXPENSES (Note 4)</b>			
Consulting	1,440,975	1,485,428	308,173
Insurance	1,857	20,967	0
Marketing	20,000	15,577	5,306
Miscellaneous	9,287	25,115	6,525
Office Expense	30,256	15,429	204
Professional Fees	387,500	540,886	27,658
Salaries and Wages	479,200	565,042	65,441
Travel	166,500	43,134	25,840
	<u>2,535,575</u>	<u>2,711,578</u>	<u>439,147</u>
<b>ANNUAL SURPLUS</b>	3,504,425	3,301,753	2,704,664
<b>ACCUMULATED SURPLUS/(DEFICIT), beginning of the year</b>	<u>2,632,967</u>	<u>2,632,967</u>	<u>(71,697)</u>
<b>ACCUMULATED SURPLUS, end of the year (Note 3)</b>	<u><u>6,137,392</u></u>	<u><u>5,934,720</u></u>	<u><u>2,632,967</u></u>

The accompanying notes and schedules are an integral part of this financial statement.

**SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>2017 BUDGET \$ (Note 7)</b>	<b>2017 ACTUAL \$</b>	<b>2016 ACTUAL \$</b>
<b>ANNUAL SURPLUS</b>	3,504,425	3,301,753	2,704,664
Change in Net Financial Assets	3,504,425	3,301,753	2,704,664
NET FINANCIAL ASSETS (Net Debt), beginning of the year	2,632,967	2,632,967	(71,697)
NET FINANCIAL ASSETS, end of the year	<u>6,137,392</u>	<u>5,934,720</u>	<u>2,632,967</u>

The accompanying notes and schedules are an integral part of this financial statement.



**SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>2017</b>	<b>2016</b>
	<b>ACTUAL</b>	<b>ACTUAL</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from (for):</b>		
<b>OPERATING TRANSACTIONS</b>		
Annual Surplus	3,301,753	2,704,664
Changes in:		
Accounts Receivable from Members	1,960,811	(2,560,811)
Due from the Western Ontario Wardens' Caucus	58,909	0
Accounts Receivable Other	(10,730)	0
HST Recoverable	(201,295)	(6,738)
Government Grants Receivable	(944,754)	(168,000)
Accounts Payable and Accruals	194,726	161,491
Net change in cash from operations	4,359,420	130,606
<b>Financing Activities</b>		
Due To Western Ontario Wardens' Caucus	0	(130,606)
<b>Net Change in Cash Position</b>	<b>4,359,420</b>	<b>0</b>
CASH, beginning of the year	0	0
<b>CASH, end of the year</b>	<b>4,359,420</b>	<b>0</b>

The accompanying notes and schedules are an integral part of this financial statement.

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**SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**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 revenue and expenses

Revenues and expenses are reported on the accrual basis 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.

Contribution 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 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.

(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.

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**SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**1. Summary of Significant Accounting Policies (continued)**

(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. 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, 2017 \$17,018,735 has been pledged by members. Of the \$8,744,930 invoiced, \$4,319,934 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.

**3. Accumulated Surplus (Deficit)**

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

**4. Related Party Transactions**

Included in expenses is \$227,463 (2016 - \$56,889) paid to The Corporation of the County of Grey for wage and benefit costs incurred to administer the Organization.

Also included in expenses is \$332,798 (2016 - \$8,460) paid to The Corporation of the County of Lambton for wages and benefit costs incurred to administer the Organization.

**5. Contributions from Members**

Members have agreed to contribute \$17,018,735 over the period beginning in fiscal year 2016 and ending December 31,2019. As of December 31,2017 \$8,744,930 (2016 - \$2,975,811) was billed and recognized as revenue. The remaining revenue will be recognized as billed in future periods.

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**SOUTHWESTERN INTEGRATED FIBRE TECHNOLOGY INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**6. 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 project. As of December 31,2017 a total of \$1,112,754 has been earned, based on eligible expenses incurred. Additional grant revenue of \$375,246 is expected to be received based on eligible expenses incurred as of December 31,2017 pending the results of the renewed contract.

**7. Budget Amounts**

The operating budget approved by the Board of Directors for 2017 is reflected on the Statement of Operations and the Statement of Change in Net Financial Assets and was not audited. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements.