

**EASTERN ONTARIO REGIONAL NETWORK INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2022**

**EASTERN ONTARIO REGIONAL NETWORK INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2022**

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## **EASTERN ONTARIO REGIONAL NETWORK INC.**

**For The Year Ended March 31, 2022**

### **MANAGEMENT REPORT**

The accompanying consolidated financial statements of the Eastern Ontario Regional Network Inc. are the responsibility of management and have been approved by the Board of Directors.

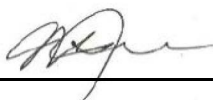
The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Organization maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Organization's assets are appropriately accounted for and adequately safeguarded.

The Organization's Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.


The Board of Directors reviews and approves the Organization's financial statements for issuance to the members of the Eastern Ontario Regional Network Inc. The Board of Directors meets periodically with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the financial statements and the independent auditor's report.

The consolidated financial statements have been audited by Baker Tilly KDN LLP in accordance with Canadian generally accepted auditing standards on behalf of the Organization. Baker Tilly KDN LLP has full and free access to the Organization.



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Chair



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Chief Financial Officer

October 6, 2022

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Members of the Board of Directors of the Eastern Ontario Regional Network Inc.**

#### *Opinion*

We have audited the consolidated financial statements of the Eastern Ontario Regional Network Inc. and its subsidiary (the Organization), which comprise the consolidated statement of financial position as at March 31, 2022, the consolidated statements of operations and accumulated surplus, net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as at March 31, 2022, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Organization to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Baker Tilly KDN LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Peterborough, Ontario  
October 6, 2022



# EASTERN ONTARIO REGIONAL NETWORK INC.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2022

|   | 2022              | 2021             |
|---|-------------------|------------------|
|   | \$                | \$               |
| <b>FINANCIAL ASSETS</b>                                       |                   |                  |
| Cash  | 8,758,322         | 8,935,714        |
| Due from Province of Ontario                                  | 4,123,162         | 242,606          |
| Due from Government of Canada                                 | 4,123,209         | 242,646          |
| HST receivable  | 951,543           | 129,426          |
| Accounts receivable   | 36,870            | 21,590           |
| <b>TOTAL FINANCIAL ASSETS</b>                                 | <b>17,993,106</b> | <b>9,571,982</b> |
| <b>LIABILITIES</b>  |                   |                  |
| Accounts payable and accrued liabilities                      | 10,153,257        | 662,627          |
| Due to Eastern Ontario Leadership Council (EOLC) (note 8)     | 68,791            | 44,779           |
| Advances from Eastern Ontario Wardens' Caucus (EOWC) (note 8) | 1,027,534         | 1,062,750        |
| Advances from municipalities - Cell Gap Project (note 8)      | 6,480,918         | 7,323,930        |
| <b>TOTAL LIABILITIES</b>                                      | <b>17,730,500</b> | <b>9,094,086</b> |
| <b>NET FINANCIAL ASSETS</b>                                   | <b>262,606</b>    | <b>477,896</b>   |
| <b>NON-FINANCIAL ASSETS</b>                                   |                   |                  |
| Tangible capital assets (note 4)                              | 6,400             | 9,600            |
| Prepaid expenses  | 11,900            | 6,100            |
| <b>TOTAL NON-FINANCIAL ASSETS</b>                             | <b>18,300</b>     | <b>15,700</b>    |
| <b>ACCUMULATED SURPLUS (note 5)</b>                           | <b>280,906</b>    | <b>493,596</b>   |

The accompanying notes are an integral part of these financial statements

# EASTERN ONTARIO REGIONAL NETWORK INC.

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended March 31, 2022

|  | Budget<br>2022<br>\$<br>(Unaudited) | Actual<br>2022<br>\$ | Actual<br>2021<br>\$ |
|--|-------------------------------------|----------------------|----------------------|
| <b>REVENUES</b>                                |                                     |                      |                      |
| Broadband project:                             |                                     |                      |                      |
| Member contributions (note 8)                  | 323,045                             | 35,215               | 141,079              |
| Sustainability funding                         | 251,418                             | 251,418              | 251,418              |
| Interest                                       | 12,843                              | 13,093               | 15,330               |
| In-kind contributions (note 6)                 | 15,000                              | 14,030               | 14,161               |
| Cell Gap Project:                              |                                     |                      |                      |
| Government of Canada                           | 15,987,694                          | 7,825,330            | 536,771              |
| Province of Ontario                            | 15,987,694                          | 7,825,467            | 536,899              |
| Municipal contributions (note 8)               | 2,007,419                           | 1,312,019            | 1,407,294            |
| In-kind contributions (note 6)                 | 24,401,516                          | 13,212,585           | 169,763              |
| Interest                                       | 56,661                              | 59,631               | 61,897               |
| Other  | 1,000                               | 1,274                | 641                  |
| <b>TOTAL REVENUES</b>                          | <b>59,044,290</b>                   | <b>30,550,062</b>    | <b>3,135,253</b>     |
| <b>EXPENSES</b>                                |                                     |                      |                      |
| Broadband operations                           | 502,133                             | 466,944              | 485,190              |
| Cell Gap Project:                              |                                     |                      |                      |
| Construction                                   | 55,400,658                          | 27,944,206           | 385,427              |
| General - eligible                             | 1,464,369                           | 1,368,851            | 1,286,946            |
| General - ineligible                           | 1,519,296                           | 921,974              | 1,040,252            |
| Gig Project                                    | 200,000                             | 3,878                | 91,982               |
| EOLC (note 8)                                  | 25,000                              | 25,000               | 25,000               |
| Consulting services                            | 113,554                             | 28,937               | 23,560               |
| General  | 57,000                              | 2,962                | 5,680                |
| <b>TOTAL EXPENSES</b>                          | <b>59,282,010</b>                   | <b>30,762,752</b>    | <b>3,344,037</b>     |
| <b>ANNUAL DEFICIT</b>                          | <b><u>(237,720)</u></b>             | <b>(212,690)</b>     | <b>(208,784)</b>     |
| <b>ACCUMULATED SURPLUS - beginning of year</b> |                                     | <b>493,596</b>       | <b>702,380</b>       |
| <b>ACCUMULATED SURPLUS - end of year</b>       |                                     | <b>280,906</b>       | <b>493,596</b>       |

The accompanying notes are an integral part of these financial statements

# EASTERN ONTARIO REGIONAL NETWORK INC.

## CONSOLIDATED STATEMENT OF NET FINANCIAL ASSETS

For the Year Ended March 31, 2022

|   | Budget<br>2022<br>\$<br>(Unaudited) | Actual<br>2022<br>\$ | Actual<br>2021<br>\$ |
|---|-------------------------------------|----------------------|----------------------|
| <b>ANNUAL DEFICIT</b>                           | (237,720)                           | (212,690)            | (208,784)            |
| Amortization of tangible capital assets         | -                                   | 3,200                | 3,200                |
| Change in prepaid expenses                      | -                                   | (5,800)              | (6,100)              |
| <b>DECREASE IN NET FINANCIAL ASSETS</b>         | (237,720)                           | (215,290)            | (211,684)            |
| <b>NET FINANCIAL ASSETS - beginning of year</b> | 477,896                             | 477,896              | 689,580              |
| <b>NET FINANCIAL ASSETS - end of year</b>       | 240,176                             | 262,606              | 477,896              |

*The accompanying notes are an integral part of these financial statements*



# EASTERN ONTARIO REGIONAL NETWORK INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2022

|   | 2022             | 2021             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>CASH PROVIDED BY (USED IN)</b>                   |                  |                  |
| <b>OPERATING ACTIVITIES</b>                         |                  |                  |
| Annual deficit                                      | (212,690)        | (208,784)        |
| Items not involving cash                            |                  |                  |
| Amortization of tangible capital assets             | 3,200            | 3,200            |
| Change in non-cash assets and liabilities           |                  |                  |
| Due from Province of Ontario                        | (3,880,556)      | (242,606)        |
| Due from Government of Canada                       | (3,880,563)      | (242,646)        |
| HST receivable                                      | (822,117)        | (43,608)         |
| Accounts receivable                                 | (15,280)         | 3,472            |
| Prepaid expenses                                    | (5,800)          | (6,100)          |
| Accounts payable and accrued liabilities            | 9,490,630        | 349,704          |
| Due to EOLC   | 24,012           | (4,160)          |
| <b>Net change in cash from operating activities</b> | <b>700,836</b>   | <b>(391,528)</b> |
| <b>FINANCING ACTIVITIES</b>                         |                  |                  |
| Advances from EOWC transferred to operations        | (35,216)         | (102,401)        |
| Advances from municipalities - Cell Gap Project:    |                  |                  |
| Amounts received                                    | 469,007          | 2,040,961        |
| Amounts transferred to operations                   | (1,312,019)      | (1,407,294)      |
| <b>Net change in cash from financing activities</b> | <b>(878,228)</b> | <b>531,266</b>   |
| <b>NET CHANGE IN CASH</b>                           | <b>(177,392)</b> | <b>139,738</b>   |
| <b>CASH - beginning of year</b>                     | <b>8,935,714</b> | <b>8,795,976</b> |
| <b>CASH - end of year</b>                           | <b>8,758,322</b> | <b>8,935,714</b> |

The accompanying notes are an integral part of these financial statements

# EASTERN ONTARIO REGIONAL NETWORK INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2022

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### 1. NATURE OF OPERATIONS

Eastern Ontario Regional Network Inc. (EORN) was incorporated without share capital on May 20, 2010 and was formed to manage a project of the Eastern Ontario Wardens' Caucus (EOWC) to improve internet access to at least 95 percent of homes and businesses in eastern Ontario, with the support of the federal, provincial and municipal governments and the private sector. EORN achieved that goal in 2015 and continues to focus its energy and efforts on expanding connectivity for the region to ensure both rural and urban residents have access to reliable broadband and cellular services.

In 2015, EORN developed a 10-year digital strategy to ensure that improved access to connectivity will deliver economic growth and a better quality of life to eastern Ontario communities. In 2020, with funding allocated by the three levels of government, the EORN Cell Gap Project began. The physical build will take approximately five years to complete and will address the issues around coverage and capacity related to cellular service. Total government and partner contributions to the project are expected to be in excess of \$300 million.

EORN also recognizes that broadband services for the region need to continue to evolve and improve. EORN will continue its advocacy and encourage the Government of Canada and Province of Ontario to continue to invest in broadband in eastern Ontario.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated 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 consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity.

The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Organization and which are owned and controlled by the Organization. These consolidated financial statements include:

- EORN Consulting Services Inc.

#### (b) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

|                    |         |
|--------------------|---------|
| Computer equipment | 5 years |
|--------------------|---------|

Network Infrastructure

The Organization retains ownership of 51% of the funded assets constructed as part of the Cell Gap Project; however, all repairs and maintenance and upgrade costs are the responsibility of Rogers Communications Canada Inc. Since the Organization does not retain operational control over the assets, they have not been recorded as tangible capital assets but are reported as an expense on the statement of operations and accumulated surplus.

# EASTERN ONTARIO REGIONAL NETWORK INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### (c) Deferred Revenue

Deferred revenue represents grants and contributions which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

#### (d) Recognition of Revenues 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 goods or services are acquired and a legal liability is incurred or transfers are due.

##### Government Funding

Government funding is recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

##### Other revenue

Member contributions for broadband are earned based on operating and other project expenses in excess of other revenue sources. The total remaining unspent member contributions is shown as advances from EOWC on the Consolidated Statement of Financial Position.

Municipal contributions for Cell Gap Project are earned based on operating and other project expenses in excess of other revenue sources. The total remaining unspent Municipal contributions is shown as advances from municipalities for the Cell Gap Project on the Consolidated Statement of Financial Position.

Sustainability funding is recognized in the consolidated financial statements as revenues in the period in which it is earned based on the terms of the funding agreement.

Interest income is recorded when earned.

In-kind contributions are recorded as both a revenue and expense based on the fair value of the goods or services received at no cost.

#### (e) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions, in such areas as accrued liabilities and collectability of receivables, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

# EASTERN ONTARIO REGIONAL NETWORK INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### (f) Inter-Entity Transactions

The Organization has entered into related party transactions with those organizations described in note 8.

Allocated costs and recovery of costs are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Unallocated costs are measured at the carrying amount, which is the amount recorded in the records of the Organization.

#### (g) Non-financial Assets

Tangible capital are accounted for as assets by the Organization because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Organization unless they are sold.

### 3. CREDIT FACILITY AGREEMENT

The Organization has an outstanding letter of credit in favour of the Ontario Municipal Employees Retirement System in the amount of \$90,000 with the Bank of Montreal.

### 4. TANGIBLE CAPITAL ASSETS

The net book value of the Organization's tangible capital assets are:

|  | 2022<br>Computer<br>Equipment<br>\$ | 2021<br>Computer<br>Equipment<br>\$ |
|--|-------------------------------------|-------------------------------------|
| <b>COST</b>                                      |                                     |                                     |
| Balance, beginning of year                       | 16,000                              | 16,000                              |
| Balance, end of year                             | 16,000                              | 16,000                              |
| <b>ACCUMULATED AMORTIZATION</b>                  |                                     |                                     |
| Balance, beginning of year                       | 6,400                               | 3,200                               |
| Add: additions during the year                   | 3,200                               | 3,200                               |
| Balance, end of year                             | 9,600                               | 6,400                               |
| <b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b> | <b>6,400</b>                        | <b>9,600</b>                        |

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# EASTERN ONTARIO REGIONAL NETWORK INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2022

### 5. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

|  | 2022     | 2021     |
|--|----------|----------|
|  | \$       | \$       |
| <b>Surplus/(Deficit)</b>                 |          |          |
| EORN Consulting Services Inc.            | (88,312) | (60,650) |
| <b>Invested In Capital Assets</b>        |          |          |
| Tangible capital assets - net book value | 6,400    | 9,600    |
| <b>Reserves</b>                          |          |          |
| Broadband sustainability funding         | 362,818  | 544,646  |
|  | 280,906  | 493,596  |

The sustainability funding reserve has been generated from various funding agreements with private sector partners to fund operating expenses after March 31, 2015.

### 6. IN-KIND CONTRIBUTIONS

In-kind contributions are comprised of the following private sector contributions:

|                   | 2022       | 2021    |
|-------------------|------------|---------|
|                   | \$         | \$      |
| Broadband project | 14,030     | 14,161  |
| Cell Gap project  | 13,212,585 | 169,763 |
|                   | 13,226,615 | 183,924 |

### 7. PENSION AGREEMENTS

Certain employees of the Organization are eligible members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan.

The Actuarial Opinion contained in the 2021 Annual Report disclosed total actuarial liabilities of \$120,796 million in respect of benefits accrued for service with actuarial assets of \$117,665 million indicating an actuarial deficit of \$3,131 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Organization does not recognize any share of the OMERS pension surplus or deficit.

The Organization's required contributions to OMERS in 2022 were \$108,035 (2021 - \$112,979).

# EASTERN ONTARIO REGIONAL NETWORK INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2022

### 8. INTER-ENTITY TRANSACTIONS

Several organizations, including EORN, EOWC, Eastern Ontario Mayors' Caucus (EOMC) and EOLC were created to conduct research and enhance municipal service delivery in eastern Ontario. As these organizations were created by the same group of member municipalities, often have common board members and management, transactions between these organizations are considered related party transactions. Transactions with the member municipalities are also related party transactions.

The Organization has received advances from EOWC in order to fund the broadband project. The advances are based on contribution agreements between EOWC and each of its member municipalities.

During 2019 advances were received from EOWC member municipalities to initiate the Cell Gap CRTC analysis process and in 2019, 2020, 2021 and 2022 additional advances were received from municipalities for their 10 million dollar contribution to the Cell Gap Project agreement with the Government of Canada and Province of Ontario.

EOLC was incorporated in 2022 and was formed to lead the implementation of the regional economic development strategy. EOLC consists of five partner organizations including EOWC and EORN. Prior to incorporation, EOLC transactions were processed by EORN through a due from (to) account as disclosed below.

Details of the inter-entity expense transactions are as follows:

|  | 2022      | 2021      |
|--|-----------|-----------|
|  | \$        | \$        |
| Revenues:  |           |           |
| Member contributions - broadband                           | 35,215    | 141,079   |
| Municipal contributions:                                   |           |           |
| Cell Gap Project   | 1,312,019 | 1,407,294 |
|  | 1,347,234 | 1,548,373 |
| Expenses:  |           |           |
| EOLC   | 25,000    | 25,000    |
| County of Hastings - financial and administrative services | 181,895   | 181,895   |
| County of Hastings - human resources services              | 26,411    | -         |
| County of Hastings - information technology                | 10,394    | -         |
| County of Peterborough - procurement services              | 5,405     | 39,699    |
| County of Peterborough - GIS services                      | 130,835   | 139,500   |
| County of Frontenac - Indigenous consultant                | 66,041    | 70,492    |
| County of Frontenac - policy analyst                       | 66,041    | 70,492    |
| Interest on Cell Gap advances                              | 167,439   | 249,067   |
|  | 679,461   | 776,145   |
|  | 2,026,695 | 2,324,518 |

# EASTERN ONTARIO REGIONAL NETWORK INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2022

### 8. INTER-ENTITY TRANSACTIONS, continued

Details of the related party assets/(liabilities) are as follows:

|  | 2022        | 2021        |
|--|-------------|-------------|
|  | \$          | \$          |
| Due to EOLC  | (68,791)    | (44,779)    |
| Advances from EOWC   | (1,027,534) | (1,062,750) |
| Advances from municipalities - Cell Gap Project                        | (6,480,918) | (7,323,930) |
| Accounts payable - interest on Cell Gap advances due to municipalities | (57,846)    | (100,811)   |
| Accounts payable - County of Hastings                                  | (2,785)     | (77,955)    |
| Accounts payable - County of Frontenac                                 | (38,809)    | -           |
| Accounts payable - County of Peterborough                              | (11,853)    | (29,686)    |

Unless otherwise noted, due from (to) balances, accounts receivable, accounts payable and advances are unsecured, without interest and have no specific terms of repayment.

Prepaid advances from municipalities for the Cell Gap Project will bear interest at 5% annually.

### 9. BUDGET FIGURES

The budget, approved by the Organization for 2022 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Net Financial Assets. Budget figures are not subject to audit.

### 10. UNCERTAINTY CAUSED BY COVID-19

In March 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Organization's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Organization's operations. The extent of the impact of this outbreak and related containment measures on the Organization's operations cannot be reliably estimated at this time.

### 11. COMMITMENT

The Organization has committed to the Cell Gap Project which has approximate costs of \$322 million. Within that commitment is an agreement for network construction and several agreements for purchased services to complete the project. The costs will be funded by the Federal and Provincial governments in the amount of approximately \$142 million, by local governments in the amount of approximately \$10 million and by private sector contributions of approximately \$170 million. Total costs of \$32.9 million have been incurred to March 31, 2022.