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Financial Statements of
**OTTAWA NETWORK FOR
EDUCATION**

June 30, 2018

Ian W. Hendry, CPA, CA, CFP
Marie Fraser, CPA, CA, CFP
Nancy Nicks, CPA, CA
Jacob Milosek, CPA, CA

MEMBER
IMPACT
INTERNATIONAL ALLIANCE OF
PROFESSIONAL ACCOUNTANTS

Daniel B. Warren, CPA, CA, TEP
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October 4, 2018

INDEPENDENT AUDITORS' REPORT

To the Directors of
Ottawa Network for Education:

We have audited the accompanying financial statements of Ottawa Network for Education, which comprise the statement of financial position as at June 30, 2018, and the statements of operations and changes in fund balances and cash flow for the year then ended, as well as 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, 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 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 entity'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 entity'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 opinion.

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Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Ottawa Network for Education as at June 30, 2018, and the results of its operations and changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The supplementary information included in the Schedule of School Breakfast Program Funding and Expenses is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such supplementary information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hendry Warren LLP

HENDRY WARREN LLP
Chartered Professional Accountants
Licensed Public Accountants
Ottawa, Ontario


OTTAWA NETWORK FOR EDUCATION


Statement of Financial Position

June 30, 2018, with comparative figures for 2017

	2018	2017
Assets		
Current assets		
Cash	\$ 1,815,857	\$ 1,897,594
Accounts receivable	41,404	54,842
Government remittances recoverable	16,085	17,215
Prepaid expenses	32,729	9,563
	1,906,075	1,979,214
Long-term investments (Note 3)	-	50,334
Capital assets (Note 4)	90,061	89,405
	\$ 1,996,136	\$ 2,118,953
Liabilities and Fund Balances		
Current liabilities		
Accounts payable and accrued charges	\$ 242,853	\$ 278,781
Deferred revenue (Note 5)	1,269,046	1,538,192
	1,511,899	1,816,973
Commitments (Note 6)		
Fund balances		
Operating Fund	470,392	288,135
Program Fund	13,845	13,845
	484,237	301,980
	\$ 1,996,136	\$ 2,118,953

Approved on behalf of the Board:


Director


Director

OTTAWA NETWORK FOR EDUCATION

Statement of Operations and Changes in Fund Balances

Year ended June 30, 2018, with comparative figures for 2017

	Operating Fund	Program Fund	Total 2018	Total 2017
Revenue				
Grants and contributions	\$ 71,750	\$ 3,179,083	\$ 3,250,833	\$ 2,922,744
Donations	81,424	500,549	581,973	616,774
Sponsorships	114,797	-	114,797	71,250
Allocation of centralized fundraising	(176,586)	176,586	-	-
Investment income	19,827	-	19,827	16,897
Fees for goods and services	5,885	36,005	41,890	18,286
Memberships	115,000	-	115,000	65,000
	232,097	3,892,223	4,124,320	3,710,951
Expenses				
Salaries and benefits	517,110	911,663	1,428,773	1,344,907
Subcontractors	852	276,289	277,141	268,902
Direct program costs	10,598	1,829,291	1,839,889	1,815,251
Consulting and professional fees	30,302	3,472	33,774	42,017
Rent and office expenses	76,961	-	76,961	50,474
Amortization	25,363	-	25,363	17,216
Marketing and communication	9,922	2,293	12,215	6,040
Other costs	109,880	138,067	247,947	164,828
Allocations between funds	(731,148)	731,148	-	-
	49,840	3,892,223	3,942,063	3,709,635
Excess of revenue over expenses	182,257	-	182,257	1,316
Fund balances, beginning of year	288,135	13,845	301,980	300,664
Fund balances, end of year	\$ 470,392	\$ 13,845	\$ 484,237	\$ 301,980

See accompanying notes to the financial statements.

OTTAWA NETWORK FOR EDUCATION

Cash Flow Statement

Year ended June 30, 2018, with comparative figures for 2017

	2018	2017
Operating activities		
Excess of revenue over expenses	\$ 182,257	\$ 1,316
Non-cash item:		
Amortization expense	25,363	17,216
Changes in working capital balances (Note 7)	(313,672)	9,291
Cash (used in) provided by operating activities	(106,052)	27,823
Investing activities		
Acquisition of long-term investments	-	(50,334)
Proceeds from disposal of long-term investments	50,334	220,132
Acquisition of capital assets	(26,019)	(53,443)
Cash provided by investing activities	24,315	116,355
(Decrease) increase in cash	(81,737)	144,178
Cash, beginning of year	1,897,594	1,753,416
Cash, end of year	\$ 1,815,857	\$ 1,897,594
Cash consists of:		
Cash	\$ 627,799	\$ 836,569
Guaranteed Investment Certificates	1,188,058	1,061,025
	\$ 1,815,857	\$ 1,897,594

OTTAWA NETWORK FOR EDUCATION

Notes to the Financial Statements

June 30, 2018, with comparative figures for 2017

Statutes of incorporation and nature of activities

Ottawa Network for Education ("ONFE"), (the "Organization"), a registered charitable organization, was incorporated without share capital in 1985 as the Ottawa-Carleton Learning Foundation/ Fondation d'Ottawa-Carleton pour l'Education ("OCLF") and is dedicated to strengthening life-long learning in the Ottawa-Carleton region.

The Ottawa Centre for Regional Innovation ("OCRI") by agreement with OCLF was the delivery agent for a variety of educational programs. In January 2011, ONFE became the active operating entity responsible for delivering education programs to the community.

ONFE facilitates dialogue and action to support public education in the Ottawa community - from Kindergarten to PhD. In partnership with local school boards, colleges, universities and other stakeholders, ONFE develops and implements collaborative initiatives that leverage community resources to support student learning. ONFE brings together local school boards and post-secondary institutions along with business leaders to discuss issues of mutual interest, including talent development and employment.

ONFE is not taxable under Section 149(1)(f) of the Canadian Income Tax Act.

1. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and include the following significant accounting policies:

Fund accounting

The Operating Fund reflects the operating activities of the Organization.

The Program Fund represents all revenue and expenses relating to the delivery of programs by the Organization.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted grants and contributions are recognized as revenue in the year in which the related expenses are incurred.

Revenues from unrestricted grants and contributions, donations, sponsorships, fees for goods and services and memberships are recognized as revenue when they are received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized when it is earned and collection is reasonably assured.

OTTAWA NETWORK FOR EDUCATION

Notes to the Financial Statements

June 30, 2018, with comparative figures for 2017

Cash and cash equivalents

The Organization's policy is to disclose bank balances under cash and cash equivalents, including overdrafts with balances that could fluctuate frequently from being positive to overdrawn, gift cards and temporary investments (Guaranteed Investment Certificates) with maturity periods of twelve months or less from the date of acquisition. Temporary investments with maturity periods of greater than twelve months are disclosed under long-term investments.

Capital assets

Capital assets are accounted for at cost. Amortization is based on the assets' respective useful lives using the following method and durations:

Asset	Method	Duration
Database	Straight-line	3 years
Equipment	Straight-line	3 years
Furniture	Straight-line	4 years
Software	Straight-line	3 years
Leasehold improvements	Straight-line	Lease term

Amortization is calculated monthly, beginning in the month after the asset is acquired.

Allocation of revenue and expenses

The Organization allocates centralized fundraising to various programs once it is determined which programs require access to the funds. These funds are allocated based on the financial needs of the programs.

The Organization allocates program costs to the program to which it relates when the cost is incurred.

The Organization also incurs a number of general support expenses that are common to the administration of the Organization and each of its programs. The Organization allocates its general support expenses across programs based on relative size of the program. The allocations are determined with the fiscal year budget and are applied consistently throughout the year.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Significant estimates include the completeness of accounts payable and accrued charges, the completeness and existence of deferred revenue and the allocation of revenue and expenses to each program.

OTTAWA NETWORK FOR EDUCATION

Notes to the Financial Statements

June 30, 2018, with comparative figures for 2017

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.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the excess of revenue over expenses. 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 excess of revenue over expenses.

Transaction costs

The Organization recognizes its transaction costs in net income 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.

Contributed services

Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

2. Economic dependence

During the year, the Organization received 50% (2017: 39%) of its contributions revenue from one government organization. The agreement with this organization is subject to annual renewal.

3. Long-term investments

	2018	2017
Scotiabank GIC, accruing interest at a rate of 1.460%, matured July 12, 2018	\$ -	\$ 50,334

OTTAWA NETWORK FOR EDUCATION

Notes to the Financial Statements

June 30, 2018, with comparative figures for 2017

4. Capital assets

			2018	2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Database	\$ 3,357	\$ 3,357	\$ -	\$ -
Equipment	39,629	30,863	8,766	4,005
Furniture	28,161	25,177	2,984	4,857
Software	116,525	39,073	77,452	78,890
Leasehold improvements	1,719	860	859	1,653
	\$ 189,391	\$ 99,330	\$ 90,061	\$ 89,405

5. Deferred revenue

Deferred revenue represents restricted funding and donations received that are related to the subsequent period. Changes in the deferred revenue balance are as follows:

	2018	2017
Balance, beginning of year	\$ 1,538,192	\$ 1,554,059
Less amounts recognized as revenue in the year	(738,448)	(822,728)
Plus amount received for the following year	469,302	806,861
Balance, end of year	\$ 1,269,046	\$ 1,538,192

Amounts deferred in the year all relate to funding received for program delivery, resulting in the entire deferral being reported in the Program Fund.

OTTAWA NETWORK FOR EDUCATION

Notes to the Financial Statements

June 30, 2018, with comparative figures for 2017

6. Commitments

Future minimum rental payments required under operating leases for premises and office equipment that have initial or remaining lease terms in excess of one year at June 30, 2018 are as follows:

	Premises	Office Equipment	Total
2019	\$ 31,067	\$ 10,509	\$ 41,576
2020	20,800	3,528	24,328
2021	12,133	3,528	15,661
2022	-	2,094	2,094
2023	-	165	165
	\$ 64,000	\$ 19,824	\$ 83,824

7. Changes in working capital balances

Changes in working capital balances have provided (used) cash as follows:

	2018	2017
Accounts receivable	\$ 13,438	\$ 49,882
Government remittances recoverable	1,130	2,669
Prepaid expenses	(23,166)	(5,594)
Accounts payable and accrued charges	(35,928)	(19,669)
Government remittances payable	-	(2,130)
Deferred revenue	(269,146)	(15,867)
	\$ (313,672)	\$ 9,291

8. Interfund transfers and internal restrictions

An allocation for centralized funding was transferred between the Operating Fund and the Program Fund during the year.

9. Financial instruments

Risk and concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the risk exposures and concentrations at the financial position date, June 30, 2018. It is management's opinion that the Organization is not subject to significant market risk, currency risk or other price risk.

OTTAWA NETWORK FOR EDUCATION

Notes to the Financial Statements

June 30, 2018, with comparative figures for 2017

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk with respect to the accounts receivable. The Organization assesses, on a continuous basis, the accounts receivable on the basis of amounts it is virtually certain to receive.

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 charges.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its fixed rate financial instruments, the Guaranteed Investment Certificates. Fixed-rate instruments subject the Organization to a fair value risk. At June 30, 2018, \$1,188,058 (2017: \$1,111,359) was held in Guaranteed Investment Certificates, with interest rates ranging between 1.07% and 2.00% per annum.

It is management's opinion that there have been no changes to the Organization's exposure to risk on its financial instruments in the year.

OTTAWA NETWORK FOR EDUCATION Schedule of School Breakfast Program Funding and Expenses

For the year ended June 30, 2018

	Year ended June 30, 2018	Less: April 1 to June 30, 2018	Add: April 1 to June 30, 2017	Deferred Revenue Adjustments	Other Adjustments	Funding Drawn To Reserves June 2018	Funding Drawn To Reserves June 2017	Year Ended March 31, 2018
Funding								
Funding - MCYS	\$ 1,477,450	\$ 369,370	\$ 365,170	\$ 4,200	\$ -	\$ -	\$ -	\$ 1,477,450
Funding - Other	1,102,388	297,874	453,941	(156,067)	-	-	-	1,102,388
	2,579,838	667,244	819,111	(151,867)	-	-	-	2,579,838
Expenses								
Salaries	371,631	109,745	101,193	-	-	-	-	363,079
Overhead allocation	499,491	82,440	120,654	-	-	-	-	537,705
Other program costs	1,556,849	69,801	43,396	-	-	-	-	1,530,444
	2,427,971	261,986	265,243	-	-	-	-	2,431,228
Excess of funding over expenses	\$ 151,867	\$ 405,258	\$ 553,868	\$ (151,867)	\$ -	\$ -	\$ -	\$ 148,610