

**HAY COMMUNICATIONS CO-OPERATIVE LIMITED**

**FINANCIAL STATEMENTS**

**December 31, 2024**

**SEEBACH & COMPANY**  
***Chartered Professional Accountants***



## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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The accompanying consolidated financial statements of Hay Communications Co-operative Limited (the "Company") are the responsibility of the Company's management and have been prepared in accordance with Canadian accounting standards for private enterprises (ASPE) 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 Company's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded from loss, transactions are properly authorized and recorded, and reliable information is available on a timely basis for preparation of the financial statements. These statements are monitored and evaluated by the Company's management. The Board of Directors meets with management and the external auditor to review the financial statements and discuss and significant financial reporting or internal control matters prior to their approval.

The financial statements have been audited by Seebach & Company, independent external auditors appointed by the Company. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Company's financial statements.

HAY COMMUNICATIONS CO-OPERATIVE LIMITED

*Angela Lawrence*

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Angela Lawrence  
General Manager / Secretary-Treasurer

February 25, 2025

# Seebach & Company

Chartered Professional Accountants

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Hay Communications Co-operative Limited

### *Opinion*

We have audited the accompanying financial statements of Hay Communications Co-operative Limited ("the Company"), which are comprised of the balance sheet as at December 31, 2024 and the statement of income and expense and retained earnings, and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises (ASPE).

### *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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPE, 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.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

## Seebach & Company

Chartered Professional Accountants

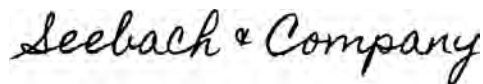
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### INDEPENDENT AUDITOR'S REPORT (continued)

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 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 Company'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 Company'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 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 Company 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.

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.



Seebach & Company  
Chartered Professional Accountants  
Licensed Public Accountants

Clinton, Ontario  
February 25, 2025

**Hay Communications Co-operative Limited**

**Balance Sheet**

as at December 31

	<u>2024</u>	<u>2023</u>
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash (note 2)	520,961	938,008
Interest receivable	64,586	60,955
Settlements receivable (note 3)	16,776	16,986
Customer accounts receivable	379,317	60,730
Sundry accounts receivable	259,681	349,095
Corporate taxes receivable	174,405	27,117
Materials and supplies inventory	787,138	860,281
Sales inventory	85,577	100,130
Prepaid expenses	209,877	175,760
	<u>2,498,318</u>	<u>2,589,062</u>
<b>Investments (note 4)</b>		
Passive investments	3,579,685	5,731,442
Significant influence investments	2,624,705	2,368,540
<b>Capital assets (note 5)</b>	33,259,359	30,968,293
<b>Intangible assets (note 6)</b>	<u>135,000</u>	<u>195,000</u>
	<u>\$ 42,097,067</u>	<u>\$ 41,852,337</u>

**Liabilities and Members' Equity**

	<b><u>Liabilities</u></b>	
<b>Current and accrued liabilities</b>		
Accounts payable and accrued liabilities	1,424,458	2,492,948
Customer deposits	40,700	45,750
	<u>1,465,158</u>	<u>2,538,698</u>
<b>Future income taxes (note 7)</b>	575,865	453,171
	<u>2,041,023</u>	<u>2,991,869</u>
	<b><u>Members' Equity</u></b>	
<b>Capital stock (note 8)</b>		
Membership shares	9,638	9,398
<b>Contributed surplus (note 9)</b>		
Contribution by Township of Hay	9,573,816	9,573,816
<b>Retained earnings</b>		
Per statement of retained earnings	30,472,590	29,277,254
	<u>40,056,044</u>	<u>38,860,468</u>
	<u>\$ 42,097,067</u>	<u>\$ 41,852,337</u>

Approved by the Board of Directors:

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Henry VanderBurgt, Director

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Andrew Hern, Director

**Hay Communications Co-operative Limited**  
**Statement of Income and Expense and Retained Earnings**  
**for the years ended December 31**

	<u>2024</u>	<u>2023</u>
<b>Operating revenues</b>		
Internet revenue	5,668,920	5,202,787
Cellular revenue	3,306,926	3,075,791
IPTV (Internet Protocol TV) revenue	3,811,894	3,392,297
Local services revenue	1,626,277	1,685,303
Services to cable TV companies	-	110,358
Long distance revenue	62,658	72,616
Network Access Tariff settlement	56,781	65,877
Miscellaneous revenue	98,068	73,540
Direct Toll settlement (note 3)	101,367	102,913
Bad debts net of collections	(15,386)	(10,820)
	<u>14,717,505</u>	<u>13,770,662</u>
<b>Operating expenses</b>		
Maintenance and network expense	2,479,811	2,425,932
Depreciation expense	2,201,031	1,924,717
Amortization expense	60,000	60,000
Direct internet expense	942,503	682,664
Direct long distance expense	24,292	25,379
Marketing and promotion	208,128	208,326
General office and administration	1,670,572	1,513,261
Other operating expense	1,191,193	1,102,522
Direct IPTV	3,139,138	2,354,010
Direct cellular expense	1,372,206	1,295,452
	<u>13,288,874</u>	<u>11,592,263</u>
<b>Net operating income</b>	<u>1,428,631</u>	<u>2,178,399</u>
<b>Investment income</b>		
Interest income	119,597	195,222
Share of income of investment accounted for on the equity basis	256,165	41,888
	<u>375,762</u>	<u>237,110</u>
<b>Net income before income taxes and patronage returns</b>	<u>1,804,393</u>	<u>2,415,509</u>
<b>Income taxes</b>		
Current income taxes	291,355	441,303
Future income taxes	122,694	191,783
	<u>414,049</u>	<u>633,086</u>
<b>Net income before patronage returns to members</b>	<u>1,390,344</u>	<u>1,782,423</u>
<b>Patronage returns to members</b>		
Patronage returns	(265,317)	(279,061)
Less: Reduction in corporation income taxes resulting from patronage allocation	70,309	73,951
	<u>(195,008)</u>	<u>(205,110)</u>
<b>Net income</b>	1,195,336	1,577,313
<b>Retained earnings, opening balance</b>	29,277,254	27,699,941
<b>Retained earnings, closing balance</b>	<u>\$ 30,472,590</u>	<u>\$ 29,277,254</u>

**Hay Communications Co-operative Limited**

**Cash Flow Statement**

**for the years ended December 31**

	<b><u>2024</u></b>	<b><u>2023</u></b>
<b>Operating activities</b>		
Net income before patronage returns	1,390,344	1,782,423
Items not requiring outlay or providing inflow of funds:		
Depreciation expense	2,201,031	1,924,717
Amortization expense	60,000	60,000
Future income taxes accrued	122,694	191,783
Share of equity increase in subsidiary	(256,165)	(41,888)
Changes in working capital:		
Interest receivable	(3,631)	(28,230)
Settlements receivable	210	356
Customer accounts receivable	(318,587)	31,901
Sundry accounts receivable	89,414	116,216
Corporation taxes receivable/payable	(147,288)	57,615
Materials and supplies inventory	73,143	53,986
Sales inventory	14,553	(27,860)
Prepaid expenses	(34,117)	52,854
Accounts payable and accrued liabilities	(1,068,490)	659,789
Customer deposits	(5,050)	(3,550)
	<u>2,118,061</u>	<u>4,830,112</u>
<b>Investing activities</b>		
Purchase of capital assets	(4,510,097)	(6,807,611)
Proceeds of disposition of capital assets	18,000	14,400
Redemption of investments	2,151,757	1,738,587
	<u>(2,340,340)</u>	<u>(5,054,624)</u>
<b>Financing activities</b>		
Membership share capital issued	240	325
Patronage returns to members - net of income taxes	(195,008)	(205,110)
	<u>(194,768)</u>	<u>(204,785)</u>
<b>Net increase (decrease) in cash during year</b>	<b>(417,047)</b>	<b>(429,297)</b>
<b>Cash beginning of year</b>	<b><u>938,008</u></b>	<b><u>1,367,305</u></b>
<b>Cash end of year</b>	<b><u>\$ 520,961</u></b>	<b><u>\$ 938,008</u></b>

## **Hay Communications Co-operative Limited**

### **Notes to Financial Statements**

**December 31, 2024**

#### **1. Significant Accounting Policies**

##### **(a) Nature of Business**

Hay Communications Co-operative Limited operates a telecommunications system under the regulatory jurisdiction of the Canadian Radio-television and Telecommunications Commission (CRTC).

##### **(b) Use of Estimates**

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results could differ from those estimates.

##### **(c) Inventory**

Materials and supplies inventory is stated at cost. Sales inventory is stated at the lower of cost and net realizable value. Cost is determined on a specific item basis.

##### **(d) Capital Assets**

Capital assets are recorded at cost.

The acquisition, maintenance, depreciation and retirement of telephone plant in service is accounted for as follows:

Tools, test equipment, buildings and office equipment with a unit value of less than \$1,500 are expensed in the year of purchase.

Vehicle, plant overhead, and labour costs are allocated to operating and capital accounts on the basis of related labour hours.

Cable, terminals, loading coils, poles and other materials generally used for cable and conduit construction are carried as inventory until they are installed. These inventories are reported at cost. Customer equipment is capitalized at the time of purchase whether or not it is immediately put into service, and remains in capital until retired or sold.

##### **(e) Intangible Assets**

Intangible assets are recorded at cost less accumulated amortization. Management has determined that the carrying amount should be amortized over five years. The carrying value of the intangibles and the amortization period is periodically reviewed by management to determine if the facts and circumstances suggest that they might be impaired.

##### **(f) Depreciation**

Depreciation is recorded using the straight line method for groups of capital assets having an estimated equal life using the following rates:

Buildings	<b>30-40 years</b>
Towers	<b>10-15 years</b>
Central office equipment	<b>10-34 years</b>
Cable and conduit	<b>10-40 years</b>
Furniture and office equipment	<b>5 years</b>
Computer hardware	<b>3-5 years</b>
Computer software	<b>5 years</b>
Motor vehicles	<b>7 years</b>
Tools and test equipment	<b>17 years</b>

##### **(g) Revenue Recognition**

Revenue from services is recognized when the services are provided in accordance with the sales agreements.

##### **(h) Income Taxes**

Income taxes are accounted for using the asset and liability method of allocation. This method requires that income tax reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are determined for these accumulated differences using current income tax rates.



**Hav Communications Co-operative Limited**

**Notes to Financial Statements**

**December 31, 2024**

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

**(i) Financial Instruments**

Financial assets and liabilities consist of cash, receivables, investments, future income taxes, accounts payable and accrued liabilities, and customer deposits. It is the opinion of management that the Co-operative is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of the Co-operative's financial instruments approximate their carrying values unless otherwise noted. The fair value of amounts due from affiliated companies are less than their carrying value as amounts are non-interest bearing. As the amounts have no terms of repayment, the fair value can not be calculated with any degree of certainty. Investments over which the company exerts significant influence are accounted for using the equity method.

**2. Cash**

Cash consists primarily of cash in bank and cashable investments. Interest is earned on cash in bank at the bank prime rate less 1.9%. At December 31, 2024 the interest rate earned was 3.55% (2023: 5.30%).

**3. Settlements Receivable**

The Co-operative receives Direct Toll Settlement from long distance carriers registered with the CRTC to allow them to provide service in the Co-operative's local serving territory. The direct toll settlement was determined by CRTC Decision 2017-282. This resulted in a net receivable of \$16,776 which is included in Settlements Receivable at December 31, 2024 (2023: \$16,986). The amount received by the Co-operative through this settlement is determined by the usage of direct toll services by these long distance carriers.

**4. Investments**

**Passive investments**

Passive investments are reported at their carrying value of cost which is considered to be their fair value. Interest rates on certificates range from 0.55% to 7.05% (2023 : 0.55% to 7.05%).

	<u>2024</u>	<u>2023</u>
Classification of certificates by maturity dates is as follows:		
Maturity in one year	516,221	250,000
Maturity in two years	939,104	2,326,274
Maturity in three years	449,358	656,025
Maturity in four years and beyond	1,156,547	1,426,474
	<u>\$ 3,061,230</u>	<u>\$ 4,658,773</u>
Canadian Portable Contribution Consortium		
- one Class F share	10	10
Canadian Local Number Portability Consortium		
- one Class B share	10	10
Canadian Numbering Administration Consortium (an organization administering telephone numbering in Canada)		
- one common share	10	10
Co-operative Synergies Inc. (a co-operative corporation servicing its members who are engaged in providing telephone communication services)		
- one membership share (one-seventeenth interest)	1	1
Canadian Communication Systems Alliance		
- three common shares	3	3
Libro Credit Union (one membership share and profit shares)	12,570	11,899
Hensall District Co-operative Incorporated	6,515	6,194

# Hay Communications Co-operative Limited

## Notes to Financial Statements

December 31, 2024

### 4. Investments (continued)

	<u>2024</u>	<u>2023</u>
Comcentric Networking Inc. (a corporation formed to supply and market networking solutions in South western Ontario)		
- advances of cash and equipment bearing interest at chartered bank prime rate	98,784	117,715
- one common share (one-sixth interest)	1	1
2521624 Ontario Inc. (a corporation formed to operate security monitoring and installation services as well as customer technical support)		
- shareholder advances - non-interest bearing (1/2 portion)	400,551	400,551
2206275 Ontario Inc. (a corporation formed to hold the shares of a company engaged in the operation of cable TV services)		
- shareholder advances - non-interest bearing (1/3 portion)	-	536,275
	<u>518,455</u>	<u>1,072,669</u>
	<u>3,579,685</u>	<u>5,731,442</u>

### Significant Influence Investments

Significant influence investments are accounted for using the equity method.

2521624 Ontario Inc.		
- equity investment - 1 common shares at cost (1/2 portion)	1	1
- equity investment - accumulated earnings (1/2 portion)	(137,422)	(214,214)
2206275 Ontario Inc.		
- equity investment - 100 common shares at cost (1/3 portion)	500	500
- equity investment - accumulated earnings (1/3 portion)	2,761,626	2,582,253
	<u>2,624,705</u>	<u>2,368,540</u>
	<u>\$ 6,204,390</u>	<u>\$ 8,099,982</u>

### 5. Capital Assets

Accumulated depreciation reflects the depreciation incurred by the predecessor municipal system in prior years, as well as the depreciation incurred by the Co-operative. Costs, accumulated depreciation, and net book value are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	754,311	-	754,311
Buildings	4,333,112	2,102,926	2,230,186
Towers	359,971	359,971	0
Central office equipment	14,081,900	9,873,849	4,208,051
Cable and conduit	35,931,244	10,886,084	25,045,160
Furniture and office equipment, computer hardware and software	744,774	596,032	148,742
Motor vehicles, tools and test equipment	1,695,291	822,382	872,909
as at December 31, 2024	<u>\$57,900,603</u>	<u>\$24,641,244</u>	<u>\$33,259,359</u>
Land	754,311	-	754,311
Buildings	3,345,081	2,048,253	1,296,828
Towers	359,971	359,971	-
Central office equipment	12,835,931	8,856,588	3,979,343
Cable and conduit	34,111,285	9,817,228	24,294,057
Furniture and office equipment, computer hardware and software	602,019	544,535	57,484
Motor vehicles, tools and test equipment	1,501,898	915,628	586,270
as at December 31, 2023	<u>\$53,510,496</u>	<u>\$22,542,203</u>	<u>\$30,968,293</u>

**Hay Communications Co-operative Limited**

**Notes to Financial Statements**

**December 31, 2024**

**6. Intangible Assets**

	<u>2024</u>	<u>2023</u>
Licensing agreements	300,000	300,000
Less: Accumulated amortization	(165,000)	(105,000)
	<u>\$135,000</u>	<u>195,000</u>

**7. Future Income Taxes**

	<u>2024</u>	<u>2023</u>
The amount of future income tax attributable to each type of temporary difference is as follows:		
Capital assets	647,719	528,935
Intangible assets	(71,854)	(75,764)
	<u>\$575,865</u>	<u>453,171</u>

The future income tax balance is separated between future income tax assets and liabilities is as follows:

Future income tax liabilities	647,719	528,935
Future income tax assets	(71,854)	(75,764)
	<u>\$575,865</u>	<u>453,171</u>

**8. Capital Stock**

Authorized total capital is \$220,000,000 consisting of:

- \$20,000,000 in membership shares at a par value of \$1 each
- \$200,000,000 in preferred shares divided into
  - \$90,000,000 in Class A redeemable preferred shares at a par value of \$1 each,
  - \$90,000,000 in Class B redeemable preferred shares at a par value of \$10 each, and
  - \$20,000,000 in Class C redeemable preferred shares at a par value of \$100 each.

Membership shares are non-transferable and redeemable at par upon the member terminating service as a customer.

The maximum number of preferred shares that may be issued by the Co-operative is:

Class A	90,000,000
Class B	9,000,000
Class C	200,000

Issued capital consists of:

	<u>2024</u>	<u>2023</u>
Membership shares at a par value of \$1 each	<u>\$9,638</u>	<u>\$9,398</u>

**9. Contributed Surplus**

The Co-operative was formerly a municipally owned telephone system. Effective December 31, 1994 the assets and liabilities of the telephone system were transferred from the municipality to the Co-operative. Net assets on the transfer are denoted as contributed surplus.

**10. Related Party Transactions**

	<u>2024</u>	<u>2023</u>
The Co-operative had the following revenue and expense transactions with 2206275 Ontario Inc.		
Service Revenue	-	115,907
Maintenance of system	(2,019,028)	(1,228,506)
Capital expenditures	(223,029)	(31,100)
	<u>\$ (2,242,057)</u>	<u>\$ (1,143,699)</u>

The Co-operative had the following revenue and expense transactions with 2521624 Ontario Inc.

Service Revenue	4,443	4,153
Support	(240,000)	(210,000)
	<u>\$ (235,557)</u>	<u>\$ (205,847)</u>

**Hay Communications Co-operative Limited**

**Notes to Financial Statements**

**December 31, 2024**

**11. Pension Agreements**

Contributions for current service to an employees' defined contribution pension plan have been made in the amount of \$260,345 (2023 : \$247,768).

**12. Statutory Information**

The remuneration of directors and senior officers for the year, as defined by the Co-operative Corporations Act, R.S.O. 1990 was \$36,250 (2023 : \$45,725).

Business transacted with non-members did not exceed 50 per cent of the total business of the Co-operative.

**13. Comparative Amounts**

The presentation of certain amounts on the financial statements for the previous year has been changed to conform with the financial statement presentation adopted for 2024. Net income for the previous year is not affected by this reclassification.