
2008-2009 ANNUAL REPORT

Muskoka Community Network



Building Technology Capacity in Muskoka and Almaguin

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MESSAGE FROM THE CHAIR

September 3rd, 2009

This year's economic climate has forced families, businesses and residents of Muskoka to reach into a technological genre that many thought was well into the future. Our need to understand the importance of technological investment in our region has become immediate, so that we can function more effectively, whatever demographic we find ourselves in. Our future may include interfacing internationally, shipping world wide or downloading itunes.

To ensure that Muskoka keeps pace and is competitive, Muskoka Community Network continues to work on developing what we are defining as "*technological capacity*" for the benefit of our businesses and residents. Simply put, we are setting into place what will be needed tomorrow...today.

Muskoka Community Network confirms that companies, organizations, and individuals that have *technical capacity* will continue to outpace their have-not counterparts both in terms of economics and quality of life.

Technical capacity not only includes access to technology (hardware, internet access), but also the development of a knowledge based workforce (programmers, interface users, academia, database users), and we are continually working to develop both in Muskoka. It is this fast paced forward momentum that forces Muskoka Community Network to find tomorrow's technological opportunities, define that opportunity, and set that opportunity into place.

As the 2010 G8 Summit moves closer to us, people from around the world will come to our region and will use technology and broadband for the duration of their visit. Additionally, there will be a dramatic increase in virtual visitors who will use the Internet to view the 2010 G8 Summit and learn about our region.

This is an excellent opportunity for Muskoka Community Network to rise to the challenge ahead of us. As the G8 brings focus to Muskoka, we must ensure that the legacy and international intelligence presented to us, will be interpreted, evaluated and redefined to ensure that Muskoka can maximize its continual growing *technical capacity*.

Our Board is a strategic compilation of conscientious, educated and community oriented people. On a continual learning curve, the Board is diligently working to communicate efficiently with Muskoka residents how to increase capacity.

We encourage you to take this opportunity to talk with us, visit our website and take a look at what we are doing. Allow us to help you understand the potential, and harvest the energy of the Internet. Our goal is to help you, and we encourage you to make the call today.



Jennifer Schnier
Chair
Muskoka Community Network

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MESSAGE FROM THE EXECUTIVE DIRECTOR

September 3rd, 2009

Again, 2008/2009 has brought new challenges and more importantly successes and opportunity to MCN.

MCN's continues to focus our service delivery through three main areas which include 1) broadband for unserved areas, 2) training, education and awareness, and 3) broadband applications with the purpose of using technology for economic and social benefit.

At MCN we continue to define and deliver a vision for a technology economy and culture in Muskoka.

This is the year that the 2010 G8 summit is being held in Muskoka, and we see this as an opportunity to leverage broadband applications in Muskoka.

More specific information on the programs and services that MCN delivers is provided in this annual report, and we hope that you find it insightful.

Regards,



Rob McPhee
Executive Director
Muskoka Community Network

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Company Information

MCN OFFICE
Muskoka Community Network Unit C4 440 Ecclestone Dr Bracebridge, ON P1L 1Z6 P:(705) 646-9044 F:(705) 646-9522 http://www.mcnet.ca

MCN BOARD OF DIRECTORS	
Jennifer Schnier	Chairperson
Vacant	Vice Chair
John Finley	Treasurer
Ken Albrough	Secretary
Marguerite Urban	Director
John Cooper	Director
Maureen Cubberley	Director
William O-Neil	Director
Rob McPhee	Ex Officio

MCN STAFF	
Rob McPhee	Executive Director/Program Manager
James Walton	Office Manager

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Executive Summary

Muskoka Community Network (MCN) is a not-for-profit organization facilitating the development of technology capacity in the regions of Muskoka and Almaguin by working with, and forming partnerships with both the public and private sector.

MCN is governed by a Board of Directors who provide regional representation on a geographical, and industry basis. The Board of Directors allows for up to 12 Members. In addition, MCN currently has 2 staff which includes an Executive Director/Program Manager and an Office Manager.

It remains MCN's vision to provide communities, businesses, and residents of Muskoka and Almaguin with a telecommunications network which will deliver broadband to the vast majority of businesses and residents. Additionally, services on this network should be provided at competitive rates which are comparable to rates found in other more urban areas.

The purpose of this broadband network is to contribute to:

- A competitive economy;
- Improved education;
- Wealth and job creation;
- Quality of life for residents.

MCN continues to operate under funding from FedNor, and this allows us to operate and administer programs in three key areas.

- Broadband deployment to unserved areas
- Training, Education and Awareness on ICT
- Broadband applications

As part of our training, education, and awareness component, MCN works to create a technology culture and vision for Muskoka.

In addition to the support provided by our funding partners, MCN recognizes the selfless contribution made by the volunteers who serve on the Board of Directors.

Programs and Service Delivery

Our goal at MCN is to bring broadband access to un-served areas, and provide training education, awareness on the use of broadband, and deliver broadband applications and technology for economic and social development. MCN currently works toward these goals through efforts in several key areas which include

Broadband Delivery to Unserved Areas

Broadband Infrastructure Program

In 2005, and early 2006 MCN conducted research, a vendor selection process, and submitted funding applications regarding broadband needs. In November 2006, MCN was pleased to learn that our funding application to FedNor was successful in the amount of 1.7 million dollars.

Securing this funding from FedNor, has allowed MCN to contract our chosen vendor, Core Broadband Inc. to commence with improving broadband service in our region.

MCN expects that this improved broadband infrastructure will allow approximately 80% of the currently unserved population to gain access to broadband through Internet Service Providers (ISPs) who participate on this network. To date three (4) ISP's have joined Core Broadband's wholesale network and these ISP's include Vianet, Surenet, Indigiinet, and Point to Point Broadband. Having multiple ISP's join the network has provided consumers with a broader range of choice in the market place.

To date, new services have been deployed in Bracebridge, the Township of Georgian Bay, Gravenhurst, Huntsville, and the Township of Lake of Bays. The build in Gravenhurst has (4) locations online. Township of Lake of Bays has seen (5) new locations come online. Huntsville now has (5) new locations online, and Bracebridge has (7) new and upgraded locations online. The Township of Georgian Bay originally poses some logistical challenges, however, MCN is pleased to report that the issues are being overcome and there are (4) new locations in Georgian Bay as a result of this project.

To date, this network serves approximately 500 connections and continues to grow. Each connection can serve multiple people at a business or residential location. Using a residential figure of 3.66¹ for average number of people per household in Muskoka, this would reasonably indicate that this new infrastructure is serving $500 \times 3.66 = 1830$ people.

For more information on the current status of the deployment schedule for this project please visit. Our website at <http://www.mcnet.ca/projects/broadsched/>

¹(Source: Watson & Associates Economists Ltd, 2008, Muskoka Growth Strategy Phase 2 Report)

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SIRA

MCN continues to deliver the Satellite Internet for Remote Areas (SIRA) program. This program offers financial assistance to qualified businesses that require high speed Internet, but are not able to acquire it through traditional means such as DSL, Cable, Wireless, or Fibre. Through this program businesses can have a broadband satellite system installed and receive a contribution of up to 75% to a maximum of \$1000 for installation costs.

MCN has provided assistance to over 185 businesses in the Parry Sound, Muskoka, and Almaguin areas since this program began in September 2006. This is an addition of 35 over last year. These businesses can now fully engage in the digital economy using such services as online banking, e-mail, web development, and market research as well as any other applications that are supported over broadband.

Training, Education and Awareness

Best Practices Workshops

This year MCN continued to deliver best practices workshops to the business community. MCN often partners with other organizations to deliver workshops such as the Muskoka Enterprise Centre, or the YWCA. These workshops are directed at business decision makers who want to learn more about leveraging technology in their business. Since inception MCN has had over 381 participants taken these workshops with 104 since January 2009 alone. These workshops include Plan Your Web, E-commerce, Technology Management, and Web2.0, How to Profit from E-Business, and are typically provided at no cost to participants.

Broadband for E-Business and Marketing (BEAM)

MCN is currently commencing the launch of our new pilot program named *Broadband for E-Business and Marketing* (BEAM). The purpose of the program is to lower the barriers to adopting E-Business for area businesses and organizations.

Through an application program this program will allow qualifying businesses to receive up to 75% of the cost (to a maximum of \$2000) to implement or add E-business tools to their operations. Additionally, a framework that is based on process and development control is supplied through the program.

MCN is excited to offer this service and measure the subsequent success of this program.

Virtual Training Centre

MCN's Virtual Training Centre (VTC) has been operational for a full year now and has been met with approval from the community with over 80 registered users coming from a base of Municipal staff, business people, not-for-profit organizations and individual residents.

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This 'virtual' training centre allows businesses and residents in the Muskoka area to access over 450 computer based training modules on a wide range of business and technology topics. People who are interested in accessing this Virtual Training Centre simply make a request to MCN through our website, and we provide information on how to access the system. MCN provides this as a free service to business and residents of Muskoka.

Sponsored Learning

This year MCN had the opportunity to sponsor 60 youth aged 6-16 to participate in digital animation classes which were held at Pixels on the Parallel animation studio in Bracebridge. These animation classes allowed Muskoka youth to learn digital animation skills to create movie shorts. MCN believes that this will build jobs skills for our youth, and we are pleased to see this type of program offered right here in Muskoka.

Technology Vision and Culture

MCN is working to create a technology vision and culture across Muskoka.

Ontario's Digital Economy Conference

MCN had the unique and valuable opportunity to host the Ontario's Digital Economy Conference in Muskoka in October 2008 through assistance from FedNor and the Province of Ontario. This conference focused on the how digital technology is changing the world we live in. Key speakers included Dr. Ed Brown - CEO of Ontario's Telemedicine Network, Doug Cooper - Country Manager for Intel, and Rob Dowler - Corporate Chief Strategist, OCCIO -Ministry of Government and Consumer Services.

Approximately 80 participants attended the conference with a small portion of the attendees coming from as far away as Finland, Nova Scotia, and California.

This conference raised the awareness of the digital economy in Ontario, and also allowed Muskoka to be seen as a progressive technology region.

Intelligent Community Forum(ICF)

This year, Muskoka Community Network took the opportunity to participate, and learn about best practices for developing communities through the Intelligent Community Forum Annual Summit. Additionally, Muskoka Community Network sponsored two municipal councillors (Muskoka Lakes and Huntsville) to attend as well. Both councillors are also District of Muskoka Councillors so the benefit to municipalities was multiplied.

From the Intelligent Community website:

“The Intelligent Community Forum is a think tank that studies the economic and social development of the 21st Century community. Whether in industrialized or developing nations, communities are

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challenged to create prosperity, stability and cultural meaning in a world where jobs, investment and knowledge increasingly depend on advances in communications.”

Outcomes from attending the ICF annual summit include greater education and awareness of broadband economy development at MCN, and also at the municipalities which sent a representative. Specifically, a deeper understanding of the 5 main indicators of an Intelligent Community was developed, which are broadband connectivity, a knowledge workforce, digital inclusion, innovation, and marketing and advocacy. Through having a clearer road-map to achieve this development.

Additionally, it became apparent it would be a worthwhile goal for a Muskoka community to pursue Intelligent Community status through the Intelligent Community Forum.

Public Communications

As a resource to Muskoka, MCN provided an electronic newsletter to our subscriber base, provides ICT related submissions to areas media, and provides communications regarding our projects to the media. MCN has also distributed flyers through-out Muskoka which outline the benefits of technology, and the achievements we have made on our projects and programs.

Additionally, MCN provides front line communications with people who contact our office on ICT related issues.

Goals for 2009/2010

MCN has several goals for the upcoming year including:

- Continuing Broadband infrastructure deployment to unserved areas;
- Deliver the BEAM program
- Expanding the Satellite Internet for Remote Areas (SIRA) program to include residents;
- Continuing Education, Awareness, and Training on broadband and broadband applications;
- Delivering a mapping project that will support economic development and the 2010 G8 Summit
- Continuing public communications
- Continuing Community involvement

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2008/09 Financial Statements

BDO Dunwoody LLP performed an audit of the organization's financial statements for the fiscal years ended March 31, 2008 and March 31, 2009. The audited financial statements for the year ended March 31, 2009 are attached in their entirety as Appendix 1.

Appendix 1
Muskoka Community Network
Audited Financial Statements
For the year ended Mar 31, 2009

Muskoka Community Network
Financial Statements
For the year ended March 31, 2009

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BDO Dunwoody LLP
Chartered Accountants
and Advisors

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www.bdo.ca

Auditors' Report

To the Directors of Muskoka Community Network

We have audited the statement of financial position of Muskoka Community Network as at March 31, 2009 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP


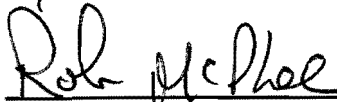
Chartered Accountants, Licensed Public Accountants

June 1, 2009
Bracebridge, Ontario

**Muskoka Community Network
Statement of Financial Position**

March 31	2009	2008
Assets		
Current		
Cash	\$ 148,589	\$ 300,746
Accounts receivable	5,272	1,923
Contributions receivable	180,730	194,342
Prepaid expenses	166,498	167,048
	\$ 501,089	\$ 664,059
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 16,629	\$ 74,370
Deferred contributions (Note 2)	476,813	581,493
	493,442	655,863
Net assets		
Externally restricted net assets	7,647	8,196
	\$ 501,089	\$ 664,059

On behalf of the Board:

	Director	<i>Treasurer.</i>
	Director	<i>Executive Director.</i>

**Muskoka Community Network
Statement of Operations and Changes in Net Assets**

For the year ended March 31	2009	2008
Revenues		
Government grants	\$ 625,175	\$ 339,456
Other	18,621	-
Interest income	-	49
	643,796	339,505
Expenses		
Champion Program		
Advertising	786	2,669
Bank charges and interest	198	289
Consulting fees	-	747
General and office	36,186	17,050
Insurance	3,969	4,446
Professional fees	8,830	7,157
Rent	10,551	7,292
Telephone	5,213	4,035
Travel	3,237	942
Wages and benefits	119,131	120,004
	188,101	164,631
Broadband Infrastructure Program	320,471	137,016
Satellite Internet for Remote Areas Program	15,254	37,333
Ontario's Digital Economy Conference	120,519	-
	644,345	338,980
Excess (deficiency) of revenues over expenses for the year	(549)	525
Net assets, beginning of year	8,196	7,671
Net assets, end of year	\$ 7,647	\$ 8,196

Muskoka Community Network
Statement of Cash Flows

For the year ended March 31	2009	2008
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ (549)	\$ 525
Adjustments for		
Changes in non-cash working capital balances		
Accounts receivable	(2,414)	705
Contributions receivable	12,677	(102,134)
Prepaid expenses	550	(163,129)
Accounts payable and accrued liabilities	(57,741)	66,292
Deferred contributions	(104,680)	247,512
Increase (decrease) in cash during the year	(152,157)	49,771
Cash, beginning of year	300,746	250,975
Cash, end of year	\$ 148,589	\$ 300,746

Muskoka Community Network Summary of Significant Accounting Policies

March 31, 2009

**Nature and Purpose
of Organization**

Muskoka Community Network is incorporated without share capital under the laws of Ontario and is engaged in the promotion of developing an infrastructure for high speed internet and communications primarily in the District Municipality of Muskoka.

The organization is a not-for-profit organization and, as such, is exempt from income tax.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable, as a result of receipt of goods or services and the creation of a legal liability to pay.

Revenue Recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

**Contributed Materials
and Services**

Contributed materials and services which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Muskoka Community Network Summary of Significant Accounting Policies

March 31, 2009

Financial Instruments

The organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The organization's accounting policy for each category is as follows:

Assets held-for-trading

Financial instruments classified as assets held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in excess of revenues over expenses in the period during which the change occurs. Transaction costs are expense when incurred.

Cash has been classified as held-for-trading.

Loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Interest income or expense is included in excess of revenue over expenses over the expected life of the instrument. Transaction costs are expense when incurred.

Accounts receivable and contributions receivable have been classified as loans and receivables.

Accounts payable and accrued liabilities have been classified as other financial liabilities.

Capital Assets

Capital assets are not recorded on the balance sheet. Expenditures for capital assets in the year are recorded as expenses and disclosed in the statement of operations and changes in net assets.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the organization, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of the asset and de-emphasizes the matching principle. The revised requirements are effective for annual financial statements relating to fiscal years beginning on or after October 1, 2008. The organization is currently assessing the impact of the new standard.

Muskoka Community Network Summary of Significant Accounting Policies

March 31, 2009

New Accounting

Pronouncements (continued) Cash Flow Statements

Section 1540 was amended to include not-for-profit organizations within its scope. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The organization is currently assessing the impact of the new standard.

Financial Instruments - Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The organization is currently assessing the impact of the new standard.

Financial Statement Presentation by Not-for-Profit Organizations

Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The organization is currently assessing the impact of the new standard.

Capital Assets Held by Not for Profit Organizations

Section 4430 has been amended to provide additional guidance with respect to the appropriate use of the exemption from recognizing capital assets for smaller entities. The changes are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The organization is currently assessing the impact of the new standard.

Disclosure of Related Party Transactions by Not for Profit Organizations

Section 4460 has been amended to make the language in Section 4460 consistent with Related Party Transactions, Section 3840. The changes are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The organization is currently assessing the impact of the new standard.

Muskoka Community Network

Notes to Financial Statements

March 31, 2009

1. Change in Accounting Policies

Effective April 1, 2008, the organization adopted CICA Handbook Section 1400, General Standards on Financial Statement Presentation. This section has been amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The adoption of the new accounting standard had no material impact on the financial statements.

Effective April 1, 2008, the organization adopted CICA Handbook Section 1535, Capital Disclosures. This section specifies disclosures of information about an organization's objectives, policies and processes for managing its capital structure; quantitative data about what the organization regards as capital; and whether the organization has complied with externally imposed capital requirements, like bank covenants, and if it has not complied, the consequences of such non-compliance. The adoption of this section had no material impact on the financial statements, however, it did result in expanded note disclosure at Note 6.

2. Deferred Contributions

Deferred contributions represent restricted funding received in the current period that relates to expenses of a subsequent period. Deferred contributions are comprised of the following program balances:

	<u>2009</u>	<u>2008</u>
Broadband Infrastructure Program	\$ 360,167	\$ 443,140
Champion Program	101,946	79,428
Satellite Internet for Remote Areas Program	14,700	23,270
Ontario's Digital Economy Conference	-	35,655
	<u>\$ 476,813</u>	<u>581,493</u>

3. Commitment

The organization has leased premises for which the minimum annual lease payments over the next two years are approximately as follows:

Year	Amount
2010	\$ 10,184
2011	4,668

4. Economic Dependence

The organization's revenue is primarily derived from FedNor. The continuation of this organization is dependent upon this funding.

Muskoka Community Network Notes to Financial Statements

March 31, 2009

5. Financial Instruments

i) Fair Values

The organization's financial instruments consists of cash, accounts receivable, contributions receivable and accounts payable and accrued liabilities.

Cash, accounts receivable, contributions receivable and accounts payable and accrued liabilities are reported at fair value on the balance sheet. The fair values are the same as the carrying value due to their short-term nature.

ii) Risks Related to Financial Instruments

The organization's cash is held at a major financial institution. The organization's accounts receivables and contributions receivable are made up of claims due from government agencies. It is management's opinion that the organization is not exposed to significant credit or currency risk.

6. Capital Disclosures

The organization considers its capital to be the net assets as reported on its statement of financial position.

The organization's objectives when managing capital are to safeguard the organization's ability to continue as a going concern so that it can continue to provide delivery of its services.

Management maintains its capital by developing annual operating and capital budgets which are approved by the board of directors based on known or estimated sources of revenues and financing each year. These budgets are reviewed on an ongoing basis by Management and the Board of Directors to ensure the capital of the organization is maintained.
