

Brooke Telecom Co-operative Ltd.

Financial Statements

For the Year Ended December 31, 2024

Independent Auditors' Report

To The Members of Brooke Telecom Co-operative Ltd.

Opinion

We have audited the financial statements of Brooke Telecom Co-operative Ltd., which comprise the balance sheet as at December 31, 2024, the statement of income, retained earnings and cash flow 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 the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

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 Auditors' 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 Canadian accounting standards for private enterprises, 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.

Auditors' 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 auditors' 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.

Independent Auditors' Report

Auditors' Responsibilities for the Audit of the 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 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 auditors' 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 auditors' 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 financial statements, including the disclosures, and whether the 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.

Exeter, Ontario
March 13, 2025


PTMG LLP
Chartered Professional Accountants
Licensed Public Accountants

Brooke Telecom Co-operative Ltd.
Balance Sheet
December 31, 2024

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash	\$ 545,343	842,626
Short term investments	3,304	3,154
Accounts receivable (Note 2)	1,330,269	1,559,836
Income taxes receivable	-	117,118
Inventory	268,075	232,961
Prepaid expenses	<u>190,665</u>	<u>317,060</u>
	2,337,656	3,072,755
Capital Assets (Note 4)	13,437,880	11,328,559
Long Term Investments (Note 3)	<u>78,381</u>	<u>85,525</u>
	<u>\$15,853,917</u>	<u>14,486,839</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,209,566	933,020
Income taxes payable	197	-
Customer deposits	9,166	8,171
Current portion of bank loans (Note 6)	<u>3,144,387</u>	<u>2,202,757</u>
	4,363,316	3,143,948
Future Income Taxes (Note 7)	<u>528,000</u>	<u>503,000</u>
	4,891,316	3,646,948
Commitments (Note 11)		
Shareholders' Equity		
Share Capital (Note 8)	1,938	1,858
Contributed Surplus	4,169,444	4,169,444
Retained Earnings	<u>6,791,219</u>	<u>6,668,589</u>
	<u>10,962,601</u>	<u>10,839,891</u>
	<u>\$15,853,917</u>	<u>14,486,839</u>

APPROVED BY THE BOARD:


 _____, Director
 Jill Van Loon


 _____, Director
 Mark Hamel

See accompanying notes to the financial statements

Brooke Telecom Co-operative Ltd.
Statement of Income
For the Year Ended December 31, 2024

	<u>2024</u>	<u>2023</u>
Revenue		
Internet	\$ 2,271,461	2,024,670
Cellular	1,404,780	1,487,655
Television	701,221	636,779
Local telephone, long distance and rentals	417,371	481,237
Long distance interconnection settlement	62,276	60,946
Other operating revenue	<u>58,009</u>	<u>53,456</u>
	4,915,118	4,744,743
Expenses		
Internet and IPTV service and support	975,012	962,880
Maintenance of system - labour and materials	707,243	612,358
General office - salaries and expenses	703,329	606,296
Cellular and equipment cost of sales	550,543	637,887
Employee benefits	299,340	254,974
Interest on long term debt	192,901	45,377
General services and licenses	121,910	123,588
Utilities	92,494	98,465
Property taxes and leases	67,733	65,652
Advertising and promotion	65,443	56,904
Insurance and licences	64,966	62,421
Interest and bank charges	38,467	34,420
Employee training	15,834	16,602
Directors' fees	12,200	11,700
Donations and scholarships	9,975	9,145
Bad debts	<u>2,299</u>	<u>4,257</u>
	3,919,689	3,602,926
Other Income		
Interest	61,773	45,412
Gain on disposal of capital assets	<u>1,469</u>	<u>-</u>
	63,242	45,412
Income Before Amortization and Income Taxes	1,058,671	1,187,229
Amortization of capital assets	<u>911,041</u>	<u>748,947</u>
Income Before Income Taxes	147,630	438,282
Income Taxes		
Current	-	(109,500)
Future (Note 7)	<u>25,000</u>	<u>176,000</u>
	25,000	66,500
Net Income	\$ 122,630	371,782

See accompanying notes to the financial statements

Brooke Telecom Co-operative Ltd.
Statement of Retained Earnings
For the Year Ended December 31, 2024

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 6,668,589	6,296,807
Net income	<u>122,630</u>	<u>371,782</u>
Balance, end of year	<u>\$ 6,791,219</u>	<u>6,668,589</u>

See accompanying notes to the financial statements

Brooke Telecom Co-operative Ltd.
Statement of Cash Flow
For the Year Ended December 31, 2024

	<u>2024</u>	<u>2023</u>
Operating Activities		
Net income	\$ 122,630	371,782
Items not affecting cash		
Amortization of capital assets	911,041	748,947
Future income taxes	25,000	176,000
Gain on disposal of capital assets	<u>(1,469)</u>	<u>-</u>
	1,057,202	1,296,729
Net change in non-cash working capital items		
Decrease (Increase) in accounts receivable	229,567	(245,171)
Decrease (Increase) in income taxes recoverable	117,118	(64,099)
Decrease (Increase) in inventory	(35,114)	47,210
Decrease (Increase) in prepaid expenses	126,395	(187,824)
Increase (Decrease) in accounts payable and accrued liabilities	276,546	(547,612)
Increase in income taxes payable	197	-
Increase (Decrease) in deferred revenue	<u>995</u>	<u>(2,021)</u>
	1,772,906	297,212
Investing Activities		
Purchase of capital assets	(3,032,888)	(2,533,556)
Proceeds on disposal of capital assets	13,995	-
Decrease in investments	<u>7,144</u>	<u>5,775</u>
	(3,011,749)	(2,527,781)
Financing Activities		
Increase in long term debt	1,199,999	2,250,000
Repayment of long term debt	(258,369)	(147,243)
Increase in member shares	<u>80</u>	<u>114</u>
	941,710	2,102,871
Net decrease in cash	(297,133)	(127,698)
Cash, beginning of year	<u>845,780</u>	<u>973,478</u>
Cash, end of year	<u>\$ 548,647</u>	<u>845,780</u>
Represented by:		
Cash	545,343	842,626
Short-term investments	<u>3,304</u>	<u>3,154</u>
	<u>\$ 548,647</u>	<u>845,780</u>

See accompanying notes to the financial statements

Brooke Telecom Co-operative Ltd.
Notes to the Financial Statements
December 31, 2024

1. Significant Accounting Policies

(a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash on deposit, cheques issued and outstanding and investments in high interest bank accounts and 90-day term deposits, net of draws from the operating line of credit that is available to meet short-term cash requirements.

(b) Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on a specific item basis.

(c) Investments

The company's investments are accounted for using the amortized cost method. Under the amortized cost method, investments are initially recorded at fair value and income from such investments is recognized only to the extent received or receivable.

(d) Capital assets

Capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated on a straight-line basis as follows:

Buildings	10 to 20 years
Underground equipment	8 to 30 years
Other plant equipment	5 years
Vehicles	15 years
Office equipment	15 years
Computer equipment	3 to 10 years

The Co-operative recognizes government assistance, related to capital projects, as a reduction of the capital cost when amounts are determinable and there is reasonable assurance that the Co-operative has complied and will continue to comply with the conditions of the contract.

(e) Future income taxes

Future tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse.

(f) Revenue recognition

Revenue from telephone and other services is recognized when the services are provided in accordance with the sales agreements, the amounts are determinable and collection is reasonable assured. Other revenue is recognized by the co-operative according to the terms of the agreements.

Brooke Telecom Co-operative Ltd.
Notes to the Financial Statements
December 31, 2024

1. Significant Accounting Policies

(g) Translation of foreign currencies

Transactions denoted in foreign currencies are translated into Canadian dollars on the following basis:

- Current monetary assets and liabilities at exchange rates prevailing at the balance sheet date;
- Revenues and expenses at the exchange rate prevailing at the transaction date.

(h) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Accounts Receivable

	<u>2024</u>	<u>2023</u>
Government grants receivable	\$ 880,515	983,158
Trade accounts receivable	304,120	311,639
HST recoverable	<u>145,634</u>	<u>265,039</u>
	<u>\$ 1,330,269</u>	<u>1,559,836</u>

3. Investment Assets

	<u>2024</u>	<u>2023</u>
Investment in Comcentric Networking Inc., an organization providing fibre-optic networking services to Huron and Perth Counties		
- Common Shares, at cost	\$ 27,402	27,402
- Note Receivable, no set terms of repayment, bearing interest at the bank prime rate	49,379	56,523
Investment in Shares of Co-operative Synergies Inc., an organization providing billing services to its shareholders	1	1
Other	<u>1,599</u>	<u>1,599</u>
	<u>\$ 78,381</u>	<u>85,525</u>

Brooke Telecom Co-operative Ltd.
Notes to the Financial Statements
December 31, 2024

4. Capital Assets

	2024			2023
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 158,667	-	158,667	158,667
Buildings	1,315,392	955,821	359,571	401,460
Underground equipment	17,377,042	6,083,958	11,293,084	9,305,299
Other plant equipment	5,312,112	3,856,839	1,455,273	1,309,848
Vehicles	490,847	391,138	99,709	66,197
Office equipment	89,429	61,118	28,311	30,446
Computer equipment	342,593	299,328	43,265	56,642
	<u>\$25,086,082</u>	<u>11,648,202</u>	<u>13,437,880</u>	<u>11,328,559</u>

Included in capital assets are costs relating to construction in progress of \$781,438 (2023: \$2,097,392) that are not being amortized.

Government assistance of \$3,193,624 (2023 \$2,514,965) has been recorded as a reduction of the cost of the capital assets.

5. Bank Indebtedness

The bank operating loan is due on demand, bears interest at bank prime rate plus 0.25%, and has a credit limit of \$500,000. At December 31, 2024, the co-operative had no amounts borrowed on the operating loan.

The company has a bank revolving term loan facility with an authorized credit limit of \$3,500,000 and bearing interest at prime + 1%. Any advances become a 5 year term loan and are repayable in monthly installments of principal and interest. All amounts owing under this facility are disclosed in note 6.

The bank operating loan and the revolving term loans are secured by a general security agreement over all present and future property.

Brooke Telecom Co-operative Ltd.
Notes to the Financial Statements
December 31, 2024

6. Bank Loans

	<u>2024</u>	<u>2023</u>
Prime + 1.00 % Bank term loan, repayable in monthly payments of \$11,905 principal and interest, due November 2028	\$ 934,135	1,000,000
Prime + 1.00 % Bank term loan, repayable in monthly payments of \$14,005 principal plus interest, due July 2029	829,974	-
Prime + 1.00 % Bank term loan, repayable in monthly payments of \$8,928 principal and interest, due August 2028	687,432	738,475
Prime + 1.00 % Bank term loan, repayable in monthly payments of \$5,953 principal plus interest, due June 2028	392,846	464,282
Prime + 1.00 % Bank term loan, repayable in monthly payments of \$4,520 principal plus interest, due December 2029	<u>300,000</u>	-
	3,144,387	2,202,757
Current portion of long term debt	<u>3,144,387</u>	<u>2,202,757</u>
	<u>\$ -</u>	<u>-</u>

Although the loans included in the long term debt are due on demand and have been recorded as due within the next fiscal year, management does not believe that the demand features of the loans will be exercised; the scheduled principal repayments on the long term debt for the next five years and thereafter are as follows:

2025	\$ 444,883
2026	454,788
2027	465,344
2028	476,590
2029	478,238
2030 and future years	<u>824,544</u>
	<u>\$ 3,144,387</u>

Brooke Telecom Co-operative Ltd.
Notes to the Financial Statements
December 31, 2024

7. Future Income Taxes

The temporary differences between accounting and tax reporting resulting in a future tax liability are as follows:

	<u>2024</u>	<u>2023</u>
Capital Assets, excess of accounting cost over tax cost	\$ (4,238,000)	(3,794,000)
Tax losses available to reduce future taxable income	<u>942,000</u>	<u>646,000</u>
Temporary Differences	\$ (3,296,000)	(3,148,000)
Effective Tax Rate	<u>16.0%</u>	<u>16.0%</u>
Future Tax Liability	<u>\$ (528,000)</u>	<u>(503,000)</u>

8. Share Capital

Authorized:

Member shares. 10,000,000 shares authorized.

	<u>2024</u>	<u>2023</u>
Issued:		
1,938 Member shares	<u>\$ 1,938</u>	<u>1,858</u>

9. Financial Instruments

The co-operative is exposed to interest rate risk on its prime based loans. It is the opinion of the Co-operative's management that the Company is not exposed to significant credit, currency or liquidity risks.

10. Transactions with Non-members

Approximately 21% of the Co-operative's business was transacted with non-members.

11. Rate Regulation

Approximately 7% (2023 - 8%) of the Co-operatives' rental and subscribers' rates revenue is subject to rate regulation by the CRTC. The fact the Co-operative is subject to rate regulation does not result in the Co-operative selecting accounting policies that would differ from accounting standards for private enterprises.

Brooke Telecom Co-operative Ltd.
Notes to the Financial Statements
December 31, 2024

12. Commitments

The Co-operative entered into project agreements with the Universal Broadband Fund (UBF) to install infrastructure for the purpose of providing broadband connectivity to customers. The estimated cost of these projects is \$10,987,150, of which UBF will fund \$6,078,044 and the Co-operative the remainder. During the year, the Co-operative recognized \$3,193,624 (2023 - \$2,299,274) of UBF funding on these projects. The project has an expected completion date in early 2025. Total funding recognized on these projects up to December 31, 2024 is \$5,706,699..

In 2024, the Co-operative entered into an agreements with Southwestern Integrated Fibre Technology Inc. (SWIFT) to install infrastructure for the purpose of providing broadband connectivity to customers. The cost of this project is \$167,962, of which SWIFT funded \$134,370 and the co-operative funded the remaining amount. The projects are to be completed in 2025. The co-operative retains all the income earned from these assets. During the year, the co-operative recognized \$26,874 of SWIFT funding on this project.

