



Ragged Edge Community Network Society

**Financial Statements
as at December 31, 2008**



Ragged Edge Community Network Society

Balance Sheet As at 31 December

	2008	2007	
ASSETS			Analysis
Current Assets			
To be Deposited	-		Current Ratio 0.53
Chequing Bank Account	5,745	5,706	Cash Ratio 0.19
Total Cash	5,745	5,706	Working Capital (14,325)
Total Credit Cards Receivable	-	-	Debt-to-Worth 0.91
Accounts Receivable	2,212	73,645	
Allowance for Doubtful Accounts	-		
Prepaid Expenses	7,888	8,215	
Total Current Assets	15,844	87,567	
Capital Assets			
Modems - Indoor	15,753	15,753	
Accum. Amort - Modems Indoor	(4,411)	(1,575)	
Net - Modems Indoor	11,342	14,178	
Modems - Outdoor	38,622	20,685	
Accum. Amort - Modems Outdoor	(8,431)	(3,125)	
Net - Modems Outdoor	30,192	17,560	
Net - Furniture & Equipment	-		
Internet Infrastructure - Donated	405,163	349,635	
Accum. Amort. - Infrastructure	(123,576)	(60,120)	
Net - Internet Infrastructure Donated	281,587	289,514	
Internet Infrastructure - RECN	6,962	2,638	
Accum. Amort. - Infrastructure	(1,171)	(264)	
Net - Internet Infrastructure RECN	5,791	2,374	
Total Capital Assets	328,911	323,626	
TOTAL ASSETS	344,756	411,193	
LIABILITIES			
Current Liabilities			
Accounts Payable	10,882	76,097	
Loans Payable	32,635	36,168	
Total Receiver General	314	64	
WCB Payable	32	2	
PST Payable	755	(33)	
GST Charged on Sales	2	3,652	
GST Paid on Purchases	(15,608)	(13,632)	
GST Instalments	-		
GST Owing (Refund)	(15,606)	(9,980)	
Prepaid Sales/Deposits	1,158	1,202	
Total Current liabilities	30,170	103,520	
Long Term liabilities			
Deferred Contributions for Capital - Donated	281,587	289,514	
Deferred Contributions for Projects	-	3,593	
Total Long Term liabilities	281,587	293,107	
TOTAL LIABILITIES	311,757	396,627	
EQUITY			
Retained Earnings			
Retained Earnings - Previous Year	14,566	17,326	
Current Earnings	18,433	(2,760)	
Total Retained Earnings	32,999	14,566	
TOTAL EQUITY	32,999	14,566	
LIABILITIES AND EQUITY	344,756	411,193	

Current Ratio	0.53
Cash Ratio	0.19
Working Capital	(14,325)
Debt-to-Worth	0.91

Approved on behalf of the Board

Director: *N. H. Price*

Director: *Christie Cudregger*



Ragged Edge Community Network Society

	for the period ending		
	2008	2007	2006
REVENUE	Total		
Sales Revenue			
Internet Subscriptions	118,973	68,143	24,704
Internet Service - Bulk	4,750	-	-
Set-up Fees	13,300	7,600	11,800
Installations	11,575	4,041	3,233
Email & Usage Fees	321	171	32
Late Fees	620	145	36
Miscellaneous Revenue	303	186	49
Contributions to Capital	63,456	57,791	2,329
<i>Build-Out Revenue</i>			
Coast Sustainability Trust	100,834	76,866	
Island Coastal Economic Trust	25,379	47,247	
Western Diversification	21,557	38,443	
<i>Total Build-out Revenue</i>	147,770	162,556	-
TOTAL REVENUE	361,067	300,634	42,183
EXPENSE			
<i>Cost of Goods Sold</i>			
Direct Connection	18,013	10,729	1,293
ISP Outsourcing	19,172	18,000	5,300
<i>Total Cost of Goods Sold</i>	37,185	28,729	6,593
<i>Payroll Expenses</i>			
Wages & MERCS	9,479	789	
WCB	30	127	38
Contract - Installations	400	650	1,500
Contract - Administration	8,100	5,587	2,025
Contract - System Admin.	30,174	25,680	6,420
<i>Total Payroll Expense</i>	48,183	32,833	9,983
<i>Build-Out Expenses</i>			
Equipment	55,528	102,388	
Contractor - Expansion	25,192	25,757	
Installation	50,241	24,421	
Community Outreach	387	267	
Site Survey Equipment	4,466	348	
Travel	14,077	8,994	
<i>Total Build-Out Expenses</i>	149,892	162,175	-
<i>General & Administrative Expenses</i>			
Accounting & Legal		12	
Advertising & Promotions	92	234	150
Amortization Expense	72,504	62,168	2,916
Bad Debts	508	4	
Collection Expense	133		
Courier & Postage	838	597	136
Credit Card Charges	2,252	1,388	448
Insurance	8,723	6,385	1,035
Interest & Bank Charges	1,491	367	97
Interest on Long Term Debt	7,961		
Licenses & Dues	768	823	125
Meetings	85		
Office Supplies	670	728	783
Rent	1,350	-	-
Repairs & Maintenance	5,164	3,971	1,723
Supplies	221	833	
Supplies - installation	1,005	882	246
Telephone	433		
Travel	2,641	1,264	154
Website	535		468
<i>Total General & Admin. Expenses</i>	107,375	79,656	8,281
TOTAL EXPENSE	342,634	303,394	24,857
NET INCOME	18,433	(2,760)	17,326



Ragged Edge Community Network Society

Departmental Income Statement 2008

REVENUE	Total	Alert Bay	Coal Harbour	Holberg	Hyde Creek	Quatsino	Quatsino First Nation	Sointula	Zeballos
Sales Revenue									
Internet Subscriptions	123,723	2,790	9,403	14,871	20,866	5,365	7,302	48,323	14,802
Set-Up Fees	13,300	100	2,700	600	900	500	2,000	2,400	4,100
Installations	11,575	100	2,400		1,025	500	1,900	1,550	4,100
Email & Usage Fees	321		29		18	36	18	221	
Late Fees	620	10	20	155	40	20	95	260	20
Net Sales	149,539	3,000	14,552	15,626	22,849	6,421	11,315	52,754	23,022
Interest Revenue	-								
Miscellaneous Revenue	303	6	20	41	54	14	15	124	28
Contributions to Capital	63,456								
Total Other Revenue	63,758	6	20	41	54	14	15	124	28
TOTAL REVENUE	213,297	3,006	14,572	15,668	22,903	6,435	11,330	52,878	23,050
EXPENSE									
Cost of Goods Sold									
Direct Connection	18,013	317	1,870	2,527	2,558	609	869	6,607	2,656
ISP Outsourcing	19,172	407	1,173	2,626	3,433	834	869	7,911	1,918
Freight	-	-	-	-	-	-	-	-	-
<i>Total Cost of Goods Sold</i>	<i>37,184</i>	<i>724</i>	<i>3,044</i>	<i>5,153</i>	<i>5,991</i>	<i>1,443</i>	<i>1,738</i>	<i>14,518</i>	<i>4,574</i>
Payroll Expenses									
Wages & MERCS	6,870		1,282	-	974		1,080	2,352	1,182
WCB	30		3		4	2	3	14	4
Contract - Installations	400					400			
Contract - Administration	8,100	146	553	1,049	1,439	380	419	3,263	853
Contract - System Admin.	30,174	616	1,802	3,911	5,169	1,903	1,328	12,515	2,930
<i>Total Payroll Expense</i>	<i>45,574</i>	<i>762</i>	<i>3,640</i>	<i>4,960</i>	<i>7,585</i>	<i>2,685</i>	<i>2,830</i>	<i>18,144</i>	<i>4,969</i>
General & Administrative Exp									
Accounting & Legal	-			-					
Advertising & Promotions	92	2	8	10	16	4	6	35	11
Amortization Expense	72,504								
Bad Debts	508			173			45	290	
Collection Expense	133							133	
Courier & Postage	838	19	45	118	152	37	35	351	81
Credit Card Charges	2,252	45	143	302	406	108	99	928	222
Insurance	8,722	195	536	1,150	1,571	379	387	3,596	909
Interest & Bank Charges	1,491	24	194	136	199	34	260	424	220
Interest on Long-Term Debt	7,921	40	1,431	649	853	211	1,319	1,989	1,429
Licenses & Dues	50				50				
Meetings	85	2	6	12	14	3	6	34	9
Office Supplies	670	18	35	125	163	(149)	14	385	78
Property Taxes	114					114			
Rent	1,954	29	117	149	232	663	93	506	166
Repairs & Maintenance	5,164	68	873	396	544	851	175	1,215	1,041
Supplies	221							221	
Supplies - installation	1,005	7	370	37	59	16	346	128	43
Telephone	433	9	38	46	74	19	33	160	53
Travel	2,641	12	431	63	99	411	184	642	799
Website	535	5	70	70	80	16	48	193	54
<i>Total General & Admin. Exp.</i>	<i>107,335</i>	<i>476</i>	<i>4,297</i>	<i>3,434</i>	<i>4,513</i>	<i>2,716</i>	<i>3,050</i>	<i>11,230</i>	<i>5,115</i>
TOTAL EXPENSE	190,093	1,962	10,980	13,546	18,089	6,844	7,618	43,891	14,658
NET INCOME	23,204	1,044	3,591	2,121	4,814	(409)	3,712	8,987	8,393



Ragged Edge Community Network Society

Departmental Income Statement December 2008

	Total	Coal Harbour	Quatsino First Nation	Zeballos
REVENUE				
Coast Sustainability Trust	100,834	54,505	33,812	12,517
Island Coastal Economic Trust	25,379	20,696	4,578	105
Western Diversification	21,557	11,418	10,070	69
TOTAL REVENUE	147,770	86,619	48,460	12,691
EXPENSE				
Site Survey Equipment	4,466		4,466	
Site Survey Fees	-			
Contractor - Consulting	37,444	23,989	4,367	9,088
Infrastructure Equipment	55,528	36,603	18,732	193
Wages - Installation	6,422	1,610	305	4,507
Contractor - Installation	34,176	18,234	15,942	
Installation	-			
Travel	14,077	6,102	4,525	3,450
Community Outreach	387	81	122	184
TOTAL EXPENSE	152,501	86,619	48,460	17,422
NET INCOME	(4,731)	0	0	(4,731)



Statement of Cash Flows April to December 2008

Cash Flows from (used in) Operating Activities

Net Income (Loss)	13,217
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Amortization Expense	72,504
Increase (Decrease) of Deferred Revenue	
Prepaid Sales/Deposits	(1,443)
Decrease (Increase) in Operating Assets	
Infrastructure (RECN)	(3,417)
Accounts Receivable	96,526
Modems - Outdoor	(12,749)
Prepaid Expenses	(1,387)
Increase (Decrease) in Operating Liabilities	
Deferred Contributions - project	(2,891)
Accounts Payable	(79,753)
PST Payable	(55)
GST Charged on Sales	(13,404)
GST Paid on Purchases	11,164
EI Payable	(12)
CPP Payable	(60)
Federal Income Tax Payable	21
WCB Payable	18
Loan - CF Alberni-Clayoquot 08-643	32,635
Net Cash provided by (used in) Operating Activities	113,749

Cash Flows from (used in) Investing Activities

(Increase) in Capital Asset - Internet Infrastructure Donated	(146,658)
Accumulated amortization - Infrastructure	1,190
Net Cash provided by (used in) Investing Activities	(145,468)

Cash Flows from (used in) Financing Activities

Increase in Short Term Debt	
Loan - 07-581 CF Alberni-Clayoquot	1,921
(Decrease) in Short Term Debt	
Loan - 07-581 CF Alberni-Clayoquot	(33,628)
Deferred Contributions for Capital	72,498
Retained Earnings - Prior year	583
Net Cash provided by (used in) Financing Activities	41,374

Increase (Decrease) in Cash and Cash Equivalents 9,656

Cash and Cash Equivalents at Beginning of Period (3,910)

Cash and Cash Equivalents at End of Period 5,745



Ragged Edge Community Network Society

NOTES TO FINANCIAL STATEMENTS - December 31, 2008

1. PURPOSE:

Ragged Edge Community Network Society (RECN) was established to provide broadband internet services to rural and remote communities in the area of north Vancouver Island; by operation of a non-profit Internet Service Provider

2. SIGNIFICANT ACCOUNTING POLICIES:

a) Operations and basis of presentation:

The society was incorporated to provide broadband internet services to rural and remote communities in the area of north Vancouver Island; by operation of a non-profit Internet Service Provider

It is the society's policy to follow Canadian generally accepted accounting principles.

The corporation is exempt from corporate income tax under Section 149(1)(L) of the Income Tax Act.

b) Revenue recognition:

The society follows the restricted fund method of accounting for contributions. Restricted contributions for which a corresponding restricted fund is presented should be recognized as revenue of that fund in the current year. Restricted contributions for which no corresponding restricted fund is presented are recognized in the Administration Fund as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable.

c) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on a declining balance basis as follows:

Modems	20%
Infrastructure - donated	20%
Infrastructure - RECN	20%
Leasehold improvements	40%

Work in progress is recorded at cost and is not amortized.

d) Deferred Contributions - capital:

Deferred contributions relating to capital assets represent restricted contributions with which the capital assets were purchased. These contributions will be recognized as revenue over the useful life of the acquired capital assets to reflect that the contribution provides benefits in all the years in which the Society has the use of the capital assets.



Ragged Edge Community Network Society

NOTES TO FINANCIAL STATEMENTS - December 31, 2008

e) Financial Instruments:

The Society's financial instruments consist of cash and accounts receivable, trade accounts. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The carrying amount of cash, accrued interest, accounts receivable and accounts payable approximates their fair value due to the short-term maturities of these items.

f) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Accounts receivable after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where necessary. Amortization is based on the estimated useful lives of capital assets. Provision is made for a decline in fair value of long-term assets where considered necessary.

3. CAPITAL ASSETS:

	2008		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	
Modems - Indoor	15,753	4,411	11,342
Modems - Outdoor	38,622	8,431	30,192
Internet Infrastructure - Donated	405,163	123,576	281,587
Internet Infrastructure - RECN	6961.59	1,171	5,791
	<u>466,499</u>	<u>137,588</u>	<u>328,911</u>

5. ECONOMIC DEPENDANCE:

The Corporation is dependent upon bandwidth provided from Network BC and TELUS to service the communities in which RECN has a presence.