

PRINCE EDWARD COUNTY RADIO CORPORATION

FINANCIAL STATEMENTS

August 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
PRINCE EDWARD COUNTY RADIO CORPORATION

We have audited the accompanying financial statements of **PRINCE EDWARD COUNTY RADIO CORPORATION**, which comprise the statement of financial position as at August 31, 2017, and the statements of operations and changes in net assets and cash flows for the year then ended, and 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.

Auditor's 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 Corporation'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 Corporation'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 audit opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **PRINCE EDWARD COUNTY RADIO CORPORATION** as at August 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Picton, Ontario
February 22, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

PRINCE EDWARD COUNTY RADIO CORPORATION
(Incorporated under the laws of Canada)
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2017

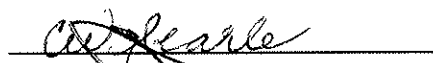

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 112,876	\$ 134,452
Funds held with The County Community Foundation	-	4,722
Accounts receivable	87,756	72,120
Prepaid expenses	6,903	2,606
Grants receivable - note 4	<u>1,558</u>	<u>14,282</u>
	209,093	228,182
TANGIBLE CAPITAL ASSETS - note 5	211,548	185,793
INTANGIBLE ASSETS - note 6	<u>9,511</u>	<u>10,774</u>
	<u>\$ 430,152</u>	<u>\$ 424,749</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 57,801	\$ 27,176
Deferred revenue - note 7	28,174	16,968
Employment and Social Development Canada	217	-
Government remittances payable	<u>13,739</u>	<u>21,166</u>
	99,931	65,310
LONG-TERM DEBT - note 8	76,000	102,000
DEFERRED CAPITAL CONTRIBUTIONS - note 9	<u>37,709</u>	<u>16,040</u>
	<u>113,709</u>	<u>118,040</u>
	213,640	183,350
NET ASSETS	<u>216,512</u>	<u>241,399</u>
	<u>\$ 430,152</u>	<u>\$ 424,749</u>

Approved by the Board


 _____ Director

 _____ Director

(See accompanying notes)

PRINCE EDWARD COUNTY RADIO CORPORATION
STATEMENT OF OPERATIONS
YEAR ENDED AUGUST 31, 2017

	2017	2016
REVENUE		
Advertising	\$ 243,175	\$ 245,405
Merchandise sales	612	2,805
Amortization of deferred capital contributions	2,529	1,319
Donations	30,380	12,951
Restricted donation	2,260	5,974
Membership fees	1,620	1,522
Grants - note 10	38,703	59,489
	319,279	329,465
 EXPENSES		
Advertising and promotion	10,655	20,450
Amortization - tangible assets	19,015	16,535
Amortization - intangible assets	1,263	1,263
Bad debts	739	4,172
Fundraising	3,012	2,004
Donations	500	280
Insurance	3,776	3,475
Interest and bank charges	3,419	3,176
Interest on long-term debt	7,094	7,232
Salaries and commissions	207,511	178,243
License	9,163	8,358
Office	11,851	8,659
Accounting fees	22,013	15,675
Rent	28,004	26,089
Repairs and maintenance	3,392	4,106
Restricted donation	2,260	5,974
Telephone	2,468	2,153
Travel and automotive	-	390
Utilities	8,031	6,872
	344,166	315,106
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (24,887)	\$ 14,359

(See accompanying notes)

PRINCE EDWARD COUNTY RADIO CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED AUGUST 31, 2017

	<u>2017</u>	<u>2016</u>
BALANCE, beginning of year	\$ 241,399	\$ 227,040
Excess (deficiency) of revenue over expenses	<u>(24,887)</u>	<u>14,359</u>
BALANCE, end of year	<u>\$ 216,512</u>	<u>\$ 241,399</u>

(See accompanying notes)

PRINCE EDWARD COUNTY RADIO CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2017

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (24,887)	\$ 14,359
Adjustments for:		
Amortization	19,015	16,535
Amortization - intangible assets	1,263	1,263
Amortization of deferred capital contributions	<u>(2,529)</u>	<u>(1,319)</u>
	(7,138)	30,838
Change in non-cash working capital components:		
Accounts receivable	(15,636)	931
Prepaid expenses	(4,297)	1,707
Accounts payable and accrued liabilities	30,625	1,659
Deferred revenue	11,206	(25,568)
Employment and Social Development Canada	217	-
Government remittances payable	(7,427)	19,418
Grants receivable	12,724	(282)
Government remittance receivable	<u>-</u>	<u>5,358</u>
	<u>20,274</u>	<u>34,061</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible capital assets	(44,770)	(12,218)
Funds received from The County Community Foundation	<u>4,722</u>	<u>31,412</u>
	<u>(40,048)</u>	<u>19,194</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of notes payable	(26,000)	-
Deferred capital contributions	<u>24,198</u>	<u>-</u>
	<u>(1,802)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	(21,576)	53,255
CASH, beginning of year	<u>134,452</u>	<u>81,197</u>
CASH, end of year	<u>\$ 112,876</u>	<u>\$ 134,452</u>

(See accompanying notes)

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

1. NATURE OF OPERATIONS

Prince Edward County Radio Corporation was incorporated without share capital under the Canada Not-for-profit Corporations Act on March 19, 2012. Its main business activity involves the development and operation of a radio broadcasting station in Prince Edward County.

The application to the Canadian Radio-television and Telecommunications Commission (CRTC) for a license to operate an over-the-air broadcasting station in Prince Edward County was approved on January 21, 2014.

The Corporation is a not-for-profit organization without charitable status and therefore exempt from income taxes under paragraph 149 of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICY

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policy is detailed as follows:

Financial Instruments

The Corporation initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost. The financial assets subsequently measured at amortized cost include cash, accounts and grants receivable.

The financial liabilities subsequently measured at amortized cost include the accounts payable and accrued liabilities and long term debt.

Revenue Recognition

Revenues from memberships and sponsorships are recognized over the membership or sponsorship year to which they apply. Donations are recognized as revenue in the year in which they are received. Revenue received for advertising is deferred and recognized as income as the air time is used.

Grants, other funding or funding received with restrictions imposed by third parties are recognized as revenue when those funds are spent in accordance with the stated restrictions. These amounts may be deferred and classified as long term if the use of the funds is not expected to occur until subsequent to the next fiscal year.

Other fundraising activities are recognized as revenue when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

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

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

Financial instrument classification

Use of Estimates

The preparation of financial statements requires that management 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 statement and the reported amounts of revenues and expenditures during the period.

Management makes accounting estimates when determining the collectability of accounts receivable and the estimated useful lives of the Corporation's tangible and intangible assets. Actual results could differ from those estimates.

Differences in actual results from prior estimates are taken into income at the time the differences are determined.

Contributed Services and Materials

Contributions of materials are recorded only when such materials have a fair value that can be reasonably estimated and when those materials would have otherwise been purchased in the support of normal operating activities of the Corporation.

Volunteers contribute a significant number of hours to assist the Corporation in carrying out its service delivery activities. Due to the difficulty of determining the exact number of hours, and their fair value, contributed services are not recognized in these financial statements.

Tangible Capital Assets

Tangible capital assets are recorded initially at cost. Amortization is based on the following:

Computer equipment	5 years	straight line
Studio equipment	10 years	straight line
Radio transmitter equipment	15 years	straight line
Leasehold improvements	15 years	straight line

Intangible Capital Assets

Intangible incorporation costs and license costs incurred have been recorded at cost. Amortization is based upon the straight-line method using an estimated useful life of ten years.

3. FINANCIAL INSTRUMENTS

The Corporation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Corporation's significant risk exposures and concentrations at August 31, 2017.

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

3. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity risk is the risk that the Corporation will not have sufficient cash resources to meet its financial obligations as they come due in the normal course of business. The Corporation manages its liquidity risk by monitoring its operating cash flow requirements to ensure financial resources are available.

Credit Risk

Credit risk is the risk of financial loss to the Corporation if a debtor fails to perform its obligations. The Corporation is exposed to credit risk in the event of non-performance by those entities in connection with its accounts and other receivables.

In order to reduce its credit risk, the Corporation performs regular evaluations of its receivables, aggressively pursues delinquent accounts and maintains provisions for estimated uncollectible accounts.

Interest Rate Risk

Interest risk involves the potential financial loss that may be caused by fluctuations in fair values or future cash flows of financial instruments because of changes in market interest rates.

The Corporation's short-term borrowings are based on current rates and are subject to interest rate cash flow risk as the required cash flows to service the debt will fluctuate as a result of changes in market rates. A 1% change in interest rates would not materially affect the Corporation's results.

Changes In Risk

There have been no significant changes in the Corporation's risk exposures from the prior year.

4. GRANTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
2016-17 Community Radio Fund of Canada (CRFC)	\$ 1,558	\$ -
Community Radio Fund of Canada (station costs)	-	4,537
Employment and Social Development Canada	<u>-</u>	<u>9,745</u>
	<u>\$ 1,558</u>	<u>\$ 14,282</u>

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

5. TANGIBLE CAPITAL ASSETS

	2017		2016	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Radio transmission equipment	\$ 153,881	\$ 35,350	\$ 133,961	\$ 25,765
Computer equipment	1,700	510	1,700	170
Leasehold improvements	52,869	13,723	52,218	10,246
Studio equipment	67,896	15,215	43,698	9,603
	276,346	64,798	231,577	45,784
Net book value	\$ 211,548		\$ 185,793	

6. INTANGIBLE ASSETS

	2017		2016	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Engineering & licensing costs	\$ 11,700	\$ 2,890	\$ 11,700	\$ 1,720
Incorporation costs	925	224	925	131
	12,625	3,114	12,625	1,851
Net book value	\$ 9,511		\$ 10,774	

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

7. DEFERRED REVENUE

Deferred revenue is comprised of certain memberships, advertising and other sources of revenue collected which relates to future years' operations.

Grants and other funding received with restrictions imposed by third parties are recognized as revenue when those funds are spent in accordance with the stated restrictions.

Deferred revenues consist of the following:

	<u>2017</u>	<u>2016</u>
Membership	\$ 160	\$ 530
Advertising revenue	706	1,920
Community Radio Fund of Canada (CRFC)	-	14,518
New Horizons for Seniors	14,328	-
John M. & Bernice Parrott Foundation Inc.	<u>12,980</u>	<u>-</u>
	<u>\$ 28,174</u>	<u>\$ 16,968</u>

8. LONG-TERM DEBT

	<u>2017</u>	<u>2016</u>
Unsecured loans payable, due in 2019, bearing interest at 7%, due quarterly.	\$ 59,000	\$ 102,000
Unsecured loans payable, due in 2020, bearing interest at 5%, due quarterly.	<u>17,000</u>	<u>-</u>
	<u>\$ 76,000</u>	<u>\$ 102,000</u>

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred contributions related to capital assets represent the restricted contributions received in the prior years for the acquisition of capital assets. Deferred contributions are amortized to revenue on the same basis that the capital assets acquired with the funding are amortized.

The changes in the deferred capital contributions balance in the year are as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 16,040	\$ 18,681
Contributions received from New Horizons for Seniors	9,438	-
Contributions received from John M. & Bernice Parrott Foundation Inc.	14,760	-
Amortization of deferred contributions related to capital assets	<u>(2,529)</u>	<u>(2,641)</u>
Balance - end of year	<u>\$ 37,709</u>	<u>\$ 16,040</u>

10. GRANT REVENUE

The Corporation has received and earned grants from the following:

	<u>2017</u>	<u>2016</u>
2015-16 Community Radio Fund of Canada (CRFC)	\$ 813	\$ 27,412
2016-17 Community Radio Fund of Canada (CRFC)	27,889	13,832
Corp. of the County of Prince Edward	5,000	8,500
Employment and Social Development Canada	<u>5,001</u>	<u>9,745</u>
	<u>\$ 38,703</u>	<u>\$ 59,489</u>

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

11. RELATED PARTY TRANSACTIONS

The Corporation has transacted with certain board directors. These transactions have occurred in the normal course of business and have been valued at their respective exchange amounts as follows:

	2017	2016
Memberships	\$ 220	\$ 220
Donations	4,437	2,165
	\$ 4,657	\$ 2,385

Long term notes payable to related parties outstanding at year end totaled \$3,340 (2016: \$6,800).

12. COMMITMENTS

The Corporation obtained its premises, antennas and land necessary for its operations through lease agreements. These lease agreements are expected to be renegotiated in the Corporation's fiscal year ending 2019 but contain a clause allowing for lease renewals through 2029.

The total minimum lease payments for each of the next three fiscal years is as follows:

2018	\$ 24,585
2019	24,890
2020	25,205
	\$ 74,680

13. COMPARATIVE FIGURES

Certain figures within these financial statements have been reclassified to conform to the current year's presentation.