

**PRINCE EDWARD COUNTY RADIO CORPORATION**

**FINANCIAL STATEMENTS**

August 31, 2018

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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, 2018, 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, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Welch LLP

Picton, Ontario  
February 7, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

**PRINCE EDWARD COUNTY RADIO CORPORATION**

*(Incorporated under the laws of Canada)*

**STATEMENT OF FINANCIAL POSITION**

**AUGUST 31, 2018**


**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 78,737	\$ 112,876
Accounts receivable	68,203	87,756
Prepaid expenses	4,018	6,903
Grants receivable - note 4	<u>-</u>	<u>1,558</u>
	150,958	209,093
<b>TANGIBLE CAPITAL ASSETS - note 5</b>	193,394	211,548
<b>INTANGIBLE ASSETS - note 6</b>	<u>8,249</u>	<u>9,511</u>
	<u>\$ 352,601</u>	<u>\$ 430,152</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 22,052	\$ 57,801
Deferred revenue - note 7	14,755	28,174
Funds due to The County Community Foundation	671	-
Employment and Social Development Canada	-	217
Government remittances payable	<u>14,534</u>	<u>13,739</u>
	<u>52,012</u>	<u>99,931</u>
<b>LONG-TERM DEBT - note 8</b>	46,000	76,000
<b>DEFERRED CAPITAL CONTRIBUTIONS - note 9</b>	<u>33,894</u>	<u>37,709</u>
	<u>79,894</u>	<u>113,709</u>
	131,906	213,640
<b>NET ASSETS</b>	<u>220,695</u>	<u>216,512</u>
	<u>\$ 352,601</u>	<u>\$ 430,152</u>

Approved by the Board


 \_\_\_\_\_ Director  
 \_\_\_\_\_ Director

*(See accompanying notes)*

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED AUGUST 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>REVENUE</b>		
Advertising - note 13	\$ 280,698	\$ 243,175
Merchandise sales	309	612
Amortization of deferred capital contributions	3,815	2,529
Donations	60,560	30,380
Restricted donation	1,524	2,260
Membership fees	1,330	1,620
Grants - note 10	<u>14,063</u>	<u>38,703</u>
	<u>362,299</u>	<u>319,279</u>
<b>EXPENSES</b>		
Advertising and promotion - note 13	19,919	10,655
Amortization - tangible assets	21,144	19,015
Amortization - intangible assets	1,263	1,263
Bad debts	400	739
Fundraising	883	3,012
Donations	100	500
Insurance	5,007	3,776
Interest and bank charges	2,748	3,419
Interest on long-term debt	4,474	7,094
Studio consumables	701	2,253
Salaries and commissions	216,200	207,511
License	9,076	9,163
Office - note 13	4,208	9,598
Accounting fees	19,167	22,013
Rent - note 13	30,393	28,004
Repairs and maintenance	3,752	3,392
Restricted donation	9,821	2,260
Telephone	1,855	2,468
Utilities	<u>7,005</u>	<u>8,031</u>
	<u>358,116</u>	<u>344,166</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ 4,183</u>	<u>\$ (24,887)</u>

*(See accompanying notes)*



**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED AUGUST 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>BALANCE, beginning of year</b>	\$ 216,512	\$ 241,399
Excess (deficiency) of revenue over expenses	<u>4,183</u>	<u>(24,887)</u>
<b>BALANCE, end of year</b>	<u>\$ 220,695</u>	<u>\$ 216,512</u>

*(See accompanying notes)*

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED AUGUST 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ 4,183	\$ (24,887)
Adjustments for:		
Amortization	21,144	19,015
Amortization - intangible assets	1,263	1,263
Amortization of deferred capital contributions	<u>(3,815)</u>	<u>(2,529)</u>
	22,775	(7,138)
Change in non-cash working capital components:		
Accounts receivable	19,553	(15,636)
Prepaid expenses	2,885	(4,297)
Accounts payable and accrued liabilities	(35,750)	30,625
Deferred revenue	(13,419)	11,206
Employment and Social Development Canada	(217)	217
Government remittances payable	795	(7,427)
Grants receivable	<u>1,558</u>	<u>12,724</u>
	<u>(1,820)</u>	<u>20,274</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(2,990)	(44,770)
Funds received from The County Community Foundation	-	4,722
Funds owing to The County Community Foundation	<u>671</u>	<u>-</u>
	<u>(2,319)</u>	<u>(40,048)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of notes payable	(30,000)	(26,000)
Deferred capital contributions	<u>-</u>	<u>24,198</u>
	<u>(30,000)</u>	<u>(1,802)</u>
<b>DECREASE IN CASH</b>	(34,139)	(21,576)
<b>CASH, beginning of year</b>	<u>112,876</u>	<u>134,452</u>
<b>CASH, end of year</b>	<u>\$ 78,737</u>	<u>\$ 112,876</u>

*(See accompanying notes)*



**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2018**

**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 POLICIES**

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

**Revenue Recognition**

Advertising revenue is recognized when advertisements are aired on radio. The Corporation records payments received in advance as deferred revenue until the service is provided to the customers. Revenues from memberships and sponsorships are recognized evenly over the membership or sponsorship year to which they apply. Donations are recognized as revenue in the year in which they are received.

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. 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 are not expected to occur until a subsequent 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.

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2018**

**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

**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 and stated at cost less accumulated amortization. Amortization is based on the following estimated useful lives:

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.

**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 and funds held with the Community Foundation.

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

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2018**

**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, 2018.

**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 loan 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**

	2018	2017
Community Radio Fund of Canada (station costs)	\$ (1,558)	\$ 1,558
2016-17 Community Radio Fund of Canada (CRFC)	1,558	-
	\$ -	\$ 1,558



**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2018**

**5. TANGIBLE CAPITAL ASSETS**

	2018		2017	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Radio transmission equipment	\$ 153,881	\$ 45,598	\$ 153,881	\$ 35,350
Computer equipment	3,166	997	1,700	510
Leasehold improvements	52,869	17,201	52,869	13,723
Studio equipment	69,420	22,146	67,896	15,215
	279,336	85,942	276,346	64,798
<b>Net book value</b>	<b>\$ 193,394</b>		<b>\$ 211,548</b>	

**6. INTANGIBLE ASSETS**

	2018		2017	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Engineering & licensing costs	\$ 11,700	\$ 4,060	\$ 11,700	\$ 2,890
Incorporation costs	925	316	925	224
	12,625	4,376	12,625	3,114
<b>Net book value</b>	<b>\$ 8,249</b>		<b>\$ 9,511</b>	

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2018**

**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>2018</u>	<u>2017</u>
Membership	\$ 200	\$ 160
Advertising revenue	-	706
New Horizons for Seniors	3,099	14,328
John M. & Bernice Parrott Foundation Inc.	<u>11,456</u>	<u>12,980</u>
	<u>\$ 14,755</u>	<u>\$ 28,174</u>

**8. LONG-TERM DEBT**

	<u>2018</u>	<u>2017</u>
Unsecured loans payable, due in 2019, bearing interest at 5%, due quarterly.	\$ 29,000	\$ 59,000
Unsecured loans payable, due in 2020, bearing interest at 5%, due quarterly.	<u>17,000</u>	<u>17,000</u>
	<u>\$ 46,000</u>	<u>\$ 76,000</u>

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2018**

**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>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 37,709	\$ 16,040
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>(3,815)</u>	<u>(2,529)</u>
Balance - end of year	<u>\$ 33,894</u>	<u>\$ 37,709</u>

**10. GRANT REVENUE**

The Corporation has received and earned grants from the following:

	<u>2018</u>	<u>2017</u>
2016-17 Community Radio Fund of Canada (CRFC)	\$ 588	\$ 28,702
New Horizons for Seniors	11,229	-
Rendez-vous de la Francophonie (RVF)	2,250	-
Corp. of the County of Prince Edward	-	5,000
Employment and Social Development Canada	<u>(4)</u>	<u>5,001</u>
	<u>\$ 14,063</u>	<u>\$ 38,703</u>



**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2018**

**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:

	2018	2017
Memberships	\$ 150	\$ 220
Donations	6,254	4,437
Advertising	4,500	-
	\$ 10,904	\$ 4,657

Long term notes payable to related parties outstanding at year end totaled \$3,340 (2017: \$3,340).

**12. COMMITMENTS**

The Corporation obtained its studio premises and transmitter site necessary for its operations through lease agreements. Subsequent to year end, the lease for the premises and roof space STL transmitter was renegotiated for a five year term ending August 31, 2023, at \$10,233 per annum for the premises and \$5,937 per annum for the roof. A portion of the premises lease is offset by a non-monetary exchange. This new lease provides for two renewals of 5 years each.

Subsequent to the year end, the Corporation signed an agreement with the lessor of the transmitter site for an additional 5 years commencing August 1, 2019 with the option to renew for an additional 5 years. Lease payments increase by 3% each year on the anniversary date of the lease.

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

2019	\$ 26,390
2020	26,690
2021	26,991
2022	27,304
2023	27,629
	\$ 135,004

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2018**

**13. NON-MONETARY TRANSACTIONS**

The Corporation has entered into non-monetary transactions with various organizations whereby it provides broadcast advertising in exchange for print advertising, rent, and various office expenditures. These transactions were recorded at fair value resulting in an amount of \$25,774 (2017 - \$17,568) being recognized in revenue.