

PRINCE EDWARD COUNTY RADIO CORPORATION
FINANCIAL STATEMENTS
AS AT AUGUST 31, 2019

PRINCE EDWARD COUNTY RADIO CORPORATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Prince Edward County Radio Corporation (the Corporation), which comprise the statement of financial position as at August 31, 2019, and the statements of net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Corporation derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Corporation and we were not able to determine whether, as at and for the years ended August 31, 2019 and August 31, 2018, any adjustments might be necessary to donations revenue, excess of revenues over expenditures and net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation 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 qualified 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 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.

In preparing these financial statements, management is responsible for assessing the Corporation'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 Corporation, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT
(CONT'D)**

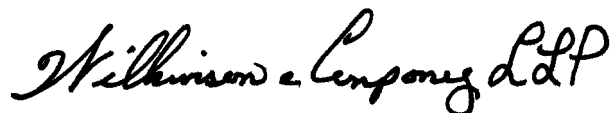
Auditor's Responsibilities for the Audit of the Financial Statements

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 auditor's 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.

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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Corporation 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.



BELLEVILLE, Canada
December 19, 2019

Chartered Professional Accountants
Licensed Public Accountants

PRINCE EDWARD COUNTY RADIO CORPORATION
STATEMENT OF FINANCIAL POSITION AS AT AUGUST 31, 2019

	2019	2018
	\$	\$
ASSETS		
CURRENT		
Cash	66,578	78,737
Accounts receivable	62,792	68,203
Due from The Community Foundation	1,467	
Prepaid expenses and deposits	6,450	4,018
Grant receivable - Note 3	2,792	
	140,079	150,958
TANGIBLE CAPITAL ASSETS - at cost		
less accumulated amortization - Note 4	190,519	193,394
INTANGIBLE ASSETS - at cost		
less accumulated amortization - Note 5	6,986	8,249
	337,584	352,601
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	35,282	22,052
Government remittances payable	17,058	14,534
Due to The County Community Foundation		671
Deferred revenue - Note 6	16,419	14,755
	68,759	52,012
LONG-TERM		
Loans payable - Note 7		46,000
DEFERRED CAPITAL CONTRIBUTIONS - Note 8	40,062	33,894
	108,821	131,906
NET ASSETS	228,763	220,695
COMMITMENTS - Note 9		
APPROVED ON BEHALF OF THE BOARD		
	Director	
	Director	
	337,584	352,601

The accompanying notes form an integral part of these financial statements

**PRINCE EDWARD COUNTY RADIO CORPORATION
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2019**

	2019	2018
	\$	\$
NET ASSETS - BEGINNING OF YEAR	220,695	216,512
<u>EXCESS OF REVENUE OVER EXPENDITURES FOR YEAR</u>	<u>8,068</u>	<u>4,183</u>
<u>NET ASSETS - END OF YEAR</u>	<u>228,763</u>	<u>220,695</u>

The accompanying notes form an integral part of these financial statements

PRINCE EDWARD COUNTY RADIO CORPORATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2019

	2019	2018
	\$	\$
REVENUE		
Advertising	303,712	280,698
Donations and fundraising	71,083	60,560
Grants	8,892	14,063
Amortization of deferred capital contributions	3,663	3,815
Membership fees	1,230	1,330
Merchandise sales	875	309
Restricted donations		1,524
	389,455	362,299
EXPENDITURES		
Advertising and promotion	22,172	19,919
Amortization of intangible assets	1,263	1,263
Amortization of tangible capital assets	22,340	21,144
Bad debts	1,830	400
Bank charges and interest	2,609	2,747
Donations		100
Fundraising expenses	1,105	883
Insurance	4,522	5,007
Interest on long-term debt	2,300	4,474
License fees	6,074	9,076
Office expenses	4,435	4,209
Professional fees	28,520	19,167
Rent	34,437	30,393
Repairs and maintenance	4,723	3,752
Restricted donations		9,821
Salaries and commissions	232,084	216,200
Studio consumables	3,116	701
Telephone	2,407	1,855
Utilities	7,450	7,005
	381,387	358,116
EXCESS OF REVENUE OVER EXPENDITURES FOR YEAR	8,068	4,183

The accompanying notes form an integral part of these financial statements

PRINCE EDWARD COUNTY RADIO CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenditures for year	8,068	4,183
Adjustment for items which do not affect cash -		
Amortization of intangible assets	1,263	1,263
Amortization of tangible capital assets	22,340	21,144
Amortization of deferred capital contributions	(3,663)	(3,815)
	<hr/>	<hr/>
	28,008	22,775
Net change in non-cash working capital balances related to operations - Note 10	25,298	(23,924)
	<hr/>	<hr/>
CASH FLOWS PROVIDED FROM (USED IN)		
OPERATING ACTIVITIES	53,306	(1,149)
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(19,465)	(2,990)
	<hr/>	<hr/>
FINANCING ACTIVITIES		
Repayment of long-term debt	(46,000)	(30,000)
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS FOR YEAR	(12,159)	(34,139)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	78,737	112,876
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS - END OF YEAR	66,578	78,737
	<hr/>	<hr/>
REPRESENTED BY:		
Cash	66,578	78,737
	<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements

**PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019**

1. NATURE OF OPERATIONS

Prince Edward County Radio Corporation is a not-for-profit organization dedicated to the development and operation of a radio broadcasting station in Prince Edward County. The Corporation is incorporated under the laws of Ontario without share capital and is exempt from taxation under Section 149 of the Income Tax Act.

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.

2. ACCOUNTING POLICIES

Outlined below are those accounting policies adopted by the Corporation that are considered to be particularly significant:

(a) Basis of Accounting

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Accounting Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accounts receivable, and the estimated useful life of tangible capital intangible assets. Actual results could differ from those estimates.

(c) Tangible Capital Assets and Amortization

Tangible capital assets are stated at acquisition cost. Gains or losses on the disposal of individual assets are recognized in statement of operations in the year of disposal. Amortization of tangible capital assets, which is based on estimated useful life, is calculated on the following bases and at the rates set out below:

Asset	Basis	Rate
Computer equipment	Straight-line	Over 5 years
Leasehold improvements	Straight-line	Over 15 years
Radio transmission equipment	Straight-line	Over 15 years
Studio equipment	Straight-line	Over 10 years

**PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019**

2. ACCOUNTING POLICIES (Cont'd)

(d) Intangible Assets

Intangible assets are stated at acquisition cost. Gains or losses on the disposal of individual assets are recognized in the statement of operations in the year of disposal. Amortization of definite lived intangible assets, which is based on estimated useful life, is calculated on the following bases and at the rates set out below:

Asset	Basis	Rate
Engineering and licensing costs	Straight-line	Over 10 years
Incorporation costs	Straight-line	Over 10 years

(e) Deferral Method

The Corporation uses the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the period 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.

(f) Revenue Recognition

Advertising revenue is recognized once the advertisement is broadcast. Advertising funds received for broadcasts in a subsequent period are deferred. Provision is made for expected discounts and collection losses based on the company's past experience.

Donation and fundraising and grant revenue is recorded as revenue in the period to which it relates. Grants earned but not received at year end are accrued. When a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Amortization of deferred capital contributions revenue is recognized in the period to which it relates.

Membership revenue is recorded as revenue in the period to which it relates. Membership revenue received in advance of the fiscal year to which they relate are recorded as deferred revenue.

Merchandise revenue is recognized at the time goods are shipped to customers. Provision is made for expected returns and collection losses based on the Corporation's past experience.

**PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019**

2. ACCOUNTING POLICIES (Cont'd)

(g) Financial Instruments

(i) Measurement of Financial Instruments

The Corporation initially measures its financial assets and liabilities at fair value. The Corporation subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable, due from The Community Foundation and grant receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and government remittances payable.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recorded in net income. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the impairment amount previously recognized.

(h) Contributed Services and Materials

Directors, committee members and owners volunteer their time to assist in the Corporation's activities. While these services benefit the Corporation considerably, a reasonable estimate of their amount and fair value cannot be made, and accordingly, these contributed services are not recognized in the financial statements.

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.

3. GRANT RECEIVABLE

Grant receivable consists of the following:

	2019	2018
	\$	\$
Canada Summer Job Grant	2,792	NIL

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

4. TANGIBLE CAPITAL ASSETS

	2019		2018	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Computer equipment	3,166	1,630	3,166	997
Leasehold improvements	52,218	20,679	52,869	17,201
Radio transmission equipment	153,881	55,846	153,881	45,598
Studio equipment	89,536	30,127	69,420	22,146
	298,801	108,282	279,336	85,942
Cost less accumulated amortization	\$ 190,519		\$ 193,394	

During the year, tangible capital assets were acquired at an aggregate cost of \$19,465 (2018 - \$2,990).

5. INTANGIBLE ASSETS

	2019		2018	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Engineering and licensing costs	11,700	5,265	11,700	4,060
Incorporation costs	926	375	926	317
	12,626	5,640	12,626	4,377
Cost less accumulated amortization	\$ 6,986		\$ 8,249	

6. DEFERRED REVENUE

Deferred revenue is comprised of certain advertising, memberships 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 revenue consists of the following:

	2019 \$	2018 \$
Advertising	5,375	
Memberships	120	200
New Horizons for Seniors	3,099	3,099
John M. & Bernice Parrott Foundation Inc.	1,625	11,456
NCRA Accessibility Grant	6,200	
	16,419	14,755

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

7. LONG-TERM DEBT

Long-term debt consists of the following:

	2019	2018
	\$	\$
Unsecured loan payable, due in 2019, bearing interest at 5%, due quarterly. This loan was repaid during the year.		29,000
Unsecured loan payable, due in 2020, bearing interest at 5%, due quarterly. This loan was repaid during the year.		17,000
	NIL	46,000

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of grants received and spent for the purchase of tangible capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The change in the deferred capital contributions balance are as follows:

	2019	2018
	\$	\$
Balance, beginning of year	33,894	37,709
Contributions received from John M. & Bernice Parrott Foundation Inc. - transferred from deferred revenue	9,831	
Amortization of deferred capital contributions	(3,663)	(3,815)
	40,062	33,894

9. LEASE COMMITMENTS

The Corporation has entered into agreements to lease certain premises. These operating leases expire at various dates between August, 2023 and August, 2024. The annual minimum rental payments required under these leases over the next five years are as follows:

	\$
2020	34,061
2021	34,435
2022	34,820
2023	35,217
2024	14,037
	152,570

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

10. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

Cash provided from (used in) non-cash working capital is compiled as follows:

	2019	2018
	\$	\$
(INCREASE) DECREASE IN CURRENT ASSETS		
Accounts receivable	5,411	19,553
Due from The Community Foundation	(1,467)	
Prepaid expenses and deposits	(2,432)	2,885
Grant receivable	(2,792)	1,558
	(1,280)	23,996
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	13,230	(35,750)
Government remittances payable	2,524	795
Due to The County Community Foundation	(671)	671
Deferred revenue	11,495	(13,419)
Employment and Social Development Canada		(217)
	26,578	(47,920)
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS	25,298	(23,924)

11. RELATED PARTY TRANSACTIONS

During the year, the Corporation received revenue from certain board directors and key management personnel as follows:

	2019	2018
	\$	\$
Advertising	925	4,500
Donations	9,660	6,254
Memberships	130	150
	10,715	10,904

**PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019**

11. RELATED PARTY TRANSACTIONS (Cont'd)

During the year, the Corporation repaid long-term notes payable to a direct relation of certain key management personnel in the amount of \$3,340 (2018 - \$NIL). At the end of the year, amounts owing to these parties amount to \$NIL (2018 - \$3,340).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. NON-MONETARY TRANSACTIONS

During the year, the Corporation 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 \$33,302 (2018 - \$25,774).

13. FINANCIAL RISKS AND CONCENTRATIONS OF RISK

In the normal course of business, the Corporation is exposed to a number of risks that can affect its operational performance. These risks are as follows:

(a) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet all cash outflow obligations as they come due. The Corporation manages its liquidity risk by monitoring its operating cash flow requirements to ensure financial resources are available.

(b) Credit Risk

Credit risk is the risk of financial loss to the Corporation if a counterparty fails to discharge an obligation. The Corporation is exposed to credit risk in the event of non-performance by clients in connection with its accounts and other receivables. The Corporation manages its credit risk by performing regular evaluations of its receivables, aggressively pursues delinquent accounts and maintains provisions for estimated uncollectible accounts.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

14. COMPARATIVE FIGURES

In order to conform with the financial statement presentation adopted for the current year, certain elements of the comparative figures have been regrouped.