

PRINCE EDWARD COUNTY RADIO CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

(Unaudited)

PRINCE EDWARD COUNTY RADIO CORPORATION
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AUGUST 31, 2015
(Unaudited)

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REVIEW ENGAGEMENT REPORT

To the Directors of
Prince Edward County Radio Corporation

I have reviewed the statements of financial position of Prince Edward County Radio Corporation as at August 31, 2015, and the statements of operations and changes in net assets and cash flows for the period then ended. My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to me by the Corporation.

A review does not constitute an audit and, consequently, I do not express an audit opinion on these financial statements.

Based on my review, nothing has come to my attention that causes me to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.



Picton, Ontario
December 17, 2015

MURRAY & ASSOCIATES
CHARTERED ACCOUNTANT
LICENSED PUBLIC ACCOUNTANT

PRINCE EDWARD COUNTY RADIO CORPORATION
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED AUGUST 31, 2015
(Unaudited)

	2015	2014
ASSETS		
Current		
Cash	\$ 81,197	\$ 72,106
Investment	36,134	-
Accounts receivable	73,051	12,871
Grants receivable (note 3)	14,000	27,500
Government remittance receivable	5,359	13,354
Prepaid expenses	4,313	1,831
	<u>214,054</u>	<u>127,662</u>
Long Term		
Tangible Capital Assets (note 4)		
Tangible capital assets, at cost	219,359	136,825
Accumulated amortization	(29,248)	-
	<u>190,111</u>	<u>136,825</u>
Intangible Assets (note 5)		
Intangible assets, at cost	12,626	12,376
Accumulated amortization	(589)	-
	<u>12,037</u>	<u>12,376</u>
	<u>\$ 416,202</u>	<u>\$276,863</u>

The accompanying notes are an integral part of these financial statements

PRINCE EDWARD COUNTY RADIO CORPORATION
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED AUGUST 31, 2015
(Unaudited)

	2015	2014
LIABILITIES		
Current		
Accounts payable and accruals	25,517	30,619
Due to government	1,748	-
Deferred revenue (note 6)	45,969	82,403
Current portion of long term loans (note 8)	26,000	33,000
Notes payable (note 7)	-	14,897
	<u>99,234</u>	<u>160,919</u>
Long Term		
Deferred revenue (note 6)	13,927	16,039
Long term loans payable (note 8)	76,000	102,000
	<u>89,927</u>	<u>118,039</u>
NET ASSETS		
Surplus (deficit)	<u>237,791</u>	<u>(2,095)</u>
	<u>237,791</u>	<u>(2,095)</u>
	<u>\$ 426,952</u>	<u>\$276,863</u>

Commitments (note 9)

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements

PRINCE EDWARD COUNTY RADIO CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2015
(Unaudited)

	2015	2014
Balance, beginning of the year	\$ (2,095)	\$ 1,096
Net income (loss) for the year	<u>239,886</u>	<u>(3,191)</u>
Balance, end of the year	<u>\$ 237,791</u>	<u>\$ (2,095)</u>

The accompanying notes are an integral part of these financial statements

PRINCE EDWARD COUNTY RADIO CORPORATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2015
(Unaudited)

	2015	2014
Revenue		
Advertising	\$ 192,775	\$ -
Donations	93,186	11,805
Fundraising	6,787	4,017
Grants (note 6)	99,116	10,000
Membership fees	3,210	2,232
Sponsorship	53,623	-
	<u>448,697</u>	<u>27,086</u>
Selling and administrative expenses		
Accounting fees	10,750	3,500
Advertising and promotion	22,439	1,918
Amortization - intangible assets	589	-
Amortization - tangible assets	29,248	-
Bank charges	1,996	306
Donation	1,230	-
Fundraising	2,198	968
Interest expense	10,171	2,237
License	3,087	-
Office	5,348	230
Rent	24,605	8,400
Repairs and maintenance	3,164	-
Insurance	3,583	1,487
Management, commission and consulting fees	94,507	12,200
Telephone	1,101	-
Utilities	5,545	-
	<u>208,811</u>	<u>30,277</u>
Net income (loss) for the year	<u>\$ 239,886</u>	<u>\$ (3,191)</u>

The accompanying notes are an integral part of these financial statements

PRINCE EDWARD COUNTY RADIO CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2015
(Unaudited)

	2015	2014
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income (loss)	\$239,886	\$ (3,191)
Items not affecting cash		
Amortization - intangible assets	589	-
Amortization - tangible assets	29,248	-
	<u>269,723</u>	<u>(3,191)</u>
Changes in non-cash working capital balances:		
Accounts receivable	(60,180)	(12,221)
Grants receivable	13,500	(27,500)
Government remittance receivable	7,995	(12,804)
Prepaid expenses	(2,482)	(231)
Accounts payable and accruals	(5,102)	26,949
Due to government	1,748	-
Deferred revenue	(36,434)	76,562
Long term deferred revenue	(2,112)	16,039
Net cash from (for) operating activities	<u>186,656</u>	<u>63,603</u>
INVESTING ACTIVITIES		
Investment	(36,134)	-
Acquisition of tangible capital assets	(82,534)	(136,825)
Acquisition of intangible assets	(250)	-
	<u>(118,918)</u>	<u>(136,825)</u>
FINANCING ACTIVITIES		
Issuance of notes payable	-	14,897
Repayment of notes payable	(14,897)	(14,076)
Current portion of long term loans	(7,000)	-
Long term loans payable	(26,000)	135,000
	<u>(47,897)</u>	<u>135,821</u>
NET INCREASE IN CASH	19,841	62,599
CASH - BEGINNING OF YEAR	72,106	9,507
CASH - END OF YEAR	<u>91,947</u>	<u>72,106</u>

The accompanying notes are an integral part of these financial statements

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015
(Unaudited)

PURPOSE OF THE CORPORATION

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.

1. ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO). Outlined below are those policies considered significant for the Corporation.

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 accruals, notes payable and loans payable.

Revenue Recognition

Revenues from memberships and sponsorships are recognized over the membership or sponsorship year to which they apply. Memberships purchased prior to obtaining the radio license from CRTC remained in effect until the license was received.

Donations are recognized as revenue in the year in which they are received.

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015
(Unaudited)

1. ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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.

Measurement Uncertainty

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.

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015
(Unaudited)

1. ACCOUNTING POLICIES (continued)

Tangible Capital Assets

Tangible capital assets are recorded initially at cost. Amortization of the recorded amounts will begin once the assets are fully operational and will be based upon the straight-line method using an estimated useful life of twenty years.

Studio equipment	5%	straight line
Radio transmitter equipment	5%	straight line

Once operational, proportional amortization will be taken in the year of acquisition, calculated from the date the asset is put into use.

Intangible Capital Assets

Intangible incorporation costs and license costs incurred have been recorded at cost. Amortization of the recorded amounts will begin once the corporation is fully operational and will be based upon the straight-line method using an estimated useful life of ten years.

Engineering and licensing costs	10%	straight line
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2. 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, 2015.

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.

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015
(Unaudited)

2. FINANCIAL INSTRUMENTS (continued)

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 changes in the Corporation's risk exposures from the prior year.

3. GRANTS RECEIVABLE

	2015	2014
	\$	\$
Grants receivable are comprised of the following:		
Community Radio Fund of Canada (station costs)	14,000	7,500
Ontario Trillium Foundation (transmission equipment)	-	20,000
	<u>14,000</u>	<u>27,500</u>

4. TANGIBLE CAPITAL ASSETS

	2015	2015	2014	2014
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Studio equipment	40,464	5,395	5,729	-
Radio transmission equipment	178,895	23,853	131,096	-
	<u>219,359</u>	<u>29,248</u>	<u>136,825</u>	<u>-</u>
Net Book Value		<u>190,111</u>		<u>136,825</u>

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
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(Unaudited)

5. INTANGIBLE ASSETS

	2015	2015	2014	2014
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Engineering & licensing costs	11,700	546	11,450	-
Incorporation costs	926	43	926	-
	<u>12,626</u>	<u>589</u>	<u>12,376</u>	<u>-</u>
Net Book Value		<u>12,037</u>		<u>12,376</u>

6. DEFERRED REVENUE AND GRANT REVENUE

Deferred revenue

Deferred revenue is comprised of certain memberships, sponsorships 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:

	2015	2014
	\$	\$
Membership	740	1,200
Sponsorship	13,671	45,400
Advertising revenue	-	1,842
Grants		
- Community Radio Fund of Canada (CRFC) (operations)	-	30,000
- Community Radio Fund of Canada (CRFC) (production)	28,125	
- Ontario Trillium Foundation (OTF) (equipment)	3,433	3,961
	<u>45,969</u>	<u>82,403</u>

Long term deferred revenues consist of the following:

- Ontario Trillium Foundation (OTF) (costs related to the acquisition of equipment)	13,927	16,039
	<u>13,927</u>	<u>16,039</u>

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015
(Unaudited)

6. DEFERRED REVENUE AND GRANT REVENUE (continued)

Grant revenue

The Corporation has received and earned grants from the following:

- Community Radio Fund of Canada (CRFC)	30,000	-
- Community Radio Fund of Canada (CRFC)	6,875	-
- Ontario Trillium Foundation (OTF)	2,641	-
- John M. & Bernice Parrott Foundation Inc.	50,000	-
- Corp. of the County of Prince Edward	9,600	10,000
	<u>99,116</u>	<u>10,000</u>

7. NOTES PAYABLE

Notes payable represent funds obtained from private individuals to assist with operating and start-up costs. (see note 10)

The notes mature at various dates during the fourth quarter of the fiscal year ending 2015. The principal amount plus interest at 5.75% per annum is compounded semi-annually. The notes allow for late payment if necessary, but incur a penalty of additional interest at 1/365 of 5.75% per day on the balance owing, compounded monthly, until paid in full.

Notes payable consists of the following:

	2015	2014
	\$	\$
Notes payable, maturing before fiscal year end 2014	-	-
Notes payable, maturing before fiscal year end 2015	-	14,807
Accrued interest payable as at August 31st	-	90
	<u>-</u>	<u>14,897</u>

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015
(Unaudited)

8. LONG TERM LOANS PAYABLE

Long term loans payable consists of:	2015	2014
	\$	\$
Unsecured loans payable, due in 2019, bearing interest at 7%, due quarterly.	102,000	135,000
Total obligations under long term loans payable	102,000	135,000
Balance due within 12 months	26,000	33,000
Total long term debt	76,000	102,000

Certain long term loans payable are with related parties. (see note 10)

9. 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 four fiscal years is as follows:

Fiscal year	\$
2016	24,000
2017	24,000
2018	24,000
2019	14,800
	86,800

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015
(Unaudited)

10. RELATED PARTY

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:

	2015 \$	2014 \$
Related parties memberships/sponsorships received:		
Memberships	200	190
Sponsorships	-	7,500
Donations	6,058	1,209
Related parties donations received	6,258	8,709

Financing transactions:

To assist with short term cash flow requirements, the Corporation periodically negotiates short term financing with five willing members of management.

Long term notes payable to related parties, obtained during the year, were outstanding in the amount of \$74,800 (2014: \$110,000).

11. COMPARATIVE FIGURES

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