

**PRINCE EDWARD COUNTY RADIO CORPORATION**

**FINANCIAL STATEMENTS**

August 31, 2016

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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, 2016, 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, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Other Matters

The statement of financial position as at August 31, 2015 and the statements of operations, changes in net assets and cash flows for the year ended August 31, 2015, are unaudited.

Picton, Ontario  
January 26, 2017

*Welch LLP*  
CHARTERED PROFESSIONAL ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
*(Incorporated under the laws of Canada)*  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2016**

**ASSETS**

	<u>2016</u>	<u>2015</u> <u>(Unaudited)</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 134,452	\$ 81,197
Funds held with The County Community Foundation	4,722	36,134
Accounts receivable	72,120	73,051
Prepaid expenses	2,606	4,313
Grants receivable - note 4	14,282	14,000
Government remittances receivable	-	5,359
	<u>228,182</u>	<u>214,054</u>
<b>TANGIBLE CAPITAL ASSETS - note 5</b>	185,793	190,111
<b>INTANGIBLE ASSETS - note 6</b>	<u>10,774</u>	<u>12,036</u>
	<u>\$ 424,749</u>	<u>\$ 416,201</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 27,176	\$ 25,518
Deferred revenue - note 7	16,968	42,536
Government remittances payable	21,166	1,748
	<u>65,310</u>	<u>69,802</u>
<b>LONG-TERM DEBT - note 8</b>	102,000	102,000
<b>DEFERRED CAPITAL CONTRIBUTIONS - note 9</b>	16,040	17,359
	<u>118,040</u>	<u>119,359</u>
	183,350	189,161
<b>NET ASSETS</b>	<u>241,399</u>	<u>227,040</u>
	<u>\$ 424,749</u>	<u>\$ 416,201</u>

Approved by the Board

\_\_\_\_\_ Member

\_\_\_\_\_ Member

(See accompanying notes)

**Welch LLP<sup>®</sup>**

An Independent Member of BKR International

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED AUGUST 31, 2016**

	<u>2016</u>	<u>2015</u> <u>(Unaudited)</u>
<b>REVENUE</b>		
Advertising	\$ 245,405	\$ 192,775
Fundraising	2,805	6,787
Amortization of deferred capital contributions	1,319	2,641
Donations	12,951	93,186
Restricted donation	5,974	-
Membership fees	1,522	3,210
Grants - note 10	59,489	96,475
Sponsorship	-	53,623
	<u>329,465</u>	<u>448,697</u>
<b>EXPENSES</b>		
Advertising and promotion	20,450	22,439
Amortization - tangible assets	16,535	29,248
Amortization - intangible assets	1,263	589
Bad debts	4,172	-
Fundraising	2,004	2,198
Donations	280	1,230
Insurance	3,475	3,583
Interest and bank charges	3,176	1,996
Interest on long-term debt	7,232	10,171
Management, commission and consulting fees	178,243	94,507
License	8,358	3,087
Office	8,659	5,349
Accounting fees	15,675	10,750
Rent	26,089	24,605
Repairs and maintenance	4,106	3,164
Restricted donation	5,974	-
Telephone	2,153	1,101
Travel and automotive	390	-
Utilities	6,872	5,545
	<u>315,106</u>	<u>219,562</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 14,359</u>	<u>\$ 229,135</u>

*(See accompanying notes)*

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED AUGUST 31, 2016**

	2016	2015
	<u>          </u>	<u>(Unaudited)</u>
<b>BALANCE, beginning of year</b>	\$ 227,040	\$ (2,095)
Excess of revenue over expenses	<u>14,359</u>	<u>229,135</u>
<b>BALANCE, end of year</b>	<u>\$ 241,399</u>	<u>\$ 227,040</u>

*(See accompanying notes)*

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED AUGUST 31, 2016**

	2016	2015 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 14,359	\$ 229,135
Adjustments for:		
Amortization	16,535	29,248
Amortization - intangible assets	1,263	589
Amortization of deferred capital contributions	(1,319)	(2,641)
	30,838	256,331
Change in non-cash working capital components:		
Accounts receivable	931	(60,180)
Prepaid expenses	1,707	(2,482)
Government remittances receivable	5,359	7,995
Accounts payable and accrued liabilities	1,658	(5,100)
Deferred revenue	(25,568)	(35,906)
Government remittances payable	19,418	1,748
Grants receivable	(282)	13,500
	34,061	175,906
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(12,218)	(82,534)
Intangible assets	-	(250)
Funds received from The County Community Foundation	31,412	(36,134)
	19,194	(118,918)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of notes payable	-	(14,897)
Repayment of long-term debt	-	(33,000)
	-	(47,897)
<b>INCREASE IN CASH</b>	53,255	9,091
<b>CASH, beginning of year</b>	81,197	72,106
<b>CASH, end of year</b>	\$ 134,452	\$ 81,197

*(See accompanying notes)*



**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

**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, 2016**

**2. SIGNIFICANT ACCOUNTING POLICY (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. 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

**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, 2016.

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

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

**4. GRANTS RECEIVABLE**

	<u>2016</u>	<u>2015</u> (Unaudited)
Community Radio Fund of Canada (station costs)	\$ 4,537	\$ 14,000
Employment and Social Development Canada	<u>9,745</u>	<u>-</u>
	<u>\$ 14,282</u>	<u>\$ 14,000</u>

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

**5. TANGIBLE CAPITAL ASSETS**

	2016		2015 (Unaudited)	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Radio transmission equipment	\$ 133,961	\$ 25,765	\$ 127,846	\$ 17,046
Computer equipment	1,700	170	-	-
Leasehold improvements	52,218	10,246	51,049	6,807
Studio equipment	43,698	9,603	40,464	5,395
	231,577	45,784	219,359	29,248
<b>Net book value</b>	<b><u>\$ 185,793</u></b>		<b><u>\$ 190,111</u></b>	

**Change in Amortization Estimate**

The corporation changed its amortization policy on tangible capital assets effective the beginning of the fiscal year, to better reflect the estimated useful life of the assets.

Previously all tangible capital assets were amortized over 5 years on a straight line basis. Commencing this year the Radio transmission equipment is amortized over 15 years straight line and studio equipment and leasehold improvements are amortized over 10 years on a straight line basis.

Had the amortization policy not changed, the amortization expense would have been higher by \$28,560.00.

**6. INTANGIBLE ASSETS**

	2016		2015 (Unaudited)	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Engineering & licensing costs	\$ 11,641	\$ 1,661	\$ 11,700	\$ 546
Incorporation costs	925	131	925	43
	12,566	1,792	12,625	589
<b>Net book value</b>	<b><u>\$ 10,774</u></b>		<b><u>\$ 12,036</u></b>	

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

**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.

	<u>2016</u>	<u>2015</u>
Membership	\$ 530	\$ 740
Advertising revenue	1,920	13,671
Grants - Community Radio Fund of Canada (CRFC)	<u>14,518</u>	<u>28,125</u>
	<u>\$ 16,968</u>	<u>\$ 42,536</u>

**8. LONG-TERM DEBT**

	<u>2016</u>	<u>2015</u> (Unaudited)
Unsecured loans payable, due in 2019, bearing interest at 7%, due quarterly.	<u>\$ 102,000</u>	<u>\$ 102,000</u>

**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>2016</u>	<u>2015</u> (Unaudited)
Balance - beginning of year	\$ 17,359	\$ 20,000
Less amounts amortized to income	<u>3,961</u>	<u>2,641</u>
Balance - end of year	<u>\$ 16,040</u>	<u>\$ 17,359</u>

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

**10. GRANT REVENUE**

The Corporation has received and earned grants from the following:

	<u>2016</u>	<u>2015</u> (Unaudited)
2014-15 Community Radio Fund of Canada (CRFC)	\$ -	\$ 30,000
2015-16 Community Radio Fund of Canada (CRFC)	27,412	6,875
2016-17 Community Radio Fund of Canada (CRFC)	13,832	-
John M. & Bernice Parrott Foundation Inc.	-	50,000
Corp. of the County of Prince Edward	8,500	9,600
Employment and Social Development Canada	<u>9,745</u>	<u>-</u>
	<u>\$ 59,489</u>	<u>\$ 96,475</u>

**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:

	<u>2016</u>	<u>2015</u>
Memberships	\$ 220	\$ 200
Donations	<u>2,165</u>	<u>6,058</u>
	<u>\$ 2,385</u>	<u>\$ 6,258</u>

Long term notes payable to related parties, obtained during the year, were outstanding in the amount of \$6,800 (2015: \$74,800).

**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.

**PRINCE EDWARD COUNTY RADIO CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

**12. COMMITMENTS (continued)**

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

2017	\$ 24,585
2018	24,890
2019	<u>25,205</u>
	<u>\$ 74,680</u>

**13. COMPARATIVE FIGURES**

Comparative figures from the 2015 year are unaudited.

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

