

**PRINCE EDWARD COUNTY RADIO CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014**

(Unaudited)

PRINCE EDWARD COUNTY RADIO CORPORATION
TABLE OF CONTENTS
AUGUST 31, 2014
(Unaudited)

	Page
REVIEW ENGAGEMENT REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2.1 - 2.2
Statement of Changes in Net Assets	3
Statement of Operations	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 14

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, 2014, 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
January 16, 2015

MURRAY & ASSOCIATES
CHARTERED ACCOUNTANT
LICENSED PUBLIC ACCOUNTANT

PRINCE EDWARD COUNTY RADIO CORPORATION
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED AUGUST 31, 2014
(Unaudited)

	2014	2013
ASSETS		
Current		
Cash	\$ 72,106	\$ 9,507
Accounts receivable	12,871	650
Grants receivable (note 3)	27,500	-
Government remittance receivable	13,354	550
Prepaid expenses	1,831	1,600
	<u>127,662</u>	<u>12,307</u>
Long Term		
Tangible Capital Assets (note 4)		
Tangible capital assets, at cost	136,825	-
Accumulated amortization	-	-
	<u>136,825</u>	<u>-</u>
Intangible Assets (note 5)		
Intangible assets, at cost	12,376	12,376
Accumulated amortization	-	-
	<u>12,376</u>	<u>12,376</u>
	<u>\$ 276,863</u>	<u>\$ 24,683</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, 2014
(Unaudited)

	2014	2013
LIABILITIES		
Current		
Accounts payable and accruals	30,619	3,670
Deferred revenue (note 6)	82,403	5,841
Notes payable (note 7)	14,897	14,076
	<u>127,919</u>	<u>23,587</u>
Long Term		
Deferred revenue (note 6)	16,039	-
Long term loans payable (note 8)	135,000	-
	<u>151,039</u>	<u>-</u>
NET ASSETS		
Surplus (deficit)	<u>(2,095)</u>	<u>1,096</u>
	<u>(2,095)</u>	<u>1,096</u>
	<u>\$ 276,863</u>	<u>\$ 24,683</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, 2014
(Unaudited)

	2014	2013
Balance, beginning of the year	\$ 1,096	\$ 4,336
Net loss for the year	<u>(3,191)</u>	<u>(3,240)</u>
Balance, end of the year	<u>\$ (2,095)</u>	<u>\$ 1,096</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, 2014
(Unaudited)

	2014	2013
Revenue		
Membership fees	\$ 2,232	\$ 842
Donations	11,805	1,705
Fundraising - net (note 11)	3,049	-
Grant - County of Prince Edward	10,000	-
	<u>27,086</u>	<u>2,547</u>
 Selling and administrative expenses		
Advertising and promotion	1,918	1,424
Interest expense	2,237	76
Office	535	287
Rent	8,400	-
Insurance	1,487	-
Management and consulting fees	12,200	-
Professional fees	3,500	4,000
	<u>30,277</u>	<u>5,787</u>
 Net loss for the year	 <u>\$ (3,191)</u>	 <u>\$ (3,240)</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, 2014
(Unaudited)

	2014	2013
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net (loss) income	\$ (3,191)	\$ (3,240)
Changes in non-cash working capital balances:		
Accounts receivable	(12,221)	(20)
Grants receivable	(27,500)	-
Government remittance receivable	(12,804)	45
Prepaid expenses	(231)	(1,600)
Accounts payable and accruals	26,949	1,785
Short term deferred revenue	76,562	2,008
Long term deferred revenue	16,039	-
Net cash from (for) operating activities	<u>63,603</u>	<u>(1,022)</u>
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(136,825)	-
Acquisition of intangible assets	-	(5,230)
	<u>(136,825)</u>	<u>(5,230)</u>
FINANCING ACTIVITIES		
Issuance of notes payable	14,897	14,076
Repayment of notes payable	(14,076)	-
Long term loans payable	135,000	-
	<u>135,821</u>	<u>14,076</u>
NET INCREASE IN CASH	62,599	7,824
CASH - BEGINNING OF YEAR	9,507	1,683
CASH - END OF YEAR	<u>72,106</u>	<u>9,507</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, 2014
(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 waiting on the Industry Canada certificate required under the conditions of the Broadcasting License, however, the station has been legally operating at 99.3 MHz as an English-language community FM radio programming station in Prince Edward County since October 6, 2014.

The Corporation is a not-for-profit organization without charitable status and 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.

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014
(Unaudited)

1. ACCOUNTING POLICIES (continued)

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.

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.

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014
(Unaudited)

1. ACCOUNTING POLICIES (continued)

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.

Contributed Services and Materials (continued)

Volunteers contribute a significant number of hours to assist the Corporation in carrying out its service delivery activities. Because of 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 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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PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014
(Unaudited)

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, 2014.

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.

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014
(Unaudited)

3. GRANTS RECEIVABLE

	2014	2013
	\$	\$
Grants receivable are comprised of the following:		
Community Radio Fund of Canada (station costs)	7,500	-
Ontario Trillium Foundation (transmission equipment)	20,000	-
	<u>27,500</u>	<u>-</u>

4. TANGIBLE CAPITAL ASSETS

	2014	2014	2013	2013
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Studio equipment	5,729	-	-	-
Radio transmission equipment	131,096	-	-	-
	<u>136,825</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value		<u>136,825</u>		<u>-</u>

5. INTANGIBLE ASSETS

	2014	2014	2013	2013
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Engineering & licensing costs	11,450	-	11,450	-
Incorporation costs	926	-	926	-
	<u>12,376</u>	<u>-</u>	<u>12,376</u>	<u>-</u>
Net Book Value		<u>12,376</u>		<u>12,376</u>

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014
(Unaudited)

6. 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:

	2014	2013
	\$	\$
Membership	1,200	841
Sponsorship	45,400	5,000
Advertising revenue	1,842	-
Grants		
- Community Radio Fund of Canada (CRFC) (costs related to station management)	30,000	-
- Ontario Trillium Foundation (OTF) (costs related to the acquisition of equipment)	3,961	-
	<u>82,403</u>	<u>5,841</u>

Long term deferred revenues consist of the following:

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

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014
(Unaudited)

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:

	2014	2013
	\$	\$
Notes payable, maturing before fiscal year end 2014	-	14,000
Notes payable, maturing before fiscal year end 2015	14,807	-
Accrued interest payable as at August 31st	90	76
	14,897	14,076

8. LONG TERM LOANS PAYABLE

Long term loans payable consists of:

	2014	2013
	\$	\$
Unsecured loans payable, due in 2019, bearing interest at 7%, due quarterly.	135,000	-
	135,000	-

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

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014
(Unaudited)

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 five fiscal years is as follows:

Fiscal year	\$
2015	24,000
2016	24,000
2017	24,000
2018	24,000
2019	14,800
	110,800

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:

	2014	2013
	\$	\$
Related parties memberships/sponsorships received:		
Memberships	190	30
Sponsorships	7,500	1,000
Donations	1,209	1,500
	8,709	1,700
Related parties donations received		

Financing transactions:

To assist with short term cash flow requirements, the Corporation periodically negotiates short term financing with five willing members of management. At August 31, 2014, short term notes payable were outstanding in the amount of \$14,897 including accrued interest of \$90 (2013: \$76). Long term notes payable to related parties, obtained during the year, were outstanding in the amount of \$110,000.

PRINCE EDWARD COUNTY RADIO CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014
(Unaudited)

11. FUNDRAISING - NET

Fundraising - net is comprised of the following activity:	2014	2013
	\$	\$
Revenue		
Event sales	3,080	-
Crowdfunding sales	937	-
	<u>4,017</u>	<u>-</u>
Expenditures		
Advertising	78	-
Venue and technical fees	760	-
Sales fees	130	-
	<u>968</u>	<u>-</u>
Fundraising - net	<u><u>3,049</u></u>	<u><u>-</u></u>

12. COMPARATIVE FIGURES

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