

FINANCIAL STATEMENTS
For
VALLEY HERITAGE RADIO
For year ended
MARCH 31, 2018

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the directors of

VALLEY HERITAGE RADIO

We have reviewed the accompanying financial statements of Valley Heritage Radio that comprise the statement of financial position as at March 31, 2018, and the statements of operations and changes in fund balances 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Valley Heritage Radio as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Professional Accountants
Licensed Public Accountants

Renfrew, Ontario
June 19, 2018.

**VALLEY HERITAGE RADIO
STATEMENT OF FINANCIAL POSITION**

MARCH 31, 2018

	2018			2017	
<u>ASSETS</u>	<u>Capital Assets Fund</u>	<u>Radio Station Operations Fund</u>	<u>Bingo Operations Fund</u>	<u>Total</u>	<u>Total</u>
CURRENT ASSETS					
Cash	\$ -	\$ 171,579	\$ 12,856	\$ 184,435	\$ 92,465
Temporary investments (note 4)	-	264,350	-	264,350	260,290
Accounts receivable	-	31,838	-	31,838	52,775
Prepaid expenses	-	<u>27,828</u>	-	<u>27,828</u>	<u>28,594</u>
	-	495,595	12,856	508,451	434,124
TANGIBLE CAPITAL ASSETS (note 5)	<u>93,701</u>	<u>-</u>	<u>979</u>	<u>94,680</u>	<u>108,670</u>
	<u>\$ 93,701</u>	<u>\$ 495,595</u>	<u>\$ 13,835</u>	<u>\$ 603,131</u>	<u>\$ 542,794</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ 76,281	\$ 10,417	\$ 86,698	\$ 74,609
Government remittances payable	-	<u>7,677</u>	-	<u>7,677</u>	<u>13,419</u>
	-	<u>83,958</u>	<u>10,417</u>	<u>94,375</u>	<u>88,028</u>
 FUND BALANCES					
Internally restricted - invested in capital assets	93,701	-	979	94,680	108,670
Unrestricted	-	<u>411,637</u>	<u>2,439</u>	<u>414,076</u>	<u>346,096</u>
	<u>93,701</u>	<u>411,637</u>	<u>3,418</u>	<u>508,756</u>	<u>454,766</u>
	<u>\$ 93,701</u>	<u>\$ 495,595</u>	<u>\$ 13,835</u>	<u>\$ 603,131</u>	<u>\$ 542,794</u>

Approved by the Board:

DENZIL FERGUSON
..... President

MACKIE MACLAREN
..... Treasurer

(See accompanying notes)

PREPARED WITHOUT AUDIT

VALLEY HERITAGE RADIO
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2018

	2018			2017	
	Capital Assets Fund	Radio Station Operations Fund	Bingo Operations Fund	Total	Total
Revenue					
Bingo	\$ -	\$ -	\$ 389,956	\$ 389,956	\$ 329,352
Advertising	-	542,750	-	542,750	538,089
Donations	-	53,133	-	53,133	59,865
Memberships	-	50,542	-	50,542	51,745
Fundraising	-	9,194	13,501	22,695	21,767
Sale of merchandise	-	9,842	-	9,842	9,974
Other income	-	15,653	-	15,653	13,889
Contributions from CRFC (note 6)	-	-	-	-	6,407
	<u>-</u>	<u>681,114</u>	<u>403,457</u>	<u>1,084,571</u>	<u>1,031,088</u>
Expenses					
Advertising and promotion	-	22,880	-	22,880	20,304
Amortization	25,344	-	245	25,589	27,625
Automobile	-	28,882	2,408	31,290	28,983
Bingo cards, licenses and general	-	-	85,708	85,708	72,876
Bingo prizes	-	-	84,500	84,500	81,097
Commissions	-	160,213	-	160,213	154,966
Fundraising and concert expenses	-	12,615	7,444	20,059	18,732
Insurance	-	18,162	-	18,162	18,112
Interest and bank charges	-	7,816	322	8,138	6,925
IT Consulting	-	5,548	-	5,548	5,419
Merchandise	-	15,103	-	15,103	5,887
Municipal taxes	-	4,478	-	4,478	4,632
Office and general	-	36,303	1,078	37,381	32,134
Professional fees	-	10,078	-	10,078	10,003
Rent	-	32,264	-	32,264	31,655
Repairs and maintenance	-	6,833	-	6,833	12,399
Royalty fees	-	16,111	-	16,111	14,952
Utilities	-	24,123	-	24,123	27,768
Wages and benefits	-	422,123	-	422,123	421,418
	<u>25,344</u>	<u>823,532</u>	<u>181,705</u>	<u>1,030,581</u>	<u>995,887</u>
Net revenue (expense)	(25,344)	(142,418)	221,752	53,990	35,201
Fund balances at beginning of year	<u>107,446</u>	<u>341,308</u>	<u>6,012</u>	<u>454,766</u>	<u>419,565</u>
	82,102	198,890	227,764	508,756	454,766
Fund transfers (note 7)	<u>11,599</u>	<u>212,747</u>	<u>(224,346)</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ 93,701</u>	<u>\$ 411,637</u>	<u>\$ 3,418</u>	<u>\$ 508,756</u>	<u>\$ 454,766</u>

(See accompanying notes)

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VALLEY HERITAGE RADIO
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenue	\$ 53,990	\$ 35,201
Adjustment for amortization of tangible capital assets	<u>25,589</u>	<u>27,625</u>
	79,579	62,826
Changes in level of:		
Accounts receivable	20,937	4,394
Prepaid expenses	766	(4,477)
Accounts payable and accrued liabilities	12,089	(10,240)
Government remittances payable	(5,742)	(1,195)
Deferred contributions-CRFC	<u>-</u>	<u>(6,407)</u>
	<u>107,629</u>	<u>44,901</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments - net	(4,060)	(22,529)
Acquisition of tangible capital assets	<u>(11,599)</u>	<u>(5,322)</u>
	<u>(15,659)</u>	<u>(27,851)</u>
INCREASE IN CASH	91,970	17,050
CASH AT BEGINNING OF YEAR	<u>92,465</u>	<u>75,415</u>
CASH AT END OF YEAR	<u>\$ 184,435</u>	<u>\$ 92,465</u>

(See accompanying notes)

PREPARED WITHOUT AUDIT

VALLEY HERITAGE RADIO
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

1. NATURE OF OPERATIONS

Valley Heritage Radio (the "organization") is a non-profit organization incorporated without share capital under the laws of the Province of Ontario. It established and operates a radio station operating at FM 98.7 within the Ottawa Valley. Valley Heritage Radio offers the following:

- (a) features local and regional talent, including bluegrass, fiddle, big band and ethnic programming;
- (b) features programming aimed at seniors;
- (c) features community information and announcements;
- (d) finds, records, publicizes (broadcasts) and preserves the history of the Ottawa Valley in music, songs and stories depicting events throughout the Valley.

The organization is a not-for-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accounting policies of the organization are in accordance with Canadian accounting standards for not-for-profit enterprises.

Fund accounting

The accounts of the organization are maintained in accordance with the principles of fund accounting. Revenue and expenses are classified for reporting purposes into funds according to the activities of the organization. The core activities of the organization are accounted for in the radio station operations fund for the purpose of general station operations. Its fundraising and bingo activities are accounted for in the bingo operations fund which supplements the radio station operations. The capital assets fund reports revenue and expenses related to capital assets when they are received or incurred.

Revenue recognition

The organization follows the deferral method with respect to recognizing revenue from contributions. All restricted contributions related to general operations are recognized as revenue of the radio station operations fund in the year in which the related expenses are incurred.

Revenue from advertising is recognized when the advertising services have been performed.

Revenue from the sale of merchandise is recognized when the goods have been delivered.

Revenue from fundraising, including concerts, is recognized in either the radio station operations fund or the bingo operations fund upon completion of the event or activity.

Revenue from all types of memberships are recognized proportionately over the applicable annual membership period.

VALLEY HERITAGE RADIO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Financial instruments

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently remeasures its financial instruments at cost or amortized cost at the financial statement date, with the exception of cash and investments, which are remeasured at fair value at the financial statement date.

Tangible capital assets and amortization

Tangible capital assets are recorded at acquisition cost less accumulated amortization. Amortization is provided on a declining balance basis at an annual rate of 20% for equipment, furniture and fixtures, sign and computers while leasehold improvements are amortized on a straight line basis over five years.

Use of 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.

Management makes accounting estimates when determining the useful life of its tangible capital assets, the net realizable value of accounts receivable and in the determination of accrued liabilities. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at its year-end date.

The organization does not use derivative financial instruments to manage its risks.

Credit risk

The organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The organization's maximum exposure to credit risk represents the sum of the carrying value of its cash, temporary investments and accounts receivable. The organization's cash and temporary investments are deposited with either a Canadian chartered bank or a registered credit union and as a result, management believes the risk of loss on these items to be remote.

The organization manages its credit risk by reviewing its accounts receivable on a monthly basis and following up on outstanding amounts. Management believes that substantially all of its year-end accounts receivable will be collected and therefore, the year-end allowance for doubtful accounts is \$Nil (2016 - \$Nil).

Liquidity risk

Liquidity risk is the risk that the organization cannot meet a demand for cash or fund its obligations as they become due. The organization meets its liquidity requirements by monitoring its cash flow from operations, anticipating investing and financing activities and through its budgeting process.

VALLEY HERITAGE RADIO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2018

3. **FINANCIAL INSTRUMENTS - Cont'd.**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) *Currency risk*

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The organization's financial instruments are all denominated in Canadian dollars and it transacts solely in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

ii) *Interest rate risk*

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The organization's exposure to interest rate risk arises from its temporary investments. The organization's temporary investments include amounts on deposit with a financial institution that earn interest at fixed rates with various maturity dates as described in Note 4.

iii) *Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The organization is not exposed to other price risk.

Changes in risk

There have been no material changes in the organization's risk exposures from the prior year.

4. **TEMPORARY INVESTMENTS**

Temporary investments consist of the following:

	<u>2018</u>	<u>2017</u>
Term deposit - .90%, matured September 2017	\$ -	\$ 42,099
Term deposit - .90%, matured April 2017	-	75,142
Term deposit - 1.5%, matured March 2018	-	44,182
Term deposit - 1.2%, matured February 2018	-	48,425
Term deposit - .5%, matured September 2017	-	50,442
Term deposit - .5%, matures May 2018	100,912	-
Term deposit - .75% matures March 2019	44,652	-
Term deposit - 1.60% matures October 2018	42,616	-
Term deposit - 1.40%, matures April 2018	<u>76,170</u>	<u>-</u>
	<u>\$ 264,350</u>	<u>\$ 260,290</u>

Investments are managed by the Board in consultation with the organizations' financial advisors. The organization limits its investments to term deposits and similar investments to ensure the capital is preserved.

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VALLEY HERITAGE RADIO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2018

5. TANGIBLE CAPITAL ASSETS

a) Tangible capital assets fund consist of the following:

	2018		2017	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Radio equipment	\$ 256,882	\$ 218,870	\$ 250,463	\$ 210,170
Station equipment	85,912	69,425	82,877	65,683
Computers	42,921	28,968	40,776	25,747
Leasehold improvements	76,905	54,450	76,905	45,468
Sign	6,644	5,842	6,644	5,641
Furniture and fixtures	8,000	6,008	8,000	5,510
	477,264	\$ 383,563	465,665	\$ 358,219
Accumulated amortization	383,563		358,219	
	\$ 93,701		\$ 107,446	

b) Tangible capital assets of the Bingo operations fund consist of the following:

	2018		2017	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Equipment	\$ 7,535	\$ 6,556	\$ 7,535	\$ 6,311
Accumulated amortization	6,556		6,311	
	979		1,224	
Totals	\$ 94,680		\$ 108,670	

6. DEFERRED CONTRIBUTIONS - CRFC

In June 2015, the organization entered into an agreement with the Community Radio Fund of Canada ("CRFC") whereby the CRFC would provide maximum funding of \$46,002 relating to the delivery of a weekly news and current affairs program entitled "The Valley This Week". All remaining funding was recognized in 2017.

7. INTERFUND TRANSFERS

The organization transfers funds from the bingo operations fund to the radio station operations fund on a regular basis to assist with general operations as well as to fund the acquisition of capital assets.

8. OPERATING LEASE

The organization rents their operating premises on a triple net basis with the lease expiring in July 2020. Annual lease payments for the operating premises amount to approximately \$27,000.

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