

**FINANCIAL STATEMENTS**  
**For**  
**VALLEY HERITAGE RADIO**  
**For year ended**  
**MARCH 31, 2019**

## **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, 2019, and the statements of operations and changes in fund balances 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.

#### *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, 2019, 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 17, 2019.

**VALLEY HERITAGE RADIO  
STATEMENT OF FINANCIAL POSITION**

**MARCH 31, 2019**

<b>ASSETS</b>	2019				2018
	Capital Assets Fund	Radio Station Operations Fund	Bingo Operations Fund	Total	Total
<b>CURRENT ASSETS</b>					
Cash	\$ -	\$ 123,494	\$ 13,249	\$ 136,743	\$ 184,435
Investments (note 4)	-	101,567	-	101,567	264,350
Accounts receivable	-	37,018	-	37,018	31,838
Prepaid expenses	-	21,953	-	21,953	27,828
	-	284,032	13,249	297,281	508,451
<b>INVESTMENTS</b> (note 4)	-	247,992	-	247,992	-
<b>TANGIBLE CAPITAL ASSETS</b> (note 5)	112,568	-	783	113,351	94,680
	\$ 112,568	\$ 532,024	\$ 14,032	\$ 658,624	\$ 603,131
 <b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ -	\$ 49,900	\$ 3,468	\$ 53,368	\$ 86,698
Government remittances payable	-	7,972	-	7,972	7,677
	-	57,872	3,468	61,340	94,375
<b>FUND BALANCES</b>					
Internally restricted - invested in capital assets	112,568	-	783	113,351	94,680
Unrestricted	-	474,152	9,781	483,933	414,076
	112,568	474,152	10,564	597,284	508,756
	\$ 112,568	\$ 532,024	\$ 14,032	\$ 658,624	\$ 603,131

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, 2019**

	2019			2018	
	Capital Assets Fund	Radio Station Operations Fund	Bingo Operations Fund	Total	Total
<b>Revenue</b>					
Bingo	\$ -	\$ -	\$ 463,594	\$ 463,594	\$ 389,956
Advertising	-	524,158	-	524,158	542,750
Donations	-	55,135	126	55,261	53,133
Memberships	-	43,900	-	43,900	50,542
Fundraising	-	9,365	13,545	22,910	22,695
Sale of merchandise	-	4,187	-	4,187	9,842
Other income	-	9,055	-	9,055	15,653
	<u>-</u>	<u>645,800</u>	<u>477,265</u>	<u>1,123,065</u>	<u>1,084,571</u>
<b>Expenses</b>					
Advertising and promotion	-	11,829	-	11,829	22,880
Amortization	27,909	-	196	28,105	25,589
Automobile	-	34,018	3,312	37,330	31,290
Bingo cards, licenses and general	-	-	94,497	94,497	85,708
Bingo prizes	-	-	101,950	101,950	84,500
Commissions	-	154,009	-	154,009	160,213
Fundraising and concert expenses	-	14,320	7,018	21,338	20,059
Insurance	-	18,302	-	18,302	18,162
Interest and bank charges	-	7,669	338	8,007	8,138
IT Consulting	-	5,633	-	5,633	5,548
Merchandise	-	5,002	-	5,002	15,103
Municipal taxes	-	4,476	-	4,476	4,478
Office and general	-	45,970	587	46,557	37,381
Professional fees	-	13,321	-	13,321	10,078
Rent	-	33,327	-	33,327	32,264
Repairs and maintenance	-	8,482	-	8,482	6,833
Royalty fees	-	16,346	-	16,346	16,111
Utilities	-	23,678	-	23,678	24,123
Wages and benefits	-	402,348	-	402,348	422,123
	<u>27,909</u>	<u>798,730</u>	<u>207,898</u>	<u>1,034,537</u>	<u>1,030,581</u>
<b>Net revenue (expense)</b>	(27,909)	(152,930)	269,367	88,528	53,990
<b>Fund balances at beginning of year</b>	<u>93,701</u>	<u>411,637</u>	<u>3,418</u>	<u>508,756</u>	<u>454,766</u>
	65,792	258,707	272,785	597,284	508,756
<b>Fund transfers (note 6)</b>	<u>46,776</u>	<u>215,445</u>	<u>(262,221)</u>	<u>-</u>	<u>-</u>
<b>Fund balances at end of year</b>	<u>\$ 112,568</u>	<u>\$ 474,152</u>	<u>\$ 10,564</u>	<u>\$ 597,284</u>	<u>\$ 508,756</u>

(See accompanying notes)

PREPARED WITHOUT AUDIT

**VALLEY HERITAGE RADIO**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Net revenue	\$ 88,528	\$ 53,990
Adjustment for amortization of tangible capital assets	<u>28,105</u>	<u>25,589</u>
	116,633	79,579
Changes in level of:		
Accounts receivable	(5,180)	20,937
Prepaid expenses	5,875	766
Accounts payable and accrued liabilities	(33,330)	12,089
Government remittances payable	<u>295</u>	<u>(5,742)</u>
	<u>84,293</u>	<u>107,629</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Purchase of investments - net	(85,209)	(4,060)
Acquisition of tangible capital assets	<u>(46,776)</u>	<u>(11,599)</u>
	<u>(131,985)</u>	<u>(15,659)</u>
<b>INCREASE (DECREASE) IN CASH</b>	(47,692)	91,970
<b>CASH AT BEGINNING OF YEAR</b>	<u>184,435</u>	<u>92,465</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 136,743</u>	<u>\$ 184,435</u>

(See accompanying notes)

PREPARED WITHOUT AUDIT

**VALLEY HERITAGE RADIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2019**

**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 organizations.

*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.

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**VALLEY HERITAGE RADIO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2019**

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, investments and accounts receivable. The organization's cash and investments are largely 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 with their year-end allowance for doubtful accounts only amounting to \$3,296 (2018 - \$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.

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**VALLEY HERITAGE RADIO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2019**

**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 investments. The organization's 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. At March 31, 2019, the organization holds \$20,000 in a mutual fund. The Organization manages this risk by holding an investment in a fund that is very conservative in nature.

*Changes in risk*

With the exception of the sole investment (or mutual fund) purchased during the year, as described in note 4, and only representing 5.7% of total market value of its investments as at March 31, 2019, there have been no material changes in the organization's risk exposures from the prior year.

**4. INVESTMENTS**

Investments comprise of the following:

	<u>2019</u>	<u>2018</u>
Term deposit - 1.40%, matured April 2018	\$ -	\$ 76,170
Term deposit - .5%, matured May 2018	-	100,912
Term deposit - 1.60%, matured October 2018	-	42,616
Term deposit - .75%, matured March 2019	-	44,652
Term deposit - .5%, matures May 2019	101,417	-
Term deposit - 1.95% matures June 2019	101,588	-
Term deposit - 3.10% matures March 2020	44,987	-
Term deposit - 2.41% matures June 2021	<u>81,567</u>	<u>-</u>
Balance of term deposits	329,559	264,350
Mutual Fund - Select Very Conservative Portfolio - RBC	<u>20,000</u>	<u>-</u>
Balance of investments	349,559	264,350
Long-term portion of investments	<u>101,567</u>	<u>-</u>
Current portion of investments	<u>\$ 247,992</u>	<u>\$ 264,350</u>

Investments are managed by the Board in consultation with the organizations' financial advisors. The organization limits its investments to term deposits and similar low-risk investments to ensure the capital is preserved. There was no unrealized gain (loss) on the mutual fund investment as the purchase was made just prior to the year-end of the organization.



**VALLEY HERITAGE RADIO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2019**

**5. TANGIBLE CAPITAL ASSETS**

a) Tangible capital assets fund consist of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Radio equipment	\$ 292,187	\$ 230,003	\$ 256,882	\$ 218,870
Station equipment	92,582	73,389	85,912	69,425
Computers	47,722	32,239	42,921	28,968
Leasehold improvements	76,905	63,432	76,905	54,450
Sign	6,644	6,003	6,644	5,842
Furniture and fixtures	<u>8,000</u>	<u>6,406</u>	<u>8,000</u>	<u>6,008</u>
	524,040	<u>\$ 411,472</u>	477,264	<u>\$ 383,563</u>
Accumulated amortization	<u>411,472</u>		<u>383,563</u>	
	<u>\$ 112,568</u>		<u>\$ 93,701</u>	

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

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Equipment	\$ 7,535	<u>\$ 6,752</u>	\$ 7,535	<u>\$ 6,556</u>
Accumulated amortization	<u>6,752</u>		<u>6,556</u>	
	<u>783</u>		<u>979</u>	
Total Tangible Capital Assets	<u>\$ 113,351</u>		<u>\$ 94,680</u>	

**6. 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 tangible capital assets.

**7. 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.

PREPARED WITHOUT AUDIT

**Welch LLP<sup>®</sup>**