

FINANCIAL STATEMENTS
For
VALLEY HERITAGE RADIO
For year ended
MARCH 31, 2020

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, 2020, 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, 2020, 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
November 17, 2020.

VALLEY HERITAGE RADIO
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020

	2020			2019	
<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	\$ -	\$ 152,433	\$ 17,154	\$ 169,587	\$ 136,743
Investments (note 4)	-	81,567	-	81,567	101,567
Accounts receivable	-	53,394	-	53,394	37,018
Prepaid expenses	-	16,085	-	16,085	21,953
	-	303,479	17,154	320,633	297,281
INVESTMENTS (note 4)	-	269,944	-	269,944	247,992
TANGIBLE CAPITAL ASSETS (note 5)	166,707	-	783	167,490	113,351
	\$ 166,707	\$ 573,423	\$ 17,937	\$ 758,067	\$ 658,624
 <u>LIABILITIES AND FUND BALANCES</u>					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ 52,095	\$ 5,197	\$ 57,292	\$ 53,368
Government remittances payable	-	12,862	-	12,862	7,972
	-	64,957	5,197	70,154	61,340
FUND BALANCES					
Internally restricted - invested in capital assets	166,707	-	783	167,490	113,351
Unrestricted	-	508,466	11,957	520,423	483,933
	166,707	508,466	12,740	687,913	597,284
	\$ 166,707	\$ 573,423	\$ 17,937	\$ 758,067	\$ 658,624

Approved by the Board:

DENZIL FERGUSON
..... President

MACKIE MACLAREN
..... Treasurer

(See accompanying notes)

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VALLEY HERITAGE RADIO
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2020

	2020			2019	
	Capital Assets Fund	Radio Station Operations Fund	Bingo Operations Fund	Total	Total
Revenue					
Bingo	\$ -	\$ -	\$ 491,526	\$ 491,526	\$ 463,594
Advertising	-	558,678	-	558,678	524,158
Donations	-	57,364	126	57,490	55,261
Memberships	-	44,721	-	44,721	43,900
Fundraising	-	8,870	12,447	21,317	22,910
Sale of merchandise	-	3,656	-	3,656	4,187
Other income	-	6,902	-	6,902	9,055
	<u>-</u>	<u>680,191</u>	<u>504,099</u>	<u>1,184,290</u>	<u>1,123,065</u>
Expenses					
Advertising and promotion	-	12,628	-	12,628	11,829
Amortization	62,254	-	-	62,254	28,105
Automobile	-	33,151	3,588	36,739	37,330
Bingo cards, licenses and general	-	-	102,360	102,360	94,497
Bingo prizes	-	-	106,400	106,400	101,950
Commissions	-	170,775	-	170,775	154,009
Fundraising and concert expenses	-	17,155	6,396	23,551	21,338
Insurance	-	18,663	-	18,663	18,302
Interest and bank charges	-	7,146	306	7,452	8,007
IT Consulting	-	6,696	-	6,696	5,633
Merchandise	-	3,046	-	3,046	5,002
Municipal taxes	-	4,169	-	4,169	4,476
Office and general	-	48,220	476	48,696	46,557
Professional fees	-	14,219	-	14,219	13,321
Rent	-	33,543	-	33,543	33,327
Repairs and maintenance	-	10,169	-	10,169	8,482
Royalty fees	-	14,373	-	14,373	16,346
Utilities	-	23,598	-	23,598	23,678
Wages and benefits	-	394,330	-	394,330	402,348
	<u>62,254</u>	<u>811,881</u>	<u>219,526</u>	<u>1,093,661</u>	<u>1,034,537</u>
Net revenue (expense)	(62,254)	(131,690)	284,573	90,629	88,528
Fund balances at beginning of year	<u>112,568</u>	<u>474,152</u>	<u>10,564</u>	<u>597,284</u>	<u>508,756</u>
	50,314	342,462	295,137	687,913	597,284
Fund transfers (note 6)	<u>116,393</u>	<u>166,004</u>	<u>(282,397)</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ 166,707</u>	<u>\$ 508,466</u>	<u>\$ 12,740</u>	<u>\$ 687,913</u>	<u>\$ 597,284</u>

(See accompanying notes)

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**VALLEY HERITAGE RADIO
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2020**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net revenue	\$ 90,629	\$ 88,528
Adjustment for amortization of tangible capital assets	<u>62,254</u>	<u>28,105</u>
	152,883	116,633
Changes in level of:		
Accounts receivable	(16,376)	(5,180)
Prepaid expenses	5,868	5,875
Accounts payable and accrued liabilities	3,924	(33,330)
Government remittances payable	<u>4,890</u>	<u>295</u>
	<u>151,189</u>	<u>84,293</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of investments - net	(1,952)	(85,209)
Acquisition of tangible capital assets	<u>(116,393)</u>	<u>(46,776)</u>
	<u>(118,345)</u>	<u>(131,985)</u>
INCREASE (DECREASE) IN CASH	32,844	(47,692)
CASH AT BEGINNING OF YEAR	<u>136,743</u>	<u>184,435</u>
CASH AT END OF YEAR	<u>\$ 169,587</u>	<u>\$ 136,743</u>

(See accompanying notes)

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VALLEY HERITAGE RADIO
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

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, 2020

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 \$7,149 (2019 - \$3,296).

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, 2020

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 financial institutions 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, 2020, the organization holds approximately \$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

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

4. INVESTMENTS

Investments comprise of the following:

	<u>2020</u>	<u>2019</u>
Term deposit - 0.5%, matured May 2019	\$ -	\$ 101,417
Term deposit - 1.95%, matured June 2019	-	101,588
Term deposit - 1.0%, matures May 2020	102,370	-
Term deposit - 2.1%, matures June 2020	50,342	-
Term deposit - 2.25%, matures December 2020	51,128	-
Term deposit - 3.10%, matures March 2021	46,385	44,987
Term deposit - 2.41%, matures June 2021	<u>81,569</u>	<u>81,567</u>
Balance of term deposits	331,794	329,559
Mutual Fund - Select Very Conservative Portfolio - RBC	<u>19,717</u>	<u>20,000</u>
Balance of investments	351,511	349,559
Long-term portion of investments	<u>81,567</u>	<u>101,567</u>
Current portion of investments	<u>\$ 269,944</u>	<u>\$ 247,992</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.

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VALLEY HERITAGE RADIO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2020

5. TANGIBLE CAPITAL ASSETS

a) Tangible capital assets fund consist of the following:

	2020		2019	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Radio equipment	\$ 352,017	\$ 248,423	\$ 292,187	\$ 230,003
Station equipment	92,582	77,228	92,582	73,389
Computers	49,753	35,540	47,722	32,239
Leasehold improvements	131,437	99,679	76,905	63,432
Sign	6,644	6,131	6,644	6,003
Furniture and fixtures	8,000	6,725	8,000	6,406
	640,433	\$ 473,726	524,040	\$ 411,472
Accumulated amortization	473,726		411,472	
	<u>\$ 166,707</u>		<u>\$ 112,568</u>	

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

	2020		2019	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Equipment	\$ 7,535	\$ 6,752	\$ 7,535	\$ 6,752
Accumulated amortization	6,752		6,752	
	<u>783</u>		<u>783</u>	
Total Tangible Capital Assets	<u>\$ 167,490</u>		<u>\$ 113,351</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 June 2025 with annual lease payments for the operating premises amounting to \$30,000. The organization has the option to renew the lease for an additional five year term for annual payments of \$33,000.

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VALLEY HERITAGE RADIO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2020

**8. UNCERTAINTY DUE TO THE ECONOMIC CONSEQUENCES OF THE
CORONAVIRUS (COVID-19) OUTBREAK**

On March 16, 2020, shortly before the organization's year-end, the Province of Ontario declared a state of emergency to the public health concerns originating from the spread of the coronavirus disease.

As of this date, a significant portion of the organization's operations were shut down in response to the quarantine measures implemented by the provincial government to stop the spread of the virus. A high degree of uncertainty persists surrounding the full economic impact of the situation as the unpredictable nature of the spread of the disease makes determining the length of time that the organization's operations will be impacted difficult.

Consequently, at the time of issuance of these financial statements, the effect that the abrupt decline in economic activity will have on the organization's operations, assets, liabilities, fund balances, revenues and expenses is not yet known.

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