

**FINANCIAL STATEMENTS**  
**For**  
**VALLEY HERITAGE RADIO**  
**For year ended**  
**MARCH 31, 2022**

**INDEPENDENT AUDITOR'S REPORT**

To the directors of

**VALLEY HERITAGE RADIO***Qualified Opinion*

We have audited the financial statements of Valley Heritage Radio (the Organization), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2022 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.

*Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Organization derives revenue from bingo and donation activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to bingo and donation revenue, net revenue, and cash flows from operations for the years ended March 31, 2022 and 2021, current assets as at March 31, 2022 and 2021, and net assets as at April 1 and March 31 for both the 2022 and 2021 fiscal years.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

*Other Matter*

The financial statements of the Organization for the year ended March 31, 2021 were subject to an independent practitioner's review engagement in accordance with Canadian Standards on Review Engagements and as such were unaudited.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Welch LLP

Chartered Professional Accountants  
Licensed Public Accountants

Renfrew, Ontario  
June 23, 2022.

**VALLEY HERITAGE RADIO**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2022**

	2022			2021	
	Tangible Capital Assets Fund	Radio Station Operations Fund	Bingo Operations Fund	Total	Total (note 8)
<b><u>ASSETS</u></b>					
<b>CURRENT ASSETS</b>					
Cash	\$ -	\$ 738,607	\$ 40,551	\$ 779,158	\$ 666,159
Investments (note 4)	-	177,870	-	177,870	83,496
Accounts receivable	-	51,999	-	51,999	37,498
Prepaid expenses	-	18,665	-	18,665	16,644
	-	987,141	40,551	1,027,692	803,797
<b>INVESTMENTS</b> (note 4)	-	426,202	-	426,202	320,326
<b>TANGIBLE CAPITAL ASSETS</b> (note 5)	107,185	-	401	107,586	111,849
	\$ 107,185	\$ 1,413,343	\$ 40,952	\$ 1,561,480	\$ 1,235,972
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ -	\$ 75,672	\$ 1,593	\$ 77,265	\$ 62,964
Government remittances payable	-	12,548	-	12,548	7,665
	-	88,220	1,593	89,813	70,629
<b>FUND BALANCES</b>					
Internally restricted - invested in tangible capital assets	107,185	-	401	107,586	111,849
Unrestricted	-	1,325,123	38,958	1,364,081	1,053,494
	107,185	1,325,123	39,359	1,471,667	1,165,343
	\$ 107,185	\$ 1,413,343	\$ 40,952	\$ 1,561,480	\$ 1,235,972

Approved by the Board:

DENZIL FERGUSON  
..... President

MACKIE MACLAREN  
.....Treasurer

(See accompanying notes)

**VALLEY HERITAGE RADIO**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
**YEAR ENDED MARCH 31, 2022**

	2022			2021	
	Tangible Capital Assets Fund	Radio Station Operations Fund	Bingo Operations Fund	Total	Total (note 8)
<b>Revenue</b>					
Bingo	\$ -	\$ -	\$ 812,778	\$ 812,778	\$ 1,060,794
Advertising	-	533,639	-	533,639	493,361
Donations	-	36,279	126	36,405	6,545
Memberships	-	19,814	-	19,814	7,210
Sale of merchandise	-	3,136	-	3,136	425
Other income	-	5,447	-	5,447	11,062
	<u>-</u>	<u>598,315</u>	<u>812,904</u>	<u>1,411,219</u>	<u>1,579,397</u>
<b>Expenses</b>					
Advertising and promotion	-	25,221	-	25,221	35,394
Amortization	24,413	-	100	24,513	59,408
Automobile	-	17,811	3,391	21,202	10,677
Bingo cards, licenses and general	-	-	147,021	147,021	187,863
Bingo prizes	-	-	130,100	130,100	118,180
Commissions	-	153,170	-	153,170	146,099
Insurance	-	18,335	-	18,335	19,634
Interest and bank charges	-	7,372	325	7,697	6,373
IT Consulting	-	5,666	-	5,666	5,794
Merchandise	-	2,758	-	2,758	315
Municipal taxes	-	4,054	-	4,054	5,326
Office and general	-	40,157	666	40,823	43,733
Professional fees	-	29,057	-	29,057	11,346
Rent	-	39,373	-	39,373	35,737
Repairs and maintenance	-	14,122	-	14,122	11,457
Royalty fees	-	16,443	-	16,443	22,761
Utilities	-	24,559	-	24,559	21,375
Wages and benefits	-	400,781	-	400,781	360,495
	<u>24,413</u>	<u>798,879</u>	<u>281,603</u>	<u>1,104,895</u>	<u>1,101,967</u>
<b>Net revenue (expense)</b>	(24,413)	(200,564)	531,301	306,324	477,430
<b>Fund balances at beginning of year</b>	<u>111,348</u>	<u>1,039,906</u>	<u>14,089</u>	<u>1,165,343</u>	<u>687,913</u>
	86,935	839,342	545,390	1,471,667	1,165,343
<b>Fund transfers (note 6)</b>	<u>20,250</u>	<u>485,781</u>	<u>(506,031)</u>	<u>-</u>	<u>-</u>
<b>Fund balances at end of year</b>	<u>\$ 107,185</u>	<u>\$ 1,325,123</u>	<u>\$ 39,359</u>	<u>\$ 1,471,667</u>	<u>\$ 1,165,343</u>

(See accompanying notes)

**VALLEY HERITAGE RADIO**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2022**

	<u>2022</u>	<u>2021</u> (note 8)
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Net revenue	\$ 306,324	\$ 477,430
Adjustment for amortization of tangible capital assets	<u>24,513</u>	<u>59,408</u>
	330,837	536,838
Changes in level of:		
Accounts receivable	(14,501)	15,896
Prepaid expenses	(2,021)	(559)
Accounts payable and accrued liabilities	14,301	5,672
Government remittances payable	<u>4,883</u>	<u>(5,197)</u>
	<u>333,499</u>	<u>552,650</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Purchase of investments - net	(200,250)	(52,311)
Acquisition of tangible capital assets	<u>(20,250)</u>	<u>(3,767)</u>
	<u>(220,500)</u>	<u>(56,078)</u>
<b>INCREASE IN CASH</b>	112,999	496,572
<b>CASH AT BEGINNING OF YEAR</b>	<u>666,159</u>	<u>169,587</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 779,158</u>	<u>\$ 666,159</u>

(See accompanying notes)

**VALLEY HERITAGE RADIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2022**

**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 tangible 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, 2022**

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 (2021 - \$7,149).

*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, 2022**

**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, 2022, the organization holds \$22,006 in a mutual fund (2021 - \$22,095). The organization manages this risk by holding these investments 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>2022</u>	<u>2021</u>
Term deposit - 2.41%,matured June 2021	\$ -	\$ 83,496
Term deposit - 0.45%,matures June 2022	30,108	-
Term deposit - 0.85% matures August 2022	50,036	-
Term deposit - 0.80% matures February 2023	50,034	-
Term deposit - 1.10%,matures March 2023	47,692	47,220
Term deposit - 1.90%,matures October 2023	51,385	50,420
Term deposit - 0.85%,matures January 2024	50,191	50,083
Term deposit - 0.02%,matures June 2024	25,323	-
Term deposit - 0.04%,matures June 2024	25,740	-
Term deposit - 0.45% matures October 2024	100,214	-
Term deposit - 1.25%,matures November 2025	101,046	100,466
Term deposit - 1.45%,matured May 2026	<u>50,297</u>	<u>50,042</u>
Balance of term deposits	582,066	381,727
Mutual Fund - Select Very Conservative Portfolio - RBC	<u>22,006</u>	<u>22,095</u>
Balance of investments	604,072	403,822
Short-term portion of investments	<u>177,870</u>	<u>83,496</u>
Long-term portion of investments	\$ <u>426,202</u>	\$ <u>320,326</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.

**VALLEY HERITAGE RADIO**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED MARCH 31, 2022**

**5. TANGIBLE CAPITAL ASSETS**

a) Tangible capital assets fund consist of the following:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Radio equipment	\$ 352,017	\$ 285,717	\$ 352,017	\$ 269,142
Station equipment	92,582	82,756	92,582	80,299
Computers	65,185	42,879	53,520	38,760
Leasehold improvements	140,022	132,413	131,437	131,437
Sign	6,644	6,316	6,644	6,234
Furniture and fixtures	<u>8,000</u>	<u>7,184</u>	<u>8,000</u>	<u>6,980</u>
	664,450	<u>\$ 557,265</u>	644,200	<u>\$ 532,852</u>
Accumulated amortization	<u>557,265</u>		<u>532,852</u>	
	<u>\$ 107,185</u>		<u>\$ 111,348</u>	

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

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Equipment	\$ 7,535	<u>\$ 7,134</u>	\$ 7,535	<u>\$ 7,034</u>
Accumulated amortization	<u>7,134</u>		<u>7,034</u>	
	<u>\$ 401</u>		<u>\$ 501</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.

**8. COMPARATIVE FIGURES**

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year. The comparative figures were subject to a review engagement in accordance with Canadian Standards on Review Engagements and as such are not audited.