

VOCM Cares
Financial Statements
For the Year Ended August 31, 2018

**VOCM Cares
Financial Statements
For the Year Ended August 31, 2018**

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Independent Auditor's Report

To the board of directors of VOCM Cares

We have audited the accompanying financial statements of VOCM Cares, which comprise the statement of financial position as at August 31, 2018, and the statements of operations, changes in net assets 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

In common with many not-for-profit organizations, VOCM Cares derives revenue from fundraising 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 VOCM Cares. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended August 31, 2018 and net assets as at September 1, 2017 and August 31, 2018. The predecessor auditor's opinion on the financial statements for the year ended August 31, 2017 was modified because of the possible effects of a similar limitation in scope.

Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of VOCM Cares as at August 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.

Comparative Information

The financial statements of VOCM Cares as at, and for the year ended August 31 2017, were audited by another auditor who expressed a qualified opinion on those financial statements on December 6, 2017 for the reasons described in the Basis of Qualified Opinion paragraph.

BDO Canada LLP

Chartered Professional Accountants

St. John's, Newfoundland and Labrador
February 13, 2019

VOCM Cares
Statement of Financial Position

August 31	2018	2017 (Note 4)
Assets		
Current		
Cash and temporary investments (Note 2)	\$ 971,447	\$ 902,714
Accounts receivable	40,267	24,419
Inventory	34,323	41,635
	1,046,037	968,768
Tangible capital assets (Note 3)	3,941	4,926
	\$ 1,049,978	\$ 973,694
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 51,082	\$ 23,348
Deferred revenue	-	5,500
	51,082	28,848
Net Assets		
Unrestricted	998,896	944,846
	\$ 1,049,978	\$ 973,694

The accompanying notes are an integral part of these financial statements.

VOCM Cares
Statement of Changes in Net Assets

For the year ended August 31	2018	2017 (Note 4)
Balance, beginning of the year	\$ 944,846	\$ 938,947
Excess of revenues over expenses	54,050	5,899
Balance, end of the year	\$ 998,896	\$ 944,846

The accompanying notes are an integral part of these financial statements.

VOCM Cares Statement of Operations

For the year ended August 31	2018	2017 (Note 4)
Revenue		
Radio bingo (Note 5)	\$ 979,193	\$ 1,106,499
VOCM Happy Tree (Note 6)	38,067	35,511
Charity golf tournament	24,600	-
Christmas cards	-	26,033
Other fundraising activities	14,676	28,537
Interest income	7,214	6,428
Donations	17,863	6,870
Miscellaneous income	480	5,778
	1,082,093	1,215,656
Direct Expenses		
Radio bingo (Notes 5 and 8)	635,734	692,080
VOCM Happy Tree (Note 6)	27,218	32,535
Golf tournament	12,738	-
Christmas cards	-	20,894
Charitable activities (Note 7)	256,114	313,435
	931,804	1,058,944
Revenue in excess of direct expenses	150,289	156,712
Expenses		
Advertising and promotion	9,171	11,796
Amortization of tangible capital assets	983	1,231
Insurance	1,209	1,209
Interest and bank charges	1,857	1,867
Lease	12,032	13,650
Office	3,699	5,607
Professional fees	23,024	13,882
Rent (Note 8)	-	50,170
Repairs and maintenance	1,177	175
Supplies	2,938	3,363
Travel expenses	3,130	3,830
Administrative costs (Note 8)	37,019	44,033
	96,239	150,813
Excess of revenues over expenses	\$ 54,050	\$ 5,899

The accompanying notes are an integral part of these financial statements.

VOCM Cares
Statement of Cash Flows

For the year ended August 31	2018	2017 (Note 4)
Cash flows from operating activities		
Excess of revenues over expenses	\$ 54,050	\$ 5,899
Items not affecting cash:		
Amortization of tangible capital assets	983	1,231
	55,033	7,130
Changes in non-cash working capital:		
Accounts receivable	(15,848)	9,797
Inventories	7,312	5,710
Accounts payable and accrued liabilities	27,736	17,947
Deferred contributions	(5,500)	5,500
	68,733	46,084
Net increase in cash	68,733	46,084
Cash, beginning of the year	902,714	856,630
Cash, end of the year	\$ 971,447	\$ 902,714
Represented by:		
Cash	\$ 580,934	\$ 565,691
Temporary investments	390,513	337,023
	\$ 971,447	\$ 902,714

The accompanying notes are an integral part of these financial statements.

VOCM Cares Notes to Financial Statements

August 31, 2018

1. Significant Accounting Policies

Nature and Purpose of Organization	VOCM Cares (the "Foundation") is a not-for-profit organization incorporated without share capital under the Corporations Act of Newfoundland and Labrador. The Foundation was registered effective September 1, 1983 as a public foundation. Public foundations are income tax exempt provided they meet certain expenditure and other requirements set out by the Canadian Income Tax Act. The Foundation raises funds from bingo and other fundraising activities and distributes these funds to community organizations in Newfoundland and Labrador.
Basis of Accounting	The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.
Revenue Recognition	<p>The Foundation follows the deferral method of accounting for contributions.</p> <p>Revenue from the sales of bingo cards is recognized on delivery of goods and services, which generally coincides with the exchange of cash.</p> <p>Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>The Foundation follows the policy of recognizing revenue from donations in the period in which they are received. All other revenue are recognized on a accrual basis.</p>
Use of Estimates	The preparation of financial statements in accordance 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 at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Estimates included in the financial statements are related to accounts payable and accrued liabilities.

VOCM Cares Notes to Financial Statements

August 31, 2018

1. Significant Accounting Policies (continued)

Tangible Capital Assets Purchased tangible capital assets are stated at cost less accumulated amortization. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the tangible capital asset are capitalized.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Furniture and office equipment	Declining balance	20%

When a tangible capital asset no longer has any long-term service potential to the Foundation, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations.

When a tangible capital asset is disposed of, the difference between the net proceeds on disposition and the net carrying amount is recognized in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset disposed of is recognized in revenue in the statement of operations.

Temporary Investments Temporary investments consist of guaranteed investment certificates (GICs) with maturity dates of twelve months or less, and funds maintained in a savings account.

Deferred Revenue Deferred revenue consists of monies received for activities that will take place after year-end.

Contributed Services Volunteers contribute significant amounts of time to assist the Foundation in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Financial Instruments Financial instruments are recorded at fair value at initial recognition. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment. Financial instruments are tested for impairment when indicators of impairment exist. Financial Instruments consist of accounts receivable and accounts payable and accrued liabilities.

VOCM Cares
Notes to Financial Statements

August 31, 2018

2. Temporary investments

Included in cash and temporary investments are the carrying amounts of temporary investments which are comprised of the following:

	2018	2017
Scotiabank, Guaranteed Investment Certificates, 1.1%, maturing on December 3, 2018	\$ 126,421	\$ 125,158
Scotiabank, Guaranteed Investment Certificates, 2.1%, maturing on August 15, 2019	61,825	-
Scotiabank, Guaranteed Investment Certificates, 2.1%, maturing on August 16, 2019	101,133	-
Scotiabank, Guaranteed Investment Certificates, 2.1%, maturing on August 16, 2019	101,134	-
Scotiabank, Guaranteed Investment Certificates, 2.0%, maturing on May 23, 2018	-	211,865
	\$ 390,513	\$ 337,023

3. Tangible capital assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	\$ 13,039	\$ 9,098	\$ 13,039	\$ 8,113
		\$ 3,941		\$ 4,926

4. Amalgamation

On October 27, 2017, the Foundation amalgamated with the K-Rock Children's Trust Fund, a related party, creating a new entity. Through this amalgamation, it was agreed that the K-Rock Children's Trust Fund mandate be included in VOCM Cares Foundation Mandate. Under the newly created entity, the Foundation will continue to raise funds for charitable causes involving health, education and safety of the community at large

As a result of the amalgamation, the comparative financial statements for the Foundation as at, and for the year ended, August 31, 2017, have been restated to include the results of the K-Rock Children's Trust Fund.

VOCM Cares
Notes to Financial Statements

August 31, 2018

5. Radio Bingo

	<u>2018</u>	<u>2017</u>
Revenue from bingo	\$ 979,193	\$ 1,106,499
Expenses		
Prizes	174,526	186,109
Printing	84,757	105,334
Broadcasting time and advertising	84,387	83,590
Commissions	261,471	287,976
Salaries	20,838	20,680
Other	9,755	8,391
	<u>635,734</u>	<u>692,080</u>
	<u>\$ 343,459</u>	<u>\$ 414,419</u>

6. VOCM Happy Tree

Revenues include proceeds from general donations made to the VOCM Happy Tree as well as funds raised from the Happy Tree concert. Disbursements are made for Christmas activities or other VOCM Cares charitable donations.

VOCM Cares
Notes to Financial Statements

August 31, 2018

7. Charitable Activities

	2018	2017
Big Brothers Association	\$ -	\$ 6,000
Boys and Girls Club	-	5,000
Bowring Park Foundation	-	25,000
Camp Ohana	3,000	-
Canadian Breast Association	-	7,500
Canadian Cancer Society	-	5,000
Canadian Hard of Hearing Association	11,662	-
Canadian Mental Health	-	8,124
Candle Lighters Association	4,000	-
C.N.I.B.	-	6,000
C.L.B. Association	-	8,398
Community Sector Council	5,000	5,000
Crime Stoppers NL	3,500	3,500
Diabetes Canada NL	5,000	-
Eating Disorder of NL	10,000	-
Empower	-	2,750
Foster Families Association	-	2,500
Health Care Foundation	40,000	20,000
Home Again Furniture	-	21,000
Junior Achievement of NL	-	4,500
Kids Help Line	-	5,000
Learning Partnership	-	5,000
Lewisporte - 50 Plus	-	1,500
Lion Max Simms Memorial Camp	-	9,143
MS Society of Canada	10,000	-
NL Visually Impaired Sport & Recreation Association	5,060	-
Northwest Rotary	-	2,500
Opera on the Avalon	-	5,000
Planned Parenthood	-	3,000
Ronald McDonald House	12,461	-
Roots of Empathy	5,500	-
Salvation Army	50,000	50,000
Scholarships	3,500	2,500
Shallaway Youth Choir	-	8,000
Special Olympics	3,695	-
Sponsorships	4,727	8,484
Terry Reilly Picnic	-	3,500
The REAL Program	-	3,000
The Pottle Center	5,000	-
Vera Perlin Society	2,500	2,500
Victoria Park Foundation	25,000	25,000
YMCA - St. John's	-	6,000
Young Adult Cancer Canada	2,500	-
Other amounts \$1,500 or less	44,009	43,036
	\$ 256,114	\$ 313,435

VOCM Cares Notes to Financial Statements

August 31, 2018

8. Related Party Transactions

Newfoundland Capital Corporation Ltd. ("Newcap"), a broadcasting company in Newfoundland and Labrador, is affiliated with the Foundation. Newcap provides administrative, technical and advertising services to the Foundation. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by related parties. Financial activities during the fiscal year between the Foundation and Newcap are as follows:

	<u>2018</u>		<u>2017</u>
Purchase of Broadcasting	\$ 84,387	\$	91,968
Administrative and other expenses	37,019		94,203
	<u>\$ 121,406</u>	<u>\$</u>	<u>186,171</u>

Included in accounts payable and accrued liabilities is an amount of \$7,449 due to Newcap related to administration costs incurred during the period (August 31, 2017 - \$4,215).

Subsequent to year end, on October 26, 2018, Stingray Digital Group Inc. ("Stingray") completed the acquisition of Newfoundland Capital Corporation Ltd. The Board of Directors of the Foundation does not expect the acquisition to have any impact on the continued operations of the Foundation.

9. Leases

The Foundation has an operating lease related to a vehicle which includes monthly payments of \$640 and expires in November 2022.

VOCM Cares Notes to Financial Statements

August 31, 2018

10. Financial Instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Foundation's financial instruments that are exposed to concentrations of credit risk relate primarily to its contributions and Public Service Bodies Rebate, which is included in accounts receivable. The majority of the Foundation's receivables are from government sources and the Foundation works to ensure it meets all eligibility criteria and filing requirements.

The Foundation is also exposed to credit risk arising from all of its bank accounts being held at one financial institution.

There have not been any significant changes in the risk from the prior year.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Foundation will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Foundation is exposed to this risk mainly in respect of its accounts payable.

The Foundation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The Foundation maintains a portion of its invested assets in liquid securities.

There have not been any changes in the risk from the prior year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its fixed and average interest rate financial instruments. Fixed-interest instruments subject the Foundation to a fair value risk while the floating rate instruments subject it to a cash flow risk.

A portion of the Foundation's investments bear interest at average rates. Fluctuations in these rates will impact the investment income received in the future.

The Foundation is exposed to changes in interest rates related to its investments in marketable securities. The Foundation's primary objective is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory return.

VOCM Cares
Notes to Financial Statements

August 31, 2018

10. Financial Instruments (continued)

Treasury risk management policies specify various investment parameters including eligible types of investment, maximum maturity dates, maximum exposure by counterparties and maximum credit ratings.

There have not been any changes in the risk from the prior year.

11. Comparative Figures

Prior year figures have been reclassified in order to conform with the presentation adopted in the current year.
