

VOCM Cares
Financial Statements
For the Year Ended August 31, 2019

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Independent Auditor's Report

To the board of directors of VOCCM Cares

Opinion

We have audited the financial statements of VOCCM Cares, which comprise the statement of financial position as at August 31, 2019, the statements of operations, 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 paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of VOCCM Cares as at August 31, 2019, and its results of operations and 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, VOCCM 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 VOCCM 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, 2019 and net assets as at September 1, 2018 and August 31, 2019. The auditor's opinion on the financial statements for the year ended August 31, 2018 was modified because of the possible effects of a similar limitation in scope.

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 VOCCM Cares 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 VOCCM Cares or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing VOCCM Cares 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 VOCM Cares 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 VOCM Cares 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 VOCM Cares 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.

BDO Canada LLP

Chartered Professional Accountants

St. John's, Newfoundland and Labrador
February 3, 2020

VOCM Cares
Statement of Financial Position

August 31	2019	2018
Assets		
Current		
Cash	\$ 342,134	\$ 580,934
Temporary investments (Note 2)	219,065	390,513
Accounts receivable	50,772	40,267
Inventory	24,995	34,323
	636,966	1,046,037
Long-term investments (Note 2)	255,076	-
Tangible capital assets	3,153	3,941
	\$ 895,195	\$ 1,049,978
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 19,309	\$ 33,013
Due to related party	-	7,450
	19,309	40,463
Net Assets		
Internally restricted (Note 9)	350,000	-
Unrestricted (Note 9)	525,886	1,009,515
	\$ 895,195	\$ 1,049,978

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	Internally Restricted	Unrestricted	2019 Total	2018 Total
Balance, beginning of the year	\$ -	\$ 1,009,515	\$ 1,009,515	\$ 944,846
Excess (deficiency) of revenues over expenses	-	(133,629)	(133,629)	64,669
Interfund transfers (Note 9)	350,000	(350,000)	-	-
Balance, end of the year	\$ 350,000	\$ 525,886	\$ 875,886	\$ 1,009,515

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

VOCM Cares
Statement of Operations

For the year ended August 31	2019	2018
Revenue		
Radio bingo (Note 3)	\$ 940,638	\$ 979,193
Share to Care Food Drive (Note 4)	55,105	-
VOCM Happy Tree (Note 5)	26,412	38,067
Other fundraising activities	15,756	25,295
Interest income	14,030	7,214
Donations	9,831	17,863
Charity golf tournament	-	24,600
Miscellaneous income	-	480
	<u>1,061,772</u>	<u>1,092,712</u>
Direct Expenses		
Radio bingo (Note 3)	611,941	635,734
VOCM Happy Tree (Note 5)	30,908	27,218
Charitable activities (Note 7)	293,533	256,114
Share to Care Food Drive (Note 4)	80,105	-
40 for 40 Campaign	21,000	-
Golf tournament	-	12,738
	<u>1,037,487</u>	<u>931,804</u>
Revenue in excess of direct expenses	<u>24,285</u>	<u>160,908</u>
Expenses		
Advertising and promotion	31,768	9,171
Amortization of tangible capital assets	788	983
K-Rock Children's Trust Fund amalgamation	10,622	-
Insurance	1,274	1,209
Interest and bank charges	1,744	1,857
Lease	11,717	12,032
Office	2,363	3,699
Professional fees	20,197	23,024
Repairs and maintenance	1,244	1,177
Supplies	2,700	2,938
Travel	3,751	3,130
Administrative costs	69,746	37,019
	<u>157,914</u>	<u>96,239</u>
Excess (deficiency) of revenues over expenses	<u>\$ (133,629)</u>	<u>\$ 64,669</u>

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

VOCM Cares
Statement of Cash Flows

For the year ended August 31	2019	2018
Cash flows (used in) from operating activities		
Excess (deficiency) of revenues over expenses	\$ (133,629)	\$ 64,669
Items not affecting cash:		
Amortization of tangible capital assets	788	983
	<u>(132,841)</u>	<u>65,652</u>
Changes in non-cash working capital:		
Accounts receivable	(10,505)	(15,848)
Inventories	9,328	7,312
Accounts payable and accrued liabilities	(13,703)	9,666
Deferred contributions	-	(5,500)
	<u>(147,721)</u>	<u>61,282</u>
Cash flows (used in) from investing activities		
Purchase of investments	(125,000)	(50,000)
Proceeds on disposal of investments	41,371	-
	<u>(83,629)</u>	<u>(50,000)</u>
Cash flows (used in) from financing activities		
Due to (from) related party	(7,450)	7,450
	<u>(7,450)</u>	<u>7,450</u>
Net (decrease) increase in cash	(238,800)	18,732
Cash, beginning of the year	580,934	562,202
Cash, end of the year	<u>\$ 342,134</u>	<u>\$ 580,934</u>

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

VOCM Cares Notes to Financial Statements

August 31, 2019

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 (ASNPO).
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>Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted 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, 2019

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.

Long-term Investments Long-term investments consist of guaranteed investment certificates (GICs) with maturity dates of greater than twelve months.

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, 2019

2. Investments

	2019	2018
Scotiabank, Guaranteed Investment Certificates, 3.15%, maturing on July 3, 2020	\$ 219,065	\$ -
Scotiabank, Guaranteed Investment Certificates, 1.25%, maturing on June 3, 2021	127,955	-
Scotiabank, Guaranteed Investment Certificates, 2.57%, maturing on January 3, 2022	127,121	-
Scotiabank, Guaranteed Investment Certificates matured during the year	-	101,134
Scotiabank, Guaranteed Investment Certificates matured during the year	-	126,421
Scotiabank, Guaranteed Investment Certificates matured during the year	-	61,825
Scotiabank, Guaranteed Investment Certificates matured during the year	-	101,133
	\$ 474,141	\$ 390,513

3. Radio Bingo

	2019	2018
Revenue from bingo	\$ 940,638	\$ 979,193
Expenses		
Prizes	164,186	174,526
Printing	73,870	84,757
Broadcasting time and advertising	84,020	84,387
Commissions	253,151	261,471
Salaries	20,575	20,838
Other	16,139	9,755
	611,941	635,734
	\$ 328,697	\$ 343,459

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4. Share to Care

Revenues include public donations made to VOCM Cares designated for the Community Food Sharing Association.

5. 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.

6. Related Party Transactions

Stingray Group Inc. ("Stingray"), a broadcasting company in Newfoundland and Labrador, is affiliated with the Foundation. Stingray 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. On October 26, 2018, Stingray acquired Newfoundland Capital Corporation Limited (Newcap), which was the original affiliate of the Foundation. The Board of Directors of the Foundation does not expect the acquisition to have any impact on the continued operations of the Foundation. Financial activities during the fiscal year between the Foundation, Stingray and Newcap are as follows:

	2019	2018
Purchase of Broadcasting	\$ 83,509	\$ 84,387
Administrative and other expenses	69,146	37,019
Advertising	5,911	-
	<u>\$ 158,566</u>	<u>\$ 121,406</u>

At the end of the year, the amounts due to related party are as follows:

Newfoundland Capital Corporation Limited	<u>\$ -</u>	<u>\$ 7,450</u>
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7. Charitable Activities

	2019	2018
Autism Society of Newfoundland and Labrador Inc.	\$ 1,500	\$ -
Big Brothers Big Sisters of Eastern Newfoundland Inc.	9,000	-
Boys and Girls Club of NL	5,000	-
Buckmaster's Circle Community Center Inc.	5,900	-
CBS Lions Club	10,450	-
CNIB NL	5,000	-
Camp Ohana	-	3,000
Canadian Cancer Society	5,000	-
Canadian Hard of Hearing Association	2,500	11,662
Canadian Mental Health Association	5,626	-
Choices For Youth Inc.	5,000	-
Community Sector Council	5,000	5,000
Dr. H. Bliss Murphy Cancer Care Foundation	50,000	-
Easter Seals, Newfoundland and Labrador Inc.	6,950	-
Eating Disorder of NL	-	10,000
Health Care Foundation	5,000	40,000
Hope Air	10,000	-
Kids Help Phone	4,500	-
MS Society of Canada	-	10,000
MacMorran Community Centre	3,200	-
NL Sexual Assault Crisis and Prevention Centre	12,000	-
NL Visually Impaired Sport & Recreation Association	-	5,060
Newfoundland Symphony Orchestra Association	2,000	-
Newfoundland and Labrador Crime Stoppers Inc.	-	3,500
Newfoundland & Labrador Special Olympics Inc.	10,000	3,695
Planned Parenthood	3,000	-
Prostate Cancer Canada	5,000	-
Public Legal Information Association of NL	3,350	-
Rabbittown Community Centre	2,000	-
Ronald McDonald House	15,000	12,461
Roots of Empathy	-	5,500
Scholarships	2,500	3,500
School Lunch Association	6,558	-
Sponsorships	2,525	4,727
The Agnes Pratt Home Foundation Inc.	10,000	-
The Children's Trust	26,830	-
The Duke of Edinburgh's Award	5,000	-
The Janeway Children's Hospital Foundation	5,000	-
The Kidney Foundation of Canada	4,000	-
The Learning Partnership	5,000	-
The Salvation Army	1,400	50,000
Vera Perlin Society	2,500	2,500
Victoria Park Foundation	-	25,000
Young Adult Cancer Canada	-	2,500
Other amounts	30,244	58,009
	<u>\$ 293,533</u>	<u>\$ 256,114</u>

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8. Leases

The Foundation has an operating lease related to a vehicle which includes minimum lease payments at year-end as follows:

2020	\$	7,682
2021		7,682
2022		<u>1,920</u>
	\$	<u>17,284</u>

9. Restricted and Unrestricted Assets

During the year, the Foundation's board of directors internally restricted \$350,000 (2018 - \$nil) of unrestricted net assets to be held for specific causes and projects. These internally restricted amounts are not available for other purposes without approval of the board of directors. The restricted funds are comprised as follows:

	<u>2019</u>	<u>2018</u>
Special projects and capital campaigns	150,000	-
Children's trust mandate	100,000	-
Emergency trust mandate	<u>100,000</u>	-
	<u>\$ 350,000</u>	<u>\$ -</u>

VOCM Cares Notes to Financial Statements

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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.

VOCM Cares
Notes to Financial Statements

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10. Financial Instruments (continued)

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

The risk has increased 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.
