

***SOUTHERN ONKWEHON:WE 'NISHINABEC INDIGENOUS COMMUNICATIONS
SOCIETY INC.***

o/a S.O.N.I.C.S. INC. - CKRZ FM

FINANCIAL STATEMENTS

AUGUST 31, 2017

SOUTHERN ONKWEHON:WE 'NISHINABEC INDIGENOUS COMMUNICATIONS

SOCIETY INC.

o/a S.O.N.I.C.S. INC. - CKRZ FM

AUGUST 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of:

SOUTHERN ONKWEHON:WE 'NISHINABEC INDIGENOUS COMMUNICATIONS SOCIETY INC.,

o/a S.O.N.I.C.S. INC. - CKRZ FM

I have audited the accompanying financial statements of SOUTHERN ONKWEHON:WE 'NISHINABEC INDIGENOUS COMMUNICATIONS SOCIETY INC., o/a S.O.N.I.C.S. INC. - CKRZ FM, which comprise the statement of financial position as at August 31, 2017 and the statements of general operations and unrestricted 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 of 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives its revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization. I was not able to determine whether any adjustments might be necessary to donations received, excess of revenue over expenses, assets and net assets.

Opinion

In my opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at August 31, 2017 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Brantford, Ontario
November 13, 2017

CPA, Chartered Accountant, LPA

SOUTHERN ONKWEHON:WE 'NISHINABEC INDIGENOUS COMMUNICATIONS

SOCIETY INC.

o/a S.O.N.I.C.S. INC. - CKRZ FM

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2017

| | <u>2017</u> | <u>2016</u> |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Current | | |
| <i>and bank (Note 2)</i> | \$ 261,633 | \$ 262,101 |
| <i>Bingo Float (Note 9)</i> | 2,300 | 2,400 |
| <i>Investment (Note 3)</i> | 5,000 | 5,000 |
| <i>Accounts receivable, trade and other</i> | 23,687 | 40,734 |
| <i>HST/GST recoverable</i> | 11,864 | 7,973 |
| <i>Inventory</i> | 4,960 | 5,982 |
| <i>Prepaid expenses and other assets</i> | <u>11,901</u> | <u>9,661</u> |
| Total Current Assets | <u>321,345</u> | <u>333,851</u> |
| Long-Term | | |
| <i>Capital Assets (Note 4)</i> | <u>331,393</u> | <u>142,177</u> |
| Total Assets | <u>\$ 652,738</u> | <u>\$ 476,028</u> |
| LIABILITIES | | |
| Current | | |
| <i>Accounts payable and accrued liabilities</i> | \$ 16,176 | \$ 14,842 |
| <i>Source deductions payable</i> | 3,224 | 3,374 |
| <i>WSIB payable</i> | (458) | 171 |
| <i>Deferred revenue (Note 5)</i> | <u>15,614</u> | <u>18,191</u> |
| Total Current Liabilities | <u>34,556</u> | <u>36,578</u> |
| Long Term | | |
| <i>Deferred Capital Grants (Note 7)</i> | <u>212,027</u> | <u>-</u> |
| Total Liabilities | <u>246,583</u> | <u>36,578</u> |
| NET ASSETS | | |
| <i>Contributed surplus</i> | 227,350 | 227,350 |
| <i>Unrestricted net assets</i> | <u>178,805</u> | <u>212,100</u> |
| NET FUNDS ASSETS (Note 7) | <u>406,155</u> | <u>439,450</u> |
| Total Liabilities and Net Assets | <u>\$ 652,738</u> | <u>\$ 476,028</u> |
| Approved on Behalf of the Board | | |

Director

Director

*Audited - See Independent Auditor's Report
D.M. Austin, CPA, Chartered Accountant*

SOUTHERN ONKWEHON:WE 'NISHINABEC INDIGENOUS COMMUNICATIONS**SOCIETY INC.*****o/a S.O.N.I.C.S. INC. - CKRZ FM*****STATEMENT OF GENERAL OPERATIONS AND UNRESTRICTED NET ASSETS****FOR THE YEAR ENDED AUGUST 31, 2017**

| | <u>2017</u> | <u>2016</u> |
|---|---------------------------------|---------------------------------|
| REVENUE | | |
| Advertising | \$ 65,540 | \$ 69,645 |
| Bingo Sales | 572,695 | 568,230 |
| Store Front Sales | 3,480 | 7,516 |
| Donations | 293 | 1,057 |
| Employment Grants and Contributions | 40,022 | 22,387 |
| One time grantors | - | 58,009 |
| Interest income | 14 | 775 |
| Hiring Credit | 864 | 766 |
| Special Events | 1,175 | 500 |
| Amortization of Deferred Capital Grants | <u>23,559</u> | <u>-</u> |
| Total Revenue | <u>707,642</u> | <u>728,885</u> |
| EXPENSES | | |
| Advertising | - | 185 |
| Amortization | 55,445 | 38,239 |
| Bad debts | - | 3,400 |
| Bingo Expenses | 206,783 | 203,074 |
| Board and meeting costs | 5,200 | 4,704 |
| Broadcast equipment | 4,553 | 3,017 |
| Cost of sales | 1,172 | 9,617 |
| Fee for service | 79,202 | 42,840 |
| Insurance | 5,769 | 4,802 |
| Interest on long-term debt | - | 1,290 |
| Office costs | 25,575 | 24,420 |
| Professional fees | 5,049 | 5,833 |
| Rent | 17,616 | 16,148 |
| Repairs and maintenance | 9,849 | 6,995 |
| Selling costs | 2,568 | 3,505 |
| Streaming and software licenses | 19,984 | 11,644 |
| Special events | 4,008 | 2,179 |
| Telephone and internet | 41,022 | 6,109 |
| Utilities | 16,088 | 10,954 |
| Wages and benefits | 241,054 | 241,827 |
| One time G.R.E.A.T repayment | <u>-</u> | <u>8,125</u> |
| Total Expenses | <u>740,937</u> | <u>648,907</u> |
| Excess (Shortfall) of Revenue over Expenses for the year | (33,295) | 79,978 |
| Unrestricted Net Assets, beginning of year | <u>212,100</u> | <u>132,122</u> |
| Unrestricted Net Assets, end of year | <u><u>\$ 178,805</u></u> | <u><u>\$ 212,100</u></u> |

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SOUTHERN ONKWEHON:WE 'NISHINABEC INDIGENOUS COMMUNICATIONS**SOCIETY INC.*****o/a S.O.N.I.C.S. INC. - CKRZ FM*****STATEMENT OF CASH FLOWS****AUGUST 31, 2017**

| | <u>2017</u> | <u>2016</u> |
|---|--------------------------|--------------------------|
| OPERATING ACTIVITIES | | |
| <i>Excess (shortfall) of revenue over expenses for the year</i> | \$ (33,295) | \$ 79,978 |
| Items not requiring an outlay of cash: | | |
| <i>Amortization</i> | 55,445 | 38,239 |
| <i>Amortization of Deferred Capital Grant</i> | <u>(23,559)</u> | <u>-</u> |
| | (1,409) | 118,217 |
| Changes in non-cash working capital: | | |
| <i>Changes in HST/GST recoverable</i> | (3,891) | 9,525 |
| <i>Changes in accounts receivable</i> | 17,047 | (25,303) |
| <i>Changes in inventory</i> | 1,023 | (5,142) |
| <i>Changes in prepaid expenses</i> | (2,240) | (3,701) |
| <i>Changes in accounts payable</i> | 1,334 | (11,090) |
| <i>Changes in source deductions</i> | (150) | 3,374 |
| <i>Changes in WSIB payable</i> | (629) | 40 |
| <i>Changes in deferred revenue</i> | <u>(2,578)</u> | <u>3,506</u> |
| | 9,916 | (28,791) |
| Net Cash Provided by (Used in) Operating Activities | <u>8,507</u> | <u>89,426</u> |
| FINANCING ACTIVITIES | | |
| <i>Repayment of bank loan</i> | - | (47,912) |
| <i>Increase in deferred capital grants</i> | <u>235,586</u> | <u>-</u> |
| Cash Flows (Used in) Provided by Financing Activities | <u>235,586</u> | <u>(47,912)</u> |
| INVESTING ACTIVITIES | | |
| <i>Proceeds from investments</i> | - | 55,000 |
| <i>Purchases of capital assets</i> | <u>(244,661)</u> | <u>(27,494)</u> |
| Cash Flows Provided by (Used in) Investing Activities | <u>(244,661)</u> | <u>27,506</u> |
| Net Increase in Cash and Cash Equivalents | (568) | 69,020 |
| <i>Net Cash and Cash Equivalents, beginning of year</i> | <u>264,501</u> | <u>195,481</u> |
| Net Cash and Cash Equivalents, end of year | <u>\$ 263,933</u> | <u>\$ 264,501</u> |
| <i>Cash and Cash Equivalents include:</i> | | |
| <i>Cash and Bank</i> | \$ 261,633 | \$ 262,101 |
| <i>Bingo cash</i> | <u>2,300</u> | <u>2,400</u> |
| | <u>\$ 263,933</u> | <u>\$ 264,501</u> |

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SOUTHERN ONKWEHON:WE 'NISHINABEC INDIGENOUS COMMUNICATIONS

SOCIETY INC.

o/a S.O.N.I.C.S. INC. - CKRZ FM

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

Purpose of the Organization

SOUTHERN ONKWEHON:WE 'NISHINABEC INDIGENOUS COMMUNICATIONS SOCIETY INC., o/a is a not-for-profit corporation licensed by the Canadian Radio-Television Telecommunications Commission ("CRTC") to operate a community based radio station known as CKRZ-FM within the provisions of the Broadcasting Act. The licence is effective until August 15, 2022. The organization was incorporated under the Canada Not-for-profit Corporations Act on October 22, 2012. From 1995 to August 15, 2012, the organization operated as a non-incorporated entity.

1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Revenue and expenses are recorded on the accrual bases. Outlined below are those policies considered particularly significant that are in addition to that note:

(a) Investments

The investments are recorded at cost with interest accrued to the financial statement date.

(b) Revenue Recognition

The Organization follows the deferral method of accounting for contributions. 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 received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted income is recognized as revenue when earned.

(c) Inventory

Inventory is valued at the lower of cost and market value. Cost is determined on the first in, first out basis.

(d) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organization 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 expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available. Differences are expected to be not material.

(e) Contributed Services

The work of the Organization is dependent on the voluntary service of its Board of Directors. Since these services are not normally purchased by the Organization and while these services

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NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

benefit the corporation, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

(f) Financial Instruments

All assets and liabilities, with the exception of prepaid expenses, are financial instruments and are initially recorded at fair market value and are subsequently recorded at amortized cost.

(g) Income tax

The corporation is a not-for-profit organization and is exempt from income taxes.

(h) Capital Assets

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

| | |
|-------------------------|------------------------------------|
| <i>Leaseholds</i> | <i>5 year straight line method</i> |
| <i>Computer</i> | <i>30% declining balance</i> |
| <i>Office equipment</i> | <i>20% declining balance</i> |
| <i>Radio equipment</i> | <i>20% declining balance</i> |

Capital items under \$1,500 are expensed as purchased.

2. Bank

| | <u>2017</u> | <u>2016</u> |
|--------------------------------|-------------------|-------------------|
| <i>General account</i> | \$ 94,960 | \$ 113,688 |
| <i>Bingo chequing</i> | 67,491 | 49,180 |
| <i>Bingo savings</i> | 19,974 | 98,883 |
| <i>General savings account</i> | 78,858 | - |
| <i>Petty cash</i> | <u>350</u> | <u>350</u> |
| | <u>\$ 261,633</u> | <u>\$ 262,101</u> |

3. Investment

Investment consist of a guaranteed investment certificate with a Chartered Bank. It is pledged as a security for any advances made to the same bank and to cover any indebtedness. All renewals and replacements thereof, and all interest or income is being held by the bank.

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4. Fixed Assets

| | Cost | Accumulated Amortization | Net 2017 | Net 2016 |
|-------------------------|-------------------|-------------------------------------|---------------------|---------------------|
| <i>Leaseholds</i> | \$ 208,669 | \$ 179,558 | \$ 29,111 | \$ 16,886 |
| <i>Office equipment</i> | 144,773 | 107,357 | 37,416 | 19,561 |
| <i>Computer</i> | 112,067 | 67,656 , | 44,411 | 5,194 |
| <i>Radio equipment</i> | 472,873 | 252,418 | 220,455 | 100,536 |
| | \$ 938,382 | \$ 606,989 | \$ 331,393 | \$ 142,177 |

5. Deferred Revenue

The organization has received funds from clients for on air advertising that will occur in the future totaling \$15,614 (2016 - \$18,191).

6. Deferred Capital Grants

During the year, the organization received capital grants to upgrade assets. They are amortized at the same rates as the assets they were used to purchase. In the current year, grants received were \$235,586 and the amount amortized to income was \$23,559.

7. Net Assets

The organization considers its net assets to be the balance maintained in unrestricted net assets. The primary objective of the organization is to manage its net assets in a manner that will allow it to continue as a going concern and comply with its stated objectives. The Board of Directors monitors the organization's net assets to ensure compliance with its net asset management objective. The organization's net assets are maintained in a bank and investment accounts to ensure that there is adequate cash available to meet current cash flow requirements. The organization is not subject to any externally imposed requirements of its net assets.

8. Commitment And Contingencies

The net lease agreement on the premises is for a monthly lease at \$1,468 per month. The lease expired on November 30, 2004.

There is also photocopier lease that requires annual payments of \$2,956 until May 2018.

The organization has undertaken a three year upgrade commitment. Phase I and II are now complete. Phase III will be completed in the August 31, 2018 fiscal year (approximate commitment of \$250,000).

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9. Bingo Jackpots

The bingo jackpots, due to their uncertainty, are expensed at the time they are won. The jackpot at year end is \$4,000 (2016 - \$4,000).

10. Economic Dependence

Bingo proceeds contribute 78.0% (2016 - 78.0%) of the organizations receipts. The organization relies on this fundraising activity to operate. Bingo licences are provided by Six Nations Gaming Commission.

11. Non-monetary Transaction

The organization has recorded non-monetary transactions for wages from G.R.E.A.T and New Credit Employment in the amount of \$- (2016 - \$6,945).

12. Financial Instruments

Financial assets and financial liabilities, are measured at fair value through the statement of general operations and transaction costs expensed when incurred. Subsequently, the entity measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include bank and cash, investments, accounts receivable, and interest receivable. Financial liabilities include accounts payable and accrued charges.

The entity has not designated any financial asset or liability to be measured at fair value.

13. Risk Management

General Objective, Policies and Processes:

The Board and management are responsible for determination of the Organization's risk management objectives and policies and designing operating processes that ensure the effective implementation of the objectives and policies. In general, the Organization measures and monitors risk through the preparation and review of monthly reports by management. The main objectives of the Organization's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The Organization may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The principal risks to which the Organization is exposed to are described below.

Credit Risk

Financial instruments potentially exposed to credit risk include cash, accounts receivable and investments. Management considers its exposure to credit risk over cash and cash equivalents to be remote as the Organization holds cash deposits at major Canadian Chartered banks. Accounts receivable are not concentrated and the carrying amount of accounts receivable represents the maximum credit risk exposure.

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AUGUST 31, 2017

The Organization may, from time to time, invest in debt obligations and commercial paper of governments and corporations. Such investments are limited to those issuers carrying an investment grade credit rating. In addition, the Organization limits an amount which is invested in issuers of any one government or corporation. Management has assessed it's credit risk as not material and is unchanged from the prior year.

Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Organization is exposed to these risks as the ability of the Organization to fund its programs is related to the market price of certain minerals. Management has assessed its market risk as not material and is unchanged from the prior year.

Interest rate risk

The Organization has cash balances and various investments. The Organization's current policy is to deposit excess cash in interest bearing accounts at its banking institutions. Management has assessed its exposure to significant interest rate risk arising from fluctuations in interest rates as not material and is unchanged from the prior year.

Liquidity Risk

Liquidity risk is the risk the Organization will not be able to meet its financial obligations as they come due. The Organization has taken steps to ensure that it will have sufficient working capital available to meet its obligations. They have assessed their liquidity risk as not material and is unchanged from the prior year.