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United Christian Broadcasters Media Canada

Financial Statements
For the year ended December 31, 2018

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For the year ended December 31, 2018

Contents

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Independent Auditor's Report

To the Members of
United Christian Broadcasters Media Canada

Qualified Opinion

We have audited the financial statements of the United Christian Broadcasters Media Canada (the "organization") which comprise the statement of financial position as at December 31, 2018 and the statements of net assets (deficit), operations 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 December 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.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenue over expenditures, assets and changes in net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibility 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 other 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 opinion.

Responsibilities of Management and Those Charged with Governance 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.

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 Responsibility 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.

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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 judgement 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.

Baker Tilly SGB LLP

Chartered Professional Accountants
Licensed Public Accountants

Kingston, Ontario
May 6, 2019

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United Christian Broadcasters Media Canada
Statement of Financial Position

December 31	2018	2017
Assets		
Current		
Accounts receivable (Note 2)	**$ 291,770**	$ 170,669
Prepaid expenses	**19,247**	31,757
	311,017	202,426
Capital Assets (Note 3)	**1,711,461**	448,697
	$ 2,022,478	$ 651,123
Liabilities and Net Assets (Deficit)		
Current		
Bank indebtedness (Note 4)	**$ 177,341**	$ 32,869
Accounts payable and accrued liabilities (Note 5)	**265,945**	217,493
Current portion of long-term debt (Note 6)	**356,000**	-
Deferred revenue (Note 7)	**70,958**	15,830
	870,244	266,192
Long-term debt (Note 6)	**900,000**	-
Deferred Revenue (Note 7)	**399,412**	279,537
	2,169,656	545,729
Net Assets (Deficit)		
Invested in capital assets	**1,711,461**	448,697
General	**(1,858,639)**	(343,303)
	(147,178)	105,394
	$ 2,022,478	$ 651,123

On behalf of the Board:

Linda Korgemets
_______________ Director

Robert Beasley
_______________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

United Christian Broadcasters Media Canada
Statement of Net Assets (Deficit)

For the year ended December 31			2018	2017
	General	Invested in Capital Assets	Total	Total
Net assets (deficit), beginning of year	$ (343,303)	$ 448,697	$ 105,394	$ 197,180
Excess of expenditures over revenue for the year	(127,569)	(125,003)	(252,572)	(91,786)
Purchases of capital assets during the year, net of donation	(1,387,767)	1,387,767	-	-
Net assets (deficit), end of year	$ (1,858,639)	$ 1,711,461	$ (147,178)	$ 105,394

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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United Christian Broadcasters Media Canada
Statement of Operations

For the year ended December 31		2018		2017
Revenue				
Advertising	$	706,458	$	561,735
Donations				
- WFYT		101,746		119,006
- Fundraising		661,624		569,736
- Other		793,557		804,627
Grants		-		60,805
Other		12,598		33,483
Program revenue		78,366		80,039
		2,354,349		2,229,431
Expenses				
Salaries and wages		1,421,502		1,187,562
Rent		176,284		186,292
Advertising and sales promotion		140,263		99,469
Telephone and utilities		135,068		104,368
WFYT		131,086		120,911
Amortization		125,003		82,187
General and administrative		110,991		68,971
Broadcasting fees		84,414		79,883
Equipment maintenance		62,584		81,282
Vehicle expenses		44,150		46,255
Interest and bank charges		34,870		24,397
Fundraising		31,466		44,032
Insurance		24,179		22,585
Training		23,917		69,295
Travel		16,959		29,932
Office supplies		13,856		15,398
Professional fees		11,169		37,100
Repairs and maintenance		7,973		8,200
Talent quest		5,200		2,400
Dues and fees		3,144		4,101
Bad debts		2,748		4,666
Miscellaneous		95		1,931
		2,606,921		2,321,217
Excess of expenditures over revenue for the year	$	(252,572)	$	(91,786)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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United Christian Broadcasters Media Canada
Statement of Cash Flows

For the year ended December 31	2018	2017
Cash flows from operating activities		
Excess of expenditures over revenue for the year	$ (252,572)	$ (91,786)
Adjustments for items not involving cash		
Amortization of capital assets	125,003	82,187
	(127,569)	(9,599)
Changes in non-cash working capital balances		
Accounts receivable	(121,101)	(50,227)
Prepaid expenses	12,510	8,444
Accounts payable and accrued liabilities	48,452	(31,528)
Deferred revenue	175,003	74,177
	(12,705)	(8,733)
Cash flows from investing activities		
Purchase of capital assets	(1,547,767)	(204,951)
Donations used for purchase of land	160,000	-
	(1,387,767)	(204,951)
Cash flows from financing activities		
Net advances (repayment) of demand loan	122,000	25,000
Advances of long-term debt	1,256,000	-
	1,378,000	25,000
Decrease in cash and cash equivalents during the year	(22,472)	(188,684)
Cash and cash equivalents (bank indebtedness), beginning of year	(7,869)	180,815
Cash and cash equivalents (bank indebtedness), end of year	$ (30,341)	$ (7,869)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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United Christian Broadcasters Media Canada
Summary of Significant Accounting Policies

December 31, 2018

Nature of Business

United Christian Broadcasters Media Canada (the "organization") operates radio stations specializing in Christian programming.

The organization was originally incorporated with Letters Patent dated August 17, 2001 under the Canada Corporations Act as a corporation without share capital. The organization was continued under the Canada Not-For-Profit Corporations Act by a Certificate of Continuance dated May 6, 2014.

The organization operates as a registered charitable organization and is exempt from income tax under subparagraph 149(1)(f) for the Canadian Income Tax Act.

Basis of Accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand and cash in the bank.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the useful life of the asset is calculated as follows:

Buildings	-	3 % diminishing balance basis
Computer equipment	-	30 % diminishing balance basis
Furniture and equipment	-	20 % diminishing balance basis
Leasehold improvements	-	30 % diminishing balance basis
Radio equipment	-	20 % diminishing balance basis
Radio transmitters	-	20 % diminishing balance basis
Vehicles	-	30 % diminishing balance basis
Website	-	50 % diminishing balance basis

Revenue Recognition

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collections reasonably assured.

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred.

Donations related to the purchase of land are netted against the purchase cost of the land.

United Christian Broadcasters Media Canada
Summary of Significant Accounting Policies

December 31, 2018

Contributed Services	Volunteers contributed an indeterminable number of hours each year to assist the organization in carrying out its activities. Because of the difficulty in determining their fair value, contributions of such services are not recognized in the financial statements.
Non-monetary Transactions	In the normal course of its business, the organization enters into non-monetary transactions under which goods and services are acquired in exchange for advertising and other services. These goods and services, which would otherwise be payable in cash, are accounted for at their fair market value.
Use of Estimates	The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 period. Actual results could differ from management's best estimates as additional information becomes available in the future.

1. Cash and Bank

The organization's bank accounts are held at two chartered banks. The bank accounts earn interest at nominal rates.

2. Accounts Receivable

	2018	2017
Trade	$ 138,452	$ 129,575
HST receivable	153,318	41,094
	$ 291,770	$ 170,669

3. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Buildings	$ 1,289,675	$ 21,809	$ 76,313	$ 1,360
Computer equipment	120,376	102,765	118,610	95,581
Furniture and equipment	75,364	51,436	74,770	45,530
Leasehold improvements	64,175	62,289	64,175	61,490
Radio equipment	247,468	144,444	232,792	120,521
Radio transmitters	574,671	327,930	477,695	278,334
Vehicles	34,062	28,207	33,069	25,911
Website	59,400	14,850	-	-
	$ 2,465,191	$ 753,730	$ 1,077,424	$ 628,727
Net book value		$ 1,711,461		$ 448,697

During the year, the organization purchased capital assets in the amount of $1,547,767 (2017 - $204,951) of which $1,050,838 (2017 - $Nil) was financed with debt, and the remaining $496,929 (2017 - $204,951) was paid in cash.

During the year, the organization purchased land at a cost of $160,000 that was fully funded by donations.

4. Bank Indebtedness

	2018	2017
Bank overdraft	$ 30,341	$ 7,869
Line of credit	147,000	25,000
	$ 177,341	$ 32,869

The line of credit has a credit limit of $150,000, is due on demand and bears interest at the bank's prime rate plus 1.80%.

5. Accounts Payable and Accrued Liabilities

	2018	2017
Trade accounts payable	$ 178,652	$ 130,200
HST payable (Note 9)	87,293	87,293
	$ 265,945	$ 217,493

6. Long-term Debt

	2018	2017
Mortgage payable - prime + 2%, due December 2023, monthly payments of $4,958 interest and annual payments of $100,000 principal, secured by a general security agreement	$ 1,000,000	$ -
Promissory note - non-interest bearing, due March 2019, no specific payment terms	156,000	-
Loan payable - 2%, due December 2019, repayable in installments continuing until December 2019	100,000	-
	1,256,000	-
Less amounts due within one year included in current liabilities	356,000	-
	$ 900,000	$ -

Principal repayments for the next five years are as follows:

2019	$ 356,000
2020	100,000
2021	100,000
2022	100,000
2023	600,000
	$ 1,256,000

7. Deferred Revenue

Deferred revenue consists of donations received for future capital and expansion costs.

	2018	2017
Balance, beginning of year	$ **295,367**	$ 221,190
Amounts received during the year	**426,812**	154,649
Amounts recognized as revenue during the year	**(91,809)**	(80,472)
Amounts recognized against the purchase of land	**(160,000)**	-
Balance, end of year	**470,370**	295,367
Amounts classified as current	**(70,958)**	(15,830)
	$ **399,412**	$ 279,537

8. Commitments

The organization has various operating leases for its premises expiring no later than October 2024. The organization has various operating leases for its vehicles, expiring no later than March 2022.

The minimum annual lease payments for the next five years and thereafter are as follows:

2019	$ 284,253
2020	141,354
2021	76,824
2022	49,873
2023	37,187
Thereafter	1,200
Total	$ 590,691

9. Contingencies

The organization obtained a Canada Revenue Agency (CRA) ruling that the supply of advertising services, radio airtime and sponsorship fees by the charity are not subject to HST. As advised by the CRA, the organization has de-registered for HST purposes and has advised customers of the changes as of May 2017. The organization has accrued $87,293 representing their best estimate of a potential tax liability. The matter is still being resolved with the CRA and the outcome is unknown.

The organization received a discount on equipment purchased during the year contingent on purchasing another piece of equipment from the same vendor. In the event that the organization does not purchase the second piece of equipment, the potential liability is $28,962.

10. Financial Instruments

Financial instruments are financial assets or liabilities of the organization where, in general, the organization has the right to receive cash or another financial asset from another party or the organization has the obligation to pay another party cash or other financial assets.

Financial instruments consist of accounts receivable, bank indebtedness, accounts payable and accrued liabilities and long-term debt.

The organization initially recognized its financial instruments at fair value and subsequently measure them at amortized cost.

Financial assets measured at cost or amortized cost are tested for impairment at the end of each year and the amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement and the amount of the reversal is recognized in net income. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed the original cost.

Credit Risk

The organization is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The maximum exposure to credit risk is the carrying value of accounts receivable, being $291,770 at year-end.

10. Financial Instruments (continued)

Interest Risk

Interest rate risk refers to the risk that the fair value of financial instruments will fluctuate due to changes in market interest rates. The exposure of the organization to interest rate risk arises from its interest bearing bank financial instruments which are bank indebtedness, long-term debt and obligations under capital lease. A significant portion of the organization's exposure with the above financial instruments is limited due to interest rates being fixed. The organization has not quantified the impact that changes in interest rate will have on these instruments, but the risk is deemed to be within normal operating risk levels.