United Christian Broadcasters Media Canada

Financial Statements

For the year ended December 31, 2017

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Contents

Auditor's Report	**2**
Financial Statements	
Statement of Financial Position	**3**
Statement of Changes in Net Assets (Deficit)	**4**
Statement of Operations	**5**
Statement of Cash Flows	**6**
Summary of Significant Accounting Policies	**7-8**
Notes to Financial Statements	**9-12**

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Independent Auditor's Report

To the Members of
United Christian Broadcasters Media Canada

Report on the Financial Statements

We have audited the accompanying financial statements of United Christian Broadcasters Media Canada which comprise the statement of financial position as at December 31, 2017 and the statements of changes in net assets (deficit), operations and cash flows for the year ended December 31, 2017 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 private enterprises, 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 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.

Qualified Opinion

In our qualified opinion, the financial statements present fairly, in all material respects, the financial position of United Christian Broadcasters Media Canada as at December 31, 2017 and the results of its operations and its cash flows for the year ended December 31, 2017 in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements of United Christian Broadcasters Media Canada for the year ended December 31, 2016 were audited by another auditor who expressed a qualified opinion on those statements on June 12, 2017.

Collins Barrow SEO LLP

Chartered Professional Accountants
Licensed Public Accountants

Kingston, Ontario
May 3, 2018

United Christian Broadcasters Media Canada
Statement of Financial Position

December 31		2017		2016
Assets				
Current				
Cash and bank (Note 1)	$	-	$	180,815
Accounts receivable (Note 2)		170,669		120,442
Prepaid expenses		31,757		40,201
		202,426		341,458
Capital Assets (Note 3)		448,697		325,933
	$	651,123	$	667,391
Liabilities and Net Assets (Deficit)				
Current				
Bank indebtedness (Note 4)	$	32,869	$	-
Accounts payable and accrued liabilities (Note 5)		217,493		249,021
Deferred revenue (Note 6)		15,830		221,190
		266,192		470,211
Deferred Revenue (Note 6)		279,537		-
		545,729		470,211
Net Assets (Deficit)				
Invested in capital assets		448,697		325,933
General		(343,303)		(128,753)
		105,394		197,180
	$	651,123	$	667,391

On behalf of the Board:

______________________________ Director

______________________________ Director

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

For the year ended December 31			2017	2016
	General	Invested in Capital Assets	Total	Total
Net assets (deficit), beginning of year	$ (128,753)	$ 325,933	$ 197,180	$ 72,032
Excess of revenue over expenditures (expenditures over revenue) for the year	(9,599)	(82,187)	(91,786)	125,148
Purchases of capital assets during the year	(204,951)	204,951	-	-
Net assets (deficit), end of year	$ (343,303)	$ 448,697	$ 105,394	$ 197,180

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United Christian Broadcasters Media Canada
Statement of Operations

For the year ended December 31		2017		2016
Revenue				
Advertising	$	**561,735**	$	659,473
Donations				
- WFYT		**119,006**		125,473
- Fundraising		**569,736**		449,901
- Other		**804,627**		958,277
Grants		**60,805**		85,672
Other		**33,472**		26,270
Proceeds from sale of capital assets		**-**		3,154
Program revenue		**80,039**		88,404
Subscriptions & book sales		**11**		3,437
		2,229,431		2,400,061
Expenses				
Salaries and wages		**1,187,562**		1,119,608
Rent		**186,292**		159,640
WFYT		**120,911**		109,496
Telephone and utilities		**104,368**		87,722
Advertising and sales promotion		**99,469**		125,988
Amortization		**82,187**		51,697
Equipment maintenance		**81,282**		127,965
Broadcasting fees		**79,883**		80,076
Training		**69,295**		139,625
General and administrative		**68,971**		62,927
Vehicle expenses		**46,255**		38,270
Fundraising		**44,032**		53,969
Professional fees		**37,100**		27,270
Travel		**29,932**		11,159
Interest and bank charges		**24,397**		23,505
Insurance		**22,585**		19,795
Office supplies		**15,398**		8,658
Repairs and maintenance		**8,200**		15,651
Bad debts		**4,666**		2,718
Dues and fees		**4,101**		3,076
Talent quest		**2,400**		2,000
Miscellaneous		**1,931**		4,098
		2,321,217		2,274,913
Excess of revenue over expenditures (expenditures over revenue) for the year	$	**(91,786)**	$	125,148

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United Christian Broadcasters Media Canada
Statement of Cash Flows

For the year ended December 31		2017		2016
Cash flows from operating activities				
Excess of revenue over expenditures (expenditures over revenue) for the year	$	**(91,786)**	$	125,148
Adjustments for items not involving cash				
Amortization of capital assets		**82,187**		51,697
		(9,599)		176,845
Changes in non-cash working capital balances				
Accounts receivable		**(50,227)**		(23,622)
Prepaid expenses		**8,444**		(23,190)
Accounts payable and accrued liabilities		**(31,528)**		152,563
Deferred revenue		**74,177**		104,310
		(8,733)		386,906
Cash flows from investing activities				
Purchase of capital assets		**(204,951)**		(264,715)
Cash flows from financing activities				
Net advances (repayment) of demand loan		**25,000**		(16,191)
Increase (decrease) in cash and cash equivalents during the year		**(188,684)**		106,000
Cash and cash equivalents, beginning of year		**180,815**		74,815
Cash and cash equivalents, end of year	$	**(7,869)**	$	180,815
Represented by:				
Cash and bank	$	**-**	$	180,815
Bank overdraft		**(7,869)**		-
	$	**(7,869)**	$	180,815

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, 2017

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

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.

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

	2017	2016
Trade	$ **129,575**	$ 120,442
HST receivable	**41,094**	-
	$ **170,669**	$ 120,442

3. Capital Assets

	2017		2016	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Buildings	$ **76,313**	$ **1,360**	$ 7,295	$ 109
Computer equipment	**118,610**	**95,581**	104,566	88,720
Furniture and equipment	**74,770**	**45,530**	46,177	41,816
Leasehold improvements	**64,175**	**61,490**	64,175	60,339
Radio equipment	**232,792**	**120,521**	173,506	99,863
Radio transmitters	**477,695**	**278,334**	443,685	232,850
Vehicles	**33,069**	**25,911**	33,069	22,843
	$ **1,077,424**	$ **628,727**	$ 872,473	$ 546,540
Net book value		$ **448,697**		$ 325,933

During the year, the organization purchased capital assets in the amount of $204,951 (2016 - $264,715) with cash.

December 31, 2017

4. Bank Indebtedness

		2017		2016
Bank overdraft	$	7,869	$	-
Demand loan		25,000		-
	$	32,869	$	-

The demand loan 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

		2017		2016
Trade accounts payable	$	130,200	$	161,728
HST payable (Note 8)		87,293		87,293
	$	217,493	$	249,021

6. Deferred Revenue

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

		2017		2016
Balance, beginning of year	$	221,190	$	116,880
Amounts received during the year		154,649		106,290
Amounts recognized as revenue during the year		(80,472)		(1,980)
Balance, end of year		295,367		221,190
Amounts classified as current		(15,830)		-
	$	279,537	$	221,190

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December 31, 2017

7. 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:

2018	$	88,189
2019		60,420
2020		55,212
2021		33,819
2022		5,577
Thereafter		2,200
Total	$	245,417

The organization has agreed to acquire property for a purchase price of $1,200,000. The organization is currently leasing the property and is committed to completing the purchase when 65% of the funds have been raised and a mortgage secured for the balance.

8. 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.

December 31, 2017

9. 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 cash and bank, accounts receivable, 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 $170,669 at year-end.

10. Financial Statement Presentation

In some instances, comparative figures have been reclassified in order to comply with current year's presentation.

We were appointed auditors of the organization subsequent to the issue of the 2016 financial statements. Our opinion does not, therefore, extend to the 2016 figures which have previously been reported on by another auditor and have been presented for comparative purposes only.