UNITED CHRISTIAN BROADCASTERS MEDIA CANADA

FINANCIAL STATEMENTS

December 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of
UNITED CHRISTIAN BROADCASTERS MEDIA CANADA

We have audited the accompanying financial statements of **UNITED CHRISTIAN BROADCASTERS MEDIA CANADA**, which comprise the statement of financial position as at December 31, 2016, and the statements of revenue and expenses and net assets (deficit) 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 Organization'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 in our audit 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, **UNITED CHRISTIAN BROADCASTERS MEDIA CANADA** derives revenue from fundraising and donations, 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. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess (deficit) of revenues over expenses, and cash flows from operations for the years ended December 31, 2016 and 2015, current assets as at December 31, 2016 and 2015 and net assets as of January 1 and December 31 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended December 31, 2015 was modified accordingly because of the possible effect of this limitation in scope.

Qualified 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 **UNITED CHRISTIAN BROADCASTERS MEDIA CANADA** as at December 31, 2016, 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.

Welch LLP

Napanee, Ontario
June 12, 2017

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Welch LLP – Chartered Accountants
36 Bridge Street East, Napanee, Ontario K7R 1J8
T: 613 354 2169 F: 613 354 2160 W: www.welchllp.com
An Independent Member of BKR International

Belleville | Campbellford | Cornwall | Gatineau | Napanee | Ottawa | Pembroke | Picton | Renfrew | Trenton

UNITED CHRISTIAN BROADCASTERS MEDIA CANADA
(Incorporated under the laws of Canada)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

	2016	2015
CURRENT ASSETS		
Cash	$ 180,815	$ 74,815
Accounts receivable	120,442	96,820
Prepaid expenses	40,201	17,011
	341,458	188,646
TANGIBLE CAPITAL ASSETS - *note 4*	325,933	112,914
	$ 667,391	$ 301,560

LIABILITIES AND NET ASSETS (DEFICIT)

	2016	2015
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 173,940	$ 92,716
Government remittances payable - *note 9*	75,081	3,741
Demand loan	-	16,191
Deferred revenue - *note 6*	221,190	116,880
	470,211	229,528
NET ASSETS (DEFICIT)		
Invested in Capital Assets	325,933	112,914
Unrestricted net assets (deficit)	(128,753)	(40,882)
	197,180	72,032
	$ 667,391	$ 301,560

Approved by the Board:

_______________ Director

Paulette Kinmond Director

UNITED CHRISTIAN BROADCASTERS MEDIA CANADA
STATEMENT OF REVENUE AND EXPENSES AND NET ASSETS (DEFICIT)
YEAR ENDED DECEMBER 31, 2016

	Belleville	Chatham	Cobourg	Thunder Bay	Windsor	Total Operations	Total Capital	2016	2015
REVENUE									
Donations									
- WFYT	125,473	-	-	-	-	125,473	-	125,473	101,880
- Fundraising	214,717	163,280	35,172	36,732	-	449,901	-	449,901	425,724
- Other	457,533	245,699	52,686	46,617	155,743	958,278	-	958,277	596,429
Advertising	300,614	171,664	80,529	106,666	-	659,473	-	659,473	513,624
Programme revenue	39,820	42,421	6,163	-	-	88,404	-	88,404	94,924
Subscriptions & Book Sales	3,400	-	-	-	-	3,400	-	3,400	21,442
Grants	26,254	31,600	13,409	14,409	-	85,672	-	85,672	-
Proceeds from sale of assets	-	-	-	-	-	-	3,154	3,154	650
Other	11,450	7,808	3,476	3,573	-	26,307	-	26,307	7,105
	1,179,261	662,472	191,435	207,997	155,743	2,396,908	3,154	2,400,061	1,761,778
EXPENSES									
Advertising and promotion	40,235	26,964	22,007	36,408	374	125,988	-	125,988	38,904
Amortization	-	-	-	-	-	-	51,697	51,697	30,718
Bad debts	2,175	543	-	-	-	2,718	-	2,718	3,939
Broadcasting fees	25,333	21,548	17,012	16,183	-	80,076	-	80,076	70,853
Dues and fees	725	974	559	818	-	3,076	-	3,076	1,779
Equipment maintenance	40,245	28,316	25,324	23,803	10,277	127,965	-	127,965	63,333
Fundraising	29,395	9,270	3,531	11,773	-	53,969	-	53,969	38,127
General and administrative	21,357	17,952	11,937	11,442	239	62,927	-	62,927	50,782
Insurance	6,173	5,822	3,900	3,900	-	19,795	-	19,795	19,594
Interest and bank charges	7,201	7,304	4,392	4,521	88	23,506	-	23,505	24,672
Miscellaneous	1,002	995	761	1,315	25	4,098	-	4,098	4,516
Office supplies	3,328	2,074	1,161	2,095	-	8,658	-	8,658	6,377
Professional fees	17,348	4,166	1,320	4,436	-	27,270	-	27,270	98,527
Rent	82,593	46,327	9,438	9,265	12,017	159,640	-	159,640	129,245
Maintenance	5,465	3,878	-	342	5,966	15,651	-	15,651	5,021
Salaries and wages	365,866	343,480	199,845	210,417	-	1,119,608	-	1,119,608	959,257
Talent quest	-	-	1,000	1,000	-	2,000	-	2,000	2,027
Telephone and utilities	42,740	34,062	6,098	3,974	848	87,722	-	87,722	85,472
Training	41,521	46,636	24,953	26,515	-	139,625	-	139,625	7,698
Travel	3,468	2,975	1,172	3,091	453	11,159	-	11,159	13,265
Vehicle expenses	12,600	10,406	7,393	7,601	270	38,270	-	38,270	35,809
WFYT	109,496	-	-	-	-	109,496	-	109,496	80,618
	858,266	613,692	341,803	378,899	30,557	2,223,217	51,697	2,274,913	1,770,533
Excess (deficiency of revenue over expenses)	320,995	48,780	(150,368)	(170,902)	125,186	173,691	(48,543)	125,148	(8,755)
NET ASSETS (DEFICIT), beginning of year	867,213	(162,511)	(654,669)	(90,915)	-	(40,882)	112,914	72,032	80,787
Transfers	(95,710)	(15,013)	(12,657)	(13,297)	(124,885)	(261,562)	261,562	-	-
NET ASSETS (DEFICIT), end of year	1,092,498	(128,744)	(817,694)	(275,114)	301	(128,753)	325,933	197,180	72,032

UNITED CHRISTIAN BROADCASTERS MEDIA CANADA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	$ 125,148	$ (8,755)
Adjustments for		
Amortization	51,697	30,718
	176,845	21,963
Change in non-cash working capital components:		
Accounts receivable	(23,622)	15,646
Prepaid expenses	(23,190)	(2,403)
Accounts payable and accrued liabilities	81,223	35,494
Government remittances payable	71,340	614
Deferred revenue	104,310	101,755
	386,906	173,069
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital assets purchased	(264,715)	(42,483)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of demand loan	(16,191)	(8,116)
INCREASE IN CASH	106,000	122,470
CASH (BANK INDEBTEDNESS), beginning of year	74,815	(47,655)
CASH, end of year	$ 180,815	$ 74,815

UNITED CHRISTIAN BROADCASTERS MEDIA CANADA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

1. PURPOSE AND LEGAL FORM OF THE ORGANIZATION

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

The Corporation is a registered charitable organization and as such is exempt from income taxes.

United Christian Broadcasters Canada is a not for profit organization and operates radio stations specializing in Christian programming.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Tangible capital assets

Capital assets are stated at cost. Amortization is provided on the declining balance method using the following annual rates:

Furniture and equipment	20%
Vehicle	30%
Computer equipment and digital camera	30%
Leasehold improvements	30%
Radio equipment	20%
Radio transmitter	20%

Revenue recognition

Donations are recorded when received by the Corporation. Other income is recorded when the goods or services are delivered.

Contributed services

Volunteers contribute an indeterminable number of hours each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Non-monetary transactions

In the normal course of its business, the Corporation enters into non-monetary transactions under which goods and services are acquired in exchange for advertising or other services. These goods and services, which would otherwise be payable in cash, are accounted for at their fair market value.

Welch LLP
An Independent Member of BKR International

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity 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 and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period Management makes accounting estimates when determining the estimated useful life of tangible capital assets and its allowance for doubtful accounts. Actual results could differ from those estimates.

Financial instruments

The Corporation measures all its financial assets and financial liabilities at amortized cost.

3. FINANCIAL INSTRUMENTS

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Corporation is not exposed to interest rate risk.

Credit risk

The Corporation does have credit risk in accounts receivable $120,442 (2015 - $96,820). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation reduces its exposure to credit risk by performing credit valuations on a regular basis, granting credit upon a review of the credit history of the applicant . The Corporation maintains strict credit policies and limits in respect to counterparties. In the opinion of management the risk exposure to the Corporation is low and is not material. Management feels it is not necessary to set up an allowance for doubtful accounts.

Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the financial instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Corporation's financial instruments are all denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, management believes the Corporation is not exposed to significant currency risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

3. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

The Corporation does have a liquidity risk in the accounts payable and accrued liabilities of $173,940 (2015 - $92,716). Liquidity risk is the risk that the Corporation cannot repay its obligations when they become due to its creditors. The Corporation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the Company is low and is not material and therefore have not set up an allowance for doubtful accounts.

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. The Corporation is not exposed to other price risk.

Changes in risk

There have been no changes in the Company's risk exposure from the prior year.

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

			2016	2015
Buildings	$ 7,295	$ 109	$ 7,186	$ -
Vehicle	33,069	22,843	10,226	2,969
Furniture and equipment	46,177	41,816	4,361	4,882
Leasehold improvements	64,175	60,339	3,836	5,480
Radio equipment	173,506	99,863	73,643	23,601
Radio transmitters	443,685	232,850	210,835	57,775
Computer equipment	104,566	88,720	15,846	18,207
	$ 872,473	$ 546,540	$ 325,933	$ 112,914

Welch LLP
An Independent Member of BKR International

5. COMMITMENTS

The Corporation has leased four vehicles with monthly payments totaling $1,210. Minimum payments over the next five years are as follows:

(i)

2017	$	12,391
2018	$	10,875
2019	$	8,078
2020	$	3,841
2021	$	795

Offices and transmission sites are leased for $14,837 per month. Minimum payments over the next five years are as follows:

2017	$	98,621
2018	$	56,445
2019	$	29,214
2020	$	29,214
2021	$	24,679

6. DEFERRED REVENUE

Deferred revenue consists of prepaid advertising revenue, subscriptions received in advance and donations received for future capital and expansion costs.

7. NON-MONETARY FIGURES

During the year, the Corporation has entered into non-monetary transactions. Total advertising revenue recognized from non-monetary transactions is $113,524 (2015 - $63,417). Expenditures of equal amounts were recorded in the accounts. All transactions require usual treatment for the Harmonized Sales Tax.

8. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

UNITED CHRISTIAN BROADCASTERS MEDIA CANADA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

9. CONTINGENCY

Subsequent to the year end the Corporation 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 CRA the Corporation is in the process of de-registering for HST purposes and has advised customers of the changes going forward as of May 2017. The Corporation has accrued $87,000 representing their best estimate of a potential tax liability. The Corporation is currently applying to CRA for prospective application of the ruling.