

**UNITED CHRISTIAN BROADCASTERS CANADA**

**FINANCIAL STATEMENTS**

December 31, 2013

To the Members of **United Christian Broadcasters Canada**

We have audited the accompanying financial statements of **UNITED CHRISTIAN BROADCASTERS CANADA**, which comprise the statement of financial position as at December 31, 2013 and the statements of revenue and expenditure and net assets (deficiency) 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 Corporation'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 not-for-profit organizations, United Christian Broadcasters Canada 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 United Christian Broadcasters Canada.

Therefore, we were not able to determine whether as at December 31, 2013 any adjustments might be necessary to fundraising revenue, excess of revenues over expenditures reported in the statement of revenue and expenditure and net assets (deficiency) reported in the statement of cash flows and current assets and unrestricted net assets (deficiency) reported in the statement of financial position.

**UNITED CHRISTIAN BROADCASTERS CANADA**

**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 Canada as at December 31, 2013 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.

Napanee, Ontario  
April 28, 2014



Chartered Accountants  
Licenced Public Accountants

UNITED CHRISTIAN BROADCASTERS CANADA

(Incorporated under the laws of Canada)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

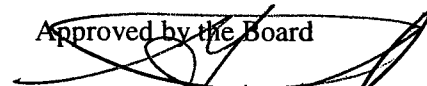

ASSETS

	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Accounts receivable	\$ 117,455	\$ 106,808
Prepaid expenses	<u>15,295</u>	<u>8,310</u>
	132,750	115,118
<b>TANGIBLE CAPITAL ASSETS - note 4</b>	<u>119,546</u>	<u>133,241</u>
	<u>\$ 252,296</u>	<u>\$ 248,359</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Bank overdraft	\$ 36,241	\$ 2,540
Demand loan - note 6	31,819	38,814
Accounts payable and accrued liabilities	53,531	87,466
Government remittances payable	3,027	1,378
Deferred revenue - note 7	31,544	35,090
Current portion of long-term debt	<u>-</u>	<u>3,398</u>
	<u>156,162</u>	<u>168,686</u>
<b>NET ASSETS</b>		
Invested in capital assets - internally restricted	119,546	133,241
Unrestricted net assets (deficiency)	<u>(23,412)</u>	<u>(53,568)</u>
	<u>96,134</u>	<u>79,673</u>
	<u>\$ 252,296</u>	<u>\$ 248,359</u>

Approved by the Board

  
..... Director  
  
..... Director

(See accompanying notes)

Welch LLP

An Independent Member of BKR International

**UNITED CHRISTIAN BROADCASTERS CANADA**  
**STATEMENT OF REVENUE AND EXPENDITURE AND NET ASSETS (DEFICIENCY)**  
**YEAR ENDED DECEMBER 31, 2013**

	2013				2012		
	<u>Belleville</u>	<u>Chatham</u>	<u>Cobourg</u>	<u>Total Operations</u>	<u>Total Capital</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>							
Donations - Word For You Today	97,090	-	-	97,090	-	97,090	81,768
- Fundraising	152,451	120,768	16,673	289,892	-	289,892	334,402
- Other	427,802	145,451	23,775	597,028	-	597,028	544,159
Advertising	221,684	150,944	51,550	424,178	-	424,178	366,187
Programme Revenue	51,622	52,770	4,301	108,693	-	108,693	91,389
Subscriptions & Book Sales	24,130	-	-	24,130	-	24,130	35,875
Special UCBI grant - note 8	8,168	-	-	8,168	-	8,168	13,673
Other	7,666	7,146	54	14,866	-	14,866	5,362
	<u>990,613</u>	<u>477,079</u>	<u>96,353</u>	<u>1,564,045</u>	<u>-</u>	<u>1,564,045</u>	<u>1,472,815</u>
<b>EXPENDITURE</b>							
Advertising and promotion	18,432	16,810	4,037	39,279	-	39,279	24,787
Amortization	-	-	-	-	33,346	33,346	33,107
Bad debts	470	204	-	674	-	674	3,869
Broadcasting fees	24,935	22,560	13,730	61,225	-	61,225	46,484
Donations	1,030	-	1,200	2,230	-	2,230	1,370
Dues, fees and subscriptions	574	1,054	330	1,958	-	1,958	2,125
Equipment maintenance	24,444	12,876	15,938	53,258	-	53,258	42,985
Fundraising	25,008	10,432	1,048	36,488	-	36,488	30,813
General and administrative	14,170	12,090	5,762	32,022	-	32,022	36,756
Insurance	6,607	5,801	3,706	16,114	-	16,114	21,516
Interest and bank charges	9,421	7,455	4,808	21,684	-	21,684	29,321
Miscellaneous	7,649	3,190	2,435	13,274	-	13,274	4,521
Office supplies	3,861	3,394	1,667	8,922	-	8,922	9,763
Professional fees	13,069	3,390	3,082	19,541	-	19,541	22,338
Property taxes	-	-	-	-	-	-	280
Rent	86,208	35,716	8,850	130,774	-	130,774	140,139
Repair and maintenance	1,683	643	777	3,103	-	3,103	5,050
Salaries and wages	375,380	304,519	203,707	883,606	-	883,606	806,205
Talent quest	700	3,381	1,000	5,081	-	5,081	3,000
Telephone and utilities	42,976	29,148	7,804	79,928	-	79,928	81,610
Travel and entertainment	5,753	1,896	781	8,430	-	8,430	9,345
Vehicle expenses	8,886	3,319	4,833	17,038	-	17,038	21,883
Word For You Today	79,609	-	-	79,609	-	79,609	92,434
	<u>750,865</u>	<u>477,878</u>	<u>285,495</u>	<u>1,514,238</u>	<u>33,346</u>	<u>1,547,584</u>	<u>1,469,701</u>
Excess of revenue over expenditure (expenditure over revenue)	239,748	(799)	(189,142)	49,807	(33,346)	16,461	3,114
Transfer between funds	<u>(13,734)</u>	<u>(3,872)</u>	<u>(2,045)</u>	<u>(19,651)</u>	<u>19,651</u>	<u>-</u>	<u>-</u>
	226,014	(4,671)	(191,187)	30,156	(13,695)	16,461	3,114
<b>NET ASSETS (DEFICIENCY), beginning of year</b>	<u>195,592</u>	<u>(185,396)</u>	<u>(63,764)</u>	<u>(53,568)</u>	<u>133,241</u>	<u>79,673</u>	<u>76,559</u>
<b>NET ASSETS (DEFICIENCY), end of year</b>	<u>\$ 421,606</u>	<u>\$ (190,067)</u>	<u>\$ (254,951)</u>	<u>\$ (23,412)</u>	<u>\$ 119,546</u>	<u>\$ 96,134</u>	<u>\$ 79,673</u>

(See accompanying notes)

**Welch LLP**

An Independent Member of BKR International

**UNITED CHRISTIAN BROADCASTERS CANADA**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenditure	\$ 16,461	\$ 3,114
Adjustments for:		
Amortization	<u>33,346</u>	<u>33,107</u>
	49,807	36,221
Change in non-cash working capital components:		
Accounts receivable	(10,647)	(2,180)
Prepaid expenses	(6,985)	6,184
Accounts payable and accrued liabilities	(32,286)	(2,737)
Deferred revenue	<u>(3,546)</u>	<u>1,999</u>
	<u>(3,657)</u>	<u>39,487</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of demand loan	(6,995)	(1,186)
Repayment of long-term debt	<u>(3,398)</u>	<u>(7,414)</u>
	<u>(10,393)</u>	<u>(8,600)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Demand loan proceeds	-	40,000
Capital assets purchased	<u>(19,651)</u>	<u>(47,050)</u>
	<u>(19,651)</u>	<u>(7,050)</u>
<b>INCREASE (DECREASE) IN CASH</b>	(33,701)	23,837
<b>CASH (BANK OVERDRAFT), beginning of year</b>	<u>(2,540)</u>	<u>(26,377)</u>
<b>CASH (BANK OVERDRAFT), end of year</b>	\$ <u>(36,241)</u>	\$ <u>(2,540)</u>

*(See accompanying notes)*

**Welch LLP**

An Independent Member of BKR International

# UNITED CHRISTIAN BROADCASTERS CANADA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

### 1. PURPOSE AND LEGAL FORM OF THE ORGANIZATION

United Christian Broadcasters Canada was incorporated with Letters Patent dated August 17, 2001 under the Canada Corporations Act, as a corporation without share capital.

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. SUMMARY OF 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.

**UNITED CHRISTIAN BROADCASTERS CANADA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

**2. SIGNIFICANT ACCOUNTING POLICIES - continued**

**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 and disclosure of contingent assets and liabilities at the date of the financial statements and the 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 initially measures its financial instruments and financial liabilities at fair value adjusted by transaction costs in the case where a financial asset or liability is subsequently measured at amortized cost. The Corporation subsequently measures all of its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and term deposits.

Financial liabilities measured at amortized cost include trade creditor and accrued liabilities.

**3. FINANCIAL INSTRUMENTS**

**Credit risk**

The Corporation provides credit to its clients in the normal course of operations. Approximately 15% of the current year receivables are from one customer. This receivable has been outstanding for three years and the customer is working with the Corporation to satisfy the obligation. The Corporation carries out, on a continuing basis, credit checks on its clients and a review of outstanding amounts.

**Liquidity risk**

Liquidity risk is the risk that the Corporation cannot meet its debts when they become due. The Corporation's management manages this risk by reviewing its expected future cash flow requirements.

**Other risks**

The Corporation is not exposed to interest, currency, market or other financial risks. There have been no changes in the Corporation's risk exposure from the prior year.



**UNITED CHRISTIAN BROADCASTERS CANADA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

**4. TANGIBLE CAPITAL ASSETS**

Capital assets consist of the following:

	2013			2012
	Cost	Accumulated amortization	Net	Net
Furniture and equipment	\$ 44,824	\$ 37,253	\$ 7,571	\$ 8,889
Vehicle	23,484	17,424	6,060	8,657
Computer equipment	82,710	63,321	19,389	18,917
Digital camera	848	848	-	21
Leasehold equipment	64,175	52,992	11,183	15,976
Radio equipment	101,806	81,210	20,596	15,554
Radio transmitter	<u>233,544</u>	<u>178,797</u>	<u>54,747</u>	<u>65,227</u>
	<u>\$ 551,391</u>	<u>\$ 431,845</u>	<u>\$ 119,546</u>	<u>\$ 133,241</u>

**5. COMMITMENTS**

The Corporation leases a vehicle for \$478 per month until November 2015. A second vehicle is leased for \$312 per month until December 2016. The minimum payments over the next three years are as follows:

2014	\$9,480
2015	\$9,000
2016	\$3,741

Facilities and towers are rented on a monthly basis for \$7,039 with no future commitments.

**6. DEMAND LOAN**

The demand loan is secured by a general security agreement and is repayable at \$798 per month, including principal and interest.

**7. DEFERRED REVENUE**

Deferred revenue consists of prepaid advertising revenue, subscriptions received in advance and an amount due to a related party (United Christian Broadcasters International). The related party deferred revenue amounted to \$NIL (2012 - \$8,167).

UNITED CHRISTIAN BROADCASTERS CANADA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013

**8. RELATED PARTY TRANSACTIONS**

United Christian Broadcasters International provides funding and donations to the Corporation for various reasons and in varying amounts. During 2013, United Christian Broadcasters International donated \$8,168 (2012 - \$13,673).

**9. NON-MONETARY FIGURES**

During the year, the Corporation has entered into non-monetary transactions. Total advertising revenue recognized from non-monetary transactions is \$62,759 (2012 - \$39,490).