
Financial statements of CKUA Radio Foundation

August 31, 2021

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Independent Auditor's Report

To the Board of Directors of
CKUA Radio Foundation

Qualified Opinion

We have audited the financial statements of CKUA Radio Foundation (the "Foundation"), which comprise the statement of financial position as at August 31, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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 Foundation as at August 31, 2021, 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 not-for-profit organizations, the Foundation derives revenue from 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 Foundation and we were not able to determine whether any adjustments might be necessary to recorded donations, the excess of revenues over expenses, and cash flows from operations for the years ended August 31, 2021, current assets as at August 31, 2021, and net assets as at September 1 and August 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended August 31, 2020 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation 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 audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS 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 GAAS, we exercise professional judgment 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 Foundation'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 Foundation'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 Foundation 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.

Deloitte LLP

Chartered Professional Accountants
January 26, 2022

CKUA Radio Foundation
Statement of financial position
As at August 31, 2021

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents		765,318	352,198
Externally restricted cash	3	328,972	253,401
Short term investments	4	889,936	369,075
Accounts receivable		162,407	222,129
Prepaid expenses and deposits		140,818	91,703
		2,287,451	1,288,506
Investments	4	7,581	126,265
Property and equipment	5	15,966,688	16,518,439
Internally restricted cash	3	1,289,706	1,283,128
		19,551,426	19,216,338
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	505,114	447,877
Demand loans	8	5,969,000	5,969,000
		6,474,114	6,416,877
Deferred revenue	9	18,264	51,274
Deferred grant revenue	10	225,050	262,433
Unamortized deferred capital contributions	11	8,354,086	8,588,978
		15,071,514	15,319,562
Commitments	12		
Net assets			
Unrestricted net assets		1,246,604	653,187
Internally restricted net assets - Towers proceeds		1,289,706	1,283,128
Internally restricted net assets		300,000	—
Invested in property and equipment		1,643,602	1,960,461
		4,479,912	3,896,776
		19,551,426	19,216,338

The accompanying notes are an integral part of the financial statements.

On beh:

_____  _____, Chief Executive Officer

_____  _____, Director

CKUA Radio Foundation
Statement of changes in net assets
Year ended August 31, 2021

	Unrestricted	Towers	Internally restricted proceeds	Internally restricted	Property and equipment	2021	2020
	\$		\$	\$	\$	\$	\$
Opening balance	653,187		1,283,128	—	1,960,461	3,896,776	3,820,478
Excess of revenue over expenses	583,136		—	—	—	583,136	76,298
Transfers	(306,578)		6,578	300,000	—	—	—
Investment in property and equipment, net	316,859		—	—	(316,859)	—	—
Fund balances – end of year	1,246,604		1,289,706	300,000	1,643,602	4,479,912	3,896,776

The accompanying notes are an integral part of the financial statements.

CKUA Radio Foundation
Statement of operations
Year ended August 31, 2021

	2021	2020
	\$	\$
Revenue		
Donations	3,974,538	3,398,105
Sponsorships and promotional sales	471,431	483,809
Building rentals including performance space	604,554	738,928
Grant revenue recognized	111,392	311,901
Amortization of deferred capital contributions	363,005	508,594
In-kind sponsorship and donations	8,060	2,210
Tower rentals	116,327	110,041
Other including interest and foreign exchange	19,484	27,996
	5,668,791	5,581,584
Expenses		
Programming	1,041,629	1,233,624
Studio and transmitter technical	947,518	1,062,500
General administration	755,182	842,176
Fundraising	759,939	831,292
Building costs	619,539	554,748
Marketing and community outreach	3,881	24,382
Amortization of contributed property and equipment	363,005	508,595
Amortization of internally funded property and equipment	316,859	156,418
Interest on demand loan - building	265,621	277,161
Sales	4,422	21,180
In-kind goods and services	8,060	2,210
	5,085,655	5,514,286
Excess of revenue over expenses before other items	583,136	67,298
Other items		
Gain on disposal of property and equipment	—	9,000
Excess of revenue over expenses	583,136	76,298

The accompanying notes are an integral part of the financial statements.

CKUA Radio Foundation
Statement of cash flows
Year ended August 31, 2021

	2021	2020
	\$	\$
Operating activities		
Excess of revenue over expenditures	583,136	76,298
Items not affecting cash		
Amortization	679,864	665,013
Amortization of deferred capital contributions	(363,005)	(508,594)
Proceeds on disposal of property and equipment	—	9,000
Gain on disposal of property and equipment	—	(9,000)
	899,995	232,717
Changes in non-cash operating working capital items (1)	(2,549)	(174,345)
	897,446	58,372
Investing activities		
Purchase of investments	(768,000)	(495,340)
Proceeds on sale of investments	365,823	541,785
	(402,177)	46,445
Financing activity		
Net (additions) use of restricted cash	(82,149)	56,990
Net cash inflow	413,120	161,807
Cash, beginning of year	352,198	190,391
Cash, end of year	765,318	352,198
(1) Changes in non-cash operating working capital items		
Accounts receivable	59,722	(38,891)
Prepaid expenses and deposits	(49,115)	6,263
Accounts payable and accrued liabilities	(70,876)	(88,137)
Deferred revenue	(33,010)	(6,575)
Deferred grant revenue	90,730	(47,005)
	(2,549)	(174,345)

The accompanying notes are an integral part of the financial statements.

1. Purpose of the Foundation

CKUA Radio Foundation (the "Foundation") is incorporated provincially under the Societies Act of Alberta. As a registered charity, the Foundation is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Foundation acquired the assets of the CKUA Radio Network from the Alberta Educational Communications Corporation and commenced operations on August 1, 1994. CKUA Radio broadcasts music, arts and culture programs throughout greater Alberta on FM radio and around the world on ckua.com.

2. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Cash and cash equivalents

Cash and restricted cash consist of cash on deposit less cheques issued and outstanding and net of draws on the revolving demand loan.

Restricted cash

Cash subject to either internal or external restrictions that prevent its use for current purposes is included in restricted cash.

Investments

Investments in government securities and corporate bonds are recorded at amortized cost. Equity instruments quoted in an active market are recorded at fair value.

Property and equipment

Purchased property and equipment is recorded at cost less accumulated amortization. Contributed property and equipment is recorded at fair value at the date of contribution; where an appraisal was required at a later date to establish fair value, the assets were recorded at fair value as of the date of appraisal. Where fair value of contributed property and equipment cannot be reasonably determined or the cost to determine fair value would be significant in relation to the fair value of the asset, the asset is included at a nominal value of \$1.

2. Summary of significant accounting policies (continued)

Property and equipment (continued)

Property and equipment is amortized over its estimated useful life at the following rates and methods:

Buildings – CKUA	40 years	Straight-line
Studio and technical equipment	10%	Declining balance
Transmission equipment	20%	Declining balance
	Over the term of the agreement	
Leasehold improvements	outstanding	Straight-line
Office furniture and equipment	20%	Declining balance
Computer equipment	30%	Declining balance
Computer software – major systems	10%	Declining balance
Building – transmitter sites	10%	Declining balance
Automotive	Five years	Straight-line
Website design	Two years	Straight-line

In the year of purchase, amortization on property and equipment is taken at one half of the normal amount.

Impairment of long-lived assets

When conditions indicate that a long-lived asset is impaired, the net carrying amount of the asset shall be written down to its fair value or replacement cost. The write-down of the long-lived assets shall be accounted for as expenses in the statement of operations.

Net assets

Net assets consist of unrestricted net assets, internally restricted net assets, internally restricted net assets – Tower proceeds and invested in property and equipment. Transfers from invested in property and equipment to unrestricted net assets consist of additions funded through operations, depreciation and disposals of assets. Transfers between unrestricted and internally restricted net assets are based on the Foundation’s policy and approved by the Board of Directors (the “Board”).

Internally restricted net assets accounts for internally restricted amounts. The internally restricted amounts are assigned by the Board for specific purposes including the preservation and viability of the Foundation and may be designated to support operations and maintenance or acquisition of capital equipment and facilities. The Board has internally restricted proceeds from sale of towers.

During the year the Board internally restricted \$300,000 for strategic investment purposes. The purpose of the internally restricted funds is as follows:

- Ensure Economic Sustainability – to support the rejuvenation of donor base, major donors, and data enhancement for future fundraising efforts in both donations and sales and sponsorship.
- Ensure Technology Sustainability – to support appropriate technology infrastructure spending for programming, transmission and administration
- Ensure Programming Sustainability – to support changes in programming and platforms that CKUA uses to reach its customers
- Ensure Community Sustainability – to support CKUA support of music arts and culture community

2. Summary of significant accounting policies (continued)

Revenue recognition

The Foundation follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges are not recognized as revenue until received because their ultimate collection cannot be reasonably determined.

Contributions that are externally restricted for purposes other than the purchase of property and equipment are recognized as revenue in the year in which the related expenses are incurred. Contributions that are externally restricted for the purchase of property and equipment are deferred until the amounts are invested in property and equipment. Contributions invested in property and equipment, excluding land, are amortized to revenue on the same basis as the related assets are amortized.

Sponsorship revenue and promotional revenue is recognized over the period that the advertising airs.

Tower revenue is recognized over the term of the rental agreement.

Contributed materials and services

Donated materials and services

Donated materials are reflected in the financial statements at fair value if fair value can be reasonably estimated. Donated services, including volunteer time, are not reflected in the financial statements because of the difficulty in determining their fair value. During the year, approximately 606 hours (3,529 hours in 2020) (hours are unaudited) of volunteer time was donated to the Foundation.

In-kind material and services

The Foundation enters into agreements whereby materials or services are acquired in exchange for advertising. The transactions are recorded at the estimated fair value of the advertising period.

Financial instruments policy

All financial instruments are initially measured at fair value, and, unless otherwise noted, the Foundation subsequently measures its financial instruments at amortized cost.

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates pertain to the physical economic lives of property and equipment, estimated fair value of donated property and equipment and the collectability of accounts receivable and are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

CKUA Radio Foundation
Notes to the financial statements
August 31, 2021

3. Restricted cash

	2021	2020
	\$	\$
Externally restricted cash		
Alberta Gaming and Liquor Commission	9,243	9,243
Community Development Enhancement funding	245,334	244,158
Ignition Grant funding	74,395	—
	328,972	253,401
Internally restricted cash		
Proceeds from the sale of Towers	1,289,706	1,283,128

Included in externally restricted cash are amounts required under funding agreements to be held in separate, interest bearing accounts. Interest earned on unspent funds is similarly restricted under the agreements. During the year, \$1,176 (\$3,285 in 2020) of interest was restricted (Note 10).

4. Investments

	2021	2020
	\$	\$
Guaranteed investment certificate bearing interest at 1.42% maturing on May 5, 2022	118,684	118,684
Guaranteed investment certificates bearing interest at 0.35% and maturing on December 15, 2021	400,000	—
Guaranteed investment certificates bearing interest at 0.4% and maturing on June 30 and July 7, 2022	371,252	—
Guaranteed investment certificates bearing interest at 0.7% and maturing on May 31 and June 5, 2021	—	369,075
Guaranteed investment certificate bearing interest at 1.1% and maturing on October 11, 2022	7,581	7,581
	897,517	495,340
Less short term	889,936	369,075
	7,581	126,265

5. Property and equipment

	Cost \$	Accumulated amortization \$	2021 Net book value \$	2020 Net book value \$
Buildings - CKUA	17,619,533	3,724,883	13,894,650	14,335,260
Land	1,270,800	—	1,270,800	1,270,800
Studio and technical equipment	935,595	531,266	404,329	449,255
Transmission equipment	1,596,525	1,439,676	156,849	219,270
Drumheller - new build	128,113	—	128,113	—
Leasehold improvements	460,942	411,123	49,819	142,008
Office furniture and equipment	405,637	343,509	62,128	77,660
IT equipment	369,240	369,240	—	19,341
Computer software - major systems	333,511	333,511	—	—
Buildings - transmitter sites	86,637	86,637	—	4,845
Automotive	10,637	10,637	—	—
Website design	71,129	71,129	—	—
	23,288,299	7,321,611	15,966,688	16,518,439

6. Endowment fund

In fiscal 2007, the Board approved the establishment of an endowment fund. The CKUA Endowment Fund is a singular entity comprising two separate administrative units administered by The Calgary Foundation ("TCF") and the Edmonton Community Foundation ("ECF").

Under the terms of the agreements with TCF the endowment fund is characterized as a permanent endowment and is recorded in the accounts of the TCF. Accordingly, the endowment assets are not recognized in the financial statements of the Foundation. The CKUA Endowment Fund shall continue indefinitely and shall be on the basis of a perpetual life. As at August 31, 2021, the TCF endowment fund has reached \$208,151 (\$129,627 in 2020).

CKUA is the beneficiary of a number of endowment funds (the "Funds") held by the Edmonton Community Foundation ("ECF") created to provide ongoing, dependable support for CKUA. CKUA currently receives 4% of each Fund value annually. These Fund balances are not reflected in these financial statements. At the most recent year-end of ECF (December 31, 2020), the fair market value of all of these Funds amounted to \$1,844,984 (December 31, 2020) \$1,838,384 (December 31, 2019).

7. Accounts payable

Included in accounts payable are government remittances payable of \$32,467 (\$17,448 in 2020).

8. Demand loans

The revolving demand loan is available to a maximum of \$250,000 (\$250,000 in 2020), is payable on demand and bears annual interest of prime plus 2% (2% in 2020). During the year, the revolving demand loan has not been drawn upon (nil in 2020).

The non-revolving demand loan is available to a maximum of \$5,750,000 (\$5,750,000 in 2020), is payable in full on demand and bears interest at prime plus 2% (2% in 2020). During the year, interest only payments were made on the balance outstanding. As at August 31, 2021, the amount drawn upon was \$5,750,000 (\$5,750,000 in 2020).

8. Demand loans (continued)

The non-revolving loan is available to a maximum of \$250,000 (\$250,000 in 2020), is payable on demand and bears annual interest of prime plus 2% (2% in 2020). As at August 31, 2021, the amount drawn upon was \$219,000 (\$219,000 in 2020).

The credit facilities are secured by a general security agreement, a mortgage in the amount of \$13,850,000 on a first fixed charge on the project lands, general assignment of rents and leases, and assignment or letter of undertaking that any grants from the City of Edmonton or Province of Alberta pertaining to the project are to be used towards the pay down of the loan facilities granted in accordance to the terms of the commitment letter.

9. Deferred revenue

Deferred revenue consists of revenue for sponsorships, promotional sales and building rentals that relate to services to be performed in future periods.

10. Deferred grant revenue

Deferred grant revenue relates to operating funding restricted for future periods or restricted for programing or projects for which expenses have not yet been incurred.

	2021	2020
	\$	\$
Balance, beginning of year	262,433	309,438
Grants received in year	200,946	261,611
Interest restricted	1,176	3,285
Amounts recognized as revenue	(111,392)	(311,901)
Amounts transferred to unamortized deferred capital contributions	(128,113)	—
Balance, end of year	225,050	262,433

11. Unamortized deferred capital contributions

Unamortized deferred capital contributions represent restricted capital funding expanded on property and equipment.

	2021	2020
	\$	\$
Balance, beginning of year	8,588,978	9,097,573
Amortization of deferred capital contributions	(363,005)	(508,595)
Amounts transferred from deferred grant revenue	128,113	—
Balance, end of year	8,354,086	8,588,978

12. Commitments

The Foundation has entered into a premises lease agreement ending September 30, 2026 for the Calgary studio. The minimum payments due under these contracts over the next five years and thereafter are as follows:

	<u>\$</u>
2022	16,830
2023	16,830
2024	16,830
2025	16,830
2026	16,830
Thereafter	<u>1,403</u>

The Foundation has entered into various tower, transmitter and satellite lease agreements which approximate between \$710 and \$33,695 annually and expire between March 2022 and August 2035. The minimum lease payments due under these contracts over the next five years and thereafter are as follows:

	<u>\$</u>
2022	125,590
2023	93,831
2024	92,665
2025	89,616
2026	66,987
Thereafter	<u>102,232</u>

13. Defined contribution pension plan

The Foundation implemented a defined contribution pension plan on December 1, 2003, covering substantially all full-time and part-time employees. Contributions to the plan are based on a mandatory minimum contribution of 2% by participants in which the Foundation contributes a maximum of 3% (3% in 2020) of their annual salary. During the year, the pension expense was \$51,431 (\$54,436 in 2020) and has been recorded as salaries and benefits.

14. Charitable Fund-Raising Act (Alberta)

The following supplementary information is included in the Operating Fund and is disclosed in compliance with the Charitable Fund-raising Act (Alberta) and related regulations:

	\$
Salaries and benefits for fund development and donor relations administrative support	360,475
Other ancillary costs associated with fund-raising and donations	114,874
In-kind goods and services	8,060
	483,409

15. Financial instruments

The Foundation is exposed to various risks through its financial instruments. The following analysis provides information about the Foundation’s risk exposure and concentration as of August 31, 2021. Unless otherwise noted, the Foundation’s risk exposure has not changed from the prior year.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Foundation is exposed to credit risk from customers, and the maximum exposure to this risk is the carrying value of accounts receivable on the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting its financial obligations as they become due. The Foundation’s objective is to have sufficient liquidity to meet liabilities when due. Cash flow from operations provides a substantial portion of the Foundation’s cash requirements, and additional requirements are met with the use of the available credit facilities. As at August 31, 2021, the Foundation’s most significant liabilities are accounts payable and accrued liabilities and demand loans.

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.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the market interest rates. The Foundation is exposed to interest rate risk primarily through its investments in corporate and government bonds and its floating interest rate on revolving line of credit, demand loan and other credit facilities.

16. Government assistance

Management continues to manage the impact of the novel coronavirus ("COVID-19") on the Foundation. The amounts recorded in these financial statements are based on the latest reliable information available to management at the time the financial statements were prepared where that information reflects conditions as at the date of the financial statements. The duration and impact of COVID-19 continues to be unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and conditions of the Foundation in future periods.

During the year ended August 31, 2021, \$29,828 was received from Canada Emergency Wage Subsidy (CEWS). This amount has been included in grant revenue recognized in the statement of operations.

17. Presentation of prior year balances

Certain comparative figures have been reclassified to conform to the current year's presentation.