

RADIO CKUT

Financial Statements

May 31, 2017

RADIO CKUT

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Amstutz Inc.
Comptables Professionnels Agréés

INDEPENDENT AUDITORS' REPORT

To the Members of
RADIO CKUT

We have audited the accompanying financial statements of RADIO CKUT which comprise the balance sheet as at May 31, 2017, and the statements of operations, changes in net assets 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 judgement, 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 audit opinion.

Opinion - In our opinion, the financial statements present fairly, in all material respects, the financial position of RADIO CKUT as at May 31, 2017 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.



By: R. Amstutz, CPA auditor, CA
November 10, 2017
Montreal, Quebec

RADIO CKUT
BALANCE SHEET
as at May 31, 2017

	<u>2 0 1 7</u>	<u>2 0 1 6</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 21,485	\$ 22,806
Short-term investments, at cost	208,168	156,916
Accounts receivable (Note 3)	33,420	33,873
Prepaid expenses	<u>6,259</u>	<u>8,336</u>
	269,332	221,931
 PROPERTY AND EQUIPMENT (Note 4)	 <u>53,224</u>	 <u>61,344</u>
	 \$ <u><u>322,556</u></u>	 \$ <u><u>283,275</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued charges (Note 5)	\$ 18,465	\$ 17,343
Deferred revenues	<u>50,000</u>	<u>18,686</u>
	<u>68,465</u>	<u>36,029</u>
NET ASSETS		
NET ASSETS		
Invested in property and equipment	53,224	61,344
Internally restricted (Note 7)	200,867	185,902
Unrestricted	<u>-</u>	<u>-</u>
	<u>254,091</u>	<u>247,246</u>
	\$ <u><u>322,556</u></u>	\$ <u><u>283,275</u></u>

COMMITMENTS (Note 9)

ON BEHALF OF THE BOARD

.....Director

.....Director

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

RADIO CKUT
STATEMENT OF CHANGES IN NET ASSETS
as at May 31, 2017

				<u>2 0 1 7</u>	<u>2 0 1 6</u>
	<u>Invested in property and equipment</u>	<u>Internally restricted</u>	<u>Un- restricted</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 61,344	\$ 185,902	\$ -	\$ 247,246	\$ 264,936
Excess (deficiency) of revenues over expenses	-	-	6,845	6,845	(17,690)
Amortization	(13,869)	-	13,869	-	-
Acquisition of property and equipment, net	5,749	-	(5,749)	-	-
Internally restricted (Note 7)	<u>-</u>	<u>14,965</u>	<u>(14,965)</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>53,224</u>	\$ <u>200,867</u>	\$ <u>-</u>	\$ <u>254,091</u>	\$ <u>247,246</u>

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

RADIO CKUT
STATEMENT OF OPERATIONS
year ended May 31, 2017

	<u>2 0 1 7</u>	<u>2 0 1 6</u>
REVENUES		
Student fees	\$ 248,096	\$ 234,646
Grants (in kind)	95,136	-
Grants	82,258	57,950
On-Air sales	66,072	57,797
Donations	46,673	39,780
Production and studio rental	11,162	12,717
Sub-carrier rental	10,873	22,052
Promotion	10,257	11,731
Miscellaneous	<u>1,547</u>	<u>1,105</u>
	<u>572,074</u>	<u>437,778</u>
 EXPENSES		
Salaries, commissions and fringe benefits	300,132	271,043
Advertising (in kind)	95,136	-
Office rent	48,250	47,250
Rentals	44,993	43,936
General office	16,505	22,013
Amortization	13,869	14,217
Script and royalties	8,615	7,558
Fundraising and promotion	7,870	5,483
Telecommunications	7,108	7,618
Bad debts	5,410	12,999
Transmission equipment maintenance	4,156	2,144
Contract services	3,968	5,168
Bank and administration charges	2,640	2,635
Professional fees	2,525	2,475
Insurance	2,474	7,303
Sub-carrier expense	1,524	1,524
Miscellaneous	<u>54</u>	<u>2,102</u>
	<u>565,229</u>	<u>455,468</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ <u>6,845</u>	\$ <u>(17,690)</u>

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

RADIO CKUT
STATEMENT OF CASH FLOWS
year ended May 31, 2017

	<u>2 0 1 7</u>	<u>2 0 1 6</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 6,845	\$ (17,690)
Items not affecting cash		
Amortization	<u>13,869</u>	<u>14,217</u>
	20,714	(3,473)
Changes in non cash operating working capital		
Accounts receivable	453	4,898
Prepaid expenses	2,077	5,358
Accounts payable and accrued charges	1,122	(4,465)
Deferred revenues	<u>31,314</u>	<u>17,486</u>
	<u>55,680</u>	<u>19,804</u>
INVESTING ACTIVITIES		
(Increase) decrease in short-term investments	(51,252)	1,157
Acquisition of property and equipment	<u>(5,749)</u>	<u>(16,346)</u>
	<u>(57,001)</u>	<u>(15,189)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,321)	4,615
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>22,806</u>	<u>18,191</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u><u>21,485</u></u>	\$ <u><u>22,806</u></u>

Cash and cash equivalents are comprised of cash.

The accompanying notes form an integral part of the financial statements

RADIO CKUT
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2017

1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The organization was incorporated under Part II of the Canada Corporations Act and is a non-profit organization under the Income Tax Act.

Radio CKUT is a campus-community radio station based at McGill University and provides a great variety of music, news and spoken word programming to the city of Montreal and surrounding areas, 24 hours a day, 365 days a year. The Station operates under license from the Canadian Radio-television and Telecommunications Commission.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Accounting estimates

The preparation of financial statements in conformity with Canadian accounting standards requires management to make estimates and assumptions that affect the reported amount 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 expenses during the reporting period. Actual results may differ from these estimates.

Revenue recognition

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

Cash and cash equivalents

The organization's policy is to disclose cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition.

Property and equipment

Property and equipment are stated at cost. Amortization is calculated to amortize the cost of the assets less their residual values over their estimated useful lives, using the following methods and rates:

Production studio equipment	10-20% declining-balance
Transmission equipment	15 years straight-line
Mobile unit equipment	20% declining-balance
Office equipment	10-20% declining-balance
Computer equipment and web site	20% declining-balance
Leasehold improvements	10% declining-balance
Archive and server equipment	10-20% declining-balance
Alarm system	20% declining-balance

RADIO CKUT
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services

Volunteers contribute about 45,000 hours per year to assist Radio CKUT in carrying out its activities. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Financial instruments

The organization initially measures its financial assets and financial liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued charges and deferred revenues.

3. ACCOUNTS RECEIVABLE	<u>2 0 1 7</u>	<u>2 0 1 6</u>
Accounts receivable	\$ 16,883	\$ 22,847
Grants receivable	14,418	10,357
Sales taxes receivable	-	294
Miscellaneous	<u>2,119</u>	<u>375</u>
	<u>\$ 33,420</u>	<u>\$ 33,873</u>

4. PROPERTY AND EQUIPMENT			<u>2 0 1 7</u>	<u>2 0 1 6</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Production studio equipment	\$ 183,959	\$ 159,270	\$ 24,689	\$ 26,812
Transmission equipment	141,136	137,337	3,799	5,653
Mobile unit equipment	15,005	12,755	2,250	2,190
Office equipment	30,123	27,555	2,568	2,935
Computer equipment	72,290	63,134	9,156	9,834
Web site	26,519	20,023	6,496	9,180
Leasehold improvements	31,473	30,679	794	882
Archive and server equipment	5,343	1,871	3,472	3,858
Alarm system	<u>4,493</u>	<u>4,493</u>	<u>-</u>	<u>-</u>
	<u>\$ 510,341</u>	<u>\$ 457,117</u>	<u>\$ 53,224</u>	<u>\$ 61,344</u>

Amortization provided for in the current period totalled \$13,869 (2016 - \$14,217).

RADIO CKUT
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2017

5.	ACCOUNTS PAYABLE AND ACCRUED CHARGES	<u>2 0 1 7</u>	<u>2 0 1 6</u>
	Accrued charges	\$ 1,509	\$ 4,143
	Salaries payable	9,720	13,200
	Government remittances	<u>7,236</u>	<u>-</u>
		\$ <u>18,465</u>	\$ <u>17,343</u>

6. LINES OF CREDIT

The organization has the use of credit facilities on credit cards totalling \$20,500 of which \$19,000 bears interest at the rate of 11.2% per annum and \$1,500 bears interest at the rate of 19.9% per annum.

7. INTERNALLY RESTRICTED NET ASSETS

The board of directors passed a resolution in May 1991 whereby any excess of revenues over expenses would be restricted to investment in property and equipment.

8. FINANCIAL INSTRUMENTS

Risks and concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the balance sheet date, i.e. May 31, 2017.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable and accrued charges and its deferred revenues.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to its accounts receivable.

RADIO CKUT
NOTES TO THE FINANCIAL STATEMENTS
May 31, 2017

9. COMMITMENTS

The organization is committed to pay rent under the following lease agreements:

Office premises - the lease for office premises is for a term of 5 years expiring May 31, 2022. The minimum lease payments for the next five years are as follows: 2018 - \$ 49,697; 2019 - \$ 51,188; 2020 - \$ 52,724; 2021 - \$ 54,305 and 2022 - \$ 55,934.

Broadcast tower - the lease for the broadcast tower is for a term of 9 years expiring December 31, 2017 with an annual rent of \$17,000 starting September 1, 2008 and operating costs of \$6,198 starting January 1, 2008, both subject to annual adjustments.

Transmitter - the term of the lease for the transmitter remains in effect for a period expiring December 31, 2017 with a 5 year renewal option. The minimum annual lease payments are \$17,216.

10. REFERENDUM

A referendum to fund Radio CKUT operations shall be conducted at least once every five years. The next referendum is due in 2021. In the event that Radio CKUT were to lose a referendum, student fees would immediately cease to be collected and transferred to the station. Should a referendum fail, Radio CKUT would need to immediately implement an austerity plan which would involve staffing cuts, seek new quarters to house the station as the current premises are leased from McGill, renegotiate the CRTC license assuming community affiliation only, and seek other sources of funding to replace some/all of what would be lost.