

**RADIO CKUT**

**Financial Statements**

**May 31, 2019**

**RADIO CKUT**

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**Amstutz Inc.**  
**Comptables Professionnels Agréés**

INDEPENDENT AUDITORS' REPORT

To the Members of  
RADIO CKUT

**Opinion** - We have audited the financial statements of RADIO CKUT (the Entity), which comprise the balance sheet as at May 31, 2019, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at May 31, 2019, 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.

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Entity 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Entity'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 Entity'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 Entity 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.



By R. Amstutz, CPA auditor, CA  
September 25, 2019  
Montreal, Quebec  
Permit No: A105202

RADIO CKUT  
BALANCE SHEET  
as at May 31, 2019

	<u>2 0 1 9</u>	<u>2 0 1 8</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 52,840	\$ 21,964
Short-term investments, at cost	208,052	235,324
Accounts receivable (Note 3)	29,836	35,040
Prepaid expenses	<u>7,890</u>	<u>8,100</u>
	298,618	300,428
<b>PROPERTY AND EQUIPMENT (Note 4)</b>	<u>43,238</u>	<u>47,588</u>
	<u>\$ 341,856</u>	<u>\$ 348,016</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued charges (Note 5)	\$ 61,341	\$ 32,490
Deferred revenues	<u>10,000</u>	<u>56,430</u>
	<u>71,341</u>	<u>88,920</u>
<b>NET ASSETS</b>		
<b>NET ASSETS</b>		
Invested in property and equipment	43,238	47,588
Internally restricted (Note 7)	227,277	211,508
Unrestricted	<u>-</u>	<u>-</u>
	<u>270,515</u>	<u>259,096</u>
	<u>\$ 341,856</u>	<u>\$ 348,016</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, 2019

				<u>2 0 1 9</u>	<u>2 0 1 8</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	\$ 47,588	\$ 211,508	\$ -	\$ 259,096	\$ 254,091
Excess of revenues over expenses	-	-	11,419	11,419	5,005
Amortization	(9,227)	-	9,227	-	-
Acquisition of property and equipment, net	4,877	-	(4,877)	-	-
Internally restricted (Note 7)	<u>-</u>	<u>15,769</u>	<u>(15,769)</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>43,238</u>	\$ <u>227,277</u>	\$ <u>-</u>	\$ <u>270,515</u>	\$ <u>259,096</u>

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

RADIO CKUT  
STATEMENT OF OPERATIONS  
year ended May 31, 2019

	<u>2 0 1 9</u>	<u>2 0 1 8</u>
<b>REVENUES</b>		
Student fees	\$ 259,894	\$ 254,423
Grants	90,838	52,366
On-Air sales	54,415	62,230
Donations	44,677	48,426
Grants (in kind)	20,196	75,105
Promotion	11,424	11,351
Production and studio rental	5,750	10,300
Sub-carrier rental	5,132	12,874
Miscellaneous	<u>3,031</u>	<u>2,259</u>
	<u>495,357</u>	<u>529,334</u>
<b>EXPENSES</b>		
Salaries, commissions and fringe benefits	290,966	277,418
Office rent	52,390	48,250
Rentals	47,966	47,501
Advertising (in kind)	20,196	75,105
General office	16,311	17,731
Amortization	9,227	14,945
Telecommunications	8,327	7,462
Sub-carrier expense	8,187	6,502
Script and royalties	8,033	6,820
Fundraising and promotion	5,997	6,487
Contract services	4,274	4,110
Professional fees	2,625	2,575
Insurance	2,539	2,487
Bad debts	2,473	55
Transmission equipment maintenance	2,190	3,664
Bank and administration charges	1,874	2,769
Miscellaneous	<u>363</u>	<u>448</u>
	<u>483,938</u>	<u>524,329</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ <u>11,419</u></b>	<b>\$ <u>5,005</u></b>

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

RADIO CKUT  
STATEMENT OF CASH FLOWS  
year ended May 31, 2019

	<u>2 0 1 9</u>	<u>2 0 1 8</u>
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 11,419	\$ 5,005
Items not affecting cash		
Amortization	<u>9,227</u>	<u>14,945</u>
	20,646	19,950
Changes in non cash operating working capital		
Accounts receivable	5,204	(1,620)
Prepaid expenses	210	(1,841)
Accounts payable and accrued charges	28,851	14,025
Deferred revenues	<u>(46,430)</u>	<u>6,430</u>
	<u>8,481</u>	<u>36,944</u>
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in short-term investments	27,272	(27,156)
Acquisition of property and equipment	<u>(4,877)</u>	<u>(9,309)</u>
	<u>22,395</u>	<u>(36,465)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	30,876	479
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>21,964</u>	<u>21,485</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ <u><u>52,840</u></u>	\$ <u><u>21,964</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, 2019

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, 2019**

**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.

<b>3. ACCOUNTS RECEIVABLE</b>	<u>2 0 1 9</u>	<u>2 0 1 8</u>
Accounts receivable	\$ 20,283	\$ 18,880
Grants receivable	9,284	13,775
Sales taxes receivable	-	847
Miscellaneous	<u>269</u>	<u>1,538</u>
	<u>\$ 29,836</u>	<u>\$ 35,040</u>

<b>4. PROPERTY AND EQUIPMENT</b>			<u>2 0 1 9</u>	<u>2 0 1 8</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Production studio equipment	\$ 187,819	\$ 164,125	\$ 23,694	\$ 22,220
Transmission equipment	148,291	143,418	4,873	7,312
Mobile unit equipment	15,611	13,614	1,997	1,800
Office equipment	30,123	28,597	1,526	2,055
Computer equipment	74,646	67,213	7,433	8,881
Web site	26,519	26,519	-	1,192
Leasehold improvements	31,473	30,759	714	794
Archive and server equipment	5,552	2,551	3,001	3,334
Alarm system	<u>4,493</u>	<u>4,493</u>	<u>-</u>	<u>-</u>
	<u>\$ 524,527</u>	<u>\$ 481,289</u>	<u>\$ 43,238</u>	<u>\$ 47,588</u>

Amortization provided for in the current period totalled \$9,227 (2018 - \$14,945).

RADIO CKUT  
NOTES TO THE FINANCIAL STATEMENTS  
May 31, 2019

5.	ACCOUNTS PAYABLE AND ACCRUED CHARGES	<u>2 0 1 9</u>	<u>2 0 1 8</u>
	Accrued charges	\$ 41,321	\$ 23,018
	Salaries payable	11,605	9,472
	Government remittances	8,123	-
	Sales taxes payable	<u>292</u>	<u>-</u>
		\$ <u>61,341</u>	\$ <u>32,490</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 12.45% 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, 2019.

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.

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, 2019

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 three years are as follows: 2020 - \$52,724; 2021 - \$54,305 and 2022 - \$55,934.

Broadcast tower - the lease for the broadcast tower is for a term of 5 years expiring December 31, 2022 with an annual rent of \$21,108 and operating costs of \$8,760 starting January 1, 2018, both subject to annual adjustments.

Transmitter - the term of the lease for the transmitter remains in effect for a period expiring December 31, 2022 with a 5 year renewal option. The minimum annual lease payments are \$20,556.

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.