

**BROADCASTING ACCESSIBILITY
FUND (BAF), INC.**

Financial Statements

Year ended December 31, 2017

Draft for Discussion Purposes Only

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

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December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Broadcasting Accessibility Fund (BAF), Inc.

We have audited the accompanying financial statements of Broadcasting Accessibility Fund (BAF), Inc., which comprise the statement of financial position as at December 31, 2017, and the statements of changes in net assets, operations 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 our 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, we consider internal control relevant to the Fund'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 Fund'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 Broadcasting Accessibility Fund (BAF), Inc. as at December 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.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
Date to be determined

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Statement of Financial Position****December 31, 2017**

	2017	2016
Assets		
Current		
Cash	\$ 1,723,575	\$ 1,977,866
Short-term investments (Note 3)	2,639,750	1,958,076
Prepaid expenditures	-	3,359
Current portion of Astral funding receivable (Note 6)	88,571	88,571
	4,451,896	4,027,872
Investments (Note 4)	-	1,117,684
Website (Note 5)	-	9,200
Astral funding receivable (Note 6)	177,145	265,716
	\$ 4,629,041	\$ 5,420,472
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 13,760	\$ 16,164
Grants payable (Note 7)	624,417	856,664
	638,177	872,828
Grants payable (Note 7)	75,742	-
Astral deferred contribution (Note 6)	306,593	306,593
	1,020,512	1,179,421
Net assets	\$ 3,608,529	\$ 4,241,051
Net assets represented by		
Unrestricted surplus fund	3,608,529	4,231,851
Website fund	-	9,200
	\$ 3,608,529	\$ 4,241,051

Approved on behalf of the Board:

Director_____
Director

Draft Dated: April 4, 2018

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Statement of Changes in Net Assets

Year ended December 31, 2017

	Unrestricted surplus fund	Website fund	Total 2017	Total 2016
Balance, beginning of year				
As previously reported	\$ 4,231,851	\$ 9,200	\$ 4,241,051	\$ 4,700,218
Prior period adjustment (Note 8)	-	-	-	92,612
As restated	4,231,851	9,200	4,241,051	4,792,830
Excess of expenditures over revenue	(623,322)	(9,200)	(632,522)	(551,779)
Balance, end of year	\$ 3,608,529	\$ -	\$ 3,608,529	\$ 4,241,051

Draft Dated: April 4, 2018

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Statement of Operations**

Year ended December 31, 2017

	2017	2016
Revenue		
Interest income	\$ 58,633	\$ 88,092
Realized and unrealized gains on investments (Note 9)	42,339	48,890
Dividends and other investment income	29,563	7,306
Funding (Note 6)	-	197,642
Gain on foreign exchange	-	7,892
	<u>130,535</u>	<u>349,822</u>
Expenditures		
Grants	514,880	663,596
Salaries and related benefits (Note 10)	159,364	156,380
Investment management fees	24,817	11,392
Professional fees	20,047	28,610
Translation and interpretation fees	11,457	8,671
Board meetings	10,502	8,120
Amortization	9,200	9,201
Telephone and website	4,701	5,172
Insurance	3,243	3,513
Accounting fees	2,412	4,767
Board honorariums (Note 10)	2,037	1,980
Office	397	199
	<u>763,057</u>	<u>901,601</u>
Excess of expenditures over revenue	<u>\$ (632,522)</u>	<u>\$ (551,779)</u>

Draft Dated: April 4, 2018

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Statement of Cash Flows**

Year ended December 31, 2017

	2017	2016
Cash provided by (used in)		
Operating activities		
Excess of expenditures over revenue	\$ (632,522)	\$ (551,779)
Amortization	9,200	9,201
Unrealized and unrealized gain on investments	(42,339)	(48,890)
	(665,661)	(591,468)
Changes in		
Prepaid expenditures	3,359	(2,854)
Accounts payable and accrued liabilities	(2,404)	1,240
Grants payable	(156,505)	208,786
	(821,211)	(384,296)
Financing activities		
Astral deferred contribution	-	(197,642)
Investing activities		
Purchase of investments	(1,173,506)	(1,104,987)
Proceeds on sale of investments	1,651,855	1,417,678
Astral funding receivable	88,571	88,571
	566,920	401,262
Change in cash position	(254,291)	(180,676)
Cash, beginning of year	1,977,866	2,158,542
Cash, end of year	\$ 1,723,575	\$ 1,977,866

Draft Dated: April 4, 2018

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Notes to Financial Statements

Year ended December 31, 2017

1. Nature of operations

Broadcasting Accessibility Fund (BAF), Inc. ("Fund") was incorporated under the Canada Not-For-Profit Corporations Act on October 10, 2012 and is a not-for-profit organization that is exempt from income taxes under the Income Tax Act.

The Fund was formed to:

- a) act as an independent and impartial funding body to support and fund innovative projects that provide platform-neutral solutions to promote accessibility of all broadcasting content in Canada;
- b) fund only projects that are incremental to the existing regulatory obligations of the broadcasting industry in Canada;
- c) fund projects which provide practical solutions that tangibly increase accessibility in broadcasting and which, whenever possible, make use of inclusive design principles to promote accessibility at the earliest stages and in the most cost-effective manner for new technologies and applications in Canada;
- d) retain an independent Funding Officer who shall be responsible for the day-to-day operations of the Fund subject to the overriding authority of the Board of Directors of the Fund;
- e) provide efficient and accessible service in English and French and make available in both official languages the Fund's documents necessary for potential applicants, including policies, funding criteria and annual reports; and
- f) do all things which are in furtherance of the foregoing.

2. Summary of significant accounting policies

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the year. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the Statement of Operations in the year in which they become known.

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Notes to Financial Statements

Year ended December 31, 2017

2. Summary of significant accounting policies - cont'd

Fund accounting

The accounts of the Fund are maintained in accordance with the principles of fund accounting and accordingly the resources are classified for accounting and reporting purposes into funds determined by the purpose for which those funds are held as follows:

Unrestricted surplus fund - This fund includes unrestricted revenue sources received from funders and investment income and day-to-day operating expenditures.

Website fund - This fund includes any additions or disposals of website assets, net of amortization.

Investments

Investments are recorded at fair value. Fair values are referenced to published price quotations in an active market at year-end.

Transaction costs associated with the acquisition of investments are capitalized and included in the acquisition costs. Investment fees are expensed when incurred.

Website

Expenditures related to website development are recorded at cost. Amortization is recorded straight-line over a three year period.

Grants payable

Grants payable is recognized on signing of the grant application contract as it is this event that creates the obligation and the related expenditure is incurred.

Deferred contributions

Amounts received by the Fund from the Astral merger is restricted for use in French language projects. As this amount represents an externally restricted contribution it has been recorded as deferred revenue and will be recognized as revenue in the Statement of Operations in the years the related expenditures are incurred.

Revenue recognition

Revenue from unrestricted funding contributions are recognized as revenue of the unrestricted fund when received. Restricted funding contributions are recognized as deferred revenue and will be recognized as revenue in the Statement of Operations in the year the related expenditures are incurred.

Interest income, realized investment gains and losses, dividend and other investment income are recognized in the year they are earned. Unrealized gains and losses on investments are recognized at year-end based on the fair market value of the investments held.

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Notes to Financial Statements

Year ended December 31, 2017

2. Summary of significant accounting policies - cont'd

Financial instruments

The Fund initially measures its financial assets and liabilities at fair value.

The Fund subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the Statement of Operations.

Financial assets measured at amortized cost include cash and Astral funding receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and grants payable.

Foreign exchange

The Fund's foreign currency operations are translated using the current rate method. Under this method, foreign denominated monetary assets and liabilities are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Revenue and expenditures are translated at the rates of exchange in effect at their transaction dates. Exchange gains or losses arising on the translation are included in the Statement of Operations reported as either the gain or loss on foreign exchange or as the corresponding investment revenue.

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Notes to Financial Statements

Year ended December 31, 2017

3. Short-term investments

	Maturity date	Effective interest rate	2017	2016
Fixed income	N/A	N/A	\$ 583,773	\$ 301,018
Equity	N/A	N/A	946,053	548,828
BNS deposit note	Aug. 13, 2018	2.75%	508,514	-
RBC-GIC	Nov.28, 2018	2.60%	601,410	-
CIBC deposit Note	Matured in 2017	2.35%	-	506,982
National Bank of Canada - GIC	Matured in 2017	2.30%	-	601,248
			\$ 2,639,750	\$ 1,958,076

The cost of fixed income and equity instruments are \$596,763 and \$816,629, respectively. The cost of the GICs and deposit note approximately equals their fair market value.

4. Investments

Description	Maturity date	Effective interest rate	2017	2016
BNS deposit note	Aug. 13, 2018	2.75%	\$ -	\$ 519,674
RBC - GIC	Nov. 28, 2018	2.60%	-	601,410
			\$ -	\$ 1,117,684

5. Website

	2017		2016	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Website	\$ 27,602	\$ 27,602	\$ -	\$ 9,200

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Notes to Financial Statements

Year ended December 31, 2017

6. Astral funding receivable and deferred contribution

In the 2014 fiscal year, the Fund was the recipient of funding from the Astral Merger with BCE, in the amount of \$620,000 which will be paid to the Fund in equal installments of \$88,571 which commenced in 2014. This funding has been externally restricted for use in French language projects and has been deferred until the related qualifying expenditure is incurred. In the current year, \$Nil (2016 - \$197,642) was recognized as revenue in Statement of Operations.

7. Grants payable

	2017	2016
Total grant payable	\$ 700,159	\$ 856,664
Less current portion	(624,417)	(856,664)
	\$ 75,742	\$ -

Expected repayments are as follows:

2018	\$ 624,417
2019	75,742
	\$ 700,159

8. Prior period adjustment

During 2016, the financial statements had been adjusted due to an accounting error which understated revenue. The adjustment has resulted in an increase in revenue during the fiscal 2015 year of \$92,612, an increase in unrestricted surplus and a decrease of total liabilities of \$92,612 as at December 31, 2015.

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Notes to Financial Statements

Year ended December 31, 2017

9. Gains (losses) on investments

	2017	2016
Unrealized gains on investments	\$ 22,828	\$ 53,286
Realized gains (losses) on sale and maturity of investments	19,511	(4,396)
	<u>\$ 42,339</u>	<u>\$ 48,890</u>

10. Established expenditure thresholds and related party transactions

The Fund was initiated as a result of Broadcasting Regulatory Policy CRTC 2012-430. In that policy and in the Fund's by-laws based on that policy, administrative expenditures are limited to 5.00% of total contributions received by the Fund and Board expenditures are limited to 1.00% of annual capital (exclusive of the costs of accommodating Directors with disabilities). In the current and prior year, the Fund's administrative and Board expenditures were within the established expenditure thresholds.

During the current year, the Fund paid to Board members \$13,640 (2016 - \$8,420) for services provided to the Fund. These transactions are recorded at the exchange amount which is the amount agreed to by the related parties.

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Notes to Financial Statements

Year ended December 31, 2017

11. Financial instruments

Market risk:

The Fund mitigates its credit and market risk and volatility through its investment policy which limits the type of investments it can invest in to Federal and Provincial government securities and utilities, banking institutions bankers acceptance, guaranteed investments certificates and term deposit receipts with chartered banks and a one-time approval of investing in a limited amount of fixed income and equity securities.

Interest rate risk

The Fund manages its interest rate price risk by restricting the type of investments and varying the terms to maturity and issuers of investments. Varying the terms to maturity reduces the sensitivity of the portfolio to the impact of interest rate fluctuations.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. In the opinion of management the credit risk exposure to the Fund is low and is not material.

Foreign currency risk

Currency risk is the risk to the Fund's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Fund does not use derivative instruments to reduce its exposure to foreign currency risk.

	\$US	\$CAD
Cash	\$ 1,104	\$ 1,384
Short-term investments	316,885	397,532

12. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's financial statement presentation.