

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

Financial Statements

Year ended December 31, 2016

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

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December 31, 2016

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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, 2016, 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, 2016, 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.

Adams & Miles LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 5, 2017

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Statement of Financial Position****December 31, 2016**

	2016	2015
Assets		
Current		
Cash	\$ 1,977,866	\$ 2,158,542
Short-term investments (Note 3)	1,958,076	1,106,477
Prepaid expenditures	3,359	505
Current portion of Astral funding receivable (Note 6)	88,571	88,571
	4,027,872	3,354,095
Investments (Note 4)	1,117,684	2,233,084
Website (Note 5)	9,200	18,401
Astral funding receivable (Note 6)	265,716	354,287
	5,420,472	5,959,867
Liabilities		
Current		
Accounts payable and accrued liabilities	16,164	14,924
Grants payable	856,664	515,277
	872,828	530,201
Grants payable	-	132,601
Astral deferred contribution (Note 6)	306,593	504,235
	1,179,421	1,167,037
Net assets	\$ 4,241,051	\$ 4,792,830
Net assets represented by		
Unrestricted surplus fund	4,231,851	4,774,429
Website fund	9,200	18,401
	\$ 4,241,051	\$ 4,792,830

Approved on behalf of the Board:

Director

Director

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Statement of Changes in Net Assets****Year ended December 31, 2016**

	Unrestricted surplus fund	Website fund	Total 2016	Total 2015
Balance, beginning of year				
As previously reported	\$ 4,681,817	\$ 18,401	\$ 4,700,218	\$ 5,536,833
Prior period adjustment (Note 7)	92,612	-	92,612	-
As restated	4,774,429	18,401	4,792,830	5,536,833
Excess of expenditures over revenue	(542,578)	(9,201)	(551,779)	(744,003)
Balance, end of year	\$ 4,231,851	\$ 9,200	\$ 4,241,051	\$ 4,792,830

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Statement of Operations****Year ended December 31, 2016**

	2016	2015
Revenue		
Funding (Note 6)	\$ 197,642	\$ 115,765
Interest income	88,092	102,650
Realized and unrealized gains on investments (Note 8)	55,771	6,735
Other investment income	7,306	-
Gain on foreign exchange	1,012	-
	349,823	225,150
Expenditures		
Grants	663,596	744,072
Salaries and related benefits	156,380	153,396
Professional fees	28,610	23,951
Investment management fees	11,392	-
Amortization	9,201	9,201
Translation and interpretation fees	8,671	9,726
Board meetings	8,121	6,304
Telephone and website	5,172	7,211
Accounting fees	4,767	4,916
Insurance	3,513	3,423
Board honorariums	1,980	6,470
Office	199	483
	901,602	969,153
Excess of expenditures over revenue	\$ (551,779)	\$ (744,003)

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Statement of Cash Flows****Year ended December 31, 2016**

	2016	2015
Cash provided by (used in)		
Operating activities		
Excess of expenditures over revenue	\$ (551,779)	\$ (744,003)
Amortization	9,201	9,201
Unrealized (loss) gain on investments	60,167	(6,735)
	(482,411)	(741,537)
Changes in		
Prepaid expenditures	(2,854)	6,224
Accounts payable and accrued liabilities	1,240	(8,376)
Grants payable	208,786	647,878
	(275,239)	(95,811)
Financing activities		
Astral deferred contribution	(197,642)	(115,765)
Investing activities		
Investments, net	203,634	1,104,288
Astral funding receivable	88,571	88,571
	292,205	1,192,859
Change in cash position	(180,676)	981,283
Cash, beginning of year	2,158,542	1,177,259
Cash, end of year	\$ 1,977,866	\$ 2,158,542

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Notes to Financial Statements

Year ended December 31, 2016

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, 2016

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.

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

Interest income, realized investment gains and losses 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.

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.

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Notes to Financial Statements****Year ended December 31, 2016****3. Short-term investments**

	Maturity date	Effective interest rate	2016	2015
CIBC- Deposit Note	Oct. 18, 2017	2.35%	\$ 506,982	\$ -
National Bank of Canada GIC	Nov. 28, 2017	2.30%	601,248	-
Fixed income			301,018	-
Equity			548,828	-
BMO GIC	Nov.28.2016	2.01%	-	601,090
BNS deposit note	Nov. 08, 2016	2.10%	-	505,387
			\$ 1,958,076	\$ 1,106,477

4. Investments

Description	Maturity date	Effective interest rate	2016	2015
BNS deposit note	Aug. 13, 2018	2.75%	\$ 516,274	\$ 519,674
RBC - GIC	Nov. 28, 2018	2.60%	601,410	601,410
			\$ 1,117,684	\$ 2,233,084

Interest rate price 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 and 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.

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Notes to Financial Statements****Year ended December 31, 2016****5. Website**

	2016		2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Website	\$ 27,602	\$ 18,402	\$ 9,200	\$ 18,401

6. Astral funding receivable and deferred contribution

During the prior 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, \$197,642 (2015 - \$115,765) was recognized as revenue in Statement of Operations.

7. Prior period adjustment

The prior year's financial statements have 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.

8. Gains (losses) on investments

	2016	2015
Unrealized gains on investments	\$ 60,167	\$ 6,735
Realized losses on sale/maturity of investments	(4,396)	-
	\$ 55,771	\$ 6,735

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Notes to Financial Statements

Year ended December 31, 2016

9. Established expenditure thresholds

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.

10. Financial instruments

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 equivalent
Cash	\$ 23,030	\$ 30,922
Short-term investments	140,591	188,772