

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

Financial Statements

Year ended December 31, 2022

Draft for Discussion Purposes Only

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Index to Financial Statements

December 31, 2022

	PAGE
INDEPENDENT AUDITOR'S REPORT.....	1 - 2
STATEMENT OF FINANCIAL POSITION.....	3
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS.....	4
STATEMENT OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS.....	6 - 11

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Broadcasting Accessibility Fund (BAF), Inc. (the "Fund"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and changes in net assets and statement of 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 Fund as at December 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 Fund 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 opinion.

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which indicates that the Fund's continued existence is dependent upon the additional funding to be distributed as a result of the Broadcasting decision CRTC 2022-76. Our opinion is not modified in respect of this matter.

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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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:

INDEPENDENT AUDITOR'S REPORT - cont'd

- ♦ 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 Fund'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 Fund'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 Fund 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.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
Date to be determined

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Statement of Financial Position****December 31, 2022**

	2022	2021
Assets		
Current		
Cash	\$ 293,316	\$ 183,497
Investments (Note 4)	647,660	1,623,865
Investment income receivable	-	2,608
	940,976	1,809,970
Liabilities		
Current		
Accounts payable and accrued liabilities	13,981	5,909
Grants payable (Note 5)	591,296	741,855
	605,277	747,764
Grants payable (Note 5)	84,987	53,762
	690,264	801,526
Net assets	\$ 250,712	\$ 1,008,444
Net assets represented by		
Unrestricted surplus fund	\$ 250,712	\$ 1,008,444

Approved on behalf of the Board:

Director_____
Director

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Statement of Operations and Changes in Net Assets****Year ended December 31, 2022**

	2022	2021
Revenue		
Dividends and other investment income	\$ 22,770	\$ 43,043
Interest income	4,430	94
Realized and unrealized gains (losses) on investments (Note 6)	(124,538)	73,507
	(97,338)	116,644
Expenditures		
Grants (Note 7)	342,491	379,176
Salaries and benefits	235,476	228,429
Office and website	37,978	12,126
Professional fees	12,995	13,563
Investment management fees	12,510	23,577
Translation and interpretation fees	8,003	6,205
Insurance	4,662	4,054
Board honorariums (Note 7)	4,598	4,506
Accounting fees	1,681	1,837
	660,394	673,473
Excess of expenditures over revenue	(757,732)	(556,829)
Net assets, beginning of year	1,008,444	1,565,273
Net assets, end of year	\$ 250,712	\$ 1,008,444

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Statement of Cash Flows****Year ended December 31, 2022**

	2022	2021
Cash provided by (used in)		
Operating activities		
Excess of expenditures over revenue	\$ (757,732)	\$ (556,829)
Losses (gains) on investments	124,538	(73,507)
	(633,194)	(630,336)
Changes in		
Investment income receivable	2,608	1,804
Prepaid expenditures	-	802
Accounts payable and accrued liabilities	8,072	(1,298)
Grants payable	(119,334)	(172,502)
	(741,848)	(801,530)
Investing activities		
Purchase of investments	(419,736)	(100,249)
Proceeds on sale of investments	1,271,403	894,537
	851,667	794,288
Change in cash position	109,819	(7,242)
Cash, beginning of year	183,497	190,739
Cash, end of year	\$ 293,316	\$ 183,497

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Notes to Financial Statements

Year ended December 31, 2022

1. Nature of operations

Broadcasting Accessibility Fund (BAF), Inc. (the "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. Going concern

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations on the assumption that the Fund is a going concern. Under the going concern assumption, the Fund is viewed as being able to realize assets and discharge liabilities in the normal course of operations.

The Fund's continued existence is dependent upon the additional funding to be distributed as a result of the Broadcasting decision CRTC 2022-76.

These conditions indicate the existence of material uncertainties that may cast significant doubt about the Fund's ability to continue as a going concern. These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Fund was unable to continue as a going concern.

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Notes to Financial Statements

Year ended December 31, 2022

3. Summary of significant accounting policies

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires the Fund's management and Directors to make estimates and assumptions that affect the reported amount of assets, liabilities, the 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 and assumptions are reviewed periodically, and adjustments are reported in the Statement of Operations and Changes in Net Assets in the year in which they become known. Significant accounting policies are as follows:

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 and investment fees are expensed when incurred.

Grants payable

Grants payable are recognized on signing of the grant application contract as it is this event that creates the obligation. The grants payable is based on approved contract letters. While contract payments made may be lower due to non-completion or performance, the difference between actual amounts paid and the agreements are not material and will be reflected in the Statement of Operations in the year that it is known. Any expenditure over the approved amount is the responsibility of the grant recipients.

Revenue recognition

The Fund follows the deferral method of accounting for externally restricted contributions. Externally restricted 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. Revenue from unrestricted funding contributions are recognized as revenue of the unrestricted fund when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Dividends, other investment income and interest income is recognized in the year it is earned. Realized investment gains and losses are recognized in the year the sale occurs. 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, 2022

3. Summary of significant accounting policies - cont'd

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 Statement of Financial Position 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. The Fund's foreign currency transactions are related to investments denominated in the US currency (Note 8).

Financial instruments

The Fund initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amounts as appropriate.

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

Financial assets measured at amortized cost on a straight line basis include cash and investment income receivable.

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

4. Investments

	2022	2021
Fixed income pooled funds and money market funds (Note 8)	\$ 428,017	\$ 1,228,191
Equity (Note 8)	219,643	395,674
	<u>\$ 647,660</u>	<u>\$ 1,623,865</u>

The costs of fixed income and equity instruments are \$428,017 (2021 - \$1,242,986) and \$206,495 (2021 - \$298,673), respectively.

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Notes to Financial Statements****Year ended December 31, 2022****5. Grants payable**

	2022	2021
Grants payable	\$ 676,283	\$ 795,617
Less current portion	(591,296)	(741,855)
	<u>\$ 84,987</u>	<u>\$ 53,762</u>

Expected repayments are as follows:

2023	\$ 591,296
2024	84,987
	<u>676,283</u>

6. Realized and unrealized gains (losses) on investments

	2022	2021
Unrealized losses on investments	\$ (59,908)	\$ (1,151)
Realized gains (losses) on sale of investments	(64,630)	74,658
	<u>\$ (124,538)</u>	<u>\$ 73,507</u>

7. 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 \$13,751 (2021 - \$12,652) for services provided to the Fund. These transactions were recorded in grants and board honorariums expenditures. 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, 2022

8. Financial instruments

(a) Foreign exchange 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. As at December 31, 2022, the Fund had the following assets denominated in the US currency and translated to Canadian dollars at the year-end exchange rate:

	USD	CAD
Cash	\$ 759	\$ 1,028
Investments - fixed income pooled funds and money market funds	18,166	24,605
Investments - equity	101,898	138,010

(b) Market risk

The Fund mitigates its market and other price risks 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.

(c) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Fund is exposed to credit risk from cash and investments. The Fund places its cash and investments with high credit quality institutions and believes its exposure to credit risk is not significant.

(d) Interest rate risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund manages this risk by restricting the type of investments, which are fixed income pooled funds and money market funds.

(e) Liquidity risk

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

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Notes to Financial Statements

Year ended December 31, 2022

9. Subsequent event and economic dependency

Subsequent to the year-end, the Fund was approved for funding as a result of the Broadcasting decision CRTC 2022-76. A portion of this funding is to be distributed and received in the next fiscal year. The Fund is economically dependent on this funding.

Draft for Discussion Purposes Only