

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Financial Statements

Year ended December 31, 2019

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

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December 31, 2019

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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., which comprise the statement of financial position as at December 31, 2019, and the statements of changes in net assets, operations 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 Fund as at December 31, 2019, 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 (ASNPO).

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.

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 ASNPO, 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:

- ◆ 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.

INDEPENDENT AUDITOR'S REPORT

- ♦ 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.

Adams & Miles LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 17, 2020

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Statement of Financial Position****December 31, 2019**

	2019	2018
Assets		
Current		
Cash	\$ 1,024,458	\$ 1,661,134
Investments (Note 3)	2,181,460	1,890,593
Prepaid expenditures	-	2,973
Current portion of Astral funding receivable (Note 4)	88,571	88,571
	3,294,489	3,643,271
Astral funding receivable (Note 4)	-	88,573
	\$ 3,294,489	\$ 3,731,844
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 4,703	\$ 4,520
Grants payable (Note 5)	916,111	531,731
	920,814	536,251
Grants payable (Note 5)	171,578	230,883
Astral deferred contribution (Note 4)	12,015	253,459
	1,104,407	1,020,593
Net assets	\$ 2,190,082	\$ 2,711,251
Net assets represented by		
Unrestricted surplus	\$ 2,190,082	\$ 2,711,251

Approved on behalf of the Board:

Director_____
Director

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Statement of Changes in Net Assets

Year ended December 31, 2019

	Total 2019	Total 2018
Balance, beginning of year	\$ 2,711,251	\$ 3,608,529
Excess of expenditures over revenue	(521,169)	(897,278)
Balance, end of year	\$ 2,190,082	\$ 2,711,251

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Statement of Operations****Year ended December 31, 2019**

	2019	2018
Revenue		
Funding (Note 4)	\$ 241,444	\$ 53,134
Realized and unrealized gains (losses) on investments (Note 6)	198,724	(77,620)
Interest income	40,232	50,146
Dividends and other investment income	21,101	22,864
Gain on foreign exchange	-	4,067
	501,501	52,591
Expenditures		
Grants (Note 7)	726,549	669,101
Salaries, contractors and related benefits	195,550	185,883
Investment management fees	38,231	35,053
Translation and interpretation fees	12,526	19,705
Professional fees	12,311	12,322
Board meetings	10,661	10,363
Office and website	10,241	8,251
Board honorariums (Note 7)	6,372	4,285
Advertising and promotion	5,650	-
Insurance	2,973	3,243
Accounting fees	1,606	1,663
	1,022,670	949,869
Excess of expenditures over revenue	\$ (521,169)	\$ (897,278)

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Statement of Cash Flows****Year ended December 31, 2019**

	2019	2018
Cash provided by (used in)		
Operating activities		
Excess of expenditures over revenue	\$ (521,169)	\$ (897,278)
Loss (gain) on investments	(198,724)	77,620
	(719,893)	(819,658)
Changes in		
Prepaid expenditures	2,973	(2,973)
Accounts payable and accrued liabilities	183	2,877
Grants payable	325,075	50,336
Astral funding receivable	88,573	88,572
Astral deferred contribution	(241,444)	(53,134)
	(544,533)	(733,980)
Investing activities		
Purchase of investments	(1,227,864)	(1,609,917)
Proceeds on sale of investments	1,135,721	2,281,456
	(92,143)	671,539
Change in cash position	(636,676)	(62,441)
Cash, beginning of year	1,661,134	1,723,575
Cash, end of year	\$ 1,024,458	\$ 1,661,134

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Notes to Financial Statements

Year ended December 31, 2019

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. Significant estimates include grants payable. 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, 2019

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.

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 are based on estimated expenditures according to the grant application contract. The actual expenditures may differ from the amounts as stated in the contract; any difference between actual and estimated amounts will be reflected in the Statement of Operations in the year that it is known.

Deferred contributions

Amounts received by the Fund from the Astral merger are 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 year(s) the related expenditures are incurred.

Revenue recognition

The Fund follows the deferral method of accounting for externally restricted contributions.

Revenue from unrestricted funding contributions are recognized as revenue of the unrestricted fund when received. 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.

Interest income, dividend and other investment income is recognized in the year it is earned. Realized investment gains and losses is 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, 2019

2. Summary of significant accounting policies - cont'd

Revenue recognition - 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 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.

Financial instruments

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 Astral funding receivable.

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

3. Investments

	2019	2018
Fixed income	\$ 1,543,403	\$ 774,847
Equity	638,057	1,115,746
	<u>\$ 2,181,460</u>	<u>\$ 1,890,593</u>

The cost of fixed income and equity instruments are \$1,543,703 (2018 - \$780,129) and \$524,059 (2018 - \$1,140,971), respectively.

4. Astral funding receivable and deferred contribution

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Notes to Financial Statements

Year ended December 31, 2019

4. Astral funding receivable and deferred contribution - cont'd

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 with the last payment to be received in fiscal year 2020. This funding has been externally restricted for use in French language projects and has been deferred until the related qualifying expenditures are incurred. In the current year, \$241,444 (2018 - \$53,134) was recognized as funding revenue in Statement of Operations. As at December 31, 2019, the remaining balance of deferred contributions was \$12,015 (2018 - \$253,459).

BROADCASTING ACCESSIBILITY FUND (BAF), INC.**Notes to Financial Statements****Year ended December 31, 2019****5. Grants payable**

	2019	2018
Total grant payable	\$ 1,087,689	\$ 762,614
Less current portion	(916,111)	(531,731)
	<u>\$ 171,578</u>	<u>\$ 230,883</u>

Expected repayments are as follows:

2020	\$ 916,111
2021	171,578
	<u>1,087,689</u>

6. Gains (losses) on investments

	2019	2018
Unrealized gains (losses) on investments	\$ 112,769	\$ (101,142)
Realized gains on sale and maturity of investments	85,955	23,522
	<u>\$ 198,724</u>	<u>\$ (77,620)</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 \$17,032 (2018 - \$14,648) 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, 2019

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.

	USD	CAD
Cash	\$ 51,860	\$ 67,340
Investments	205,632	267,075

(b) 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.

(c) 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.

(d) 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.

9. Comparative amounts

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

BROADCASTING ACCESSIBILITY FUND (BAF), INC.

Notes to Financial Statements

Year ended December 31, 2019

10. Subsequent event

Subsequent to the year-end, economic uncertainties have arisen as a result of the COVID-19 coronavirus pandemic. The spread of this virus has caused business disruptions. The related financial impact and duration of this disruption cannot be reasonably estimated at this time.