Financial statements of
CKUA Radio Foundation

August 31, 2022

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Independent Auditor's Report

To the Board of Directors of
CKUA Radio Foundation

Qualified Opinion

We have audited the financial statements of CKUA Radio Foundation (the "Foundation"), which comprise the statement of financial position as at August 31, 2022, 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 (collectively referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at August 31, 2022, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to recorded donations, the excess of revenues over expenses, and cash flows from operations for the years ended August 31, 2022, current assets as at August 31, 2022, and net assets as at September 1 and August 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended August 31, 2022 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Foundation 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 qualified 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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 GAAS 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 GAAS, 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 Foundation'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 Foundation'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 Foundation 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.

Deloitte LLP

Chartered Professional Accountants
December 15, 2022

CKUA Radio Foundation
Statement of financial position
As at August 31, 2022

	Notes	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents		**750,263**	765,318
Externally restricted cash	3	**499,911**	328,972
Short term investments	4	**722,359**	889,936
Accounts receivable		**340,954**	162,407
Prepaid expenses and deposits		**150,137**	140,818
		2,463,624	2,287,451
Investments	4	**119,134**	7,581
Property and equipment	5	**15,622,403**	15,966,688
Internally restricted cash	3	**1,300,173**	1,289,706
		19,505,334	19,551,426
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	**517,332**	505,114
Demand loans	8	**5,969,000**	5,969,000
		6,486,332	6,474,114
Deferred revenue	9	**17,604**	18,264
Deferred grant revenue	10	**295,497**	225,050
Unamortized deferred capital contributions	11	**8,276,108**	8,354,086
		15,075,541	15,071,514
Commitments	12		
Net assets			
Unrestricted net assets		**1,452,325**	1,246,604
Internally restricted net assets - Towers proceeds		**1,300,173**	1,289,706
Internally restricted net assets		**300,000**	300,000
Invested in property and equipment		**1,377,295**	1,643,602
		4,429,793	4,479,912
		19,505,334	19,551,426

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

On behalf of the Board

______________________________, Chief Executive Officer

______________________________, Director

CKUA Radio Foundation

Statement of changes in net assets

Year ended August 31, 2022

	Unrestricted	Internally restricted Towers proceeds	Internally restricted	Property and equipment	2022	2021
	$	$	$	$	$	$
Opening balance	**1,246,604**	**1,289,706**	**300,000**	**1,643,602**	**4,479,912**	3,896,776
(Deficiency) excess of revenue over expenses	**(50,119)**	**—**	**—**	**—**	**(50,119)**	583,136
Transfers	**(10,467)**	**10,467**	**—**	**—**	**—**	—
Investment in property and equipment, net	**266,307**	**—**	**—**	**(266,307)**	**—**	—
Fund balances – end of year	**1,452,325**	**1,300,173**	**300,000**	**1,377,295**	**4,429,793**	4,479,912

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

CKUA Radio Foundation
Statement of operations
Year ended August 31, 2022

	2022	2021
	$	$
Revenue		
Donations	**3,694,464**	3,974,538
Building rentals	**625,733**	604,554
Sponsorships and promotional sales	**522,957**	471,431
Amortization of deferred capital contributions	**331,497**	363,005
Raffle	**243,370**	—
Grant revenue recognized	**241,912**	111,392
Tower rentals	**112,592**	116,327
Other including interest and foreign exchange	**12,920**	19,484
In-kind sponsorship and donations	**2,210**	8,060
	5,787,655	5,668,791
Expenses		
Programming	**1,404,081**	1,034,558
Studio and transmitter technical	**965,064**	945,072
General administration	**780,440**	625,598
Fundraising	**702,435**	521,899
Building costs	**522,447**	619,539
Marketing, sales and community outreach	**437,606**	385,443
Amortization of contributed property and equipment	**331,497**	363,005
Amortization of internally funded property and equipment	**266,307**	316,859
Interest on demand loan - building	**299,595**	265,621
Raffle	**148,081**	—
In-kind goods and services	**2,210**	8,060
	5,859,763	5,085,655
(Deficiency) excess of revenue over expenses before other items	**(72,108)**	583,136
Proceeds from insurance settlement	**21,989**	—
	(50,119)	583,136

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

CKUA Radio Foundation
Statement of cash flows
Year ended August 31, 2022

	2022	2021
	$	$
Operating activities		
(Deficiency) excess of revenue over expenditures	**(50,119)**	583,136
Items not affecting cash		
Amortization	**597,804**	679,864
Amortization of deferred capital contributions	**(331,497)**	(363,005)
	216,188	899,995
Changes in non-cash operating working capital items (1)	**147,658**	125,564
	363,846	1,025,559
Investing activities		
Purchase of investments	**—**	(768,000)
Proceeds on sale of investments	**56,024**	365,823
Purchase of property and equipment	**(253,519)**	(128,113)
	(197,495)	(530,290)
Financing activity		
Net additions of restricted cash	**(181,406)**	(82,149)
Net cash (outflow) inflow	**(15,055)**	413,120
Cash, beginning of year	**765,318**	352,198
Cash, end of year	**750,263**	765,318
(1) Changes in non-cash operating working capital items		
Accounts receivable	**(178,547)**	59,722
Prepaid expenses and deposits	**(9,319)**	(49,115)
Accounts payable and accrued liabilities	**12,218**	(70,876)
Deferred revenue	**(660)**	(33,010)
Deferred grant revenue	**70,447**	90,730
Deferred unamortized capital contributions	**253,519**	128,113
	147,658	125,564

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

1. Purpose of the Foundation

CKUA Radio Foundation (the "Foundation") is incorporated provincially under the Societies Act of Alberta. As a registered charity, the Foundation is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Foundation acquired the assets of the CKUA Radio Network from the Alberta Educational Communications Corporation and commenced operations on August 1, 1994. CKUA Radio broadcasts music, arts and culture programs throughout greater Alberta on FM radio and around the world on ckua.com.

2. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Cash and cash equivalents

Cash and restricted cash consist of cash on deposit less cheques issued and outstanding and net of draws on the revolving demand loan.

Restricted cash

Cash subject to either internal or external restrictions that prevent its use for current purposes is included in restricted cash.

Investments

Investments in government securities and corporate bonds are recorded at amortized cost. Equity instruments quoted in an active market are recorded at fair value.

Property and equipment

Purchased property and equipment is recorded at cost less accumulated amortization. Contributed property and equipment is recorded at fair value at the date of contribution; where an appraisal was required at a later date to establish fair value, the assets were recorded at fair value as of the date of appraisal. Where fair value of contributed property and equipment cannot be reasonably determined or the cost to determine fair value would be significant in relation to the fair value of the asset, the asset is included at a nominal value of $1.

2. Summary of significant accounting policies (continued)

Property and equipment (continued)

Property and equipment is amortized over its estimated useful life at the following rates and methods:

Buildings – CKUA	40 years	Straight-line
Studio and technical equipment	10%	Declining balance
Transmission equipment	20%	Declining balance
Leasehold improvements	Over the term of the agreement outstanding	Straight-line
Office furniture and equipment	20%	Declining balance
IT equipment	30%	Declining balance
Computer software – major systems	10%	Declining balance
Building – transmitter sites	10%	Declining balance
Automotive	Five years	Straight-line
Website design	Two years	Straight-line
On-demand platform	Two years	Straight-line

In the year of purchase, amortization on property and equipment is taken at one half of the normal amount.

Impairment of long-lived assets

When conditions indicate that a long-lived asset is impaired, the net carrying amount of the asset shall be written down to its fair value or replacement cost. The write-down of the long-lived assets shall be accounted for as expenses in the statement of operations.

Net assets

Net assets consist of unrestricted net assets, internally restricted net assets, internally restricted net assets – Tower proceeds and invested in property and equipment. Transfers from invested in property and equipment to unrestricted net assets consist of additions funded through operations, depreciation and disposals of assets. Transfers between unrestricted and internally restricted net assets are based on the Foundation’s policy and approved by the Board of Directors (the “Board”).

Internally restricted net assets accounts for internally restricted amounts. The internally restricted amounts are assigned by the Board for specific purposes including the preservation and viability of the Foundation and may be designated to support operations and maintenance or acquisition of capital equipment and facilities. The Board has internally restricted proceeds from sale of towers.

2. Summary of significant accounting policies (continued)

Net assets (continued)

In 2022 no additional assets were internally restricted by the Board (2021 - $300,000). The purpose of the internally restricted funds are as follows:

- Ensure Economic Sustainability – to support the rejuvenation of donor base, major donors, and data enhancement for future fundraising efforts in both donations and sales and sponsorship.
- Ensure Technology Sustainability – to support appropriate technology infrastructure spending for programming, transmission and administration
- Ensure Programming Sustainability – to support changes in programming and platforms that CKUA uses to reach its customers
- Ensure Community Sustainability – to support CKUA support of music arts and culture community

Revenue recognition

The Foundation follows the deferral method of accounting for contributions.

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. Pledges are not recognized as revenue until received because their ultimate collection cannot be reasonably determined.

Contributions that are externally restricted for purposes other than the purchase of property and equipment are recognized as revenue in the year in which the related expenses are incurred. Contributions that are externally restricted for the purchase of property and equipment are deferred until the amounts are invested in property and equipment. Contributions invested in property and equipment, excluding land, are amortized to revenue on the same basis as the related assets are amortized.

Sponsorship revenue and promotional revenue is recognized over the period that the advertising airs.

Tower revenue is recognized over the term of the rental agreement.

Raffle revenue is recognized over the period that the contest runs.

Contributed materials and services

Donated materials and services

Donated materials are reflected in the financial statements at fair value if fair value can be reasonably estimated. Donated services, including volunteer time, are not reflected in the financial statements because of the difficulty in determining their fair value. During the year, approximately 890 hours (606 hours in 2021) (hours are unaudited) of volunteer time was donated to the Foundation.

In-kind material and services

The Foundation enters into agreements whereby materials or services are acquired in exchange for advertising. The transactions are recorded at the estimated fair value of the advertising period.

2. Summary of significant accounting policies (continued)

Financial instruments policy

All financial instruments are initially measured at fair value, and, unless otherwise noted, the Foundation subsequently measures its financial instruments at amortized cost.

Measurement uncertainty

The preparation of financial statements in conformity 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates pertain to the physical economic lives of property and equipment, estimated fair value of donated property and equipment and the collectability of accounts receivable and are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. Restricted cash

	2022	2021
	$	$
Externally restricted cash		
Alberta Gaming and Liquor Commission	**3,969**	9,243
Community Development Enhancement funding	**249,788**	245,334
Government of Alberta three year operating grant	**171,149**	—
Canadian Heritage Performance Space Enhancement	**75,005**	—
Ignition Grant funding	**—**	74,395
	499,911	328,972
Internally restricted cash		
Proceeds from the sale of towers	**1,300,173**	1,289,706

Included in externally restricted cash are amounts required under funding agreements to be held in separate, interest bearing accounts. Interest earned on unspent funds is similarly restricted under the agreements. During the year, $722 ($1,176 in 2021) of interest was restricted (Note 10).

4. Investments

	2022	2021
	$	$
Guaranteed investment certificate bearing interest at 1.10% and maturing on October 11, 2022	**7,581**	7,581
Guaranteed investment certificates bearing interest at 0.35% and maturing on December 15, 2022	**400,000**	400,000
Guaranteed investment certificates bearing interest at 3.50% and maturing on July 31, 2023	**314,778**	371,252
Guaranteed investment certificate bearing interest at 1.10% maturing on May 6, 2024	**119,134**	118,684
	841,493	897,517
Less short term	**722,359**	889,936
	119,134	7,581

5. Property and equipment

	Cost $	Accumulated amortization $	2022 Net book value $	2021 Net book value $
Buildings - CKUA	**17,621,329**	**4,165,372**	**13,455,957**	13,894,650
Land	**1,270,800**	**—**	**1,270,800**	1,270,800
Studio and technical equipment	**935,595**	**571,698**	**363,897**	404,329
Transmission equipment	**1,686,573**	**1,480,052**	**206,521**	156,849
On-demand platform	**149,792**	**—**	**149,792**	—
Drumheller - new build	**131,616**	**13,162**	**118,454**	128,113
Office furniture and equipment	**408,751**	**356,245**	**52,506**	62,128
Leasehold improvements	**460,942**	**460,942**	**—**	49,819
IT equipment	**374,506**	**370,030**	**4,476**	—
Computer software - major systems	**333,511**	**333,511**	**—**	—
Buildings - transmitter sites	**86,637**	**86,637**	**—**	—
Automotive	**10,637**	**10,637**	**—**	—
Website design	**71,129**	**71,129**	**—**	—
	23,541,818	**7,919,415**	**15,622,403**	15,966,688

6. Endowment fund

In fiscal 2007, the Board approved the establishment of an endowment fund. The CKUA Endowment Fund is a singular entity comprising two separate administrative units administered by The Calgary Foundation ("TCF") and the Edmonton Community Foundation ("ECF").

Under the terms of the agreements with TCF the endowment fund is characterized as a permanent endowment and is recorded in the accounts of the TCF. Accordingly, the endowment assets are not recognized in the financial statements of the Foundation. The CKUA Endowment Fund shall continue indefinitely and shall be on the basis of a perpetual life. As at August 31, 2022, the TCF endowment fund has reached $196,090 ($208,151 in 2021).

CKUA is the beneficiary of a number of endowment funds (the "Funds") held by the Edmonton Community Foundation ("ECF") created to provide ongoing, dependable support for CKUA. CKUA currently receives 4% of each Fund value annually. These Fund balances are not reflected in these financial statements. At the most recent year-end of ECF which is December 31, 2021, the fair market value of all of these Funds amounted to $2,042,227 ($1,844,984 as of December 31, 2020).

7. Accounts payable

Included in accounts payable are government remittances payable of $1,889 ($32,467 in 2021).

8. Demand loans

The revolving demand loan is available to a maximum of $250,000 ($250,000 in 2021), is payable on demand and bears annual interest of prime plus 2% (2% in 2021). During the year, the revolving demand loan has not been drawn upon (nil in 2020).

The non-revolving demand loan is available to a maximum of $5,750,000 ($5,750,000 in 2021), is payable in full on demand and bears interest at prime plus 2% (2% in 2021). During the year, interest only payments were made on the balance outstanding. As at August 31, 2022, the amount drawn upon was $5,750,000 ($5,750,000 in 2021).

The credit facilities are secured by a general security agreement, a mortgage in the amount of $13,850,000 on a first fixed charge on the project lands, general assignment of rents and leases, and assignment or letter of undertaking that any grants from the City of Edmonton or Province of Alberta pertaining to the project are to be used towards the pay down of the loan facilities granted in accordance to the terms of the commitment letter.

9. Deferred revenue

Deferred revenue consists of deposits for first and last month's rent from building tenants.

10. Deferred grant revenue

Deferred grant revenue relates to operating funding restricted for future periods or restricted for programing or projects for which expenses have not yet been incurred.

	2022	2021
	$	$
Balance, beginning of year	**225,050**	262,433
Grants received in year	**410,120**	200,946
Interest restricted	**722**	1,176
Amounts recognized as revenue	**(86,876)**	(111,392)
Amounts transferred to unamortized deferred capital contributions	**(253,519)**	(128,113)
Balance, end of year	**295,497**	225,050

11. Unamortized deferred capital contributions

Unamortized deferred capital contributions represent restricted capital funding expanded on property and equipment.

	2022	2021
	$	$
Balance, beginning of year	**8,354,086**	8,588,978
Amortization of deferred capital contributions	**(331,497)**	(363,005)
Amounts transferred from deferred grant revenue	**253,519**	128,113
Balance, end of year	**8,276,108**	8,354,086

12. Commitments

The Foundation has entered into a premises lease agreement ending September 30, 2026 for the Calgary studio. The minimum payments due under these contracts over the next five years and thereafter are as follows:

	$
2023	16,830
2024	16,830
2025	16,830
2026	16,830
2027	1,403
Thereafter	—

The Foundation has entered into various tower, transmitter and satellite lease agreements which approximate between $710 and $33,695 annually and expire between March 2023 and August 2035. The minimum lease payments due under these contracts over the next five years and thereafter are as follows:

	$
2023	79,881
2024	77,249
2025	79,106
2026	77,220
2027	79,076
Thereafter	67,996

13. Defined contribution pension plan

The Foundation implemented a defined contribution pension plan on December 1, 2003, covering substantially all full-time and part-time employees. Contributions to the plan are based on a mandatory minimum contribution of 2% by participants in which the Foundation contributes a maximum of 3% (3% in 2021) of their annual salary. During the year, the pension expense was $59,737 ($51,431 in 2021) and has been recorded as salaries and benefits.

14. Charitable Fund-Raising Act (Alberta)

The following supplementary information is included in the Operating Fund and is disclosed in compliance with the Charitable Fund-raising Act (Alberta) and related regulations:

	$
Salaries and benefits for fund development and donor relations administrative support	466,370
Other ancillary costs associated with fund-raising and donations	236,065
	702,435

Fundraising was previously presented on a departmental basis. Fundraising costs are now being presented as a cost center basis. As such, all costs associated with fundraising have been reported in the fundraising category regardless of the department. The net allocation to the fundraising cost line from all other departments amounts to $35,534. The majority of this cost is salaries and benefits, and the allocations are based on estimated time spent on major fundraising activities. Other costs allocated are $86,223 of processing fees for donations.

15. Financial instruments

The Foundation is exposed to various risks through its financial instruments. The following analysis provides information about the Foundation's risk exposure and concentration as of August 31, 2022. Unless otherwise noted, the Foundation's risk exposure has not changed from the prior year.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Foundation is exposed to credit risk from customers, and the maximum exposure to this risk is the carrying value of accounts receivable on the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting its financial obligations as they become due. The Foundation's objective is to have sufficient liquidity to meet liabilities when due. Cash flow from operations provides a substantial portion of the Foundation's cash requirements, and additional requirements are met with the use of the available credit facilities. As at August 31, 2022, the Foundation's most significant liabilities are accounts payable and accrued liabilities and demand loans.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the market interest rates. The Foundation is exposed to interest rate risk primarily through its investments in corporate and government bonds and its floating interest rate on revolving line of credit, demand loan and other credit facilities.

16. Government assistance

During the year ended August 31, 2022, nil ($29,828 in 2021) was received from Canada Emergency Wage Subsidy (CEWS). This amount has been included in grant revenue recognized in the statement of operations.

17. Presentation of prior year balances

Certain comparative figures have been reclassified to conform to the current year's presentation.