



Financial Statements

Crossroads Christian Communications Inc.

August 31, 2023

# Contents

	<b>Page</b>
Independent auditor's report	1 - 2
Statement of financial position	3
Statement of operations	4
Statement of changes in fund balances	5
Statement of cash flows	6
Notes to the financial statements	7 - 14

# Independent Auditor's Report

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To the Members of  
Crossroads Christian Communications Inc.

## Opinion

We have audited the accompanying financial statements of Crossroads Christian Communications Inc., ("Crossroads"), which comprise the statement of financial position as at August 31, 2023, and the statements of operations, changes in fund balances 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 financial statements present fairly, in all material respects, the financial position of Crossroads as at August 31, 2023, 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 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 Crossroads 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 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.

In preparing the financial statements, management is responsible for assessing Crossroads' 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 Crossroads or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Crossroads' 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.
- 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 Crossroads' 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 Crossroad'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 Crossroads 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Toronto, Canada  
December 7, 2023

Chartered Professional Accountants  
Licensed Public Accountants

# Crossroads Christian Communications Inc.

## Statement of financial position

August 31

2023

2022

### Assets

#### Current

Cash	\$ 7,705,743	\$ 2,970,464
Accounts receivable and other assets	340,618	336,945
Short-term investments (Note 3)	165,397	269,085
Mortgage receivable (Note 5)	<u>6,992</u>	<u>19,162</u>

**8,218,750**      3,595,656

Investments held for endowment fund	76,580	73,290
Mortgage receivable (Note 5)	-	1,306
Capital assets (Note 6)	<u>1,926,404</u>	<u>2,758,196</u>

**\$ 10,221,734**      **\$ 6,428,448**

### Liabilities

#### Current

Accounts payable and accrued liabilities (Note 13)	\$ 484,519	\$ 732,541
Deferred contributions (Note 9)	465,343	-
Due to related parties (Note 4)	313,508	712,398
Current portion of capital lease obligation (Note 7)	42,931	41,626
Current portion of deferred capital contributions (Note 8)	<u>203,586</u>	<u>340,260</u>

**1,509,887**      1,826,825

Capital lease obligation (Note 7)	12,963	57,516
Deferred capital contributions (Note 8)	130,481	332,254
Trusts payable (Note 10)	<u>759,200</u>	<u>809,300</u>

**2,412,531**      3,025,895

### Fund balances

Capital and Operating Fund - Unrestricted	7,224,879	2,831,786
Externally Restricted Funds (Note 11)	534,324	520,767
Endowment Fund	<u>50,000</u>	<u>50,000</u>

**7,809,203**      3,402,553

**\$ 10,221,734**      **\$ 6,428,448**

Commitments (Note 12)

On behalf of the Board of Directors



Director

Stevan Novoselac



Director

Arnold Small

See accompanying notes to the financial statements.

# Crossroads Christian Communications Inc.

## Statement of operations

Year ended August 31

	Capital and Operating Fund	Externally Restricted Funds	2023 Total	2022 Total
		(Note 11)		
Revenue				
Contributions				
General	\$ 17,017,999	\$ -	\$ 17,017,999	\$ 12,289,869
Designated contributions				
Mission Funds	-	1,204,134	1,204,134	1,623,546
Debt Retirement Fund	-	50,100	50,100	28,100
Canada emergency wage subsidy	-	-	-	79,931
Other income	1,196,079	20,484	1,216,563	1,097,750
	<u>18,214,078</u>	<u>1,274,718</u>	<u>19,488,796</u>	<u>15,119,196</u>
Expenses				
Remuneration of personnel	7,839,012	255,271	8,094,283	7,633,097
Airtime and production costs	1,986,692	-	1,986,692	1,882,034
Rent, utilities and other				
occupancy costs	1,862,292	-	1,862,292	1,814,304
Administrative costs	497,489	2,335	499,824	374,540
Correspondence and distribution				
costs	459,425	-	459,425	556,744
Fundraising and promotion	205,330	-	205,330	167,755
Interest and bank charges	167,496	9,690	177,186	159,733
Other missions and programs	1,616	954,209	955,825	1,459,345
	<u>13,019,352</u>	<u>1,221,505</u>	<u>14,240,857</u>	<u>14,047,552</u>
Excess of revenue over expenses before undernoted items	5,194,726	53,213	5,247,939	1,071,644
Amortization	(844,537)	-	(844,537)	(903,363)
Loss on disposal/sale of capital assets	(42)	-	(42)	(345)
Unrealized gain (loss) on investments held for endowment	3,290	-	3,290	(7,010)
Excess of revenue over expenses for the year	<u>\$ 4,353,437</u>	<u>\$ 53,213</u>	<u>\$ 4,406,650</u>	<u>\$ 160,926</u>

See accompanying notes to the financial statements.

**Crossroads Christian Communications Inc.**  
**Statement of changes in fund balances**

Year ended August 31

	Capital and Operating Fund	Externally Restricted Funds (Note 11)	Endowment Fund	<b>2023 Total</b>	2022 Total
Fund balances, beginning of year	\$ 2,831,786	\$ 520,767	\$ 50,000	<b>\$ 3,402,553</b>	\$ 3,241,627
Excess of revenue over expenses for the year	4,353,437	53,213	-	<b>4,406,650</b>	160,926
Interfund transfers (Note 11)	<u>39,656</u>	<u>(39,656)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 7,224,879</u>	<u>\$ 534,324</u>	<u>\$ 50,000</u>	<u><b>\$ 7,809,203</b></u>	<u>\$ 3,402,553</u>

See accompanying notes to the financial statements.

# Crossroads Christian Communications Inc.

## Statement of cash flows

Year ended August 31

2023

2022

Increase (decrease) in cash

### Operating activities

Excess of revenue over expenses for the year	\$ 4,406,650	\$ 160,926
Items not affecting cash:		
Amortization	844,537	903,363
Loss on disposal/sale of capital assets	42	345
Unrealized (gain) loss on investments held for endowment	(3,290)	7,010
Trust funds recognized as income	(50,100)	(338,100)
Amortization of deferred capital contributions (Note 8)	<u>(338,447)</u>	<u>(339,652)</u>
	4,859,392	393,892
Change in non-cash working capital items		
Accounts receivable and other assets	(3,673)	246,232
Accounts payable and accrued liabilities	(248,022)	(37,315)
Deferred contributions	465,343	-
Trusts payable	<u>-</u>	<u>(13,900)</u>
	<u>5,073,040</u>	<u>588,909</u>

### Financing activities

Amounts due to related parties	(398,890)	264,807
Repayment of capital lease obligations	<u>(43,248)</u>	<u>(41,986)</u>
	<u>(442,138)</u>	<u>222,821</u>

### Investing activities

Purchase of short-term investments	103,688	(105,085)
Purchase of capital assets	(12,787)	(3,660)
Proceeds from mortgage receivable	13,476	12,827
Proceeds on disposal of capital assets	<u>-</u>	<u>8,000</u>
	<u>104,377</u>	<u>(87,918)</u>

Increase in cash	4,735,279	723,812
Cash, beginning of year	<u>2,970,464</u>	<u>2,246,652</u>
Cash, end of year	<u>\$ 7,705,743</u>	<u>\$ 2,970,464</u>



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# Crossroads Christian Communications Inc.

## Notes to the financial statements

August 31, 2023

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### 1. Nature of operations

Crossroads Christian Communications Inc. ("Crossroads", "CCCI") was incorporated by letters patent under the Canada Corporations Act on March 17, 1977 and continued under the Canadian Not-For-Profit Corporations Act in 2013. Crossroads is a registered charitable organization under the Income Tax Act.

Crossroads fulfills its mission through the following charitable program activities: the production and broadcast of Christian religious television programs, providing 24/7 telephone prayer support, religious education and humanitarian disaster relief and aid.

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### 2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") under Part III of the Chartered Professional Accountants of Canada Handbook - Accounting, applied within the framework of the accounting policies summarized below.

#### Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could vary from those estimates.

#### Fund accounting

Crossroads uses fund accounting to present its financial statements whereby resources for particular purposes are classified for accounting and reporting purposes into one of the following funds:

##### *Capital and Operating Fund - Unrestricted*

The Capital and Operating Fund reflects the activities associated with Crossroads' day-to-day operations.

##### *Externally Restricted Funds (Note 11)*

Externally Restricted Funds are funds that are received that are restricted for a specific use by the donor.

The Externally Restricted Funds include Missions Funds and the Debt Retirement Fund.

Mission Funds include the following:

- World Harvest Evangelism and Television Fund ("WHEAT")
- Emergency Response and Development Fund ("ERDF")

The Debt Retirement Fund is restricted for the retirement of old debt.

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# Crossroads Christian Communications Inc.

## Notes to the financial statements

August 31, 2023

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### 2. Summary of significant accounting policies (continued)

#### Fund accounting (continued)

##### *Endowment Fund*

The Endowment Fund was established in 2007 to support Christian media communication and productions. Income earned is restricted for purposes specified in the agreement and available for additional special projects at the discretion of the Board. Any unspent income is to be added to the principal. Encroachment of the principal balance was not permitted during the initial ten-year period. Subsequently, Crossroads is permitted to encroach upon the fund in the event of an emergency, only to a maximum of 25% of the principal balance, upon written Board resolution, and the funds must be repaid within three years.

#### Revenue recognition

CCCI follows the restricted fund method of accounting for restricted contributions.

Gifts are considered to be without restriction as to use unless explicitly designated by the donor. These unrestricted gifts are recognized as revenue of the Capital and Operating Fund when received.

Gifts designated as restricted by the donor related to the mission and debt retirement fund are recognized as revenue of Externally Restricted Funds. All other restricted gifts received are recorded as deferred contributions and are recognized as revenue in the Capital and Operating Fund when the associated expenses have been incurred.

Restricted contributions for the purchase of capital assets are initially recorded as deferred capital contributions and are recognized in revenue over the useful life of the assets purchased with these funds based on CCCI's amortization policy.

Externally restricted endowments are recognized in revenue of the Endowment Fund when received.

Revenue from trusts is recognized at the time the trust funds pass to CCCI.

Rental, product sales, and other income are recognized as revenue at point of sale.

Unrestricted investment income earned is reported as revenue of the Capital and Operating Fund. Restricted investment income earned is reported as revenue of the Externally Restricted Funds. Investment income subject to externally imposed restrictions requiring that it be maintained permanently is recognized as revenue of the Endowment Fund.

Donated goods are recognized in revenue of the appropriate fund at fair value.

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# Crossroads Christian Communications Inc.

## Notes to the financial statements

August 31, 2023

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### 2. Summary of significant accounting policies (continued)

#### Capital assets

Purchased capital assets are recorded at cost. Amortization is provided using the declining balance method or the straight line method, which are designed to amortize the assets over their estimated useful lives at the following annual rates:

Buildings		2.5% - 5.0%
Leasehold improvements	Straight line over the lease term	
Television, film and studio equipment		10.0%
Production set	Straight line over 5 years	
Office, computer equipment and other assets		15.0% - 30.0%
Automotive equipment		30%

#### Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The resulting impairment is reported in the statement of operations. Any impairment recognized is not reversed.

#### Financial instruments

Financial assets and financial liabilities include cash, accounts receivable and other assets, investments, mortgage receivable, accounts payable, amounts due to related parties and trusts payable.

##### *Initial measurement*

Crossroads initially measures all financial assets and financial liabilities at fair value.

##### *Subsequent measurement*

Investments are recorded at fair value and all changes in the fair value are recorded in the statement of operations. Related party balances and transactions are recorded at the exchange amount. All other financial assets and liabilities are recorded at amortized cost. Financial assets are tested for impairment at the end of each reporting period when there are indicators the assets may be impaired. Any impairment loss is recognized in the statement of operations.

# Crossroads Christian Communications Inc.

## Notes to the financial statements

August 31, 2023

### 3. Short-term investments

Short-term investments are comprised of a guaranteed investment certificate ("GIC"), with a balance of \$165,397 (2022 - \$269,085) held as collateral by the Bank of Montreal to secure credit card transactions for Crossroads. The GIC does not have a set maturity date and yields an annual interest rate of 5.05%.

### 4. Related party transactions and balances

	<u>2023</u>	<u>2022</u>
Amounts due to related party		
Crossroads Television Systems Inc. ("CTS")	\$ 742,140	\$ 837,586
Less: Amounts receivable from CTS	<u>(428,632)</u>	<u>(125,188)</u>
	<u>\$ 313,508</u>	<u>\$ 712,398</u>

In addition Crossroads had the following balances with related parties noted below:

(a) Tricord Media Inc. ("Tricord"), a faith and values media distribution company, was incorporated in 2012 as a not-for-profit organization controlled by CCCI. Crossroads has advanced \$ 892,584 to Tricord, and a corresponding provision has been recorded in previous years.

(b) Young Once Television S2 Inc.

Young Once Television S2 Inc. ("Young Once") was set up by CCCI as an independent corporation for the purpose of producing six episodes of a docu-drama comprising of the second season of Young Once. Crossroads advanced \$173,273 to Young Once and a corresponding provision has been recorded in previous years.

(c) Crossroads Christian Communications Inc. USA (CUSA) is a charity registered in the United States of America, under common control with some common directors and officers. Crossroads advanced \$569,020 to CUSA, and a corresponding provision has been recorded in previous years.

The following outlines the transactions with CTS:

	<u>2023</u>	<u>2022</u>
Contributions		
General		
Airtime	\$ 1,340,560	\$ 1,294,072
Donations	8,310,925	3,066,381
Other Income		
Rental income	287,850	280,829
Expenses		
Shared costs paid	1,020,455	866,257
Shared costs recovered	650,392	692,276
Rent paid	-	332,717

# Crossroads Christian Communications Inc.

## Notes to the financial statements

August 31, 2023

### 5. Mortgage receivable

A mortgage receivable was registered in 2009 as part of the proceeds on the sale of the Circle Square Ranch (CSR) property in Paisley, Ontario. The mortgage matures on February 6, 2024. Payments are received twice a year for a total annual payment of \$14,133, which includes 5% interest on the outstanding balance.

### 6. Capital assets

			<u>2023</u>	<u>2022</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Buildings	\$ 313,857	\$ 77,160	\$ 236,697	\$ 242,767
Leasehold improvements	2,491,675	2,198,484	293,191	795,057
Television, film and studio equipment	2,834,981	2,093,763	741,218	823,568
Production set	473,895	444,138	29,757	124,561
Office, computer equipment and other assets	2,187,572	1,567,898	619,674	763,865
Automotive equipment	20,123	14,256	5,867	8,378
	<u>\$ 8,322,103</u>	<u>\$ 6,395,699</u>	<u>\$ 1,926,404</u>	<u>\$ 2,758,196</u>

Buildings consist of equipment affixed to the building which is owned and used by Crossroads.

Included in office, computer equipment, and other assets are assets under lease as follows:

			<u>2023</u>	<u>2022</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Office, computer equipment and other assets	\$ 229,711	\$ 162,739	\$ 66,972	\$ 95,675

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# Crossroads Christian Communications Inc.

## Notes to the financial statements

August 31, 2023

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### 7. Capital lease obligation

CCCI entered into a capital lease in November 2020 with an acquisition of cost of \$220,353 with a term of 60 months. The monthly blended payments are \$3,656 and a weighted average interest rate of 3.09%. This lease is unsecured.

2024	\$ 45,607
2025	<u>11,234</u>
Total remaining lease payments	56,841
Less: imputed interest included therein at rates 3.09%	<u>(947)</u>
	55,894
Present value of future obligations	-
Less: current portion	<u>(42,931)</u>
	<u>\$ 12,963</u>

Interest expense of \$2,359 was incurred during the year on these leases.

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### 8. Deferred capital contributions

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 672,514	\$ 1,012,166
Amount recognized in revenue during the year	<u>(338,447)</u>	<u>(339,652)</u>
Balance, end of year	334,067	672,514
Less: current portion	<u>(203,586)</u>	<u>(340,260)</u>
	<u>\$ 130,481</u>	<u>\$ 332,254</u>

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### 9. Deferred contributions

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ -	\$ -
Donation received	700,000	-
Amount recognized in revenue during the year	<u>(234,657)</u>	<u>-</u>
Balance, end of year	<u>\$ 465,343</u>	<u>\$ -</u>

# Crossroads Christian Communications Inc.

## Notes to the financial statements

August 31, 2023

### 10. Trusts payable

	<u>2023</u>	<u>2022</u>
Irrevocable		
Capital and Operating Fund	\$ 365,200	\$ 365,200
Externally Restricted Funds (Note 11)	<u>394,000</u>	<u>444,100</u>
	<u>\$ 759,200</u>	<u>\$ 809,300</u>

A number of irrevocable trusts have been established by supporters for the benefit of CCCI.

### 11. Externally Restricted Funds

	Opening Balance September 1, 2022	Revenue	Expenses	Transfers In (Out)	Closing Balance August 31, 2023
Missions Funds	\$ 520,767	\$ 1,224,618	\$ 1,211,815	\$ 754	\$ 534,324
Debt Retirement Fund	-	<u>50,100</u>	<u>9,690</u>	<u>(40,410)</u>	-
	<u>\$ 520,767</u>	<u>\$ 1,274,718</u>	<u>\$ 1,221,505</u>	<u>\$ (39,656)</u>	<u>\$ 534,324</u>

### 12. Commitments

CCCI is committed under contracts for television airtime in 2024 in the amount of \$1,830,403 (2023 - \$1,663,064)

CCCI is also committed to the following minimum rent, lease, and service contract payments until 2025.

2024	\$ 1,976,490
2025	<u>1,074,204</u>
	<u>\$ 3,050,694</u>

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# **Crossroads Christian Communications Inc.**

## **Notes to the financial statements**

August 31, 2023

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### **13. Financial risk management**

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Crossroads is exposed to credit risk associated with accounts receivables, short-term investments and mortgage receivable.

#### **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Crossroads manages its liquidity risk by maintaining sufficient cash balances and monitoring forecasted and actual cash flows. Included in accounts payable and accrued liabilities are government remittances of \$16,856 (2022 - \$2,849). These amounts are not in arrears.

#### **Interest rate risk**

Interest rate 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. Crossroads is exposed to interest rate price risk with respect to its mortgage receivable, short-term investments, investments held for endowments and trusts payable.

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### **14. Subsequent event**

On August 22, 2023, an Agreement of Purchase and Sale, subject to court approval, was entered into with a third party for the acquisition of the property in which CTS and CCCI are currently located. It is intended that the acquisition be completed by a newly established corporation, that would be owned by CTS. The approval of the transaction is expected to be completed in December 2023.