

Financial Statements
Crossroads Christian Communications Inc.
August 31, 2024

Financial Statements

Crossroads Christian Communications Inc.

August 31, 2024

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Independent Auditor's Report

To the Board of Directors of Crossroads Christian Communications Inc.

Opinion

We have audited the financial statements of Crossroads Christian Communications Inc. ("CCCI"), which comprise the statement of financial position as at August 31, 2024, and the statements of operations and 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 accompanying financial statements present fairly, in all material respects, the financial position of CCCI as at August 31, 2024, 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 CCCI 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 CCCI'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 CCCI or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CCCI'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.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 CCCI's internal controls.
- 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 CCCI'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 CCCI 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.

Other Matter - Comparative Information

The financial statements for the year ended August 31, 2023 were audited by another auditor who expressed an unmodified conclusion on the financial statements on December 7, 2023.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
December 20, 2024

Crossroads Christian Communications Inc.

Statement of Financial Position

August 31

2024

2023

Assets

Current

Cash	\$ 2,091,511	\$ 7,705,743
Accounts receivable and other assets	183,067	340,618
Short-term investments (Note 3)	181,427	165,397
Loan receivable (Note 4)	2,391,385	-
Mortgage receivable	<u>-</u>	<u>6,992</u>
	4,847,390	8,218,750
Investments held for endowment fund (Note 3)	86,204	76,580
Due from related parties (Note 4)	253,633	-
Capital assets (Note 5)	<u>1,434,051</u>	<u>1,926,404</u>
	\$ 6,621,278	\$ 10,221,734

Liabilities

Current

Accounts payable and accrued liabilities (Note 12)	\$ 328,771	\$ 484,519
Deferred contributions (Note 8)	771,634	465,343
Due to related parties (Note 4)	-	313,508
Current portion of capital lease obligation (Note 6)	11,345	42,931
Current portion of deferred capital contributions (Note 7)	<u>14,679</u>	<u>203,586</u>
	1,126,429	1,509,887
Capital lease obligation (Note 6)	-	12,963
Deferred capital contributions (Note 7)	117,430	130,481
Trusts payable - irrevocable (Note 9)	<u>417,200</u>	<u>759,200</u>
	1,661,059	2,412,531
Fund balances		
Capital and Operating Fund - Unrestricted	4,281,846	7,224,879
Externally Restricted Fund (Note 10)	628,373	534,324
Endowment Fund	<u>50,000</u>	<u>50,000</u>
	4,960,219	7,809,203
	\$ 6,621,278	\$ 10,221,734

On behalf of the Board of Directors



Director



Director

Crossroads Christian Communications Inc.

Statement of Operations

Year ended August 31

	Capital and Operating Fund	Externally Restricted Funds	2024 Total	2023 Total
		(Note 10)		
Revenue				
Contributions				
General	\$ 9,116,566	\$ -	\$ 9,116,566	\$ 17,017,999
Designated contributions				
Mission Funds	-	1,242,903	1,242,903	1,204,134
Debt Retirement Fund	-	342,000	342,000	50,100
Other income	1,496,372	27,698	1,524,070	1,216,563
	<u>10,612,938</u>	<u>1,612,601</u>	<u>12,225,539</u>	<u>19,488,796</u>
Expenses				
Remuneration of personnel	7,986,245	192,482	8,178,727	8,094,283
Airtime and production costs	1,918,355	-	1,918,355	1,986,692
Rent, utilities and other occupancy costs	2,052,800	-	2,052,800	1,862,292
Correspondence and distribution costs	485,296	-	485,296	459,425
Administrative costs	507,764	985	508,749	499,824
Fundraising and promotion	210,769	-	210,769	205,330
Interest and bank charges	115,329	21,159	136,488	177,186
Other missions and programs	56,526	983,823	1,040,349	955,825
	<u>13,333,084</u>	<u>1,198,449</u>	<u>14,531,533</u>	<u>14,240,857</u>
Excess (deficiency) of revenue over expenses before undernoted items	(2,720,146)	414,152	(2,305,994)	5,247,939
Amortization	(532,908)	-	(532,908)	(844,537)
Loss on disposal/sale of capital assets	(279)	-	(279)	(42)
Unrealized (loss) gain on investments held for endowment	(9,803)	-	(9,803)	3,290
Excess (deficiency) of revenue over expenses for the year	<u>\$ (3,263,136)</u>	<u>\$ 414,152</u>	<u>\$ (2,848,984)</u>	<u>\$ 4,406,650</u>

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

Crossroads Christian Communications Inc. Statement of Changes in Fund Balances

Year ended August 31

	Capital and Operating Fund (Note 10)	Externally Restricted Funds	Endowment Fund	2024 Total
Fund balances, beginning of year	\$ 7,224,879	\$ 534,324	\$ 50,000	\$ 7,809,203
Excess (deficiency) of revenue over expenses for the year	(3,263,136)	414,152	-	(2,848,984)
Interfund transfers (Note 10)	320,103	(320,103)	-	-
Fund balances, end of year	<u>\$ 4,281,846</u>	<u>\$ 628,373</u>	<u>\$ 50,000</u>	<u>\$ 4,960,219</u>

Year ended August 31

	Capital and Operating Fund (Note 10)	Externally Restricted Funds	Endowment Fund	2023 Total
Fund balances, beginning of year	\$ 2,831,786	\$ 520,767	\$ 50,000	\$ 3,402,553
Excess (deficiency) of revenue over expenses for the year	4,353,437	53,213	-	4,406,650
Interfund transfers (Note 10)	39,656	(39,656)	-	-
Fund balances, end of year	<u>\$ 7,224,879</u>	<u>\$ 534,324</u>	<u>\$ 50,000</u>	<u>\$ 7,809,203</u>

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

Crossroads Christian Communications Inc.

Statement of Cash Flows

Year ended August 31

2024

2023

Cash provided by (used in)

Operating activities

Excess (deficiency) of revenue over expenses for the year	\$ (2,848,984)	\$ 4,406,650
Adjustments required to reconcile excess of revenue (deficiency)		
Over expenses with net cash provided by (used in) operating activities		
Amortization	532,908	844,537
Loss on disposal/sale of capital assets	279	42
Unrealized loss on investments held for endowment	(9,624)	(3,290)
Trust funds recognized as income	(342,000)	(50,100)
Amortization of deferred capital contributions (Note 7)	<u>(201,958)</u>	<u>(338,447)</u>
	(2,869,379)	4,859,392
Change in non-cash working capital items		
Accounts receivable and other assets	157,551	(3,673)
Accounts payable and accrued liabilities	(155,748)	(248,022)
Deferred contributions	<u>306,291</u>	<u>465,343</u>
	<u>(2,561,285)</u>	<u>5,073,040</u>

Financing activities

Repayment of amounts due to related parties	(313,508)	(398,890)
Repayment of capital lease obligations	<u>(44,549)</u>	<u>(43,248)</u>
	<u>(358,057)</u>	<u>(442,138)</u>

Investing activities

Purchase of short-term investments, net	(16,030)	103,688
Purchase of capital assets	(40,834)	(12,787)
Mortgage receivable	6,992	13,476
Repayment of amounts due from related parties	(253,633)	-
Advance of loan receivable	(4,000,000)	-
Payments of loan receivable	<u>1,608,615</u>	<u>-</u>
	<u>(2,694,890)</u>	<u>104,377</u>

Increase (decrease) in cash	(5,614,232)	4,735,279
Cash, beginning of year	<u>7,705,743</u>	<u>2,970,464</u>
Cash, end of year	<u>\$ 2,091,511</u>	<u>\$ 7,705,743</u>

Crossroads Christian Communications Inc.

Notes to the financial statements

August 31, 2024

1. Nature of Operations

Crossroads Christian Communications Inc. (“Crossroads”, “CCCI”) is a registered charitable organization under the Income Tax Act and 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’ purpose is to reveal the transforming story of Jesus through inspiring and innovative media to anyone, anywhere, anytime. Crossroads accomplishes its mission through the production of religious media that is broadcast on television, over-the-air, and the internet, and by providing a 24-hour prayer service, as well as the provision of humanitarian aid and religious education in Canada and overseas.

2. Significant Accounting Policies

Basis of Presentation

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.

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. Significant estimates include the collectability of accounts receivables and the useful lives of capital assets. 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 Fund (Note 10)

Externally Restricted Fund are funds that are received that are restricted for a specific use by the donor. They comprise two funds:

- Missions Funds
- 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.

Crossroads Christian Communications Inc.

Notes to the Financial Statements

August 31, 2024

2. 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 is 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.

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

Designated contributions restricted by the donor, other than restricted contributions for the purchase of capital assets, are recognized as revenue of the Externally Restricted Fund. Contributions designated toward a program will be used as designated with the understanding that when the need for such a program has been met or cannot be completed for any reason determined by Crossroads, the remaining designated funds will be used where needed most and at that time, transferred from the Externally Restricted Fund to the Operating and Capital Fund.

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 Fund. Investment income subject to externally imposed restrictions requiring that it be maintained permanently is recognized as revenue of the Endowment Fund.

Crossroads Christian Communications Inc.

Notes to the Financial Statements

August 31, 2024

2. 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%
Leasehold improvements	Straight line over the lease term	
Television, film and studio equipment		10%
Production set	Straight line over 5 years	
Office, computer equipment and other assets		15% - 30%
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.

Donated Goods

Goods that have been donated are recorded in the financial statements at their fair value when a fair value can be reasonably estimated, and the goods would be paid for if not donated. Donated goods are recognized in revenue of the appropriate fund at fair value.

Financial Instruments

Financial assets and financial liabilities include cash, accounts receivable and other assets, investments, mortgage receivable, accounts payable, amounts due to/from 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, 2024

3. Investments

A guaranteed investment certificate (“GIC”), with a balance of \$181,427 (2023 - \$165,397) held as collateral by the Bank of Montreal to secure credit card transactions for Crossroads. The GIC matures in August 2025 and currently yields an annual interest rate of 3% (2023 - 5.05%).

Investments held for endowment fund is in pooled funds with a fair market value of \$86,204 (2023 - \$76,580).

4. Related Party Transactions and Balances

	<u>2024</u>	<u>2023</u>
Amounts due to (from) related party		
Crossroads Television Systems Inc. (“CTS”) (c)	\$ 57,896	\$ 742,140
Less: Amounts receivable from CTS (c)	<u>(311,529)</u>	<u>(428,632)</u>
	<u>\$ (253,633)</u>	<u>\$ 313,508</u>

In addition, Crossroads had the following balances with related parties under common control noted below:

(a) Tricord Media Inc. (“Tricord”), a faith and values media distribution company, was incorporated in 2012 as a not-for-profit organization. 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 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 Incorporated, operating as Crossroads USA (“CUSA”), is a separate and distinct not-for-profit organization incorporated in the United States of America (CUSA) and is classified as a 501(C)(3) tax-exempt organization under the IRS income tax code. CUSA is 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 related parties - CTS:

	<u>2024</u>	<u>2023</u>
Airtime received included in general contributions	\$	\$ 1,340,560
1,340,560		
Donations	840,000	8,310,925
Shared costs recovered	592,298	650,392
Rental income	328,997	287,850
Shared costs paid	750,215	1,020,455

Crossroads Christian Communications Inc.

Notes to the Financial Statements

August 31, 2024

4. Related Party Transactions and Balances (Continued)

In December 2023, CCCI loaned CTS \$4,000,000. This loan requires payments be made quarterly, is unsecured and bears interest at a rate of 6.28%. During the period, CTS made a total of \$1,760,000 in payments towards this loan. The loan plus accrued interest is expected to be repaid in full by August 1, 2025.

5. Capital Assets

			<u>2024</u>	<u>2023</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Buildings	\$ 313,857	\$ 83,077	\$ 230,780	\$ 236,697
Leasehold improvements	-	-	-	293,191
Television, film and studio equipment	2,845,219	2,168,390	676,829	741,218
Production set	-	-	-	-
29,757				
Office, computer equipment and other assets	2,201,423	1,679,088	522,335	619,674
Automotive equipment	<u>20,123</u>	<u>16,016</u>	<u>4,107</u>	<u>5,867</u>
	<u>\$ 5,380,622</u>	<u>\$ 3,946,571</u>	<u>\$ 1,434,051</u>	<u>\$ 1,926,404</u>

Buildings consist of equipment affixed to the building in which CCCI leases office and studio space.

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

			<u>2024</u>	<u>2023</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Office, computer equipment and other assets	<u>\$ 229,711</u>	<u>\$ 182,830</u>	<u>\$ 46,881</u>	<u>\$ 66,972</u>

Crossroads Christian Communications Inc.

Notes to the Financial Statements

August 31, 2024

6. 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.

2025	\$	<u>11,345</u>
Total remaining lease payments		11,401
Less: imputed interest included therein at rates 3.09%		<u>(56)</u>
		<u>11,345</u>

Interest expense of \$947 (2023 - \$2,359) was incurred during the year on these leases.

7. Deferred Capital Contributions

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 334,067	\$ 672,514
Amount recognized in revenue during the year	<u>(201,958)</u>	<u>(338,447)</u>
Balance, end of year	132,109	334,067
Less: current portion	<u>(14,679)</u>	<u>(203,586)</u>
	<u>\$ 117,430</u>	<u>\$ 130,481</u>

8. Deferred Contributions

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 465,343	\$ -
Donations received	804,649	700,000
Amount recognized in revenue during the year	<u>(498,358)</u>	<u>(234,657)</u>
Balance, end of year	<u>\$ 771,634</u>	<u>\$ 465,343</u>

9. Trusts Payable

	<u>2024</u>	<u>2023</u>
Irrevocable		
Capital and Operating Fund	\$ 48,200	\$ 365,200
Externally Restricted Fund	<u>369,000</u>	<u>394,000</u>
	<u>\$ 417,200</u>	<u>\$ 759,200</u>

A number of irrevocable trusts have been established by supporters for the benefit of CCCI. These funds are available to discharge obligations of CCCI. During their lifetime, the income of the trusts is payable to the supporter, unless waived, and on death, trust funds pass to CCCI and are recognized as revenue.

Crossroads Christian Communications Inc.

Notes to the Financial Statements

August 31, 2024

10. Externally Restricted Fund

	Opening Balance September 1, 2023	Revenue	Expenses	Transfers Out	Closing Balance August 31, 2024
Missions Funds	\$ 534,324	\$ 1,270,601	\$ 1,177,290	\$ 738	\$ 628,373
Debt Retirement Fund	-	342,000	21,159	(320,841)	-
	<u>\$ 534,324</u>	<u>\$ 1,612,601</u>	<u>\$ 1,198,449</u>	<u>\$ (320,103)</u>	<u>\$ 628,373</u>

11. Commitments

CCCI is committed under contracts for television airtime in the amount of \$1,689,063 (2023 - \$1,830,403)

CCCI is also committed to the following minimum rent, lease, and service contract payments until 2025. Rent is payable to 1000708882 Ontario Inc., a subsidiary of CTS.

2025	\$ 1,896,054
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12. Financial Instrument Risks

Transactions in financial instruments may result in CCCI 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, mortgage receivable, loan receivable and due from related party. A provision of \$Nil (2023 - \$Nil) against the related party receivable was recognized in fiscal 2024.

Liquidity risk

Liquidity risk is the risk that CCCI will encounter difficulty in meeting obligations associated with financial liabilities. Crossroads is exposed to this risk through its accounts payable, accrued liabilities and loan to related party. 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 \$Nil (2023 - \$16,856). These amounts are not in arrears.

Crossroads Christian Communications Inc.
Notes to the Financial Statements
August 31, 2024

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.