FRIENDS OF CANADIAN BROADCASTING

FINANCIAL STATEMENTS

DECEMBER 31, 2010

Hilborn Ellis Grant LLP
Chartered Accountants
Toronto, Ontario

Hilborn Ellis Grant LLP
Chartered Accountants

Independent Auditors' Report

To the Steering Committee of
Friends of Canadian Broadcasting

We have audited the accompanying financial statements of **Friends of Canadian Broadcasting**, which comprise the statement of financial position as at December 31, 2010, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except as noted in the following paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion
Friends of Canadian Broadcasting derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donation revenues, excess of expenditures over revenues, current assets and net assets.

Qualified Opinion
In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Hilborn Ellis Grant LLP

Toronto, Ontario
May 30, 2011

Chartered Accountants
Licensed Public Accountants

401 Bay Street, Suite 3100, P.O. Box 49, Toronto, Ontario M5H 2Y4 Phone: 416·364·1359 Fax: 416·364·9503 hilbornellisgrant.com

Statement of Financial Position

December 31	**2010**	2009
	$	**$**
ASSETS		
Current assets		
Cash and term deposit	**30,678**	144,663
Accounts receivable	**192,495**	166,831
	223,173	311,494
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**117,222**	190,630
NET ASSETS	**105,951**	120,864
	223,173	311,494

Approved by the Steering Committee:

Member

Member

Statement of Operations

Year ended December 31	2010 $	2009 $
Revenues		
New donations	**307,521**	514,878
Recurring donations	**1,914,122**	1,677,083
Other	**122,950**	67,248
	2,344,593	2,259,209
Expenditures		
Communication - Media	**310,451**	296,405
Communication - Supporters	**587,436**	525,333
Communication - General public	**687,553**	681,727
Management fees	**81,750**	78,750
Office services	**249,569**	220,238
Records	**151,969**	140,345
Research	**214,775**	212,015
Steering committee	**44,146**	37,011
CRTC hearings	**-**	6,322
Advertising	**563**	50,176
Canadian Ownership	**31,294**	-
	2,359,506	2,248,322
Excess of revenues over expenditures (expenditures over revenues) for year	**(14,913)**	10,887

Statement of Changes in Net Assets

Year ended December 31	2010 $	2009 $
Net assets, beginning of year	**120,864**	109,977
Excess of revenues over expenditures (expenditures over revenues) for year	**(14,913)**	10,887
Net assets, end of year	**105,951**	120,864

Cash Flows

Year ended December 31	2010 $	2009 $
Cash flows from operating activities		
Excess of revenues over expenditures (expenditures over revenues) for year	**(14,913)**	10,887
Change in non-cash working capital items		
Increase in accounts receivable	**(25,664)**	(5,944)
Decrease in accounts payable and accrued liabilities	**(73,408)**	(12,108)
Decrease in cash and term deposit	**(113,985)**	(7,165)
Cash and term deposit, beginning of year	**144,663**	151,828
Cash and term deposit, end of year	**30,678**	144,663

Cash and term deposit consists of:		
Cash	**25,291**	139,276
Term deposit	**5,387**	5,387
	30,678	144,663

Supplementary Disclosure of Cash Flow Information

	2010 $	2009 $
Interest paid	**-**	-

December 31, 2010

1. **General**

Friends of Canadian Broadcasting was incorporated on August 25, 1987 as a non-profit organization. The mission of Friends of Canadian Broadcasting is to enhance the quality and quantity of Canadian programming in the audio-visual system. The organization is exempt from income tax by virtue of Section 149 (1)(1) of the Income Tax Act.

2. **Significant accounting policies**

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant policies are detailed as follows:

(a) **Significant accounting policies adopted during the year**

The Accounting Standards Board has issued a new accounting standard that provides criteria for the allocation of expenses and sets out disclosure requirements relating to allocations when an organization classifies its expenses by function. The standard provides that, when allocations of fundraising and general support expenses have been made to other functions, the accounting policy disclosure note should explain the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made (note 2(e)). In addition, the amounts allocated from each of fundraising and general support expenses, and the amounts and the functions to which they have been allocated, should be disclosed (note 3).

(b) **Revenue recognition**

Revenues relating to fund-raising activities in the current year that are received prior to February 1 of the subsequent year are accrued as at the year end.

(c) **Management estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. **Significant accounting policies (continued)**

(d) **Financial instruments**

Financial instruments are classified into one of the following five categories: held for trading, held to maturity, loans and receivables, available for sale, or other financial liabilities. The classification determines the accounting treatment of the instrument. The classification is determined by the Organization when the financial instrument is initially recorded, based on the underlying purpose of the instrument.

The financial assets and financial liabilities of the Organization are classified and measured as follows:

Financial Asset/Liability	Category	Measurement
Cash and term deposit	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Financial instruments measured at amortized cost are initially recognized at fair value and then subsequently at amortized cost with gains and losses recognized in the statement of operations in the period in which the gain or loss occurs.

The fair value of a financial instrument is the estimated amount that the Organization would receive or pay to settle a financial asset or financial liability as at the reporting date.

The carrying values of accounts receivable and accounts payable and accrued liabilities, approximate fair value due to the short-term nature of these financial instruments. It is management's opinion that the Organization is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

(e) **Allocation of expenses**

Certain fundraising and general support expenses are allocated across various functions based on estimated time spent as described in note 3.

3. **Allocation of expenses**

Certain general support and fundraising expenses totaling $1,086,054 (2009 - $1,034,916) have been allocated as follows:

	2010 $	2009 $
Communication - Media	236,336	227,528
Communication - Supporters	9,192	19,756
Communication - General Public	536,616	499,204
Management Fees	81,750	78,750
Office Services	58,348	49,714
Records	73,350	71,760
Research	77,753	71,005
Steering Committee	12,709	12,280
Advertising	-	4,919
	1,086,054	1,034,916

4. **Bequests**

Bequests recognized as assets as at December 31, 2010 and revenue during the year are $42,607.

5. **Capital disclosures**

The organization's objectives in managing its capital, which it defines as its net assets, are to maintain a sufficient level to provide for normal operating requirements on an ongoing basis and to continue its mission as disclosed in note 1. The organization strictly monitors its capital in order to ensure it has sufficient revenue before committing to expenditures.

We give your business a hand to succeed.

Hilborn Ellis Grant LLP
Chartered Accountants
Since 1930

401 Bay Street, Suite 3100, P.O. Box 49
Toronto, Ontario, Canada M5H 2Y4
Telephone 416·364·1359
Facsimile 416·364·9503
hilbornellisgrant.com