

**FINANCIAL STATEMENTS**

**For**

**BROADCASTING PARTICIPATION FUND (BPF), INC./  
FONDS DE PARTICIPATION À LA RADIODIFFUSION (FPR), INC.**

**For the year ended**

**DECEMBER 31, 2014**

## INDEPENDENT AUDITORS' REPORT

To the Directors,  
**Broadcasting Participation Fund (BPF), Inc./**  
**Fonds de Participation à la Radiodiffusion (FPR), INC.:**

We have audited the accompanying financial statements of Broadcasting Participation Fund (BPF), Inc./Fonds de Participation à la Radiodiffusion (FPR), INC., which comprise the statement of financial position as at December 31, 2014 and the statements of operations and changes in net assets and 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 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.

### *Auditor's 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Broadcasting Participation Fund (BPF), Inc./Fonds de Participation à la Radiodiffusion (FPR), INC. as at December 31, 2014 and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

OUSELEY HANVEY CLIPSHAM DEEP LLP  
Licensed Public Accountants

Ottawa, Ontario  
March 10, 2015.

**BROADCASTING PARTICIPATION FUND (BPF), INC./  
FONDS DE PARTICIPATION À LA RADIODIFFUSION (FPR), INC.**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 80,024	\$ 2,505,455
Contribution receivable - note 5	285,714	285,714
Interest receivable	3,388	-
Prepaid expenses	<u>3,429</u>	<u>3,429</u>
	372,555	2,794,598
<b>LONG-TERM ASSETS</b>		
Investments - note 4	2,102,616	-
Contribution receivable - note 5	<u>1,428,572</u>	<u>1,714,286</u>
	<u>\$ 3,903,743</u>	<u>\$ 4,508,884</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities - note 6	\$ 18,550	\$ 20,778
Costs awards payable - note 7	<u>404,354</u>	<u>30,948</u>
	422,904	51,726
<b>DEFERRED CONTRIBUTIONS - note 8</b>	<u>567,770</u>	<u>1,457,158</u>
	990,674	1,508,884
<b>NET ASSETS</b>		
Unrestricted	<u>2,913,069</u>	<u>3,000,000</u>
	<u>\$ 3,903,743</u>	<u>\$ 4,508,884</u>

Approved by the Board:

DAVID MCKENDRY  
..... Director

LYNNE TOUPIN  
..... Director

ROBERT FARMER  
..... Director

(See accompanying notes)

**BROADCASTING PARTICIPATION FUND (BPF), INC./  
FONDS DE PARTICIPATION À LA RADIODIFFUSION (FPR), INC.**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
<b>REVENUE</b>		
Contributions - note 8	\$ 889,388	\$ 542,842
Interest	<u>17,779</u>	<u>14,521</u>
	<u>907,167</u>	<u>557,363</u>
<b>EXPENSES</b>		
Costs awards - note 7	<u>801,294</u>	<u>331,042</u>
General and administrative - note 9		
Costs officer	144,464	138,562
Directors' fees	28,460	35,623
Legal	10,139	42,596
Audit	5,650	5,000
Insurance	3,596	4,034
Bank charges	<u>495</u>	<u>506</u>
	<u>192,804</u>	<u>226,321</u>
	<u>994,098</u>	<u>557,363</u>
<b>NET REVENUE (EXPENSES)</b>	(86,931)	-
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>3,000,000</u>	<u>3,000,000</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 2,913,069</u>	<u>\$ 3,000,000</u>

(See accompanying notes)

**BROADCASTING PARTICIPATION FUND (BPF), INC./  
FONDS DE PARTICIPATION À LA RADIODIFFUSION (FPR), INC.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net revenue (expenses)	\$ (86,931)	\$ -
Changes in level of:		
Contribution receivable	285,714	1,000,000
Interest receivable	(3,388)	-
Prepaid expenses	-	(3,429)
Accounts payable and accrued liabilities	(2,228)	20,778
Costs awards payable	373,406	30,948
Deferred contributions	<u>(889,388)</u>	<u>1,457,158</u>
	<u>(322,815)</u>	<u>2,505,455</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(2,202,616)	-
Proceeds from sale of investments	<u>100,000</u>	<u>-</u>
	<u>(2,102,616)</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH</b>	(2,425,431)	2,505,455
<b>CASH AT BEGINNING OF YEAR</b>	<u>2,505,455</u>	<u>-</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 80,024</u>	<u>\$ 2,505,455</u>

(See accompanying notes)

**BROADCASTING PARTICIPATION FUND (BPF), INC./  
FONDS DE PARTICIPATION À LA RADIODIFFUSION (FPR), INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

**1. NATURE OF OPERATIONS**

In March of 2011, the Canadian Radio-television and Telecommunications Commission (“CRTC”) released CRTC Broadcasting Decision 2011-163 which established the Broadcasting Participation Fund (the “Fund”). The mandate of the Fund was set out in CRTC Broadcasting Regulatory Policy Decision CRTC 2012-181 to: provide costs support to public interest groups and consumer groups representing non-commercial user interests and the public interest before the CRTC in broadcasting matters under the Broadcasting Act; support research, analysis and advocacy in both official languages directly related to ongoing CRTC broadcasting proceedings under the Broadcasting Act; retain an independent costs officer who shall be responsible for the day-to-day operations of the Fund subject to the overriding authority of the Board; and do all things which are in furtherance of the forgoing.

The Broadcasting Participation Fund (BPF), Inc./Fonds de Participation à la Radiodiffusion (FPR), INC. (“BPF”) was incorporated without share capital under the Canada Not-for-profit Corporations Act on September 6, 2012 to operate the Fund. BPF began accepting costs awards applications in April of 2013 in respect of costs incurred on or after March 26, 2012.

The Fund operates on a not-for-profit basis and, as such is exempt from income tax pursuant to section 149(1)(l) of the Income Tax Act.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of accounting*

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as found in Part III of the CPA Handbook.

*Revenue recognition*

The organization follows the deferral method of accounting for contributions.

Contributions to the Fund are legislated from time to time by CRTC Decisions. Unrestricted contributions are recognized as revenue as of the date of the relevant CRTC Decision. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Some contributions may be payable by the contributor in multiple instalments spanning several reporting periods. Contributions that are unpaid as of the date of the financial statements are recognized as contributions receivable in the Statement of Financial Position.

Interest income consists of interest earned on the Fund’s bank account and investments, and is recognized as revenue when earned.

*Costs awards payable*

Organizations applying for costs awards have no deadline by which the application must be submitted. As a result, costs awards are recognized as an expense and as a liability of the Fund only upon receipt of the submission by the Costs Officer and in an amount that is most likely to be approved for funding by the Fund’s Board of Directors, determined as at the date of the financial statements. Any over or under provision for costs awards is recognized as an adjustment to costs awards expense in the year the award is paid.

**BROADCASTING PARTICIPATION FUND (BPF), INC./  
FONDS DE PARTICIPATION À LA RADIODIFFUSION (FPR), INC.**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2014**

**2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

*Financial instruments*

The Fund's financial assets and liabilities are initially recognized at fair value and are subsequently measured at amortized cost at the financial statement date.

Transaction costs associated with the acquisition and disposal of investments are expensed as incurred.

*Use of estimates*

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Management makes estimates regarding costs awards and costs awards payable. The amounts estimated could differ from the final settlement costs awards and these differences could be material.

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Fund is exposed to and manages various financial risks resulting from its operations and does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Fund's main financial risk exposure and its financial management policies are as follows:

*Credit risk*

The fund is exposed to credit risk in respect of its cash, contributions receivable and its investments. The Fund's cash and guaranteed investment certificates are deposited with a Canadian chartered bank and, as result, management believes the risk of loss on these items to be remote. Contributions to the fund are receivable from only one corporation. There is a risk that the contributor may default on their financial obligation prior to paying their contribution in full. Management believes the risk of default is minimal given that fulfilment of the funding obligation is required in order for the contributor to maintain good standing with its regulatory body, the CRTC.

*Liquidity risk*

Liquidity risk is the risk that the Fund cannot meet a demand for cash or fund its obligations as they become due. The Fund manages its financial obligations carefully and will not incur any liabilities beyond the availability of its cash reserves.

*Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

(i) *Currency risk*

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The Fund is not exposed to foreign currency risk as all funds are received, held and payable in Canadian dollars.

**BROADCASTING PARTICIPATION FUND (BPF), INC./  
FONDS DE PARTICIPATION À LA RADIODIFFUSION (FPR), INC.**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2014**

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - Cont'd.**

*Market risk - Cont'd.*

(ii) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the financial instruments will fluctuate due to changes in market interest rates. The Fund manages this risk through the implementation of prudent investment policies.

The Fund receives interest, calculated with respect to the Bank's composite prime interest rate, on its daily bank balance. The Fund's investments in guaranteed investment certificates have effective interest rates ranging from 1.3% to 2.05% with maturity dates ranging from one to three years.

(iii) Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated therewith will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Fund is not exposed to significant other price risk.

*Changes in risk*

There have been no significant changes in the Fund's risk exposures from the prior year.

**4. INVESTMENTS**

The Fund's investments are as follows:

	<u>2014</u>	
	<u>Cost</u>	<u>Fair value</u>
Cash held for reinvestment	\$ 15	\$ 15
High Interest Savings Account	652,601	652,601
Guaranteed Investment Certificates	<u>1,450,000</u>	<u>1,452,322</u>
	<u>\$ 2,102,616</u>	<u>\$ 2,104,938</u>

The guaranteed investment certificates have effective interest rates ranging from 1.3% to 2.05% with maturity dates between November 12, 2015 and November 14, 2017.

**5. CONTRIBUTION RECEIVABLE**

At December 31, 2013, there was a contribution receivable of \$2,000,000, from BCE Inc. or its affiliates, as a result of Broadcasting Decision CRTC 2013-310. The contribution is to be received in seven equal annual instalments from 2014 to 2020. The portion of the contribution to be received within 12 months of the balance sheet date is therefore \$285,714 and has been shown as a current asset. The remainder of the contribution receivable is shown as a long-term asset.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities include government remittances owing of Nil (2013 - Nil).

**BROADCASTING PARTICIPATION FUND (BPF), INC./  
FONDS DE PARTICIPATION À LA RADIODIFFUSION (FPR), INC.**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2014**

**7. COSTS AWARDS**

At December 31, 2014 the status of Costs Awards is as follows:

	<u>2014</u>	<u>2013</u>
Claims received, approved and paid	\$ 396,940	\$ 300,094
Claims received, approved and accrued as payable	-	-
Claims received, not approved and accrued as payable	<u>404,354</u>	<u>30,948</u>
Total Costs awards expense for the year	<u>\$ 801,294</u>	<u>\$ 331,042</u>

Since December 31, 2014 and prior to the release date of these financial statements, claims totalling a further \$68,912 have been received.

**8. DEFERRED CONTRIBUTIONS**

Deferred contributions relate to funding received from BCE Inc. or its affiliates, as a result of Broadcasting Decision CRTC 2013-310 for English and French costs awards and related expenses which is not recognized as revenue until the related expenses are incurred. Changes in the deferred contributions balance are as follows:

	2014			(Restated - note 11) 2013		
	<u>English</u>	<u>French</u>	<u>Total</u>	<u>English</u>	<u>French</u>	<u>Total</u>
Balance, beginning of year	\$ 617,952	\$ 839,206	\$ 1,457,158	\$ -	\$ -	\$ -
Contributions	-	-	-	1,000,000	1,000,000	2,000,000
Less amount recognized as revenue in the year	<u>(617,952)</u>	<u>(271,436)</u>	<u>(889,388)</u>	<u>(382,048)</u>	<u>(160,794)</u>	<u>(542,842)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 567,770</u>	<u>\$ 567,770</u>	<u>\$ 617,952</u>	<u>\$ 839,206</u>	<u>\$ 1,457,158</u>

**9. GENERAL & ADMINISTRATIVE**

General and administrative expenses are allocated against English and French contributions based on the percentage of English and French costs awards in the year. The general and administrative expenses have been allocated as follows:

	2014			2013		
	<u>English</u>	<u>French</u>	<u>Total</u>	<u>English</u>	<u>French</u>	<u>Total</u>
Cost awards	\$ 578,865	\$ 222,429	\$ 801,294	\$ 232,941	\$ 98,101	\$ 331,042
Allocation rate	72.2%	27.8%		70.4%	29.6%	
General & administrative	<u>138,819</u>	<u>53,985</u>	<u>192,804</u>	<u>159,330</u>	<u>66,991</u>	<u>226,321</u>
Total expense	<u>\$ 717,684</u>	<u>\$ 276,414</u>	<u>\$ 994,098</u>	<u>\$ 392,271</u>	<u>\$ 165,092</u>	<u>\$ 557,363</u>

**BROADCASTING PARTICIPATION FUND (BPF), INC./  
FONDS DE PARTICIPATION À LA RADIODIFFUSION (FPR), INC.**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED DECEMBER 31, 2014**

**10. COMMITMENTS**

The Fund has entered into a contract with a company to perform Costs Officer services and other day-to-day administrative functions related to the operation of the Fund. The contract terminates on January 15, 2016 and calls for annual payments of \$127,000 plus HST.

**11. RESTATEMENT OF FINANCIAL STATEMENTS**

The Fund has determined that contributions reported as being earned from BCE Inc, or its affiliates, as a result of Broadcasting Decision CRTC 2013-310 for English and French costs awards and related expenses during the year ended December 31, 2013 was overstated by \$1,457,158. As a result, Net Assets were overstated by \$1,457,158 and Deferred Contributions were understated by \$1,457,158 at December 31, 2013. As a result of the correction of this error, the comparative figures presented in these financial statements have been revised as follows: Contributions as at December 31, 2013 in the Statement of Operations and Changes in Net Assets have been reduced from \$2,000,000 to \$542,842 resulting in a corresponding reduction in Net Assets from \$4,457,158 to \$3,000,000. Deferred Contributions have been increased from \$0 to \$1,457,158; and Unrestricted Net Assets have decreased from \$4,457,158 to \$3,000,000 as at December 31, 2013 as presented in the Statement of Financial Position. Corresponding changes have also been reflected in note 8 - Deferred Contributions.

**12. COMPARATIVE FIGURES**

Comparative figures have been reclassified where necessary to conform to the presentation adopted for the current year.