

Broadcasting Participation Fund (BPF), Inc.
Le fonds de Participation à la Radiodiffusion (FPR), Inc.

Annual Report and Business Plan
2013 - 2014

Presented to: BPF Board of Directors
By: Welch LLP, Costs Officer
Date: February 5, 2014

BROADCASTING PARTICIPATION FUND (BPF) INC.

LE FONDS DE PARTICIPATION A LA RADIODIFFUSION (FPR) INC.

Statement of Management Responsibility

Management is responsible for the integrity and objectivity of the information contained in the Annual Report and Business Plan and for the process of developing assumptions. Assumptions and estimates are based upon information available and known to management at the time of development, reflect current business and economic conditions, and assume a continuation and consistency of current priorities, mandate, and strategic objectives. Much of the Annual Report and Business Plan information for 2013-14 is based on these assumptions, best estimates and judgment, and gives due consideration to materiality. At the time of preparation, management believes the estimates and assumptions are reasonable.

Approved by:



Andre Auger, CGA, CFE
CEO and Costs Officer, Broadcasting Participation Fund

Index

1.0.	Corporate Statement of Purpose	1
2.0.	Operational Structure of the Corporation	1
3.0	Business Activities of the Corporate Officers of the Corporation.....	2
4.0	Tasks of the Costs Officer.....	2
4.1	Institution Building	2
4.2	General and Active Management of the Fund	3
4.3	Reporting Results.....	3
5.0	The BPF Value Proposition	4
5.1	Quality and Professionalism	4
5.2	Timely Service	4
5.3	Engaging the Community	5
5.4	Transparency	5
6.0	Risk Management	5
7.0	2013 Financial Information Summary	6
8.0	2014 Financial Budget Summary.....	6

Appendix I	2013 Audited Financial Statements
Appendix II.....	2014 Budget
Appendix III.....	2013 Claims Summary
Appendix IV.....	Chronology of Key Events

1.0 Corporate Statement of Purpose

The purposes of the corporation, as set out in the Articles of Incorporation, continue to be to:

- (a) Provide costs support to public interest groups and consumer groups representing non-commercial user interests and the public interest before the Canadian Radio-television and Telecommunications Commission (CRTC) in broadcasting matters under the Broadcasting Act (Canada), recognizing that English and French language broadcasting, while sharing common aspects, operate under different conditions and may have different requirements;
- (b) Support research, analysis and advocacy in the official language of the applicant's choice in CRTC broadcasting proceedings under the Broadcasting Act (Canada);
- (c) Retain an independent costs officer who shall be responsible for the day-to-day operations of the corporation subject to the overriding authority of the board of directors of the corporation;
- (d) Provide efficient and accessible service in English and French and make available in both official languages the corporation's documents necessary for potential costs applicants, including policies, costs funding criteria and annual reports; and
- (e) Do all things, which are in furtherance of the foregoing.

2.0 Operational Structure of the Corporation

As in 2013, the corporation will carry out its responsibilities through a service delivery contract with Welch LLP. Andre Auger, CGA, CFE (an employee of Welch LLP) will act as Costs Officer and Chief Executive Officer (CEO) and will be responsible for the day-to-day administration of the Fund.

The Board of Directors, which consists of three members meet regularly throughout the year and in addition to approving claims awards for payment, ensure that the purposes of the corporation are met.

The Board of Directors and the Costs Officer communicate with each other at least monthly to ensure the smooth operation of the Fund and the costs award process

Legal counsel is obtained from the law firm Gowling Lafleur Henderson LLP on an as needed basis to deal with corporate matters or matters of interpretation related to CRTC requirements and the purpose of the Fund.

3.0 Business activities of the Corporate Officers of the Corporation

The BPF is first and foremost an entity that determines, in an impartial manner, eligibility for costs awards in broadcasting proceedings before the Commission. The Board of three Directors is constituted to ensure that no specific interest is over-represented on the Board. Tasks undertaken by the BPF Board of Directors in 2013 included:

1. Oversaw the start-up of the BPF operations, including the logistics pertaining to Board meetings, Operational Committee meetings, signing officers, the BPF bank account, and approval and payment of costs awards;
2. Promoted a lean and cost-efficient operation of the BPF;
3. Provided support and advice to the BPF Costs Officer as required;
4. Made decisions via formal Board resolutions with respect to approving or denying costs awards applications;
5. Attended monthly BPF Operational Committee meetings;
6. Attended meetings with the CRTC as required;
7. Attended the BPF Annual General Meeting; and
8. Addressed other requirements mandated by the CRTC.

The above tasks are to continue throughout 2014 and future years.

4.0 Tasks of the Costs Officer

Welch LLP and its employee Andre Auger, CGA, CFE act as the Costs Officer and CEO for the BPF. Tasks undertaken by the Costs Officer in 2013 included the following:

4.1 Institution Building

1. Defined the BPF mission and vision;
2. Developed a set of key performance indicators and benchmarks;
3. Prepared a budget for 2013;
4. Researched the regulatory environment and aligned the BPF's costs awards practices and procedures with the CRTC's telecommunications costs awards practices and procedures to the extent possible;
5. Drafted BPF cost awards policies, processes, procedures, and funding criteria;
6. Developed official Fund documents and forms;
7. Created an appropriate control environment for Fund administration;
8. Established Costs Officer reporting requirements;
9. Created the BPF website; and
10. Participated in monthly BPF Operational Committee meetings.

4.2 General and Active Management of the Fund

1. Managed, reconciled, and reported on the BPF bank account;
2. Prepared and got approval for the official launch of the BPF;
3. Sent information packages to applicants;
4. Provided oversight and supervision of general business activities; and
5. Provided CEO and Costs Officer services in both official languages, including but not limited to: received and reviewed cost claims, prepared recommendations for the BPF Board of Directors, communicated BPF decisions to applicants, maintained proper application records, and represented the Fund in the public domain.

4.3 Reporting Results

1. Prepared the 2013 Annual Report and Business Plan;
2. Provided timely Fund activity reports to the BPF Board of Directors, including monthly financial reports;
3. Prepared the budget for 2014; and
4. Performed other tasks mandated by the BPF Board of Directors.

Tasks anticipated to be undertaken by the Costs Officer in 2014 include the following:

1. Develop the annual budget and business plan for the corporation
2. Host meetings and develop agendas for the Operational Committee
3. Claims processing:
 - a. Receive and process applications for costs awards,
 - b. Recommend approval or denial of costs awards to the Board of Directors
 - c. Send claimants reasons for the denial of a claim or the acceptance of a claim as appropriate
 - d. Maintain Costs Awards Summary for all claims
 - e. Continue to develop and modify policies and procedures and forms to improve efficiency, clarity and functionality
4. Communication to communities of interest
 - a. Maintain website that provides information relevant to potential costs awards applicants and other interested parties, including the CRTC, consumer and public interest groups, and the broadcasting industry
 - b. Maintain toll-free phone number for easy access in French and English by potential costs awards applicants from across Canada
 - c. Ensure all communication pieces are available in English and French
 - d. Liaise with CRTC representatives as necessary
 - e. Liaise with costs awards applicants to ensure they understand the awards process and that their issues are understood and are dealt with effectively

5. Reporting

- a. Report to Board of Directors as requested
- b. Prepare an annual report for submission to CRTC and to the annual general meeting of BPF.
- c. Ensure website contains current information related to claims awards paid and reasons for acceptance or denial.

6. Financial

- a. Prepare annual financial statements in accordance with Canadian accounting principles for not-for-profit organizations and submit these for audit by a licenced public accountant
- b. Prepare financial reports for periodic review by the Board of Directors
- c. Receive and pay bills on a timely basis
- d. Receive and deposit contributions to the Fund as required
- e. Ensure payroll reporting, withholding and remittances are accurate and timely
- f. Ensure compliance with HST legislation
- g. File annual income tax and other information returns on a timely basis
- h. Ensure directors and officers liability insurance is renewed annually
- i. Ensure reserves are invested in appropriate interest bearing vehicles that provide security for the funds invested

5.0 The BPF Value Proposition

Since its inception in late 2012, and during the first year of operations in 2013, the BPF has been deeply committed to delivering high quality, professional, and timely service to all stakeholders.

5.1 Quality and Professionalism

Quality is a priority for all BPF work. Quality is critical in order to ensure that all BPF work can withstand the scrutiny of affected and interested stakeholders. Compliance with professional standards promulgated by professional accounting and auditing bodies serves as the basis for all BPF work. Finally, quality is achieved through various processes and activities, such as the quality assurance regime embedded in the BPF's claims review process.

5.2 Timely Service

The BPF prides itself on delivering timely responses to all parties applying for a costs award. During its first year of operations, the BPF's turnaround time for receiving, processing, and paying a claim was between 60 and 90 days. The BPF received a total of 29 claims, amounting to \$355,811 in 2013. No complaints were received from any of the applicants.

5.3 Engaging the Community

The BPF is in ongoing communication with all interested parties and stakeholders. Assistance with the claims' preparation process, providing guidance to applicants, debriefing applicants on the results of their claims, and continuously seeking input from the community are key to maintaining positive business relationships with all parties.

5.4 Transparency

The BPF is deeply committed to being completely transparent with all interested parties. Results of all cost awards decisions, the 2013 BPF audited financial statements, the 2014 budget, and all other key statistics are posted on the BPF website.

6.0 Risk Management

Risk management is an integral part of the day-to-day affairs of the BPF. Although 2013 was the BPF's first year of operations, key risks were identified and managed continuously throughout the year. The risk framework will continue to evolve in 2014 as the BPF encounters new situations. The following table highlights the key risks relating to the BPF and the corresponding mitigation strategies:

Risk	Mitigation Strategy
Claimants' expectations incompatible with the mandate and services offered by the BPF	<ul style="list-style-type: none"> • Conduct information exchange meetings with key groups making costs awards applications • Understand the objectives and needs of the claimants during the claims' review process • Maintain open and constant communication with the community
Independence / Credibility	<ul style="list-style-type: none"> • Ensure all policies, procedures, forms, and processes are aligned to the extent possible with the CRTC's telecommunications costs awards practices and procedures • Adhere to professional accounting and auditing standards • Maintain 100% transparency with all interested parties and stakeholders
Risk of increased operating costs	<ul style="list-style-type: none"> • Closely manage operating costs on an on-going basis

7.0 Summary of 2013F Financial Results

The BPF's audited financial statements appear as Appendix I to this report. The Fund incurred expenses of \$557,363 in 2013, including costs awards of \$331,042. Net assets of the Fund at December 31, 2013 were \$4,457,158.

8.0 2014 Financial Budget

The corporation's financial budget appears as Appendix II to this report. The budget calls for net expenditures of \$184,300 during 2014. This represents approximately 4.1% of the \$4,457,158 million surplus available on January 1, 2014. Included in the fund surplus is a contribution from BCE Inc. pursuant to Broadcasting Decision CRTC 2013-310 in the amount of \$2 million, which was booked as revenue in the 2013 calendar year. The CRTC directed BCE to pay the \$2 million contribution in equal instalments over a period of seven years beginning in 2013. At this writing, the 2013 and 2014 instalments have not been received.

While it is impossible to predict the number or dollar value of claims awards that will be received and approved in 2014, it would appear that there should be sufficient reserves to satisfy any and all claims and administrative expenses for 2014 and for some years beyond that.

No capital expenditures are required for 2014.

FINANCIAL STATEMENTS

For

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

For the year ended

DECEMBER 31, 2013

and for the period from date of incorporation,

SEPTEMBER 6, 2012 to DECEMBER 31, 2012

For Board Approval

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Broadcasting Participation Fund (BPF), Inc./ Le Fonds de Participation à la Radiodiffusion (FPR), Inc., which comprise the statement of financial position as at December 31, 2013 and December 31, 2012 and the statements of operations and changes in net assets and cash flows for the year ended December 31, 2013 and the period from date of incorporation, September 6, 2012 to December 31, 2012, 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 in our audit 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./Le Fonds de Participation à la Radiodiffusion (FPR), Inc. as at December 31, 2013 and December 31, 2012 and the results of its operations, the changes in its net assets and its cash flows for the year then ended December 31, 2013 and for the period from date of incorporation, September 6, 2012 to December 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

OUSELEY HANVEY CLIPSHAM DEEP LLP
Licensed Public Accountants

Ottawa, Ontario
Date to be determined.

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013 AND DECEMBER 31, 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 2,505,455	\$ -
Contribution receivable - note 4	285,714	3,000,000
Prepaid expenses	<u>3,429</u>	<u>-</u>
	2,794,598	3,000,000
LONG-TERM ASSETS		
Contribution receivable - note 4	<u>1,714,286</u>	<u>-</u>
	<u>\$ 4,508,884</u>	<u>\$ 3,000,000</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - note 5	\$ 20,778	\$ -
Costs awards payable - note 6	<u>30,948</u>	<u>-</u>
	51,726	-
NET ASSETS		
Unrestricted	<u>4,457,158</u>	<u>3,000,000</u>
	<u>\$ 4,508,884</u>	<u>\$ 3,000,000</u>

Approved by the Board:

DAVID MCKENDRY
..... Director

LYNNE TOUPIN
..... Director

ROBERT FARMER
..... Director

(See accompanying notes)

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

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

**YEAR ENDED DECEMBER 31, 2013 AND FOR THE PERIOD FROM DATE OF INCORPORATION,
SEPTEMBER 6, 2012 TO DECEMBER 31, 2012**

	<u>2013</u>	<u>2012</u>
REVENUE		
Contributions	\$ 2,000,000	\$ 3,000,000
Interest	<u>14,521</u>	<u>-</u>
	<u>2,014,521</u>	<u>3,000,000</u>
EXPENSES		
Costs awards - note 6	331,042	-
Costs officer	138,562	-
Directors' fees	35,623	-
Legal	42,596	-
Audit	5,000	-
Insurance	4,034	-
Bank charges	<u>506</u>	<u>-</u>
	<u>557,363</u>	<u>-</u>
NET REVENUE	1,457,158	3,000,000
NET ASSETS AT BEGINNING OF PERIOD	<u>3,000,000</u>	<u>-</u>
NET ASSETS AT END OF PERIOD	<u>\$ 4,457,158</u>	<u>\$ 3,000,000</u>

(See accompanying notes)

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

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013 AND FOR THE PERIOD FROM DATE OF INCORPORATION,
SEPTEMBER 6, 2012 TO DECEMBER 31, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenue	\$ 1,457,158	\$ 3,000,000
Changes in level of:		
Contribution receivable	1,000,000	(3,000,000)
Prepaid expenses	(3,429)	-
Accounts payable and accrued liabilities	20,778	-
Costs awards payable	<u>30,948</u>	<u>-</u>
INCREASE IN CASH	2,505,455	-
CASH AT BEGINNING OF PERIOD	<u>-</u>	<u>-</u>
CASH AT END OF PERIOD	<u>\$ 2,505,455</u>	<u>\$ -</u>

(See accompanying notes)

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

NOTES TO THE FINANCIAL STATEMENTS

**YEAR ENDED DECEMBER 31, 2013 AND FOR THE PERIOD FROM DATE OF INCORPORATION,
SEPTEMBER 6, 2012 TO DECEMBER 31, 2012**

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 foregoing.

The Broadcasting Participation Fund (BPF), Inc./Le 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 to account for contributions.

Contributions to the Fund are legislated from time to time by CRTC Decisions. Contributions are recognized as revenue as of the date of the relevant CRTC Decision. 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 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./
LE FONDS DE PARTICIPATION À LA RADIODIFFUSION (FPR), INC.**

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

**YEAR ENDED DECEMBER 31, 2013 AND FOR THE PERIOD FROM DATE OF INCORPORATION,
SEPTEMBER 6, 2012 TO DECEMBER 31, 2012**

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 and its contributions receivable. The Fund's cash is deposited with a Canadian chartered bank and, as result, management believes the risk of loss on this item 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.

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

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

**YEAR ENDED DECEMBER 31, 2013 AND FOR THE PERIOD FROM DATE OF INCORPORATION,
SEPTEMBER 6, 2012 TO DECEMBER 31, 2012**

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - Cont'd

(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.

(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 receives interest, calculated with respect to the Bank's composite prime interest rate, on its daily bank balance. As a result, the Fund is not exposed to interest rate risk.

(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 other price risk.

Changes in risk

There have been no significant changes in the Fund's risk exposures since the date of its incorporation.

4. CONTRIBUTION RECEIVABLE

At December 31, 2012, the contribution receivable of \$3,000,000 is from BCE Inc. or its affiliates as a result of Broadcasting Decision CRTC 2011-163 and was received by the Fund in March 2013.

At December 31, 2013, there is a further contribution receivable of \$2,000,000, also 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.

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

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

**YEAR ENDED DECEMBER 31, 2013 AND FOR THE PERIOD FROM DATE OF INCORPORATION,
SEPTEMBER 6, 2012 TO DECEMBER 31, 2012**

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include government remittances owing of Nil (2012 - Nil).

6. COSTS AWARDS

At December 31, 2013 the status of Costs Awards is as follows:

	<u>2013</u>	<u>2012</u>
Claims received, approved and paid	\$ 300,094	\$ -
Claims received, approved and accrued as payable	-	-
Claims received, not approved and accrued as payable	<u>30,948</u>	<u>-</u>
Total Costs awards expense for the year	<u>\$ 331,042</u>	<u>\$ -</u>

Since December 31, 2013 and prior to the release date of these financial statements, claims totalling a further \$183,217 have been received.

7. 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.

For Board Approval

**The Broadcasting Participation Fund (BPF), Inc./
Le Fonds de Participation à la Radiodiffusion (FPR), Inc.**

2014 Budget

		<u>Notes</u>		
Expenditures				
Costs officer	1		\$	144,500
Legal	2			21,000
Directors' fees	3			29,000
Audit	4			5,000
Insurance	5			3,800
Bank charges	6			500
Total budgeted expenditures				203,800
 Known Revenues				
Interest on bank balance	7			19,500
Net budgeted expenditures before costs awards				184,300
 Surplus available at start of year	 8			 4,457,158
 Amounts available for costs awards in 2014	 9		 \$	 4,272,858

Notes

- 1 Costs officer fees estimated at same fee as prior year = \$11,959.16 (incl. HST) / month plus \$1,000 of administrative expenses
- 2 Assumed 50% of first year's actual
- 3 Same fees as previous year
- 4 Same fee as previous year
- 5 Same fee as previous year
- 6 Same fee as previous year
- 7 Assumed same interest rate as 2013 and receipt of \$2 million from Bell in June
- 8 Per 2013 audited financial statements
- 9 Impossible to predict exact level of claims awards which were \$331,042 in 2013

**BROADCASTING PARTICIPATION FUND (BPF)
2013 CLAIMS SUMMARY**

<u>APPLICANT</u>	<u>CRTC PROCEEDING #</u>	<u>CLAIM #</u>	<u>AMOUNTS</u>		<u>DENIED</u>	<u>AMOUNTS</u>	<u>JUSTIFICATION</u>
			<u>CLAIMED</u>	<u>ADJUSTMENTS</u>	<u>AMOUNTS</u>	<u>APPROVED</u>	
PIAC (Note 1)	2012-370	18288-01	81,572			81,572	Public interest group representing self, CAC (Note 2), CWC (Note 3), and COSCO (Note 4)
CIPPIC (Note 5)	2013-106	18288-02	16,335			16,335	Public interest group representing OpenMedia.ca
ELAN (Note 6)	2011-379	18288-03	3,375	(12)		3,363	Demonstrated to be acting on behalf of QCGN, a public interest group
PIAC	2011-788	18288-04	13,212			13,212	Self representing public interest group
PIAC	2013-19	18288-05	22,526			22,526	Public interest group representing self, CAC, COSCO, and NPSCF (Note 8)
PIAC	2012-295	18288-06	2,339			2,339	Self representing public interest group
PIAC	2011-379	18288-07	16,637	(203)		16,434	Public interest group representing self and OpenMedia.ca
CACTUS (Note 7)	2012-0507	18288-08	75,347	(2,000)		73,347	Self representing public interest group
AAPNB (Note 9)	2013-19	18288-09	1,557		1,557		Representing the commercial interests of professional artists
Media Access Canada	2013-106	18288-10	18,878			18,878	Self Representing public interest group
Media Access Canada	2011-379	18288-11	23,988			23,988	Self representing public interest group
ELAN	2013-0800	18288-12	11,647	(858)		10,789	Demonstrated to be acting on behalf of QCGN, a public interest group
Diversity Emerging Collective	2012-126	18288-13	322		322		Representing the commercial interests of musicians
Diversity Emerging Collective	2012-370	18288-14	267		267		Representing the commercial interests of musicians
Diversity Emerging Collective	2013-106	18288-15	415		415		Representing the commercial interests of musicians
CACTUS	2012-0516	18288-16	3,814			3,814	Self representing public interest group
CACTUS	2012-0114	18288-17	889			889	Self representing public interest group
CACTUS	2011-379	18288-18	9,673			9,673	Self representing public interest group
CACTUS	2011-788	18288-19	2,938			2,938	Self representing public interest group
CACTUS	2013-800	18288-20	3,560			3,560	Self representing public interest group
PIAC	2013-394	18288-21	17,366	(12)		17,354	Public interest group representing self, CAC, and COSCO
PIAC	2013-1120	18288-22	2,028			2,028	Public interest group representing self, CAC, COSCO, NPSCF, and OC (Note 10)
EqualiTV Foundation	2013-19	18288-23	2,052	(165)		1,887	Self representing public interest group
PIAC	2013-529	18288-24	2,495	(95)		2,400	Self representing public interest group
Wyeth Clarkson	2013-106	18288-25	4,723		4,723		Representing the commercial interests of producers
Wyeth Clarkson	2013-19	18288-26	7,417		7,417		Representing the commercial interests of producers
EqualiTV Foundation	2013-19	18288-27	3,447			3,447	Self representing public interest group
Producers' Roundtable of Ontario	2012-370	18288-28	5,975		5,975		Representing the commercial interests of producers
Producers' Roundtable of Ontario	2013-19	18288-29	1,017		1,017		Representing the commercial interests of producers
			\$ 355,811	\$ (3,345)	\$ 21,693	\$ 330,773	

<u>TOTALS BY CRTC PROCEEDING</u>	<u>NUMBER OF CLAIMS</u>	<u>AMOUNTS APPROVED</u>
Bell/Astral	1	81,572
Astral Broadcasting Undertakings - Change of Effective Control	2	35,213
CBC Licence Renewal	4	53,458
Local Programming Improvement Fund	2	16,150
Distribution on Cable and Satellite	3	27,860
BCE/Rogers/MLSE	1	2,339
Application by CBC to Revoke CBIT and CBKST Broadcasting Licences	1	73,347
Astral Media Inc.	1	3,814
Bell Alliant Regional Communications	1	889
Bell VOD IP TV	2	14,349
Canadian Category C Nat. news specialty services	1	17,354
Follow-up to BCE/Astral Transaction	1	2,028
Local Programming Requirements	1	2,400
	21	\$ 330,773

Notes:

- (1) Public Interest Advocacy Centre
- (2) Consumers' Association of Canada
- (3) Canada Without Poverty
- (4) Council of Senior Citizens' Organizations
- (5) Canadian Internet Policy & Public Interest Clinic
- (6) English Language Network
- (7) Canadian Association of Community Television Users and Stations
- (8) National Pensioners and Senior Citizens Federation
- (9) Association Acadienne des Artistes Professionnels du Nouveau Brunswick
- (10) Option Consommateurs

BROADCASTING PARTICIPATION FUND

CHRONOLOGY OF KEY EVENTS

2011

Key Event

- March 7 - Broadcasting Decision CRTC 2011-163 approves establishment of an independent broadcasting participation fund. BCE to contribute \$3 million to the fund.
- May 6 - BCE and the Public Interest Advocacy Centre file with the CRTC joint proposal for the participation fund

2012

- March 26 - Broadcasting Regulatory Policy CRTC 2012-181 approves the establishment and operation of the BPF
- Aug. 7 - Broadcasting Regulatory Policy CRTC 2012-181-1 amends certain documents establishing the BPF
- Sept. 6 - BPF receives its Certificate of Incorporation
- Sept.-Dec. - Selection process for the position of Costs Officer and Chief Executive Officer carried out

2013

- Jan. 15 - Costs Officer Services Agreement signed between BPF and Welch LLP
- Jan. 25 - Meeting between David McKendry, BPF Chair, Scott Fletcher, Gowlings, Garth Steele, Welch LLP, and Andre Auger, BPF Costs Officer to:
- Appoint BPF signing officers,
 - Discuss the BPF website,
 - Discuss the set-up of a toll free line,
 - Set expectations in terms of supporting documentation to be included in claims,
 - Discuss potential investment strategies to address growth of the fund, and
 - Discuss logistics re Board meetings, approval, and payment of costs awards, reporting, appointment of external auditors, etc.

2013

Key Event

- Feb. 8 - BPF receives Directors and Officers binder of insurance
- Feb.1-28 - Costs Officer works closely with interested parties to address issues/challenges:
- Signing of the affidavit form,
 - Who is eligible to submit a claim,
 - How to deal with situations where one party represents other parties during CRTC proceedings,
 - How to determine the relevance of an intervention by a claimant,
 - Justification for outside vs internal legal counsel,
 - Treatment of HST and other taxes included in the claims, etc.
- Feb. 28 - BPF website in French and English up and running, toll free line open, and draft BPF claims' forms ready for approval
- March 6 - BPF receives its Business Number (BN) from the Canada Revenue Agency (CRA)
- March 8 - \$3 million contribution by BCE deposited in BPF bank account
- March 21 - First BPF Operational Committee meeting:
- Financial update,
 - Review of website,
 - Review of claims' forms, and
 - Review and of initial BPF policies.
- April 4 - BPF forms, website, and policies approved by Board of Directors
- May 10 - First costs award application received
- June 25 - BPF Operational Committee meeting:
- Financial update,
 - Review first costs award application
 - Update to website, and
 - Discuss protocol for payment of costs awards.
- June 27 - Broadcasting Decision CRTC 2013-310 approves \$2 million contribution to the BPF by BCE to be paid in equal instalments over 7 years beginning in 2013.

2013

Key Event

- July 17 - BPF Operational Committee meeting:
- Review the 9 costs awards applications received to date,
 - Discuss protocol for payment of claims, Annual General Meeting, and appointment of external auditors.
- July 23 - Direction form approved, whereby qualified payees direct the BPF to issue costs awards directly to parties who represented them during CRTC proceedings
- Sept. 17 - BPF Operational Committee meeting:
- Financial update,
 - 7 of the first 9 costs awards applications approved,
 - Discuss September 25th CRTC meeting, and
 - Discuss appointment of external auditors
- Sept. 18 - First 7 costs awards payments totalling \$225,764.82 issued
- Sept. 25 - Directors and Costs Officer meet with the CRTC to discuss progress
- Oct. 31 - BPF Operational Committee meeting
- Nov. 21 - Legal advice obtained relating to eligibility of applicants to receive costs awards
- Dec. 10 - BPF Operational Committee meeting:
- Appointment of external auditors

2014

- Jan. 30 - BPF Operational Committee meeting:
- Upcoming annual general meeting discussed
 - BPF Annual Report and Business Plan discussed
- Feb. 25 - BPF annual general meeting