

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

Annual Report
2021

Prepared by BPF Board of Directors and

Welch LLP[®]

March 31, 2022

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REPORT FROM THE BPF BOARD OF DIRECTORS

The focus of the board of directors' energies during 2021 was on the BPF's imminent depletion of funds. The Directors and Welch staff monitored accounts and cash flow each month. Efforts were made to forecast forthcoming claim demands on the fund. Various strategic options on how to deal with diminishing fund allocations were studied. In August 2021, the Board announced the following steps that it would take to preserve the Fund until significant new funds are received:

- \$0.75 on the dollar will be paid on claims received for work performed after October 01, 2021.
- When and if significant funds are received, the Fund will review reimbursement of the remaining \$0.25.
- When the level of cash in the fund is too low, the Board will undertake the additional measure of imposing a hiatus during which claims will not be accepted. The Fund will re-open when other funds (including SiriusXM) are received. The reimbursement will remain at .75 on the dollar until significant new funds are received.

Time was spent in educating government officials about the role of the BPF, raising the issue of fund depletion and requesting financial assistance. Meetings were held with Department of Canadian Heritage officials about the Fund's diminishing funds situation. Officials at the CRTC were given regular updates.

Letters were sent to the Minister of Canadian Heritage and the Chair of the CRTC underlining the importance of the BPF as a mechanism to enable responsible public interest and consumer groups to make evidence-based submissions in CRTC proceedings. These submissions contribute to a better understanding of the significant issues that the Commission weighs as well as stimulating and raising the level of informed public discussion.

A letter to the Minister of Innovation, Science and Economic Development Canada linked the BPF to the recommendations made in the Yale Report- *Canada's Communications Future and Time to Act* and Bill C-10, an Act to amend the Broadcasting Act and its implications for the BPF and the funding of public participation in broadcast matters. Financing of \$1.5 million for the BPF to operate was requested until such time as the new public participation framework would be in place.

In the context of the Standing Committee on Canadian Heritage to review Bill C-10, the BPF submitted a brief about its mandate, its financial situation and the implications of Bill C-10 with a request that interim financing be awarded to the BPF until such time as the new public participation framework is in place. A brief to the Minister of Finance in the context of the pre-budget consultations made similar points and also requested bridge financing of \$1.5 Million.

In carrying out its core business, the Fund met ten times in 2021 to process and review 23 applications for a total of \$576,262 in new cost award expenses in the year. The contract with Welch for the Cost Officer work was renewed. The Board of Directors also took the step of establishing a restricted reserve fund to ensure that in the event of having to wind up the BPF, necessary costs would be covered.

None of this work would have happened without the able contributions of André Auger, the BPF's Cost Officer and Chief Executive Officer and Bryden McMaster of the accounting firm Welch LLP who oversees and monitors the BPF's finances. We owe a special debt of gratitude to Garth Steele of Welch LLP who retired in 2021 and was instrumental in setting up the BPF in 2012 and providing sage financial guidance until his retirement.

The BPF firmly believes that public participation in regulatory proceedings is critical to the democratic process and will continue its efforts to ensure that public interest and consumer groups representing non-commercial user interests have the needed financial support to intervene before the CRTC in broadcasting matters.

Robin Jackson, Chair
Penny McCann, Consumer/Public Interest Director
William Atkinson, Broadcasting Industry Director

COST OFFICER'S REPORT - 2021

André Auger, Welch LLP

1.0 Corporate Statement of Purpose

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

- (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 prior years, the corporation carried out its responsibilities through a service delivery contract with Welch LLP, Chartered Professional Accountants. André Auger, CPA, CGA, CFE (a representative of Welch LLP) continued to act as Costs Officer and Chief Executive Officer (CEO) responsible for the day-to-day administration of the Fund.

The Board of Directors, which consists of three members, met regularly throughout the year and, in addition to determining payments in respect of claims awards, ensured that the purposes of the corporation were met.

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

Legal counsel was obtained from the law firm Gowling WLG (Canada) 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 or under-represented on the Board. Tasks undertaken by the BPF Board of Directors in 2021 included:

- 3.1.1 Oversight of BPF operations, including the logistics pertaining to Board meetings, Operational Committee meetings, signing officers, the BPF bank account and investments, and approval and payment of costs awards;
- 3.1.2 Promotion of a lean and cost-efficient operation of the BPF;
- 3.1.3 Provision of support and advice to the BPF Costs Officer as required;
- 3.1.4 Making decisions via formal Board resolutions with respect to approving or denying costs awards applications;
- 3.1.5 Identifying on the BPF's website certain activities by consumer and public interest groups that are not eligible for costs awards;
- 3.1.6 Attending regular BPF Operational Committee meetings;
- 3.1.7 Attending meetings with the CRTC and Heritage Canada as required;
- 3.1.8 Attending the BPF Annual General Meeting;
- 3.1.9 Addressing other requirements mandated by the CRTC; and
- 3.1.10 Communicating with stakeholders

4.0 Tasks of the Costs Officer

Welch LLP and its representative André Auger, CPA, CGA, CFE act as the Costs Officer and CEO for the BPF. Tasks undertaken by the Costs Officer in 2021 included the following:

4.1 Institution Building

1. Updating BPF costs awards policies, processes, procedures, and funding criteria;
2. Updating official Fund documents and forms as required;
3. Maintaining an appropriate control environment for Fund administration;
4. Updating Costs Officer reporting requirements as required;
5. Updating the BPF website; and
6. Participating in BPF Operational Committee meetings.

4.2 General and Active Management of the Fund

1. Managing, reconciling, and reporting on the BPF bank account and investments;
2. Providing oversight and supervision of general business activities; and
3. Providing CEO and Costs Officer services in both official languages, including but not limited to: receiving and reviewing costs applications, preparing recommendations for the BPF Board of Directors, communicating BPF decisions to applicants, maintaining proper application records, engaging with prospective applicants and other stakeholders, and representing the Fund in the public domain.

4.3 Reporting Results

1. Preparing the 2021 Annual Report and Business Plan;
2. Providing timely Fund activity reports to the BPF Board of Directors, including monthly financial reports;
3. Posting quarterly financial reports to the BPF website;
4. Preparing the budget for 2022; and
5. Performing other tasks mandated by the BPF Board of Directors.

5.0 The BPF Value Proposition

Since its inception in late 2012, the BPF has been 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 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. The BPF's turnaround time for receiving, processing, and paying a claim remained between 45 days and 60 days during 2021.

5.3 Engaging the Community

The BPF is in ongoing communication with stakeholders and interested parties. The BPF provides guidance during the claims preparation process and debriefs applicants on the results of their claims. The BPF website provides updates to policies and procedures approved by the Board of Directors and gives quarterly updates as to the financial status of the Fund.

5.4 Transparency

The BPF is committed to being completely transparent with all interested parties. Results of all costs awards decisions, the 2021 BPF audited financial statements, the 2022 budget, and all other key statistics are posted on the BPF website (www.bpf-fpr.ca). The Frequently Asked Questions section of the website is regularly updated to provide guidance on initiatives not eligible for costs support and other matters.

RISK MANAGEMENT REVIEW

Risk management is an integral part of the day-to-day affairs of the BPF. The risk framework continues to evolve 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
Risk of Fund Exhaust	<ul style="list-style-type: none"> • Monitor the Fund’s financial situation on a regular basis • Without further funding, (e.g new tangible benefits from a CRTC decision) the Fund will likely be exhausted during second half of 2022 • Meetings held with the CRTC and Heritage Canada to keep them abreast of the situation • Letters to CRTC and Heritage Canada, including in-depth financial analyses/projections of the rate of fund exhaust • 1-year limitation Period for accepting claims implemented in 2020 • To preserve funds, the BPF will pay-out at \$0.75 on the dollar for work performed after Oct 1/21 • The BPF may go into hiatus if the cash level becomes too low. • An internal restricted reserve of \$115,000 has been established to cover costs in the event of a hiatus or if the BPF is ultimately unable to secure sufficient ongoing funding and is required to be wound down.
Independence / Credibility	<ul style="list-style-type: none"> • Ensure all policies, procedures, forms, and processes are updated and remain 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 Management - Cont'd.

Risk	Mitigation Strategy
Risk of fraudulent costs awards applications	<ul style="list-style-type: none"> • Retain the services of an external audit firm to prepare the annual BPF audited F/S • Contract Welch LLP, Chartered Professional Accountants, to provide administrative and management services, including processes and internal controls • Procedures exist to verify a costs awards applicant's eligibility • Procedures exist to verify the elements of a costs awards application • Ensure the Fund's rules and procedures comply to the extent possible with the CRTC rules and procedures for telecommunications costs awards
Risk of internal fraud/mismanagement of funds	<ul style="list-style-type: none"> • Review financials and investments on a regular basis • All payments require two signatures, including one from a BPF Board member • All investment decisions are approved by the BPF Board • Funds held by BMO Nesbitt Burns, the Fund's investment firm, can only be disbursed by direct transfer to TD Canada Trust, the Fund's bank • The Fund's funds can only be invested in guaranteed investment certificates that are fully insured by the Canada Deposit Insurance Company

SUMMARY OF 2021 FINANCIAL RESULTS

The BPF's audited financial statements appear as Appendix I to this report. The Fund incurred expenses of \$ 7 10, 980 in 2021 (\$735,124 in 2020), including costs awards of (\$576,262 (\$610,981 in 2020). Net assets of the Fund at December 31, 2021 were \$716,489 (\$1,423,147 as at December 31, 2020).

The BPF reviewed a total of 16 new cost award applications received in 2021 totaling \$590,056 and processed and paid an additional 7 applications received late in 2020 totaling \$367,241 for a combined total of \$957,297 of claims under review for payment during the year. One (1) claim was denied and five were recalculated and adjusted. A total of \$893,224 was paid out of the fund with \$50,278 accrued at December 31, 2021 for claims received late in the year to be paid out in early 2022.

Comparative figures for previous years are included below:

Fiscal Year	# of New Costs Applications	Total Amounts Applied For	Total Amounts Expensed
2021	16	\$ 590,056	\$ 576,262
2020	18	\$ 910,998	\$ 610,981
2019	6	\$ 221,266	\$ 227,410
2018	16	\$ 374,877	\$ 316,799
2017	24	\$ 910,681	\$ 674,821
2016	41	\$ 1,106,041	\$ 736,920

Appendix I

2021 Audited Financial Statements

FINANCIAL STATEMENTS
For
BROADCASTING PARTICIPATION FUND (BPF), INC./
FONDS DE PARTICIPATION À LA RADIODIFFUSION (FPR), INC.
For the year ended
DECEMBER 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the directors of

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

Opinion

We have audited the financial statements of Broadcasting Participation Fund (BPF), Inc./Fonds de participation à la radiodiffusion (FPR), INC. (the Fund), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in net assets 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 the Fund as at December 31, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the finite nature of the funds of the Fund.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Fund'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 the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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.

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 the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund'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 the Fund 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.

OHCID LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
March 31, 2022.



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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 133,811	\$ 483,920
Investments - note 4	407,551	927,928
Contributions receivable - note 5	-	119,333
Interest receivable	<u>86</u>	<u>4,786</u>
	541,448	1,535,967
LONG-TERM ASSETS		
Contributions receivable - note 5	<u>238,665</u>	<u>268,499</u>
	<u>\$ 780,113</u>	<u>\$ 1,804,466</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - note 6	\$ 13,346	\$ 14,078
Costs awards payable - note 7	<u>50,278</u>	<u>367,241</u>
	<u>63,624</u>	<u>381,319</u>
NET ASSETS		
Unrestricted	601,489	1,423,147
Internally restricted reserve - note 8	<u>115,000</u>	<u>-</u>
	<u>716,489</u>	<u>1,423,147</u>
	<u>\$ 780,113</u>	<u>\$ 1,804,466</u>

Approved by the Board:

ROBIN JACKSON
..... Director

PENNY MCCANN
..... Director

WILLIAM ATKINSON
..... Director

(See accompanying notes)



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

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2021

	2021		
	<u>Unrestricted</u>	<u>Internally Restricted Reserve</u>	<u>Total</u>
Balance at beginning of year	\$ 1,423,147	\$ -	\$ 1,423,147
Net expense	(706,658)	-	(706,658)
Transfer to internally restricted reserve - note 8	<u>(115,000)</u>	<u>115,000</u>	<u>-</u>
Balance at end of year	<u>\$ 601,489</u>	<u>\$ 115,000</u>	<u>\$ 716,489</u>

	2020		
	<u>Unrestricted</u>	<u>Internally Restricted Reserve</u>	<u>Total</u>
Balance at beginning of year	\$ 2,143,692	\$ -	\$ 2,143,692
Net expense	<u>(720,545)</u>	<u>-</u>	<u>(720,545)</u>
Balance at end of year	<u>\$ 1,423,147</u>	<u>\$ -</u>	<u>\$ 1,423,147</u>

(See accompanying notes)



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

**STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>
REVENUE		
Interest	\$ <u>4,322</u>	\$ <u>14,579</u>
EXPENSES		
Costs awards - note 7	<u>576,262</u>	<u>610,981</u>
General and administrative		
Costs officer	98,565	85,158
Directors' fees	16,082	16,079
Legal	8,598	12,594
Audit	6,226	5,763
Insurance	4,546	3,602
Bank charges	<u>701</u>	<u>947</u>
	<u>134,718</u>	<u>124,143</u>
	<u>710,980</u>	<u>735,124</u>
NET EXPENSE	\$ <u>(706,658)</u>	\$ <u>(720,545)</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, 2021**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net expense	\$ (706,658)	\$ (720,545)
Changes in level of:		
Contributions receivable	149,167	375,214
Interest receivable	4,700	5,363
Prepaid expenses	-	3,429
Accounts payable and accrued liabilities	(732)	(1,883)
Costs awards payable	<u>(316,963)</u>	<u>326,451</u>
	<u>(870,486)</u>	<u>(11,971)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
BMO high interest savings account - reinvested	(816)	(1,220)
Purchase of investments	(406,841)	(741,237)
Proceeds from sale of investments	<u>928,034</u>	<u>725,000</u>
	<u>520,377</u>	<u>(17,457)</u>
DECREASE IN CASH	(350,109)	(29,428)
CASH AT BEGINNING OF YEAR	<u>483,920</u>	<u>513,348</u>
CASH AT END OF YEAR	<u>\$ 133,811</u>	<u>\$ 483,920</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, 2021

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 Fund has received finite funds as a result of CRTC Decisions that determined that an applicant, desiring to change the control, or effective control, of a broadcasting undertaking, should provide financial contributions to this Fund. The timing and amount of future funding is not determinable by the Fund. The existing funds are finite and, as a result, the Fund may lack sufficient funds to approve and pay costs awards in respect of costs awards applications received by the Fund.

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 must apply for costs awards no later than 12-months after the day fixed by the CRTC for the filing of final representations. Costs awards are recognized as an expense and as a liability of the Fund 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, 2021

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 two corporations. There is a risk that the contributors may default on their financial obligations 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 is subject to liquidity risk as both the contributions into the fund as well as costs award paid from the fund are unpredictable in both their amounts and timing.

The Fund manages liquidity risk by preparing cash flow projections using historical averages and has determined it necessary in the current year to reduce payments on costs awards to 75% of costs claimed. Additionally, in 2021, the Fund approved the establishment of an internally restricted reserve balance (refer to note 8), which will be used to cover fixed administrative costs during a period of hiatus and ensure the discharge of any terminal liabilities should the fund need to be wound up. If additional contributions are not received into the fund, further measures may be required to ensure the longevity of the Fund. The Fund continues to manage its financial obligations carefully and will not incur any liabilities, including the approval of costs awards, beyond the availability of its working capital.



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

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2021

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

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.

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 high interest savings accounts have variable market interest rates.

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

With the exception of the changes previously noted related to liquidity risk, there have been no other significant changes in the Fund's risk exposures from the prior year.

4. INVESTMENTS

The Fund's investments are as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash held for reinvestment	\$ 1	\$ 1	\$ 1	\$ 1
High Interest Savings Accounts	407,550	407,550	227,927	227,927
Guaranteed Investment Certificates	-	-	700,000	700,000
	<u>\$ 407,551</u>	<u>\$ 407,551</u>	<u>\$ 927,928</u>	<u>\$ 927,928</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, 2021

5. CONTRIBUTIONS RECEIVABLE

CRTC's Broadcasting Decision CRTC 2018-91 required Sirius XM Canada Inc. to contribute a total of \$1,596,667 to the Fund. The contribution was to be received in seven annual instalments from 2018 to 2024. As at December 31, 2021, all but two of these payments have been received. These payments are to be received no later than:

May 24, 2023	\$ 119,333
May 24, 2024	<u>119,332</u>
Total	<u>\$ 238,665</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include government remittances owing of \$Nil (2020 - \$Nil).

7. COSTS AWARDS

The status of Costs Awards for the year is as follows:

	<u>2021</u>	<u>2020</u>
Claims paid during year	\$ 893,225	\$ 284,530
Add unapproved claims at year end	50,278	367,241
Less unapproved claims at start of year	<u>(367,241)</u>	<u>(40,790)</u>
Total Costs Awards expense for the year	<u>\$ 576,262</u>	<u>\$ 610,981</u>

Since December 31, 2021 and prior to the release date of these financial statements, claims totaling a further \$Nil have been received.

8. INTERNALLY RESTRICTED RESERVE FUND

On July 22, 2021, the Board of Directors for the Broadcasting Participation Fund approved the internal restriction of \$115,000. These restricted funds have been set aside to cover expenses related to the ongoing costs of running the fund should the fund go into an extended hiatus and will ensure that sufficient funds remain available to cover final expenses in the event that the fund is ultimately unable to secure sufficient ongoing funding and is required to be wound down.

9. 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 December 31, 2024 and calls for annual payments of \$75,000 plus HST.



Appendix II

2021 Claims Summary

BROADCASTING PARTICIPATION FUND (BPF)
SUMMARY OF CLAIMS - 2021F
AS AT DECEMBER 31, 2021

APPLICANT	PROCEEDING #	CLAIM #	CLAIMS RECEIVED		ADJUSTMENTS	CLAIM DENIED	PAID DURING YEAR	ACCRUED DEC 31 2021	EXPENSED IN 2021	ENGLISH	FRENCH
			ACCRUED DEC 31 2020	IN YEAR							
Ontario Library Association (OLA)	2017-160	18288-208	36,069.75				36,069.75				
CACTUS	2017-201	18288-209	5,370.77				5,370.77				
CACTUS	2015-421	18288-210	172,738.00				172,738.00				
CACTUS	2017-160	18288-211	113,215.00				113,215.00				
CACTUS	2017-359	18288-212	34,676.00				34,676.00				
CACTUS	2017-050	18288-213	3,231.24				3,231.24				
CACTUS	2014-1167	18288-214	1,940.21				1,940.21				
FRPC	2020-81	18288-215		5,583.25	-97.10		5,486.15		5,486.15	5,486.15	
National Campus and Community Radio Association (NCRA)	2019-0700	18288-216		352.50			352.50		352.50	352.50	
FRPC	2019-379	18288-217		157,803.86	-4,414.06		153,389.80		153,389.80	76,694.90	76,694.90
PIAC - NPF	2019-379	18288-218		142,816.45			142,816.45		142,816.45	71,408.23	71,408.22
FRPC	2020-374	18288-219		39,473.57			39,473.57		39,473.57	19,736.79	19,736.78
PIAC	2020-374	18288-220		3,724.73			3,724.73		3,724.73	3,724.73	
CMAC	2020-227	18288-221		3,104.31			3,104.31		3,104.31	3,104.31	
CMAC	2019-379	18288-222		141,376.13			141,376.13		141,376.13	70,688.07	70,688.06
FRPC	2019-1026	18288-223		2,076.38			2,076.38		2,076.38	2,076.38	
CACTUS	2020-227	18288-224		957.17	(64.67)		892.50		892.50	892.50	
FRPC	2019-90	18288-225		3,870.25			3,870.25		3,870.25	3,870.25	
Quebec Community Groups Network (QCGN)	2019-379	18288-226		27,997.55			27,997.55		27,997.55	13,998.78	13,998.77
CACTUS	2020-0492	18288-227		1,552.16	(129.35)		1,422.81		1,422.81	1,422.81	
National Campus and Community Radio Association (NCRA)	2019-379	18288-228		1,292.50		-1292.50	-				
National Campus and Community Radio Association (NCRA)	2020-336	18288-229		1,410.00				1,410.00	1,410.00	1,410.00	
FRPC	2021-281	18288-230		56,665.10	(7,796.86)			48,868.24	48,868.24	48,868.24	

APPEALS

	367,240.97	590,055.91	(12,502.04)	(1,292.50)	893,224.10	50,278.24	576,261.37	323,734.64	252,526.73
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576,261.37 576,261.37

TOTAL CLAIMS BY CRTC PROCEEDINGS

Provision of Paper Bills by Communications Service Providers - Final Replies	2020-81	1
NCRA License Renewals 2020	2019-0700	1
Renewal of CBC Licences	2019-379	5
Call for Comments - Commercial Radio Framework Review	2020-374	2
Call for Comments - On-demand Community Programming Services	2020-227	2
Licence Renewal by OUTtv Network	2019-1026	1
Call for Comments - New Annual Digital Media Survey	2019-90	1
CAB Adjustment from 10% to 12% for Independent Local News Fund	2020-0492	1
Call for Comments on an Application by CAB	2020-336	1
Rogers Acquisition of Shaw - Notice of Hearing	2021-281	1
Licence Renewals - Terrestrial BDU's	2017-160	2
Call for Comments - Amendments to Terrestrial BDU's	2017-201	1
Policy Review	2015-421	1
Call for Comments - Future Distribution Models	2017-359	1
Call for Comments - Amendments to DDU Regulations	2017-050	1
Community Television Licence	2014-1167	1

Appendix III

2022 BUDGET

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

2022 Budget

	<u>Notes</u>		
Expenditures			
Costs officer	1	\$	85,000
Directors' fees	2		16,000
Legal	3		12,000
Audit	4		6,000
Insurance	5		5,000
Bank charges	6		<u>500</u>
Total budgeted expenditures			<u>124,500</u>
Known Revenues			
Interest on investments and bank balance	7		<u>2,000</u>
Net budgeted expenditures before costs awards			<u>122,500</u>
Funding available for costs awards at December 31, 2021			
Net assets	8		716,403
Less contributions receivable not to be collected until after 2022	9		(238,666)
Less: Internally Restricted Reserve for Hiatus/Windup	10		<u>(115,000)</u>
			<u>362,737</u>
Amounts available for costs awards in 2022	11	\$	<u>240,237</u>

Notes

- 1 Costs officer fee based on current contract
- 2 Estimate based on 2021 Directors Fees
- 3 Estimate based on historical average
- 4 Estimate based on 2021 Actual
- 5 Fee increased based on revised policy premium from insurer
- 6 Same fee as previous year
- 7 Reduced to reflect anticipated smaller investment balance in 2022F
- 8 Per 2021 audited financial statements
- 9 Made up of:

Sirius due May 2023	119,333
Sirius due May 2024	<u>119,333</u>
	<u>\$ 238,666</u>
- 10 On July 22, 2021, the Board of Directors approved the internal restriction of \$115,000. These restricted funds have been set aside to cover expenses related to the ongoing costs of running the fund should the fund go into an extended hiatus and will ensure that sufficient funds remain available to cover final expenses in the event that the fund is ultimately unable to secure sufficient ongoing funding and is required to be wound down.
- 11 Impossible to predict exact level of claims awards which were \$576,262 in 2021

Claims Payment Expenses over past years:

2021	576,262
2020	610,981
2019	227,410
2018	316,799
2017	674,821
2016	736,920

Appendix IV

CHRONOLOGY OF KEY EVENTS

Date (2021)	KEY EVENT
Jan. 04	BPF Operational Committee Meeting <ul style="list-style-type: none"> • Procedural change: applications for costs must be filed no later than 12 months after the date fixed by the CRTC for the filing of final representations
Jan. 08	Meeting with Department of Canadian Heritage officials
Jan. 18	BPF Operational Committee Meeting <ul style="list-style-type: none"> • 1 claim reviewed totaling \$41,417.33 • FRPC approved as new stakeholder
Jan. 26	Letter sent to Minister of Canadian Heritage about the depletion of the BPF and request for interim financing
Jan. 29	Letters to Chair, CRTC; Minister of Innovation, Science & Economic Development re imminent depletion of BPF and request for interim financing
Feb. 1	BPF Operational Committee Meeting <ul style="list-style-type: none"> • 5 claims approved totaling \$217,956.55
Feb. 15	Letter written to Minister of Finance re depletion of BPF and request for interim financing Letters written to Members of Standing Committee on Canadian Heritage re Bill C-10 and its impact on the BPF
Mar. 1	BPF Operational Committee Meeting <ul style="list-style-type: none"> • 2 claims approved totaling \$118,700.82
Mar. 18	BPF Annual General Meeting <ul style="list-style-type: none"> • Approval of the Annual Report and Business Plan • Approval of the audited financial statements; and • Appointment of the external auditors • Re-election of Ms. Robin Jackson as BPF Chair
April 26	BPF Operational Committee Meeting <ul style="list-style-type: none"> • 1 claim approved totaling \$153,389.80
June 15	BPF Operational Committee Meeting <ul style="list-style-type: none"> • 3 claims reviewed totaling \$182,642.52
July 5	BPF Policy Meeting <ul style="list-style-type: none"> • Review of options and approval of diminishing fund allocation process • Creation of Restricted Reserve Fund • 3 claims approved for \$148,205.17
July 08	Letter to Stakeholders regarding BPF financial situation
July 12	Letter to CRTC with update on BPF financial situation
Aug. 5	Meeting with Deputy Director of Policy, Office of the Minister of Canadian Heritage

Aug 18	Meeting with Department of Canadian Heritage officials
Sept. 16	BPF Operational Committee Meeting <ul style="list-style-type: none">• 3 claim reviewed totaling \$33,924.18
Sept. 7	Letter sent to CRTC Chair re further depletion of BPF funds and plans to pay claimants \$0.75 on the dollar of each claim received.
Nov. 10	BPF Operational Committee meeting <ul style="list-style-type: none">• 2 claims reviewed totaling \$2,315.31
Dec. 30	The fifth of 7 installments from Sirius XM received and deposited to the BPF bank account