

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.

