

Financial Statements

**Local Programming Improvement Fund**

August 31, 2012

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**Canadian Local Programming Improvement Fund**

We have audited the accompanying financial statements of **Local Programming Improvement Fund**, which comprise the balance sheet as at August 31, 2012 and the statement of income and fund balance for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. Except as explained below, 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Basis for qualified opinion**

The Fund contributions are based on reports of prior-year gross revenues derived from broadcasting activities provided to the Canadian Radio-television and Telecommunications Commission by the licensed terrestrial Broadcasting Distribution Unit's and Direct-to-Home undertakings. A summary of this information was supplied to us by the CRTC. We did not audit the reports submitted to the CRTC. Therefore, we are unable to determine whether any adjustments to the Fund contributions and Fund distributions might be necessary.

**Qualified opinion**

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Local Programming Improvement Fund** as at August 31, 2012 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

*Ernst & Young LLP*

Ottawa, Canada,  
December 18, 2012.

Chartered Accountants  
Licensed Public Accountants

## Local Programming Improvement Fund

### BALANCE SHEET

As at August 31

	2012	2011
	\$	\$
<b>ASSETS</b>		
Cash	11,490,987	10,753,747
Contributions receivable	817,951	2,023,243
	<b>12,308,938</b>	<b>12,776,990</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	25,167	22,246
Distributions payable	12,283,771	12,754,744
<b>Total liabilities</b>	<b>12,308,938</b>	<b>12,776,990</b>
<b>Fund balance</b>	—	—
	<b>12,308,938</b>	<b>12,776,990</b>

*See accompanying notes*

Commitment [note 6]

On behalf of the Board:

Director

Director

**Local Programming Improvement Fund**

**STATEMENT OF INCOME AND  
FUND BALANCE**

Year ended August 31

	<b>2012</b>	<b>2011</b>
	\$	\$
<b>REVENUE</b>		
Fund contributions	<b>111,983,495</b>	106,562,707
Interest	<b>96,149</b>	91,024
	<b>112,079,644</b>	106,653,731
<b>EXPENSES</b>		
Fund distributions <i>[schedule 1]</i>	<b>111,524,090</b>	106,099,825
Fund administration	<b>452,000</b>	440,700
Insurance	<b>63,234</b>	63,234
Audit	<b>23,183</b>	28,809
Legal	<b>15,530</b>	19,830
Bank charges	<b>1,607</b>	1,333
	<b>112,079,644</b>	106,653,731
<b>Net income for the year and fund balance</b>		

*See accompanying notes*

## **Local Programming Improvement Fund**

### **NOTES TO FINANCIAL STATEMENTS**

August 31, 2012

#### **1. PURPOSE OF THE FUND**

The Local Programming Improvement Fund [the “Fund” or “LPIF”] is a fund created by the Canadian Radio-television and Telecommunications Commission [“CRTC”] in October 2008 pursuant to Broadcasting Public Notice CRTC 2008-100. The purpose of the Fund is to support local programming produced by conventional television stations operating in non-metropolitan markets. The objectives of the Fund are to ensure that viewers in smaller Canadian markets continue to receive a diversity of local programming, to improve the quality and diversity of local programming in these markets and to ensure that viewers in French-language markets are not disadvantaged by the smaller size of those markets.

#### **2. FUTURE OPERATIONS**

Pursuant to Broadcasting Regulatory Policy CRTC 2012-385, the CRTC will phase out the Fund over the next two broadcast years. The contribution rate will be reduced to 1.0% for the 2012-2013 broadcast year and to 0.5% for the 2013-2014 broadcast year. As of September 1, 2014, the operations of the LPIF will be discontinued.

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following significant accounting policies have been used in the preparation of these financial statements.

##### **[a] Financial instruments**

The Fund's financial instruments consist of cash, contributions receivable, accounts payable and accrued liabilities and distributions payable. The fair values of these financial instruments approximate their carrying values, unless otherwise stated. It is management's opinion that the Fund is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

##### **[b] Fund contributions**

The Fund is funded through contributions by licensed terrestrial Broadcasting Distribution Unit's and Direct-to-Home undertakings. The contribution for the 2012 broadcast year is 1.5% of the prior broadcast year's gross revenue derived from the broadcasting activities of licensees. Any adjustments are accounted for in the year during which the change is communicated to the Fund Administrator by the CRTC.

## **Local Programming Improvement Fund**

### **NOTES TO FINANCIAL STATEMENTS**

August 31, 2012

#### **[c] Fund distributions**

LPIF funding is distributed to eligible stations as follows: one third of total funds are divided evenly among all eligible stations in anglophone and francophone markets and the remaining two thirds are divided so that 70% goes to anglophone markets, and 30% to francophone markets. These remaining two thirds are then allocated on the basis of average net spending on local programming over three years and are proportional to the percentage of LPIF funding available to eligible stations within a linguistic market. Eligibility for participation in LPIF funding is determined by the CRTC. Any adjustments are accounted for in the year during which the change is communicated to the Fund Administrator by the CRTC.

#### **[d] Use of estimates**

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

#### **[e] Future Accounting Changes**

The Accounting Standard Board of the CICA has announced that private sector not-for-profit organizations will have the choice between Canadian GAAP for not-for-profit organizations and International Financial Reporting Standards relating to fiscal years beginning on or after January 1, 2012. The Fund will adopt Canadian GAAP for not-for-profit organizations for its year ending August 31, 2013.

## **4. CANADIAN LOCAL PROGRAMMING IMPROVEMENT FUND**

The Canadian Local Programming Improvement Fund [“CLPIF”] oversees the administration of the Fund and the Fund Administrator's performance of its duties. Any expenses of the CLPIF are paid for and considered an expense of the Fund.

## **5. CAPITAL MANAGEMENT**

The Fund considers its capital to be the balance maintained in its bank account. The primary objective of the Fund is to invest its capital in a manner that will allow it to continue as a going concern and to comply with its stated objectives. Capital is invested under the direction of the Board of Directors of the CLPIF with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements. The Fund is not subject to any externally imposed requirements on its capital.

## **Local Programming Improvement Fund**

### **NOTES TO FINANCIAL STATEMENTS**

August 31, 2012

#### **6. COMMITMENT**

##### **Fund administration agreement**

The CLPIF has engaged the services of a company to administer the Fund at a fee of \$360,000 plus applicable taxes for each of the broadcast years ending August 31, 2013 and August 31, 2014 plus an additional \$100,000 plus applicable taxes for the five month wind-up period ending January 31, 2015.

#### **7. STATEMENT OF CASH FLOWS**

A statement of cash flows has not been prepared as all the relevant information is apparent from the other financial statements.



## SCHEDULE OF FUND DISTRIBUTIONS

As at August 31

Call Sign	City	Distributions paid and payable for the 2012 broadcast year
		\$
<b>Astral Media Radio G.P.</b>		
CFTK-TV	Terrace	609,263
CJDC-TV	Dawson Creek	598,777
<b>Bell Media Inc.</b>		
CFPL-TV	London	2,016,816
CHWI-TV	Wheatley	847,477
CIVI-TV	Victoria	2,272,321
CKVR-TV	Barrie	1,714,913
CFCN-TV-5	Lethbridge	634,452
CFQC-TV	Saskatoon	1,367,879
CICC-TV	Yorkton	657,642
CIPA-TV	Prince Albert	686,672
CKCK-TV	Regina	1,402,800
CKCO-TV	Kitchener	3,325,760
CKY-TV	Winnipeg	2,828,602
CTV Atlantic (1)		3,681,962
CTV North (2)		2,265,793
<b>Canadian Broadcasting Corporation/Soci�t� Radio Canada</b>		
CBAT	Fredericton	2,166,735
CBCT	Charlottetown	1,936,548
CBET	Windsor	1,799,604
CBHT	Halifax	5,973,066
CBKT	Regina	2,532,803
CBNT	St. John's	2,934,407
CBWT	Winnipeg	3,888,030
CFYK	Yellowknife	2,753,876
<b>Canadian Broadcasting Corporation/Soci�t� Radio Canada</b>		
CBAFT	Moncton	3,005,862
CBKFT	Regina	1,391,137
CBLFT	Toronto	1,268,416
CBOFT	Ottawa	3,901,001
CBUFT	Vancouver	1,651,697
CBVT	Quebec	4,483,278
CBWFT	Winnipeg	1,594,035
CBXFT	Edmonton	1,326,724
CJRB-TV	Rimouski	1,191,655
CKSH	Sherbrooke	1,243,877
CKTM	Trois-Rivi�res	1,081,674
CKTV	Jonqui�re	1,034,365

## SCHEDULE OF FUND DISTRIBUTIONS

As at August 31

Call Sign	City	Distributions paid and payable for the 2012 broadcast year
		\$
<b>Channel Zero (2190015 Ontario Inc.)</b>		
CHCH-TV	Hamilton	5,067,375
<b>CHEK TV (0859291 B.C. Ltd.)</b>		
CHEK-TV	Victoria	1,990,154
<b>Corus (591987 B.C. Ltd.)</b>		
CHEX-TV	Peterborough	1,288,011
CHEX-TV-2	Oshawa	580,788
CKWS-TV	Kingston	1,319,574
<b>Groupe TVA inc.</b>		
CFCM-TV	Québec	3,050,137
CFER-TV	Rimouski	798,728
CHEM-TV	Trois-Rivières	801,820
CHLT-TV	Sherbrooke	934,095
CJPM-TV	Chicoutimi	854,474
<b>Jim Pattison Broadcast Group</b>		
CFJC-TV	Kamloops	895,942
CHAT-TV	Medicine Hat	843,485
CKPG-TV	Prince George	798,630
<b>Newcap Inc.</b>		
CITL-TV	Lloydminster	629,340
CKSA-TV	Lloydminster	661,490
<b>Newfoundland Broadcasting Company Limited</b>		
CJON-TV	St. John's	1,262,986
<b>RNC MÉDIA inc.</b>		
CFEM-TV	Rouyn-Noranda	558,292
CFGS-TV	Gatineau	558,373
CFVS-TV	Val d'Or	564,555
CHOT-TV	Gatineau	646,758
CKRN-TV	Rouyn	539,544
<b>Rogers Broadcasting Limited</b>		
CHMI-TV	Portage La Prairie	1,070,737

## SCHEDULE OF FUND DISTRIBUTIONS

As at August 31

Call Sign	City	Distributions paid and payable for the 2012 broadcast year \$
<b>Shaw Television LP</b>		
CFRE-TV	Regina	958,914
CFSK-TV	Saskatoon	979,107
CHBC-TV	Kelowna	1,397,022
CIHF-TV	Halifax	885,349
CIHF-TV-2	Saint John	668,444
CISA-TV	Lethbridge	828,087
CKND-TV	Winnipeg	1,434,951
<b>Télé Inter-Rives ltée</b>		
CFTF-TV	Rivière-du-Loup	547,851
CHAU-TV	Carleton	654,824
CIMT-TV	Rivière-du-Loup	657,468
CKRT-TV	Rivière-du-Loup	560,421
<b>Thunder Bay Electronics Limited</b>		
CHFD-TV	Thunder Bay	638,154
CKPR-TV	Thunder Bay	1,053,714
<b>V Interactions inc.</b>		
CFAP-TV	Québec	823,624
CFKM-TV	Trois-Rivières	551,095
CFKS-TV	Sherbrooke	549,929
CFRS-TV	Saguenay	549,929
<b>TOTAL</b>		<b>111,524,090</b>

(1) CTV Atlantic comprises CJCH-TV, CJCB-TV, CKCW-TV and CKLT-TV

(2) CTV Northern Ontario comprises CKNY-TV, CICI-TV, CITO-TV and CHBX-TV