

Financial Statements

Local Programming Improvement Fund

August 31, 2013

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the **Local Programming Improvement Fund**, which comprise the statements of financial position as at August 31, 2013 and 2012 and September 1, 2011 and the statements of operations, changes in fund balance and cash flows for the years ended August 31, 2013 and 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. Except as explained below, we conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

Fund contributions are based on reports of prior-year gross revenues derived from broadcasting activities provided to the Canadian Radio-television and Telecommunications Commission [“CRTC”] by the licensed terrestrial Broadcasting Distribution Undertakings 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 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 the **Local Programming Improvement Fund** as at August 31, 2013 and 2012 and September 1, 2011 and the results of its operations and its cash flows for the years ended August 31, 2013 and 2012 and in accordance with Canadian accounting standards for not-for-profit organizations.

Ernst & Young LLP

Ottawa, Canada,
November 28, 2013.

Chartered Accountants
Licensed Public Accountants

Local Programming Improvement Fund

STATEMENTS OF FINANCIAL POSITION

As at

	August 31, 2013	August 31, 2012	September 1, 2011
	\$	\$	\$
ASSETS			
Cash	7,510,600	11,490,987	10,753,747
Contributions receivable	1,289,135	817,951	2,023,243
	8,799,735	12,308,938	12,776,990
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable and accrued liabilities	24,748	25,167	22,246
Distributions payable	8,654,234	12,283,771	12,754,744
Other payables <i>[note 6]</i>	120,753	—	—
Total liabilities	8,799,735	12,308,938	12,776,990
Fund balance	—	—	—
	8,799,735	12,308,938	12,776,990

Commitment *[note 7]*

See accompanying notes

On behalf of the Board:

Director

Director

Local Programming Improvement Fund

STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE

Years ended August 31

	2013	2012
	\$	\$
REVENUE		
Fund contributions	75,156,912	111,983,495
Interest	72,046	96,149
	<u>75,228,958</u>	<u>112,079,644</u>
EXPENSES		
Fund distributions <i>[schedule 1]</i>	74,717,549	111,524,090
Fund administration	406,800	452,000
Insurance	57,845	63,234
Audit	25,577	23,183
Legal	19,883	15,530
Bank charges	1,304	1,607
	<u>75,228,958</u>	<u>112,079,644</u>
Excess of revenue over expenses for the year	—	—
Fund balance, beginning of year	—	—
Fund balance, end of year	<u>—</u>	<u>—</u>

See accompanying notes

Local Programming Improvement Fund

STATEMENTS OF CASH FLOWS

Years ended August 31

	2013	2012
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	—	—
Changes in non-cash working capital		
Contributions receivable	(471,184)	1,205,292
Accounts payable and accrued liabilities	(419)	2,921
Distributions payable	(3,629,537)	(470,973)
Other payables	120,753	—
Cash provided by operating activities	(3,980,387)	737,240
Change in cash during the year	(3,980,387)	737,240
Cash, beginning of year	11,490,987	10,753,747
Cash, end of year	7,510,600	11,490,987

See accompanying notes

Local Programming Improvement Fund

NOTES TO FINANCIAL STATEMENTS

August 31, 2013

1. PURPOSE OF THE FUND AND ACCOUNTING FRAMEWORK

The Local Programming Improvement Fund [the “Fund” or the “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 and is not subject to income taxes. 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.

On September 1, 2012, the Fund adopted Canadian accounting standards for not-for-profit organizations [“ASNPO”]. These are the first financial statements prepared in accordance with ASNPO.

In accordance with the transitional provisions of ASNPO, the Fund has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is September 1, 2011 and all comparative information provided has been presented by applying ASNPO. There were no adjustments to fund balances as at September 1, 2011 or excess of revenue over expenses for the year ended August 31, 2012 as a result of the transition to ASNPO.

2. FUTURE OPERATIONS

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The following significant accounting policies have been used in the preparation of these financial statements.

Local Programming Improvement Fund

NOTES TO FINANCIAL STATEMENTS

August 31, 2013

[a] Revenue recognition

The LPIF is funded through contributions by licensed terrestrial Broadcasting Distribution Undertakings and Direct-to-Home undertakings. The contribution for the 2013 broadcast year is 1.0% 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.

The LPIF follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related restrictions are met. Unrestricted contributions are recognized as revenue when received or receivable, if the amount can be reasonably estimated, and collection is reasonably assured.

Interest revenue is recognized when earned.

[b] 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.

[c] Financial instruments

The Fund's financial instruments consist of cash, contributions receivable, accounts payable and accrued liabilities, distributions payable and other payables.

Measurement

Financial instruments are recorded at fair value on initial recognition.

The Fund subsequently measures all of its financial assets and financial liabilities at amortized cost.

Local Programming Improvement Fund

NOTES TO FINANCIAL STATEMENTS

August 31, 2013

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down or subsequent recovery is recognized in net income. A previously recognized write-down can be reversed to the extent of the improvement.

[d] 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, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. These estimates are reviewed periodically and adjustments are made to excess of revenue over expenses as appropriate in the year they become known.

4. FINANCIAL RISKS AND CONCENTRATION OF RISK

It is management's opinion that the Fund is not exposed to significant interest rate, liquidity, market, currency or credit risks arising from its financial instruments. There has been no change to the risk exposure from 2012.

5. 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 by and considered to be an expense of the Fund.

6. OTHER PAYABLES

Funds received during the year in excess of funds requested are recorded as other payables. These amounts will be applied against contribution requests of the next broadcast year or refunded to the contributor at their request.

7. 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 the broadcast year ending August 31, 2014 plus an additional \$100,000 plus applicable taxes for the six month wind-up period ending February 28, 2015.

SCHEDULE OF FUND DISTRIBUTIONS

As at August 31

Call Sign	City	Distributions paid and payable	Distributions paid and payable
		for the 2013 broadcast year	for the 2012 broadcast year
		\$	\$
Astral Media Radio G.P. (1)			
CFTK-TV	Terrace	336,566	609,263
CJDC-TV	Dawson Creek	336,566	598,777
Bell Media Inc.			
CFPL-TV	London	1,126,145	2,016,816
CHWI-TV	Wheatley	515,725	847,477
CIVI-TV	Victoria	1,342,359	2,272,321
CKVR-TV	Barrie	961,081	1,714,913
CFCN-TV-5	Lethbridge	358,549	634,452
CFQC-TV	Saskatoon	877,430	1,367,879
CICC-TV	Yorkton	388,882	657,642
CIPA-TV	Prince Albert	414,953	686,672
CKCK-TV	Regina	884,423	1,402,800
CKCO-TV	Kitchener	2,120,516	3,325,760
CKY-TV	Winnipeg	1,921,823	2,828,602
Bell Media Atlantic (2)		2,287,925	3,681,962
Bell Media North (3)		1,467,354	2,265,793
Canadian Broadcasting Corporation/Société Radio-Canada			
CBAFT	Moncton	2,129,772	3,005,862
CBAT	Fredericton	1,619,242	2,166,735
CBCT	Charlottetown	1,426,721	1,936,548
CBET	Windsor	1,234,694	1,799,604
CBHT	Halifax	4,361,815	5,973,066
CBKFT	Regina	971,336	1,391,137
CBKT	Regina	1,799,560	2,532,803
CBLFT	Toronto	949,360	1,268,416
CBNT	St. John's	3,474,250	2,934,407
CBOFT	Ottawa	2,351,631	3,901,001
CBUFT	Vancouver	1,140,566	1,651,697
CBVT	Quebec	3,051,950	4,483,278
CBWFT	Winnipeg	1,113,969	1,594,035
CBWT	Winnipeg	2,988,027	3,888,030
CBXFT	Edmonton	908,986	1,326,724
CFYK	Yellowknife	2,046,595	2,753,876
CJRB	Rimouski	846,280	1,191,655
CKSH	Sherbrooke	854,939	1,243,877
CKTM	Trois-Rivières	808,787	1,081,674
CKTV	Jonquière	757,349	1,034,365

SCHEDULE OF FUND DISTRIBUTIONS cont'd

As at August 31

Call Sign	City	Distributions paid and payable	Distributions paid and payable
		for the 2013 broadcast year	for the 2012 broadcast year
		\$	\$
Channel Zero (2190015 Ontario Inc.)			
CHCH-TV	Hamilton	3,586,500	5,067,375
CHEK TV (0859291 B.C. Ltd.)			
CHEK-TV	Victoria	1,125,474	1,990,154
Corus (591987 B.C. Ltd.)			
CHEX-TV	Peterborough	905,701	1,288,011
CHEX-TV-2	Oshawa	336,566	580,788
CKWS-TV	Kingston	1,015,682	1,319,574
Groupe TVA inc.			
CFEM-TV	Québec	2,017,792	3,050,137
CFER-TV	Rimouski	490,999	798,728
CHEM-TV	Trois-Rivières	509,964	801,820
CHLT-TV	Sherbrooke	603,879	934,095
CJPM-TV	Chicoutimi	538,693	854,474
Jim Pattison Broadcast Group			
CFJC-TV	Kamloops	481,623	895,942
CHAT-TV	Medicine Hat	518,680	843,485
CKPG-TV	Prince George	416,345	798,630
Newcap Inc.			
CITL-TV	Lloydminster	457,044	629,340
CKSA-TV	Lloydminster	369,353	661,490
Newfoundland Broadcasting Company Limited			
CJON-TV	St. John's	667,319	1,262,986
RNC MÉDIA inc.			
CFEM-TV	Rouyn-Noranda	342,138	558,292
CFGS-TV	Gatineau	344,683	558,373
CFVS-TV	Val d'Or	352,542	564,555
CHOT-TV	Gatineau	414,282	646,758
CKRN-TV	Rouyn	336,566	539,544
Rogers Broadcasting Limited			
CHMI-TV	Portage La Prairie	661,745	1,070,737

SCHEDULE OF FUND DISTRIBUTIONS cont'd

As at August 31

Call Sign	City	Distributions paid and payable	Distributions paid and payable
		for the 2013 broadcast year	for the 2012 broadcast year
		\$	\$
Shaw Television LP			
CFRE-TV	Regina	593,788	958,914
CFSK-TV	Saskatoon	577,580	979,107
CHBC-TV	Kelowna	748,648	1,397,022
CIHF-TV	Halifax	421,746	885,349
CIHF-TV-2	Saint John	380,133	668,444
CISA-TV	Lethbridge	504,331	828,087
CKND-TV	Winnipeg	615,340	1,434,951
Télé Inter-Rives Itée			
CFTF-TV	Rivière-du-Loup	362,696	547,851
CHAU-TV	Carleton	424,848	654,824
CIMT-TV	Rivière-du-Loup	412,569	657,468
CKRT-TV	Rivière-du-Loup	380,646	560,421
Thunder Bay Electronics Limited			
CHFD-TV	Thunder Bay	353,895	638,154
CKPR-TV	Thunder Bay	648,378	1,053,714
V Interactions inc.			
CFAP-TV	Québec	603,961	823,624
CFKM-TV	Trois-Rivières	340,270	551,095
CFKS-TV	Sherbrooke	339,512	549,929
CFRS-TV	Saguenay	339,512	549,929
TOTAL		74,717,549	111,524,090

(1) These stations were acquired by Bell Media Inc. effective June 27, 2013

(2) Bell Media Atlantic comprises CJCH-TV, CJCB-TV, CKCW-TV and CKLT-TV

(3) Bell Media North comprises CKNY-TV, CICI-TV, CITO-TV and CHBX-TV

