

Financial Statements

Local Programming Improvement Fund

August 31, 2014



Building a better
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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 statement of financial position as at August 31, 2014 and the statement of operations 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 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 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 [“CRTC”] 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, 2014 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

As described in Note 2(a) to the financial statements, on September 1, 2014, the **Local Programming Improvement Fund** was discontinued. As a result, the **Local Programming Improvement Fund** has changed its basis of accounting as of August 31, 2014, the date upon which liquidation became imminent, from the going concern basis to the liquidation basis. The figures presented for the fiscal year ended August 31, 2013 and for the period up to August 31, 2014 continue to be accounted for on the going concern basis. Our opinion is not modified in respect of this matter.

Ernst & Young LLP

Ottawa, Canada,
March 17, 2015

Chartered Professional Accountants
Licensed Public Accountants



Local Programming Improvement Fund

STATEMENT OF FINANCIAL POSITION

	August 31 2014	August 31 2013
	\$	\$
ASSETS		
Cash	7,232,035	7,510,600
Contributions receivable	2,551,519	1,289,135
Interest receivable [note 2a]	20,757	—
	9,804,311	8,799,735
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable and accrued liabilities [note 2a]	212,351	24,748
Distributions payable	9,591,960	8,654,234
Other payables	—	120,753
Total liabilities	9,804,311	8,799,735
Fund balance	—	—
	9,804,311	8,799,735

See accompanying notes

Effective August 31, 2014, the Fund changed the basis of accounting of its financial statements from going concern to liquidation (see Note 2a).

On behalf of the Board:

Director

Director

Local Programming Improvement Fund

**STATEMENT OF OPERATIONS AND
CHANGES IN FUND BALANCE**

Year ended August 31

	2014	2013
	\$	\$
REVENUE		
Fund contributions	39,928,409	75,156,912
Interest	77,721	72,046
	<u>40,006,130</u>	<u>75,228,958</u>
EXPENSES		
Fund distributions [schedule 1]	39,301,743	74,717,549
Fund administration	519,800	406,800
Insurance	88,627	57,845
Audit	35,202	25,577
Legal	59,032	19,883
Bank charges	1,726	1,304
	<u>40,006,130</u>	<u>75,228,958</u>
Net revenue for the year	—	—
Fund balance - Beginning of year	—	—
Fund balance - End of year	—	—

See accompanying notes

Effective August 31, 2014, the Fund changed the basis of accounting of its financial statements from going concern to liquidation.

The Statement of Operations and Fund balance for the year ended August 31, 2013 was prepared on the going concern basis. (See Note 2a).

Local Programming Improvement Fund

STATEMENT OF CASH FLOWS

	2014	2013
	\$	\$
Operating activities		
Cash from operations		
Net revenue for the year	—	—
Changes in non-cash working capital		
- contributions receivable	(1,262,384)	(471,184)
- interest receivable	(20,757)	
- accounts payable and accrued liabilities	187,603	(419)
- distributions payable	937,726	(3,629,537)
- deferred contributions	(120,753)	120,753
	<u>(278,565)</u>	<u>(3,980,387)</u>
Change in cash position during the year	(278,565)	(3,980,387)
Cash position - beginning of year	<u>7,510,600</u>	11,490,987
Cash position - end of year	<u>7,232,035</u>	7,510,600

See accompanying notes

Effective August 31, 2014, the Fund changed the basis of accounting of its financial statements from going concern to liquidation.

The Statement of Cash Flows for the year ended

August 31, 2013 was prepared on the going concern basis. (See Note 2a).

Local Programming Improvement Fund

NOTES TO FINANCIAL STATEMENTS

August 31, 2014

1. PURPOSE OF THE FUND AND ACCOUNTING FRAMEWORK

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 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.

2. 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.

[a] Basis of Accounting

Pursuant to Broadcasting Regulatory Policy CRTC 2012-385, the CRTC discontinued the Fund effective September 1, 2014. As a result, the LPIF has changed its basis of accounting as of August 31, 2014, the date upon which liquidation became imminent, from the going concern basis to the liquidation basis in accordance with CPA Handbook Section 1401, “General Standards of Financial Statement Presentation”. The liquidation basis of accounting has been applied prospectively as of August 31, 2014.

Under the liquidation basis of accounting, financial assets and liabilities are measured at the amounts expected to be received and paid, respectively. Assets earned and liabilities incurred as a result of the dissolution are accrued when the amount can be reasonably estimated.

These financial statements include accrued interest revenue of \$20,757 as a result of the dissolution. Liquidation costs accrued in these financial statements include fund administration of \$113,000, insurance of \$32,850, legal of \$30,474, audit of \$7,560 and bank charges of \$464. Amounts are expected to be received and paid in cash over the period of liquidation.

The figures presented for the fiscal year ended August 31, 2013 and for the period up to August 31, 2014 continue to be accounted for on the going concern basis. The impact of the change to the liquidation basis of accounting is included in the period ended August 31, 2014.

Local Programming Improvement Fund

NOTES TO FINANCIAL STATEMENTS

August 31, 2014

[b] Revenue recognition

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.

The LPIF is funded through contributions by licensed terrestrial Broadcasting Distribution Unit's and Direct-to-Home undertakings. The contribution for the 2014 broadcast year is 0.5% 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.

Interest revenue is recognized when earned.

[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] 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.

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.

Local Programming Improvement Fund

NOTES TO FINANCIAL STATEMENTS

August 31, 2014

[e] 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 net revenue as appropriate in the year they become known.

3. 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 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.

SCHEDULE OF FUND DISTRIBUTIONS

As at August 31

Call Sign	City	Distributions paid and payable	Distributions paid and payable
		for the 2014 broadcast year	for the 2013 broadcast year
		\$	\$
Astral Media Radio G.P.			
CFTK-TV	Terrace	199,646	336,566
CJDC-TV	Dawson Creek	190,632	336,566
Bell Media Inc.			
CFPL-TV	London	614,020	1,126,145
CHWI-TV	Wheatley	304,776	515,725
CIVI-TV	Victoria	680,607	1,342,359
CKVR-TV	Barrie	553,722	961,081
CFCN-TV-5	Lethbridge	211,286	358,549
CFQC-TV	Saskatoon	491,792	877,430
CICC-TV	Yorkton	219,648	388,882
CIPA-TV	Prince Albert	238,549	414,953
CKCK-TV	Regina	454,313	884,423
CKCO-TV	Kitchener	1,014,507	2,120,516
CKY-TV	Winnipeg	927,570	1,921,823
Bell Media Atlantic (1)		1,076,465	2,287,925
Bell Media North (2)		736,090	1,467,354
Canadian Broadcasting Corporation/Société Radio Canada			
CBAT	Fredericton	713,244	1,619,242
CBCT	Charlottetown	625,894	1,426,721
CBET	Windsor	553,777	1,234,694
CBHT	Halifax	2,165,921	4,361,815
CBKT	Regina	999,868	1,799,560
CBNT	St. John's	2,081,966	3,474,250
CBWT	Winnipeg	1,496,574	2,988,027
CFYK	Yellowknife	802,973	2,046,595
Canadian Broadcasting Corporation/Société Radio Canada			
CBAFT	Moncton	1,065,520	2,129,772
CBKFT	Regina	453,887	971,336
CBLFT	Toronto	531,464	949,360
CBOFT	Ottawa	1,155,708	2,351,631
CBUFT	Vancouver	583,834	1,140,566
CBVT	Quebec	1,503,339	3,051,950
CBWFT	Winnipeg	574,409	1,113,969
CBXFT	Edmonton	485,964	908,986
CJRB	Rimouski	473,540	846,280
CKSH	Sherbrooke	446,709	854,939
CKTM	Trois-Rivières	433,868	808,787
CKTV	Jonquière	414,168	757,349

SCHEDULE OF FUND DISTRIBUTIONS

As at August 31

Call Sign	City	Distributions paid and payable	Distributions paid and payable
		for the 2014 broadcast year	for the 2013 broadcast year
		\$	\$
Channel Zero (2190015 Ontario Inc.)			
CHCH-TV	Hamilton	1,898,625	3,586,500
CHEK TV (0859291 B.C. Ltd.)			
CHEK-TV	Victoria	700,214	1,125,474
Corus (591987 B.C. Ltd.)			
CHEX-TV	Peterborough	440,664	905,701
CHEX-TV-2	Oshawa	187,438	336,566
CKWS-TV	Kingston	471,867	1,015,682
Groupe TVA inc.			
CFCM-TV	Québec	1,058,409	2,017,792
CFER-TV	Rimouski	259,998	490,999
CHEM-TV	Trois-Rivières	296,288	509,964
CHLT-TV	Sherbrooke	326,818	603,879
CJPM-TV	Chicoutimi	296,085	538,693
Jim Pattison Broadcast Group			
CFJC-TV	Kamloops	302,397	481,623
CHAT-TV	Medicine Hat	292,855	518,680
CKPG-TV	Prince George	259,238	416,345
Newcap Inc.			
CITL-TV	Lloydminster	224,550	457,044
CKSA-TV	Lloydminster	224,094	369,353
Newfoundland Broadcasting Company Limited			
CJON-TV	St. John's	394,767	667,319
RNC MÉDIA inc.			
CFEM-TV	Rouyn-Noranda	195,418	342,138
CFGS-TV	Gatineau	186,839	344,683
CFVS-TV	Val d'Or	190,209	352,542
CHOT-TV	Gatineau	236,359	414,282
CKRN-TV	Rouyn	182,251	336,566
Rogers Broadcasting Limited			
CHMI-TV	Portage La Prairie	384,859	661,745

SCHEDULE OF FUND DISTRIBUTIONS

As at August 31

Call Sign	City	Distributions paid and payable for the 2014 broadcast year \$	Distributions paid and payable for the 2013 broadcast year \$
Shaw Television LP			
CFRE-TV	Regina	360,676	593,788
CFSK-TV	Saskatoon	353,401	577,580
CHBC-TV	Kelowna	461,373	748,648
CIHF-TV	Halifax	291,541	421,746
CIHF-TV-2	Saint John	238,717	380,133
CISA-TV	Lethbridge	300,791	504,331
CKND-TV	Winnipeg	425,746	615,340
Télé Inter-Rives Itée			
CFTF-TV	Rivière-du-Loup	197,686	362,696
CHAU-TV	Carleton	225,679	424,848
CIMT-TV	Rivière-du-Loup	225,068	412,569
CKRT-TV	Rivière-du-Loup	216,292	380,646
Thunder Bay Electronics Limited			
CHFD-TV	Thunder Bay	216,137	353,895
CKPR-TV	Thunder Bay	348,234	648,378
V Interactions inc.			
CFAP-TV	Québec	371,341	603,961
CFKM-TV	Trois-Rivières	194,075	340,270
CFKS-TV	Sherbrooke	194,285	339,512
CFRS-TV	Saguenay	194,209	339,512
TOTAL		39,301,743	74,717,549

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

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

