

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

**Annual Report
2020**

Prepared by Welch LLP, Costs Officer

March 18, 2021

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Report from the Board of Directors

2020 was an extremely busy year for the Broadcasting Participation Fund (BPF) on several fronts.

In carrying out its core business, the Fund met eleven times in 2020 to process and review 22 applications, including 18 new claims received during the year. Costs Awards expensed during the year were \$910,998. BPF welcomed a new Stakeholder, the Forum for Research and Policy Communications (FRPC) as an important addition to the Stakeholder family. A meeting of stakeholders and interested parties was held on June 25, 2020 where a number of topics were discussed and views exchanged on such issues as hybrid proceedings and the length of time to process applications. Clarifications relating to the appeals process were a direct response to the requests of the Stakeholders. In light of Covid19, Stakeholders requested that the BPF remove the requirement to notarize Schedule E forms. Based on this input from the Stakeholders and further review, the Board altered its procedures and eliminated the requirement to notarize Schedule E forms on a permanent basis.

In the area of policy work, the board made some changes to the guidelines to render the appeals process clearer and to add flexibility for Interim Cost Awards. We introduced a limitation period for the acceptance of claims. This provision was deemed important for the financial and cash flow planning process, in order to be aware of any claims from past years that could negatively impact on the Fund.

On the administration side, the BPF began to issue payments to claimants by electronic funds transfer. In an effort to streamline the work for our Costs Officer and Welch, we moved to a meeting schedule of every six weeks, starting in 2021. In response to a request for access to information, we investigated the legislation and the relationship and responsibility of BPF to it. We also looked into cyber insurance to ensure that the Fund is sufficiently covered and protected.

The issue of financing for the BPF and possible fund exhaustion was always on our minds during the year (and continues to be so). To that end, we reached out to claimants to understand and gather data on the anticipated draw on funds in 2020 and 2021. Based on this information, we oversaw the preparation of a financial summary outlining current and prospective claims and operating costs to show fund depletion. Meetings were held with officials of CRTC and the Department of Canadian Heritage. A letter was sent to the Minister of Canadian Heritage underlining that, by the end of 2022, the BPF would be unable to fulfill its mandate which would likely result in its probable termination. In light of Bill C- 10, an Act to amend the Broadcasting Act, we requested that bridge financing be provided to sustain the operations of the BPF until the new public consultation procedures proposed in the bill are put in place.

A similar submission was sent to Ian Scott, Chair of the CRTC as well as Stephen Guilbeault, Minister of Canadian Heritage, and Philippe Champagne, Minister of Innovation, Science and Economic Development. The submission was sent to all members of the Standing Committee on Canadian Heritage with a request to the Committee Clerk to appear before the Standing Committee in its study of Bill C- 10. In the context of the pre-budget consultations, a submission outlining the Fund's financial situation and requesting bridge financing was made to the Minister of Finance.

None of this work would have happened without the able contributions of André Auger, the BPF's Costs Officer and Chief Executive Officer and Garth Steele of the accounting firm Welch LLP who oversees and monitors the BPF's finances.

The BPF 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. It is our belief that public participation in regulatory proceedings is critical to the democratic process.

Robin Jackson, Chair

Penny McCann, Consumer/Public Interest Director

William Atkinson, Broadcasting Industry Director

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 2020 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 Organizing and attending the Stakeholders' 2020 meeting.

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 2020 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 2020 Annual Report and Business Plan;
2. Providing timely Fund activity reports to the BPF Board of Directors, including monthly financial reports;
3. Posting a quarterly financial report to the BPF website;
4. Preparing the budget for 2021; 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 in order 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. Compared to 2019, the BPF's turnaround time for receiving, processing, and paying a claim remained between 45 days and 60 days.

5.3 Engaging the Community

The BPF is in ongoing communication with all interested parties and stakeholders. Assistance with the claims preparation process, providing guidance to applicants, debriefing applicants on the results of their claims, and continuously seeking input from the community via annual Stakeholders' meetings are key to maintaining positive business relationships with all parties.

5.4 Transparency

The BPF is committed to being completely transparent with all interested parties. Results of all costs awards decisions, the 2020 BPF audited financial statements, the 2021 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.

6.0 Risk Management

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 most important risk point to be aware of this year is the likely probability of the Fund running out of money unless additional funding sources can be determined. Based on the dollar value of claims being received, it is possible that the Fund could be unable to support additional claims beyond 2022.

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, the Fund will likely be exhausted by 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• New 1 year Limitation Period for accepting claims
Independence / Credibility	<ul style="list-style-type: none">• Ensure all policies, procedures, forms, and processes are continuously 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

6.0 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 2020 Financial Results

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

The BPF reviewed a total of 22 costs awards applications during the year, including: 18 new claims received during the year; 3 claims received late in 2019; and one appeal from the prior year. The amount expensed as Costs Awards in 2020 was \$610,981. This amount includes amounts paid during the year, less amounts accrued as costs in prior years when the claims were received, plus reasonable estimates as to amounts likely to be paid in respect of claims received prior to year-end that were not yet approved by December 31, 2020. Comparative figures for the last five years are as follows:

Fiscal Year	# of Costs Applications Received	Total Amounts Applied For	Total Amounts Expensed
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

2020 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, 2020

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, 2020, and the statements of operations and 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, 2020 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.

OHL

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
March 18, 2021.

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 483,920	\$ 513,348
Investments - note 4	927,928	910,471
Contributions receivable - note 5	119,333	405,047
Interest receivable	4,786	10,149
Prepaid expenses	<u>-</u>	<u>3,429</u>
	1,535,967	1,842,444
LONG-TERM ASSETS		
Contributions receivable - note 5	<u>268,499</u>	<u>357,999</u>
	<u>\$ 1,804,466</u>	<u>\$ 2,200,443</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - note 6	\$ 14,078	\$ 15,961
Costs awards payable - note 7	<u>367,241</u>	<u>40,790</u>
	381,319	56,751
NET ASSETS		
Unrestricted	<u>1,423,147</u>	<u>2,143,692</u>
	<u>\$ 1,804,466</u>	<u>\$ 2,200,443</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 OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
REVENUE		
Interest	\$ 14,579	\$ 21,652
EXPENSES		
Costs awards - note 7	<u>610,981</u>	<u>227,410</u>
General and administrative		
Costs officer	85,158	84,985
Directors' fees	16,079	8,000
Legal	12,594	17,335
Audit	5,763	5,650
Insurance	3,602	3,596
Bank charges	<u>947</u>	<u>488</u>
	<u>124,143</u>	<u>120,054</u>
	<u>735,124</u>	<u>347,464</u>
NET EXPENSE	(720,545)	(325,812)
NET ASSETS AT BEGINNING OF YEAR	<u>2,143,692</u>	<u>2,469,504</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,423,147</u>	<u>\$ 2,143,692</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, 2020**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net expense	\$ (720,545)	\$ (325,812)
Changes in level of:		
Contributions receivable	375,214	905,048
Interest receivable	5,363	(9,105)
Prepaid expenses	3,429	-
Accounts payable and accrued liabilities	(1,883)	(6,882)
Costs awards payable	<u>326,451</u>	<u>(85,993)</u>
	<u>(11,971)</u>	<u>477,256</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
BMO high interest savings account	(1,220)	-
Purchase of investments	(741,237)	(727,934)
Proceeds from sale of investments	<u>725,000</u>	<u>-</u>
	<u>(17,457)</u>	<u>(727,934)</u>
INCREASE (DECREASE) IN CASH	(29,428)	(250,678)
CASH AT BEGINNING OF YEAR	<u>513,348</u>	<u>764,026</u>
CASH AT END OF YEAR	<u>\$ 483,920</u>	<u>\$ 513,348</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, 2020

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 foregoing.

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 applying for costs awards have no deadline by which the application must be submitted. As a result, costs awards are recognized as an expense and as a liability of the Fund only 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, 2020

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. As of the release date of these financial statements, the working capital of the Fund is at a level that should be sufficient to satisfy any costs award submissions that are approved within the coming year. The Fund manages 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, 2020

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

There have been no significant changes in the Fund's risk exposures from the prior year.

4. INVESTMENTS

The Fund's investments are as follows:

	2020		2019	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash held for reinvestment	\$ 1	\$ 1	\$ 30	\$ 30
High Interest Savings Accounts	227,927	227,927	185,441	185,441
Guaranteed Investment Certificates	<u>700,000</u>	<u>700,000</u>	<u>725,000</u>	<u>725,000</u>
	<u>\$ 927,928</u>	<u>\$ 927,928</u>	<u>\$ 910,471</u>	<u>\$ 910,471</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, 2020

5. CONTRIBUTIONS RECEIVABLE

CRTC's Broadcasting Decision CRTC 2013-310 required BCE Inc. to contribute a total of \$2,000,000 to the Fund. The contribution was to be received in seven equal annual instalments of \$285,714 from 2014 to 2020. The seventh and final instalment of \$285,714 was received in 2020 and therefore the receivable balance has been paid in full.

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. The first two instalments were in the amount of \$500,000 and the final five instalments are in the amount of \$119,333. Due to COVID-19, CRTC allowed for delayed payments and, as a result, a reduced payment of \$89,500 was received in 2020. This leaves a receivable balance at the end of the year of \$387,832 of which \$119,333 has been classified as a current receivable and the remaining \$268,499 has been classified as a long-term receivable.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include government remittances owing of \$Nil (2019 - \$Nil).

7. COSTS AWARDS

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

	<u>2020</u>	<u>2019</u>
Claims paid during year	\$ 284,530	\$ 313,403
Add unapproved claims at year end	367,241	40,790
Less unapproved claims at start of year	<u>(40,790)</u>	<u>(126,783)</u>
Total Costs Awards expense for the year	<u>\$ 610,981</u>	<u>\$ 227,410</u>

Since December 31, 2020 and prior to the release date of these financial statements, claims totalling a further \$5,486 have been received.

8. 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, 2021 and calls for annual payments of \$75,000 plus HST.

Appendix II

2020 Claims Summary

**BROADCASTING PARTICIPATION FUND (BPF)
SUMMARY OF CLAIMS - 2020F
AS AT DECEMBER 31, 2020**

<u>APPLICANT</u>	<u>PROCEEDING #</u>	<u>CLAIM #</u>	<u>CLAIMS RECEIVED</u>		<u>ADJUSTMENTS</u>	<u>CLAIM DENIED</u>	<u>PAID</u>	<u>ACCRUED</u>	<u>EXENSED</u>	<u>ENGLISH</u>	<u>FRENCH</u>
			<u>DEC 31 2019</u>	<u>IN YEAR</u>			<u>DURING YEAR</u>	<u>DEC 31 2020</u>	<u>IN 2020</u>		
CACTUS	2015-421	18288-187	32,327				32,327		-		
Union des Consommateurs	2018-246	18288-195	2,178				2,178		-		
PIAC	2018-246	18288-196	6,285				6,983		698	698	
FRPC	2019-600	18288-197		6,135			6,135		6,135	6,135	
Manitoba Coalition	2018-246	18288-198		3,678			3,678		3,678	3,678	
CMAC	2018-127	18288-199		44,107			44,107		44,107	44,107	
Media Access Canada	2019-9	18288-200		4,219	(56)		4,163		4,163	4,163	
FRPC	2019-1019	18288-202		17,896			17,896		17,896	17,896	
PIAC	2019-358	18288-203		27,128			27,128		27,128		27,128
CMAC	2019-91	18288-204		12,935			12,935		12,935	12,935	
CACTUS	2016-0063	18288-205		2,640			2,640		2,640	2,640	
FRPC	2020-81	18288-206		19,743	(118)		19,625		19,625	9,813	9,813
FRPC	2020-336	18288-207		23,711			23,711		23,711	23,711	
Ontario Library Association (OLA)	2017-160	18288-208		41,417	(5,348)			36,070	36,070	36,070	
CACTUS	2017-201	18288-209		5,371				5,371	5,371	5,371	
CACTUS	2015-421	18288-210		526,144	(353,405)			172,738	172,738	86,369	86,369
CACTUS	2017-160	18288-211		118,700	(5,486)			113,215	113,215	113,215	
CACTUS	2017-359	18288-212		35,400	(724)			34,676	34,676	34,676	
CACTUS	2017-50	18288-213		3,231				3,231	3,231	3,231	
CACTUS	2014-1167	18288-214		1,940				1,940	1,940	1,940	
INELIGIBLE CLAIMS	2018-127	18288-201		16,602		(16,602)			-		
APPEALS - Education Through Media (ETM)	2013-19	18288-139			81,024		81,024		81,024	81,024	
			40,790	910,998	(284,113)	(16,602)	284,530	367,241	610,981	487,671	123,310

CLAIMS RECEIVED DURING YEAR - BY CRTC PROCEEDING

Retail Sales of Canada's Large Telecommunications Carriers	2018-246	1
Radio Licence Renewals - Corus, Rogers	2019-600	1
Application for a national, multilingual multi-ethnic TV service	2018-127	2
English Language Live Captioning Quality Standards	2019-9	1
Policy Review	2015-421	1
Television Licence Renewals	2019-1019	1
Application by Bell on behalf of Interactions Inc.	2019-358	1
Call for Comments	2019-91	1
Complaints Against Shaw	2016-0063	1
Provision of Paper Bills by Communications Service Providers	2020-336	1
Provision of Paper Bills by Communications Service Providers	2020-81	1
Call for Comments - Governor in Council Request	2017-160	2
Renewal of Licences	2017-201	1
call for Comments - Proposed amendments for BD Regulations	2017-359	1
call for Comments - Proposed amendments for BD Regulations	2017-50	1
Demande de Licence de Radiodiffusion	2014-1167	1

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Appendix III

2021 Annual Budget

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

2021 Budget

	<u>Notes</u>	
Expenditures		
Costs officer	1	\$ 92,500
Directors' fees	2	20,000
Legal	3	15,000
Audit	4	5,800
Insurance	5	4,500
Bank charges	6	<u>1,000</u>
Total budgeted expenditures		138,800
 Known Revenues		
Interest on investments and bank balance	7	<u>10,000</u>
 Net budgeted expenditures before costs awards		<u>128,800</u>
 Funding available for costs awards at December 31, 2020		
Unrestricted net assets	8	1,423,147
Less contributions receivable not to be collected until after 2021	9	<u>268,499</u>
		<u>1,154,648</u>
 Amounts available for costs awards in 2021	10	<u>\$ 1,025,848</u>

Notes

- 1 Costs officer fee based on current contract plus extraordinary expenses
- 2 Same budget as previous year
- 3 Assumed same level as 2020 actual
- 4 Assumed same fee as previous year
- 5 Slight increase in premiums
- 6 Same amount as previous year
- 7 Assumed same interest rate as 2020
- 8 Per 2020 audited financial statements
- 9 Made up of:

Sirius due May 2022	\$ 149,166
Sirius due May 2023	<u>119,333</u>
	<u>\$ 268,499</u>
- 10 Impossible to predict exact level of claims awards which were \$610,981 in 2020

Appendix IV

Summary of Key Events

BROADCASTING PARTICIPATION FUND

CHRONOLOGY OF KEY EVENTS

Date (2020)	Key Event
Jan 14	BPF Operational Committee Meeting <ul style="list-style-type: none">2 claims received in late 2019 totaling \$8,313 to be reviewed during March 2020 meeting
Mar 02	BPF Operational Committee Meeting <ul style="list-style-type: none">4 claims, including the 2 late 2019 claims totaling \$44,368 approved
Mar 12	BPF Operational Committee Meeting <ul style="list-style-type: none">Approval of 2020 budgetReview of Cost Officer contractApproval of external auditors
Mar 12	BPF Annual General Meeting <ul style="list-style-type: none">Approval of the Annual Report and Business Plan;Approval of the audited financial statements; andAppointment of the external auditors
May 05	BPF Operational Committee Meeting <ul style="list-style-type: none">4 claims approved totaling \$93,295
May 05	Implementation of Electronic Transfer of Funds (ETF) process
May 26	Annual Review with CRTC (Nanao Kachi and team)
June 15	The final annual installment from Bell in the amount of \$285,714 deposited to the BPF bank account
June 25	Meeting of BPF Stakeholders and Interested Parties
July 07	BPF Operational Committee Meeting <ul style="list-style-type: none">3 claims approved totaling \$22,558
Aug 13	BPF Board Meeting
Sept 21	BPF Operational Committee Meeting <ul style="list-style-type: none">1 claim approved for \$19,625Approval process for hybrid claims
Oct 05	BPF Operational Committee meeting <ul style="list-style-type: none">Limitation Period approvedInterim Costs Award process expanded
Nov 09	BPF Operational Committee Meeting <ul style="list-style-type: none">Guidelines for Assessing Costs updated
Nov 24	BPF Board Meeting
Dec 07	BPF Operational Committee Meeting <ul style="list-style-type: none">2 claims approved totaling \$104,735
Dec 30	The fourth of 7 installments from Sirius XM in the partial amount of \$89,499 was deposited to the BPF bank account (a reduction of 25% due to the COVID pandemic)