

Financial Statements

**Local Programming Improvement Fund**  
August 31, 2010

## AUDITORS' REPORT

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

We have audited the balance sheet of **Local Programming Improvement Fund [the "Fund"]** as at August 31, 2010 and the statements of income and fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Fund contributions are based on reports of prior year's gross revenues derived from broadcasting activities provided to the Canadian Radio-television and Telecommunications Commission ["CRTC"] by the licensed Class 1 and Class 2 terrestrial BDU's and DTH 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.

In our opinion, with the exception for the effect of these adjustments, if any, which we might have determined to be necessary as a result of the matters described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the **Local Programming Improvement Fund** as at August 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ottawa, Canada,  
October 15, 2010.

*Ernst + Young LLP*

Chartered Accountants  
Licensed Public Accountants

## Local Programming Improvement Fund

### BALANCE SHEET

As at August 31

	2010
	\$
<b>ASSETS</b>	
Cash	9,883,814
Contributions receivable	3,724,832
	<u>13,608,646</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Accounts payable and accrued liabilities	16,500
Distributions payable	13,592,146
<b>Total liabilities</b>	<u>13,608,646</u>
Commitment <i>[note 5]</i>	
Fund balance	—
	<u>13,608,646</u>

*See accompanying notes*

**Local Programming Improvement Fund**

**STATEMENT OF INCOME AND  
FUND BALANCE**

Year ended August 31

	<b>2010</b>
	<u>\$</u>
<b>REVENUE</b>	
Fund contributions	100,676,231
Interest	25,723
	<u>100,701,954</u>
<b>EXPENSES</b>	
Fund distributions	100,038,528
Fund administration	531,658
Insurance	63,705
Legal	48,848
Audit	16,500
Translation	1,520
Bank charges	1,195
	<u>100,701,954</u>
<b>Net income for the year and fund balance</b>	<u>—</u>

*See accompanying notes*

## Local Programming Improvement Fund

# NOTES TO FINANCIAL STATEMENTS

August 31, 2010

### 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. Operations of the Fund commenced September 1, 2009. 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

#### [a] Accrual basis of accounting

Revenue and expenses are recorded on the accrual basis, whereby they are reflected in the accounts in the period in which they have been earned and incurred respectively, whether or not such transactions have been finally settled by the receipt or payment of money.

#### [b] 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 due to their short term nature, 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.

#### [c] Fund contributions

The LPIF is funded through contributions by licensed Class 1 and Class 2 terrestrial BDUs and DTH undertakings. The contribution is 1.5% of the prior broadcast year’s gross revenue derived from the broadcasting activities of licensees with more than 20,000 subscribers.

#### [d] 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 is divided so that 70% goes to anglophone markets, and 30% to francophone markets. The remaining two thirds is then allocated on the basis of average spending on local programming over three years and is proportional to the percentage of LPIF funding available to eligible stations

## **Local Programming Improvement Fund**

### **NOTES TO FINANCIAL STATEMENTS**

August 31, 2010

within a linguistic market. Eligibility for participation in LPIF funding is determined by the CRTC.

[e] 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.

#### **3. 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 by and considered to be an expense of the Fund.

#### **4. 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 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 of its capital.

#### **5. COMMITMENT**

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

The CLPIF has engaged the services of a company to administer the Fund for a two year term ending August 31, 2012 at a fee of \$390,000 for 2011 and \$400,000 for 2012 plus applicable taxes.

#### **6. STATEMENT OF CASH FLOWS**

A statement of cash flows has not been included as it would provide no additional information.