

Financial Statements of

**ABORIGINAL PEOPLES
TELEVISION NETWORK
INCORPORATED**

And Independent Auditors' Report thereon

Year ended August 31, 2022



KPMG LLP
1900 - 360 Main Street
Winnipeg MB
R3C 3Z3

Telephone (204) 957-1770
Fax (204) 957-0808
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Aboriginal Peoples Television Network Incorporated

Opinion

We have audited the financial statements of Aboriginal Peoples Television Network Incorporated (the "Entity"), which comprise the statement of financial position as at August 31, 2022, the statements of operations, 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 (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at August 31, 2022, and its results of 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

December 3, 2022

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Statement of Financial Position

August 31, 2022, with comparative information for 2021

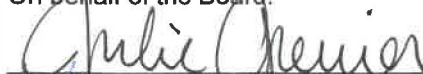
	2022	2021
Assets		
Current assets:		
Cash	\$ 8,435,355	\$ 6,634,280
Restricted cash (note 3)	4,213	4,233
Accounts receivable (note 4)	5,100,840	5,006,527
Due from controlled entities (note 9[e])	1,236,905	1,076,003
Prepaid expenses, deposits and other assets (note 9[d])	527,604	1,301,109
	<u>15,304,917</u>	<u>14,022,152</u>
Investment in controlled entities (note 9[b])	-	252,216
Film and television program rights (note 5)	27,278,070	29,939,465
Capital assets (note 6)	18,916,659	19,817,757
	<u>\$ 61,499,646</u>	<u>\$ 64,031,590</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 3,104,379	\$ 2,677,223
Deferred contributions (note 12)	1,867,838	2,577,992
Film and television program accounts payable (note 8)	2,828,330	4,253,215
	<u>7,800,547</u>	<u>9,508,430</u>
Investment in controlled entities (note 9[b])	1,157,980	-
Net assets:		
Net assets invested in capital assets	18,916,659	19,817,757
Unrestricted net assets	33,624,460	34,705,403
	<u>52,541,119</u>	<u>54,523,160</u>
Commitments, contingencies and guarantees (note 11)		
	<u>\$ 61,499,646</u>	<u>\$ 64,031,590</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Statement of Operations

Year ended August 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Subscriber fees	\$ 39,710,693	\$ 40,797,557
Advertising (note 10)	2,768,007	3,063,780
Contributions (note 12):		
Shaw Communications Inc.	1,500,000	1,500,000
Government organizations	1,742,654	1,253,149
Other (note 9[c])	1,416,559	757,745
	<u>47,137,913</u>	<u>47,372,231</u>
Expenses:		
Network operations:		
Amortization of capital assets	2,247,782	2,111,159
Facility operating costs	1,071,175	1,016,102
Insurance	153,972	142,602
Repairs and maintenance	1,386,394	1,093,408
Transponder and uplink rental (note 12)	3,807,831	3,618,999
Uplink utilities	297,635	202,085
Vehicle leases	112,488	94,670
	<u>9,077,277</u>	<u>8,279,025</u>
Network programming:		
Amortization of film and television program rights	13,425,919	13,248,453
Communications and marketing (note 9[d] and 10)	4,113,707	5,386,491
Consultants	231,378	520,699
Equipment and office supplies	121,029	41,180
Production expense	813,799	563,391
Program development contributions	566,237	719,191
SOCAN fees	381,114	400,211
Salaries	11,685,342	11,641,477
Travel	367,807	233,586
	<u>31,706,332</u>	<u>32,754,679</u>
General administration:		
Bad debt	-	23,200
Board meetings	155,883	114,848
Entertainment	29,872	32,924
General office	980,958	420,542
Interest and finance charges	68,091	59,350
Memberships	29,289	41,470
Professional development	134,615	146,973
Professional fees	557,647	719,877
Recruitment and relocation	52,259	75,189
Salaries and benefits	4,156,734	4,087,629
Staff travel	43,453	18,981
Telephone	110,676	104,282
	<u>6,319,477</u>	<u>5,845,265</u>
	<u>47,103,086</u>	<u>46,878,969</u>
Earnings before the undernoted	34,827	493,262
Loss on equity investments (note 9[b])	(2,016,868)	(1,718,484)
Net loss	\$ (1,982,041)	\$ (1,225,222)

See accompanying notes to financial statements.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Statement of Changes in Net Assets

Year ended August 31, 2022, with comparative information for 2021

	2022			2021
	Invested in capital assets	Unrestricted	Total	Total
Balance, beginning of year:	\$ 19,817,757	\$ 34,705,403	\$ 54,523,160	\$ 55,748,382
Net loss	(2,247,782)	265,741	(1,982,041)	(1,225,222)
Investment in capital assets	1,346,684	(1,346,684)	–	–
Balance, end of year	\$ 18,916,659	\$ 33,624,460	\$ 52,541,119	\$ 54,523,160

See accompanying notes to financial statements.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Statement of Cash Flows

Year ended August 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (1,982,041)	\$ (1,225,222)
Items not affecting cash:		
Amortization of film and television program rights	13,425,919	13,248,453
Amortization of capital assets	2,247,782	2,111,159
Loss on equity investments	2,016,868	1,718,484
Unrealized foreign exchange (gain) loss on loan receivable	(156,672)	123,250
	<u>15,551,856</u>	<u>15,976,124</u>
Net change in other non-cash working capital items:		
Accounts receivable	(94,313)	309,204
Due from controlled entities	(160,902)	(545,394)
Prepaid expenses, deposits and other assets	773,505	(157,495)
Accounts payable and accrued liabilities	427,176	(101,640)
Deferred contributions	(710,154)	332,921
Film and television program accounts payable	(1,424,885)	1,153,736
	<u>14,362,283</u>	<u>16,967,456</u>
Investing activities:		
Advance of loan receivable to controlled entity	(500,000)	-
Repayment of loan receivable to controlled entity	50,000	-
Investment in controlled entity	-	(600,000)
Purchase of capital assets	(1,346,684)	(1,023,976)
Purchase of film and television program rights	(10,764,524)	(15,240,865)
	<u>(12,561,208)</u>	<u>(16,864,841)</u>
Increase in cash	1,801,075	102,615
Cash, beginning of year	6,634,280	6,531,665
Cash, end of year	<u>\$ 8,435,355</u>	<u>\$ 6,634,280</u>

See accompanying notes to financial statements.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements

Year ended August 31, 2022

1. Nature of the operations:

The Aboriginal Peoples Television Network Incorporated (the “Company”) was incorporated on June 12, 1989 without share capital under Part II of the *Canada Corporations Act* as Television Northern Canada. Following its successful national license application in 1999, it was renamed Aboriginal Peoples Television Network. The Company was established to share programming by, for and about Aboriginal Peoples with all Canadians and viewers around the world. The Company is a charitable organization as defined in the *Income Tax Act (Canada)* and as such is exempt from tax.

Effective September 1, 2018, the Company's license was renewed for five years by the Canadian Radio-television and Telecommunications Commission (CRTC) to distribute programming through broadcast distribution undertakings across Canada and earn subscriber fees. Class 1 and 2 distribution undertakings licensed by the CRTC are required to distribute the Company's programming as part of their basic services.

2. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for profit organizations and include the following significant accounting policies.

(a) Revenue recognition:

The Company follows the deferral method of accounting for revenue.

Subscriber fees are recognized monthly on the basis of the number of subscribers reported by terrestrial and Direct to Home satellite broadcast distribution undertakings (BDUs) at rates prescribed by the CRTC. Revenue derived from advertising consists primarily of the sale of air time which is recognized at the time commercials or related programs are broadcast.

Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and the related services are delivered or related expenses are recognized. Contributions that do not meet this criteria are deferred.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2022

2. Significant accounting policies (continued):

(b) Film and television program rights:

The Company has entered into various agreements for the rights to broadcast certain feature films and television programs. The Company records a liability for film and program rights and the corresponding intangible asset when the films or programs are available for telecast.

Funds paid prior to the films and programs being available for broadcast are treated as deposits. Film and television program rights are recorded at cost and are charged to operations over the number of expected or permitted plays under the related licensing agreements (generally assumed to be four plays) or on a straight-line basis over the expected term of the licensing agreements for unlimited play programs (lesser of the term of the contract and maximum of four years). Film and television program rights are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Such assets are impaired if their recoverable amount, based on estimated future cash flows, is less than their carrying amount.

Salaries of permanent and contract staff and other program development costs are expensed as incurred.

(c) Investment in controlled entities:

On September 9, 2019, Dadan Sivunivut Inc. (Dadan) was incorporated. As a result of the Company having both a wholly owned share interest and significant financial interest in Dadan, the Company has a controlling interest in Dadan.

Dadan, a profit-oriented entity, has a wholly owned share interest in the following entities:

- Animiki See Digital Productions Inc. (ASDP)
- Animiki See Distribution Inc. (ASD)
- All Nations Network, Inc. (ANN) (formerly Project APTN, Inc.)
- First Peoples Radio Inc. (FPR)
- Nagamo Publishing Inc. (Nagamo)
- Red Music Rising Inc. (RMR)

During September 2019, share ownership of the above entities was transferred from the Company to Dadan as part of an organizational restructuring.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2022

2. Significant accounting policies (continued):

The Company accounts for its investment in its controlled entities using the equity method and provides disclosure of the assets, liabilities and results of operations in note 9.

Under the equity method of accounting, the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the investor's pro rata share of post-acquisition earnings or losses of the investee, computed by the consolidation method. The amount of the adjustment is included in the determination of net income or loss by the investor, and the investment account of the investor is also increased or decreased to reflect the investor's share of capital transactions. Profit distributions received or receivable from an investee reduce the carrying value of the investment.

(d) Program development contributions:

The Company provides early development contributions to organizations that develop programming suitable to the Company. These contributions do not necessarily provide the Company with specific rights to acquire future benefits and are therefore expensed as incurred.

(e) Capital assets:

Capital assets are recorded at cost and are amortized as follows:

Asset	Rate
Buildings	4% declining balance
Office equipment	20% declining balance
Digital and other broadcast equipment	20% declining balance
Computer equipment and software	35% declining balance
Leasehold improvements	Shorter of useful life and term of lease

(f) Cash:

Cash is composed of non-restricted cash and short-term, highly liquid investments with an original maturity of 90 days or less. Short-term investments, if any, are composed of guaranteed investment certificates with an original maturity in excess of 90 days.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2022

2. Significant accounting policies (continued):

(g) Licenses:

License renewal costs are expensed as incurred.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Company has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Company determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Company expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

(i) 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 and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying value of film and television program rights, capital assets and their useful lives, and investment in controlled entities. Actual results could differ from these estimates.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2022

3. Restricted cash:

As at August 31, 2022 restricted cash of \$4,213 (2021 - \$4,233) was held in a trust account relating to proceeds from fundraising. The funds will be held until a winner comes forward or a donation in the amount equal to the unclaimed funds has been made to the predetermined charity.

4. Accounts receivable:

	2022	2021
Subscriber fees	\$ 3,887,233	\$ 4,000,984
Advertising	594,322	944,081
Goods and services tax	260,308	118,994
Funding receivable	155,000	–
Other	277,177	15,668
Allowance for doubtful accounts	(73,200)	(73,200)
	<u>\$ 5,100,840</u>	<u>\$ 5,006,527</u>

5. Film and televisions program rights:

	2022	2021
Deposits on programs in process	\$ 2,457,456	\$ 5,005,156
Broadcast rights, net of accumulated amortization of \$58,582,594 (2021 - \$46,077,637)	24,820,614	24,934,309
	<u>\$ 27,278,070</u>	<u>\$ 29,939,465</u>

The Company has entered into various agreements to acquire additional film and television program rights amounting to approximately \$23.2 million (note 11), to be paid out in the period from fiscal 2023 to 2024 (2021 - \$16.9 million).

During fiscal 2022, the Company retired broadcast rights of approximately \$1.5 million (2021 - \$35.9 million), which reduced total cost, and accumulated amortization was reduced by approximately \$920,000 (2021 - \$35.6 million).

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2022

6. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,396,065	\$ –	\$ 1,396,065	\$ 1,396,065
Buildings	12,361,251	3,338,755	9,022,496	9,381,712
Office equipment	2,680,322	2,428,887	251,435	302,052
Computer equipment and software	2,354,176	2,007,467	346,709	320,783
Digital and other broadcast equipment	35,003,030	27,235,692	7,767,338	8,256,390
Leasehold improvements	1,813,600	1,680,984	132,616	160,755
	<u>\$ 55,608,444</u>	<u>\$ 36,691,785</u>	<u>\$ 18,916,659</u>	<u>\$ 19,817,757</u>

7. Bank indebtedness:

The Company has a revolving demand facility up to \$2,500,000 which was not utilized as at August 31, 2022 (2021 - nil).

Advances under the revolving demand facility bear interest at Royal Bank prime rate plus 1 percent and are repayable on demand. This facility is secured by a general security agreement giving the lender first ranking security interest in personal property of the Company.

8. Related party balances and transactions:

During the year, the following amounts were charged to the Company by founding members of the Company (member organizations):

	2022	2021
Film and television program rights acquisitions	\$ 173,011	\$ 228,212
Other	40,276	34,120

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2022

8. Related party balances and transactions (continued):

These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to member organizations, which are included in accounts payable and accrued liabilities and film and television program accounts payable, consist of:

	2022	2021
Inuit Broadcasting Corporation	\$ 85,832	\$ 113,413
Taqramiut Nipingat Inc.	84,710	71,348
Okalakatiget Society	26,166	1,300
Native Communications Inc.	2,596	3,175
	<u>\$ 199,304</u>	<u>\$ 189,236</u>

Deposits paid on programs in process (note 5) include amounts paid to member organizations of:

	2022	2021
Inuit Broadcasting Corporation	\$ 78,791	\$ 90,791

9. Investment in controlled entities:

(a) Summary financial information:

A consolidated financial summary of Dadan's consolidated financial position as at August 31, 2022 and 2021 and the results of its operations for the years then ended are set out below.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2022

9. Investment in controlled entities (continued):

	2022	2021
<i>Financial position:</i>		
Assets	\$ 3,727,271	\$ 5,956,553
Liabilities	\$ 15,679,087	\$ 15,891,501
Shareholder's deficiency	(11,951,816)	(9,934,948)
	<u>\$ 3,727,271</u>	<u>\$ 5,956,553</u>
<i>Results of operations:</i>		
Revenue	\$ 3,027,946	\$ 3,157,294
Expenses	5,044,814	4,875,778
Loss for the year	<u>\$ (2,016,868)</u>	<u>\$ (1,718,484)</u>
	2022	2021
<i>Cash flow from (used in):</i>		
Operating activities	\$ (996,264)	\$ (2,854,686)
Investing activities	(98,323)	(321,637)
Financing activities	(64,213)	432,087
Net change in cash	<u>\$ (1,158,800)</u>	<u>\$ (2,744,236)</u>

(b) Summary of investment in controlled entities:

Equity loss in controlled entities:

	2022	2021
Cumulative equity losses in controlled entities, beginning of year	\$ 9,934,948	\$ 8,216,464
Current year loss on equity investments	2,016,868	1,718,484
Cumulative equity losses in controlled entities, end of year	<u>\$ 11,951,816</u>	<u>\$ 9,934,948</u>

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2022

9. Investment in controlled entities (continued):

	2022	2021
Loans receivable from controlled entities (note 9[c])	\$ 10,193,836	\$ 9,587,164
Equity losses in controlled entities	(11,951,816)	(9,934,948)
Preference shares acquired in Dadan (note 9[d])	600,000	600,000
Carrying value of investment in controlled entities	\$ (1,157,980)	\$ 252,216

(c) Loans receivable from controlled entities:

	2022	2021
ASD	\$ 380,000	\$ 430,000
ANN	1,786,646	1,773,234
FPR	1,525,000	1,525,000
Dadan	6,502,190	5,858,930
	\$ 10,193,836	\$ 9,587,164

During the period from 2016 to 2022, the Company entered into unsecured term loan agreements with ASD, lending ASD a total amount of \$430,000, of which \$50,000 was repaid in 2022. The loan bears interest at the rates of RBC prime plus 0.5 to 1.0 percent, with interest accrued of \$15,098 during fiscal 2022 (2021 - \$14,585). The loans are due to be repaid between August 31, 2021, and October 31, 2023. As at August 31, 2022, an amount of \$130,000 remains unutilized on the most recent term loan agreement.

During the period from 2014 to 2022, the Company entered into unsecured loan arrangements with ANN, lending ANN a total amount of \$1,786,646. The loan bears interest at the rates of RBC prime plus 1.0 percent, with interest accrued of \$89,340 during fiscal 2022 (2021 - \$81,130). The loans are to be repaid in full with no set payment terms.

From 2018 to 2022, the Company entered into unsecured term loan agreements with FPR, lending FPR a total amount of \$1,525,000. The loans bear interest at the rates of RBC prime plus 1.0 percent, with interest accrued of \$61,825 during fiscal 2022 (2021 - \$52,612). The loans are due to be repaid between fiscal 2023 and 2024. As at August 31, 2022, an amount of \$25,000 remains unutilized on the most recent term loan agreement.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2022

9. Investment in controlled entities (continued):

As at August 31, 2022, the Company has outstanding unsecured term loan agreements with Dadan, totaling \$6,502,190, of which \$3,802,190 is denominated in USD currency. During fiscal 2022, an additional \$500,000 term loan was advanced to Dadan by APTN under a new unsecured loan agreement. The loans bear interest at the rates of RBC prime plus 1.0 percent, with interest accrued of \$277,557 during fiscal 2022 (2021 - \$249,400). The loans are due to be repaid during fiscal 2025.

(d) Transactions with controlled entities:

During the year, the Company had the following transactions with Dadan and its controlled entities:

	2022	2021
Program development paid to affiliated entities of ASDP	\$ 1,783,668	\$ 2,537,187
Program development paid to ASDP	694,813	971,348
Advertising purchased from FPR	344,240	701,231
Preference shares acquired in Dadan	–	600,000
Services sold to controlled entities	62,254	92,504
Program rights paid to ASD	60,900	80,503
Information technology sold to ASDP	2,000	3,000

Prepaid expenses, deposits and other assets as at August 31, 2022 includes an amount of \$42,144 prepaid to FPR for advertising (2021 - \$216,444).

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the Company and its controlled entities.

(e) Due from controlled entities:

	2022	2021
FPR	\$ 285,486	\$ 500,098
Dadan	691,564	420,478
ANN	183,586	94,316
ASD	72,825	57,727
ASDP	2,156	2,156
Nagamo	1,158	1,158
RMR	130	70
	\$ 1,236,905	\$ 1,076,003

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2022

10. Non-monetary transactions:

In the normal course of business, the Company enters into non-monetary transactions to exchange advertising for various products and services. These transactions are recorded at the fair value of the goods or services received and no gains or losses have been reported on these transactions. Advertising revenue and communications and marketing expenses for the year ended August 31, 2022 include \$24,931 (2021 - \$157,902) related to non-monetary transactions.

11. Commitments, contingencies and guarantees:

Commitments:

The Company has commitments for office space and equipment under operating leases, and maintenance contracts as follows:

2023	\$	579,759
2024		569,621
2025		425,822
2026		160,695
2027		112,661

Under the terms of its license with the CRTC, the Company is required to spend significant amounts on new programming projects, technical improvements and audience research. To date, the Company has met these commitments. Furthermore, as indicated in note 5, the Company has entered into various agreements to acquire film and television program rights amounting to approximately \$23.2 million to be paid out in the period from fiscal 2023 to 2024.

Contingencies:

The Company is involved in various legal matters arising in the ordinary course of business. Management believes the resolution of these matters is not likely to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Guarantees:

The Company has agreed to indemnify its current and former directors and officers to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2022

11. Commitments, contingencies and guarantees (continued):

These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents the Company from making a reasonable estimate of the maximum potential amount if it could be required to pay to counter parties. The Company has purchased directors' and officers' liability insurance.

The Company has guaranteed the credit facilities negotiated with RBC for its wholly owned subsidiary, FPR (note 2[c]). The guarantee is in the amount of up to \$3,878,823, interest would accrue at the rate of the Bank's prime rate plus 5 percent from the date of demand. As at August 31, 2022, FPR has drawn against the facilities in the amount of \$1,445,840 (2021 - \$2,071,961). The guarantee is supported by a General Security Agreement constituting a first ranking security interest in all personal property of APTN.

12. Contribution agreements:

The Company's agreement with Shaw Communications Inc. and affiliates (Shaw) originally expiring on August 31, 2023, provides the Company with an annual contribution of \$1,500,000. Shaw or the Company may terminate the agreement in certain circumstances, including if Shaw is no longer required by the CRTC to make a contribution to the creation and presentation of Canadian programming. During 2022, a one year extension to the agreement was negotiated, the agreement now expires on August 31, 2024. In addition, in fiscal 2022 the Company purchased transponder and uplink services from an affiliate of Shaw at a cost of \$3,013,000 (2021 - \$2,829,000).

The Company enters into contribution agreements with Heritage Canada and agreements with other government organization who provide funding towards the production of various televised events, including the annual Indigenous Day Live (IDL) event and the National Truth and Reconciliation Day (NT&R Day) event. The portion of the contribution received that relates to program rights of the televised event is recognized over the license term of the related television program right.

The following table details the contributions received and revenue recognized during fiscal 2022 by event, including the deferred contribution balance remaining at August 31, 2022.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2022

12. Contribution agreements (continued):

	Balance as at August 31, 2021	Additions in the period	Revenue recognized in the period	Balance as at August 31, 2022
IDL 2018	\$ 157,631	\$ –	\$ 157,631	\$ –
IDL 2019	435,803	–	242,023	193,780
IDL Winter Solstice 2020	1,129,988	32,500	362,455	800,033
NT&R Day 2021	208,570	–	208,570	–
IDL 2021	646,000	–	381,213	264,787
IDL 2022	–	800,000	286,762	513,238
NT&R Day 2022	–	200,000	104,000	96,000
	<u>\$ 2,577,992</u>	<u>\$ 1,032,500</u>	<u>\$ 1,742,654</u>	<u>\$ 1,867,838</u>

During fiscal 2022, the Company obtained funding related to the following new agreements with government organizations:

- On March 17, 2022, a contribution agreement for \$1,300,000 was signed with Heritage Canada for film production of the IDL 2022 event. Funding of \$800,000 was received during fiscal 2022. Of this funding received, \$286,762 was recognized as revenue in fiscal 2022. The balance of the funds should be received in fiscal 2023.
- On May 27, 2022, a memorandum of agreement was signed with the University of Manitoba for funding of \$200,000 for production of a special live event for NT&R Day 2022. Of the \$200,000 of funding received in fiscal 2020, an amount of \$96,000 related to unspent production costs that will be recognized in fiscal 2023 when these costs are incurred.

13. Risk management:

Concentration of credit risk:

The Company is exposed to credit risk, primarily in relation to accounts receivable. Exposure to credit risk varies due to the concentration of balances owing from Canadian BDUs and advertising agencies. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible amounts. For the years ended August 31, 2022 and 2021, the majority of subscriber fees were generated from five BDUs.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2022

13. Risk management (continued):

Interest rate risk:

The Company is subject to interest rate risk to the extent that required interest payments on bank overdrafts, if any, will fluctuate with changes in the prime rate.

Liquidity risk:

Liquidity risk is the risk of having insufficient cash to meet financial obligations without raising funds at unfavourable rates or selling assets on a forced basis. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due.

The liquidity requirements of the Company have been met primarily by funds received from subscriber fees and to a lesser extent from advertising revenues. Cash provided from these sources is used primarily for payment of network programming, network operations and general and administrative expenses, and to fund investments (through loans) in controlled entities (note 9). To manage cash flow requirements, the Company budgets expenditures for future periods based on expected funding received. In addition, the Company has revolving demand facility for temporary cash shortfalls.

Currency risk:

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. The Company's exposure as at August 31, 2022 is limited to its loan receivable from Dadan denominated in USD in the amount of \$3,802,190 (2021 - \$3,658,930) and its USD bank account denominated in USD that has a balance of \$630,270 (2021 - \$630,287).