



Aboriginal Peoples Television Network

ANNUAL REPORT 2013

Sharing our Stories

World's First National Aboriginal Broadcaster

**APTN IS SHARING OUR
PEOPLES' JOURNEY,
CELEBRATING OUR
CULTURES, INSPIRING
OUR CHILDREN AND
HONOURING THE
WISDOM OF OUR ELDERS.**



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Mission

APTN is sharing our Peoples' journey, celebrating our cultures, inspiring our children and honouring the wisdom of our Elders.

Corporate Profile

September 1, 2013, marked the 14-year anniversary of the launch of the first national Aboriginal television network in the world with programming by, for and about Aboriginal Peoples to share with all Canadians and viewers around the world. APTN is available in approximately 10 million Canadian households and commercial establishments with cable, direct-to-home satellite, telco-delivered and fixed wireless television service providers. The network launched its high definition channel, APTN HD, in the spring of 2008. APTN does not receive government funding for operations but generates revenue through subscriber fees, advertising sales and strategic partnerships. APTN broadcasts programming with 56% offered in English, 16% in French and 28% in Aboriginal languages.



Table of Contents

Message from our Chair	page 2
Message from our Chief Executive Officer.....	page 3
Message from our Chief Financial Officer	page 5
Financials.....	pages 6 - 22

Message from our Chair: Jocelyn Formsma

Aboriginal Peoples Television Network (APTN) is the first national Aboriginal broadcaster in the world, with programming by, for and about Aboriginal Peoples to share with all Canadians as well as viewers around the world. Since its launch in September 1999, APTN has endeavoured to share Our stories and to build bridges with Canadians. This has been achieved by broadcasting unique programming, cultivating relationships with talented Aboriginal producers, establishing partnerships with other broadcast industry leaders and reaching out to Aboriginal communities and organizations across Turtle Island.

In August 2013, APTN's broadcast licence was renewed by the Canadian Radio-Television Telecommunications Commission (CRTC) for a five-year term. I would like to extend my appreciation to everyone who worked hard on the submission and wrote letters to support the successful campaign that led to our licence renewal. The decision recognized APTN's unique role and exceptional contribution to Canada through sharing award-winning news and programming with all Canadians.

Looking forward, APTN is implementing its strategic plan extending to 2017. The plan includes changes to strengthen the network's internal processes, research abilities, financial control, human resource policies, governance and community relations.

I assumed the position of Acting Chair on an interim basis. The Chairperson, Daniel Vandal, resigned the position in order to pursue a change of career. He has remained Director at Large Manitoba Region. I would like to thank Dan for his commitment and service to APTN.

APTN has become a national broadcaster of cultural content for all Canadians. APTN is a magnet for Aboriginal talent from all regions of the country. Writers, artists, directors, technicians, journalists, musicians, actors and comedians all seek to become part of the legacy of this network. This enables APTN to provide programming that tackles contemporary and relevant issues with a distinctly Aboriginal perspective. Further, Canadians are celebrating the diverse backgrounds of Aboriginal Peoples and are tuning in to APTN in increasing numbers to experience our rich stories.

On behalf of my Board colleagues, I want to thank the network's dedicated Senior Management team and all of APTN's employees for an outstanding year. Your unwavering commitment and honourable work makes me proud to be a part of this network - the only national Aboriginal television network in Canada.

Jocelyn Formsma
APTN Acting Chairperson



Message from our Chief Executive Officer: Jean La Rose

I am honoured to belong to a committed team that is the driving force and family behind the leading Aboriginal media institution in Canada, and a source of pride for all Aboriginal and non-Aboriginal Canadians. Today, APTN gives Aboriginal Peoples a platform and a fresh, modern voice that is true to its mission to “sharing our Peoples’ journey, celebrating our cultures, inspiring our children and honouring the wisdom of our Elders.”

With the network’s recent licence renewal come new conditions and responsibilities. Some of those include embarking upon an expansion, improving broadcasting quality standards, expanding online and interactive new media initiatives along with increasing capacity. Recently, the aptn.ca website was revamped, resulting in a completely new look with an improved user-friendly layout. It is imperative that APTN continue to be proactive in its efforts to ensure the network remains the central meeting place for Aboriginal and non-Aboriginal Canadians. Our advancements do not go unnoticed.

For the sixth consecutive year, APTN was recognized as one of *Manitoba’s Top Employers*, and for the second time, one of *Canada’s 100 Top Employers* for 2014. These external accolades are a true testament to the commitment of our organization and our employees.

Further, the *APTN National News and Current Affairs* team rose to the challenge and came out on top. *APTN Investigates* Executive Producer Paul Barnsley and Senior Researcher Writer Kathleen Martens received the Amnesty Canada Media Award for “*Online Presentations*”. Their story exposed a Calgary law firm who exploited vulnerable members of First Nations in their effort to obtain a settlement for residential school abuse. APTN Web Journalist Jorge Barrera received the 2012 *J-Source Canadian Newsperson of the Year Award* for his multi-platform reporting on IdleNoMore, and human and drug smuggling through Akwesasne territory.

APTN National News also featured a special report: “Who has had the Bell of Batoche?” This exclusive story is a decades-old mystery, finally solved by APTN Investigates own Todd Lamirande, who had been working on the story since 2005. Video Journalist Ossie Michelin also paved the way for his reporting on the Mi’kmaq-led anti-fracking blockade by the Elsipogtog First Nation. His photo of a protester holding an eagle feather became an instant iconic image and spread globally with the help of social media. The APTN National News and Current Affairs team will also expand on the strengths of the team’s reporting with the News department’s investment in the Dejero LIVE+ 20/20 technology.

APTN continues to offer a diverse schedule of entertaining and compelling programs that reflect the vitality of the Aboriginal production community. APTN’s flagship series *Blackstone*, continues its reign as one of Canada’s most hard-hitting dramas, garnering over 20 awards and 53 nominations. *Planet Echo* won a 2013 *Parent’s Choice Award*, *Fish Out of Water* was awarded the 2012 *Best Documentary Series* at the *Alberta Film and Television Awards* and *Caution May Contain Nuts* garnered a multitude of Rosie Awards in 2012. Also, *Indians & Aliens* won the *Best UFO Film Short Form* at the 2013 EBE Film Festival in Arizona, USA. The feature-length documentary, *We Were Children* has screened at film festivals around the world and was nominated for the prestigious *JAPAN PRIZE* in the “*Continuing Education Category*.”



APTN goes beyond broadcasting by opening its doors to the public and engaging in strong community initiatives. In the past year, the network has outdone itself once again. *Aboriginal Day Live* broke ground with the grand task of televising a live HD signal out of the northern community of Iqaluit and Winnipeg simultaneously. The first *Aboriginal Day Live & Celebration Competition Pow Wow* and the first *Aboriginal Day Live & Celebration Skate Park Competition* also made their debut in Winnipeg. The new additions were a huge success and plans are already in place to ensure their presence next year.

Ongoing tours with schools, youth organizations as well as other interest groups occur throughout the year with visitors coming from across Canada and beyond. As the first national Aboriginal broadcaster in the world, many see APTN as their primary source, in acquiring knowledge and information about Aboriginal Peoples' culture and history. APTN is not just a TV station. It's more.

For some it's an educational resource. APTN collaborates with many high schools and post-secondary institutions across the country to provide learning and internship opportunities. For others it's an opportunity to share their knowledge, to be heard, to participate in special events such as town halls, panel discussions and live broadcasts. For Aboriginal producers, as well as Aboriginal actors, writers, directors, musicians, cinematographers, designers and editors, it's a vehicle that helps nurture, develop and showcase their art, their work. For Aboriginal communities, organizations and festivals, and countless cultural events, it's a support vehicle that allows them to showcase the successes of Aboriginal youth and Elders, through music, art, presentation and more.

This past year has proven that APTN continues to be an important and valued network in the Canadian broadcast industry. As we move forward, the network will face new challenges and opportunities for change. It's a very exciting time, and we are going to continually implement changes to expand our reach to all peoples.

I wish to extend my gratitude and commend our outstanding employees, who represent APTN through their incredible commitment. APTN's innovation is also driven by our superior Senior Management team, who inspire their teams and share their insight to achieve our goals. I would also like to thank our Board of Directors for their wisdom and consultation.

Jean La Rose
Chief Executive Officer

Message from our Chief Financial Officer: Darcy Smith

Fiscal year ending August 2013

APTN launched as a not-for-profit television broadcaster on September 1, 1999, and is licenced by the Canadian Radio-Television and Telecommunications Commission (CRTC) to undertake satellite to cable broadcasting. APTN's licence was recently renewed as a Class A licence for five years until August 31, 2018. The network's recent licence renewal resulted in a rate increase of a six-cent subscriber fee increase per month for a total of 31 cents a month per household.

APTN, as a non-profit charity, is not in business to generate a profit. However, the network recognizes that it must earn profits to grow, meet its mandate and invest in innovative, reflective and relevant programming for broadcast, both in the near future and for the long-term.

With the above statement in mind, APTN will implement a plan to continue working towards lowering its costs by improving efficiencies and managing its overall costs. This is necessary for the network to improve the quality of its program offerings. The plan also keeps in mind that over the next five years, we must work within the constraints of a flat wholesale rate and rising costs. To help offset these rising costs APTN is looking at other potential revenue channels.

For the fiscal year ending August 31, 2013, APTN had current assets of \$11.8 million, current liabilities of \$3.6 million and a surplus in its current ratio of \$8.2 million. This compares to a current ratio surplus of \$2.5 million the prior year-end and a current ratio deficit of \$1.6 million in the fiscal year ending August 31, 2012.

For the fiscal year ending August 31, 2013, APTN's revenues totaled \$38 million and expenses totaled \$35.8 million. Investment in the development and acquisition of new programs and films was our most significant cash outlay during the year. This investment plays a large part in assuring the future of APTN. As we continue to improve the content and quality of our programming, we hope to attract new viewers - Aboriginal and non-Aboriginal. This would provide additional advertising revenue to help supplement the subscriber revenue mentioned above.

In closing, I would like to thank all our employees, viewers and advertisers for their continued support and the assistance they have provided in making APTN the success it is today and in the future.

Darcy Smith
Chief Financial Officer





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INDEPENDENT AUDITORS' REPORT

To the Directors of Aboriginal Peoples Television Network Incorporated

We have audited the accompanying financial statements of Aboriginal Peoples Television Network Incorporated, which comprise the statement of financial position as at August 31, 2013, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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. 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 our 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, we 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 audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Aboriginal Peoples Television Network Incorporated as at August 31, 2013, 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

December 8, 2013
Winnipeg, Canada

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Statement of Financial Position

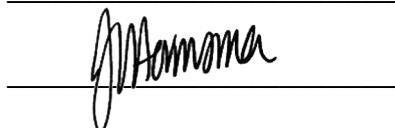
August 31, 2013, with comparative information for 2012

	2013	2012
Assets		
Current assets:		
Cash	\$ 6,135,422	\$ 1,118,077
Restricted cash (note 3)	640,206	—
Accounts receivable (note 4)	4,849,496	4,619,782
Prepaid expenses, deposits and other assets	196,315	349,566
	<u>11,821,439</u>	<u>6,087,425</u>
Film and television program rights (note 5)	21,492,240	24,601,539
Capital assets (note 6)	12,870,678	13,551,793
	<u>\$ 46,184,357</u>	<u>\$ 44,240,757</u>
Liabilities and Net Assets		
Current liabilities:		
Term loan (note 7)	\$ —	\$ 750,000
Accounts payable and accrued liabilities (notes 9 and 10)	1,353,269	1,426,388
Deferred contributions (note 3)	640,000	—
Film and television program accounts payable	1,340,770	1,193,281
Current portion of mortgage (note 8)	220,316	203,836
	<u>3,554,355</u>	<u>3,573,505</u>
Mortgage (note 8)	4,026,806	4,247,122
	<u>7,581,161</u>	<u>7,820,627</u>
Net assets:		
Net assets invested in capital assets	8,623,556	9,100,835
Unrestricted net assets	29,979,640	27,319,295
	<u>38,603,196</u>	<u>36,420,130</u>
Commitments, contingencies and guarantees (note 13)		
	<u>\$ 46,184,357</u>	<u>\$ 44,240,757</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, 2013, with comparative information for 2012

	2013	2012
Revenue:		
Subscriber fees	\$ 33,096,269	\$ 33,236,665
Advertising	2,339,132	2,669,582
Contributions (note 14):		
Shaw	1,500,000	1,500,000
CTVglobemedia Inc.	450,000	450,000
Other	590,413	419,058
	<u>37,975,814</u>	<u>38,275,305</u>
Expenses:		
Network operations:		
Amortization of capital assets	1,890,393	2,055,044
Facility operating costs	985,153	973,378
Insurance	165,612	160,645
Repairs and maintenance	525,841	690,623
Transponder and uplink rental (note 14)	3,496,250	3,345,229
Uplink activities	526,435	466,742
Vehicle leases	140,492	138,964
	<u>7,730,176</u>	<u>7,830,625</u>
Network programming:		
Communications and marketing	1,592,026	1,716,656
Consultants	7,866	12,756
Equipment and office supplies	66,339	55,462
Production expense	487,954	473,008
Amortization of film and television programs	11,616,002	12,486,490
Program development contributions	711,373	671,583
Socan fees	334,286	343,985
Salaries	7,858,417	7,347,357
Travel	361,075	415,900
	<u>23,035,338</u>	<u>23,523,197</u>
General administration:		
Bad debt	-	19,384
Board meetings	275,349	363,843
Entertainment	27,761	42,990
General office	190,927	219,279
Interest and finance charges	54,447	130,950
Memberships	18,181	19,171
Mortgage interest	332,977	354,208
Professional development	88,540	146,781
Professional fees	500,310	809,401
Recruitment and relocation	13,324	24,827
Salaries and benefits	3,181,899	2,790,802
Staff travel	153,175	143,048
Telephone	190,344	194,173
	<u>5,027,234</u>	<u>5,258,857</u>
	<u>35,792,748</u>	<u>36,612,679</u>
Net earnings	\$ 2,183,066	\$ 1,662,626

See accompanying notes to financial statements.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Statement of Changes in Net Assets

Year ended August 31, 2013, with comparative information for 2012

	2013			2012
	Invested in capital assets	Unrestricted	Total	Total
Balance, beginning of year	\$ 9,100,835	\$ 27,319,295	\$ 36,420,130	\$ 34,757,504
Net earnings (loss)	(1,890,393)	4,073,459	2,183,066	1,662,626
Investment in capital assets	1,209,278	(1,209,278)	–	–
Mortgage principal payments	203,836	(203,836)	–	–
Balance, end of year	\$ 8,623,556	\$ 29,979,640	\$ 38,603,196	\$ 36,420,130

See accompanying notes to financial statements.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Statement of Cash Flows

Year ended August 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Net earnings	\$ 2,183,066	\$ 1,662,626
Items not affecting cash:		
Amortization of film and television program rights	11,616,002	12,486,490
Amortization of capital assets	1,890,393	2,055,044
	15,689,461	16,204,160
Net change in other non-cash working capital items:		
Restricted cash	(640,206)	—
Accounts receivable	(229,714)	71,096
Prepaid expenses and other assets	153,250	(145,090)
Accounts payable, accrued liabilities and deferred revenue	566,882	(322,904)
Film and television program accounts payable	147,489	71,188
	15,687,162	15,878,450
Investing activities:		
Purchase of capital assets	(1,209,278)	(1,261,085)
Purchase of film and television program rights	(8,506,703)	(10,616,841)
	(9,715,981)	(11,877,926)
Financing activities:		
Term loan	—	1,500,000
Repayment of term loan	(750,000)	(750,000)
Repayment of mortgage	(203,836)	(188,588)
	(953,836)	561,412
Increase in cash	5,017,345	4,561,936
Cash (bank indebtedness), beginning of year	1,118,077	(3,443,859)
Cash, end of year	\$ 6,135,422	\$ 1,118,077

See accompanying notes to financial statements.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements

Year ended August 31, 2013

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 licence application in 1999, it was renamed Aboriginal Peoples Television Network. The Company is a non-profit corporation established to share programming by, for and about Aboriginal Peoples with all Canadians and viewers around the world. The Company is a registered charity under the Income Tax Act (Canada) and as such is not subject to income taxes.

Effective August 31, 2013, the Company's license was renewed for five years by the Canadian Radiotelevision and Telecommunications Commission (CRTC) to distribute programming through cable systems 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:

(a) Principles of consolidation:

As a result of its wholly owned share interest in Animiki See Digital Productions Inc. (AnP) and its ability to influence AnP's Board of Directors, the Company has a controlling interest in AnP. AnP is an agent for the production and acquisition of certain film and television broadcast rights for the Company. The Company provides disclosure of the assets, liabilities and results of operations from AnP in note 12.

(b) Revenue recognition:

Subscriber fees are recognized monthly on the basis of the number of subscribers reported by terrestrial and Direct to Home satellite broadcasting 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, 2013

2. Significant accounting policies (continued):

(c) 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 or on a straight-line basis over the expected term of the licensing agreements for unlimited play programs. 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.

(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	35% declining balance
Leasehold improvements	Shorter of useful life and term of lease

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2013

2. Significant accounting policies (continued):

(f) Cash and cash equivalents:

Cash and cash equivalents are 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.

(g) License:

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.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2013

2. Significant accounting policies (continued):

(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. Actual results could differ from these estimates.

3. Restricted cash:

During the year, the Company entered into a contribution agreement whereby it received \$800,000 from OMNI Television, a division of Rogers Broadcasting Limited (OMNI), to be used strictly for the Company and OMNI to co-produce Aboriginal programming.

The Company has restricted the remaining unexpended cash and applicable interest in accordance with the contribution agreement, which requires the contribution to be deposited and maintained in a separate interest-bearing account, and not co-mingled with any other funds of the Company. Management expects to incur substantially all remaining expenditures relating to eligible programming under this agreement during fiscal 2014.

4. Accounts receivable:

	2013	2012
Subscriber fees	\$ 3,782,821	\$ 3,694,133
Advertising	295,254	340,177
Goods and services tax	119,783	59,701
Special Benefits Agreement - CTVglobemedia Inc.	450,000	450,000
Other	201,638	75,771
	<u>\$ 4,849,496</u>	<u>\$ 4,619,782</u>

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2013

5. Film and televisions program rights:

	2013	2012
Deposits paid on programs in process	\$ 2,215,693	\$ 1,102,095
Broadcast rights, net of accumulated amortization of \$50,614,461 (2012 - \$49,004,531)	19,276,547	23,499,444
	<u>\$ 21,492,240</u>	<u>\$ 24,601,539</u>

The Company has entered into various agreements to acquire additional film and television program rights amounting to approximately \$15,307,000 (note 13), to be paid out in the period from fiscal 2014 to 2016 (2012 - \$12,100,000).

6. Capital assets:

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,396,065	\$ -	\$ 1,396,065	\$ 1,396,065
Buildings	4,531,734	401,151	4,130,583	3,847,947
Office equipment	2,019,731	1,526,993	492,738	562,789
Digital equipment	20,596,811	14,605,258	5,991,553	6,732,515
Computer equipment	1,267,088	1,128,044	139,044	179,892
Leasehold improvements	1,642,799	922,104	720,695	832,585
	<u>\$ 31,454,228</u>	<u>\$ 18,583,550</u>	<u>\$ 12,870,678</u>	<u>\$ 13,551,793</u>

7. Bank indebtedness:

The Company has a line of credit facility up to \$2,500,000 of which nil was outstanding as at August 31, 2013 (2012 - nil). At August 31, 2012, the Company had a balance outstanding on a term loan of \$750,000, carrying an interest rate at Royal Bank prime plus 3 percent, which was repaid by December 31, 2012.

Advances under the line of credit facility bear interest at Royal Bank prime 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.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2013

8. Mortgage:

Business Development Bank of Canada:

	2013	2012
Mortgage with monthly blended payment of \$45,319, at 7.8% due September 2025, collateralized by land and buildings as well as a general security agreement on all assets of the Company subject to existing registered charges, priority on inventory and receivables to the lender extending the line of credit (note 7) and future charges on specific equipment to creditors financing the purchase or lease.	\$ 4,247,122	\$ 4,450,958
Less current portion	(220,316)	(203,836)
Long-term portion	\$ 4,026,806	\$ 4,247,122

Principal payments for the next five years are as follows:

2014	\$ 220,316
2015	238,129
2016	257,381
2017	278,191
2018 and thereafter	3,253,105

9. Government indebtedness:

Accounts payable and accrued liabilities include amounts due to governments of \$9,803 (2012 - \$41,079) including payroll taxes and other remittances, payroll withholdings and provincial sales taxes.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2013

10. Related party balances and transactions:

During the year, the following amounts were charged to the Company by member organizations:

	2013	2012
Office rent and maintenance	\$ 18,205	\$ 25,031
Film and television program rights	522,714	668,017
Other	9,869	61,385

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:

	2013	2012
Inuit Broadcasting Corporation	\$ 92,562	\$ 128,287
Native Communications Society	15,600	21,280
Okalakatiget Society	25,480	298
Qauminiq Ltd.	10,400	-
	\$ 144,042	\$ 149,865

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

	2013	2012
Wataway Native Communications	\$ 35,360	\$ 35,360
Inuit Broadcasting Corporation	73,426	35,316
Taqramuit Nipingat Inc.	18,720	-
	\$ 127,506	\$ 70,676

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2013

11. 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, 2013 include \$283,765 (2012 - \$204,325) related to non-monetary transactions.

12. Investment in Animiki See Digital Productions Inc. (AnP):

The carrying value of the investment in AnP is not significant. A financial summary of AnP's financial position as at August 31, 2013 and 2012 and the results of its operations for the years then ended are as follows:

	2013	2012
<i>Financial position:</i>		
Assets	\$ 366,259	\$ 396,260
Liabilities	\$ 102,996	\$ 85,654
Shareholder's equity	263,263	310,606
	\$ 366,259	\$ 396,260
<i>Results of operations:</i>		
Revenue	\$ 284,755	\$ 621,139
Expenses	332,098	436,019
Net (loss) income for the year	\$ (47,343)	\$ 185,120
<i>Cash flow from (used in):</i>		
Operating activities	\$ (25,847)	\$ 191,894
Investing activities	-	(4,724)
Net change in cash	\$ (25,847)	\$ 187,170

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2013

12. Investment in Animiki See Digital Productions Inc. (AnP) (continued):

The Company had the following transactions with AnP:

- The Company purchased legal services in the amount of nil (2012 - \$65,700).
- The Company sold Information Technology services in the amount of \$6,000 (2012 - \$6,000).
- The Company paid for Program development of \$170,573 (2012 - \$138,375).

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

13. Commitments, contingencies and guarantees:

Commitments:

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

2014	\$	466,280
2015		382,312
2016		355,496
2017		133,603
2018 and thereafter		361,956

Under the terms of its licence 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 \$15,307,000 to be paid out in the period from fiscal 2014 to 2016.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2013

13. Commitments, contingencies and guarantees (continued):

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. 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.

14. Contribution agreements:

The Company's agreement with Shaw and affiliates (Shaw Direct) expiring on August 31, 2020, provides the Company with an annual contribution of \$1,500,000. Shaw Director or APTN may terminate the agreement in certain circumstances, including if Shaw Direct is no longer required by the CRTC to make a contribution to the creation and presentation of Canadian programming. In addition, in fiscal 2013 the Company received transponder and uplink services from an affiliate of Shaw at a cost of \$2,511,250 (2012 - \$2,511,300).

15. 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 cable companies 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, 2013 and 2012, the majority of subscriber fees was generated from five BDUs.

Interest rate risk:

The Company is subject to interest rate risk to the extent that required interest payments on bank overdraft and the term loan will fluctuate with changes in the prime rate.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Financial Statements (continued)

Year ended August 31, 2013

15. Risk management (continued):

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. To manage cash flow requirements, the Company budgets expenditures for future periods based on expected funding received. In addition, the Company has an operating line for temporary cash shortfalls.

16. Comparative figures:

Certain prior year amounts have been reclassified to conform to the current year's financial statement presentation.



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