

Consolidated Financial Statements of

**ABORIGINAL PEOPLES TELEVISION
NETWORK INCORPORATED**

And Independent Auditors' Report thereon

Year ended August 31, 2019



KPMG LLP
One Lombard Place
Suite 2000
Winnipeg MB
R3B 0X3

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 consolidated financial statements of Aboriginal Peoples Television Network Incorporated (the "Entity"), which comprise the consolidated statement of financial position as at August 31, 2019, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated 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 consolidated financial position of the Entity as at August 31, 2019, and its consolidated results of operations and its consolidated 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.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

December 7, 2019

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Consolidated Statement of Financial Position

August 31, 2019, with comparative information for 2018

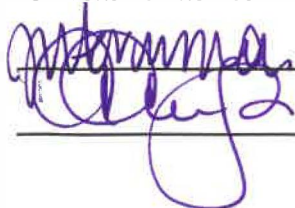
	2019	2018
Assets		
Current assets:		
Cash	\$ 11,813,386	\$ 9,343,335
Restricted cash (note 3)	4,233	5,954
Accounts receivable (note 4)	6,452,776	5,036,120
Prepaid expenses, deposits and other assets	805,335	970,972
	<u>19,075,730</u>	<u>15,356,381</u>
Loans receivable (note 11[b])	173,380	175,000
Film and television program rights (note 5)	27,447,404	30,116,650
Capital assets (note 6)	22,011,082	20,644,817
	<u>\$ 68,707,596</u>	<u>\$ 66,292,848</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$ 3,531,806	\$ 3,773,568
Deferred contributions (note 13)	2,383,102	2,021,454
Film and television program accounts payable (note 9)	2,283,057	3,133,154
Current portion of long-term debt (note 8)	480,394	-
	<u>8,678,359</u>	<u>8,928,176</u>
Long-term debt (note 8)	1,766,665	1,360,421
	<u>10,445,024</u>	<u>10,288,597</u>
Net assets:		
Net assets invested in capital assets	20,880,690	19,784,396
Unrestricted net assets	37,381,882	36,219,855
	<u>58,262,572</u>	<u>56,004,251</u>
Commitments, contingencies and guarantees (note 12)		
Subsequent event (note 8)		
	<u>\$ 68,707,596</u>	<u>\$ 66,292,848</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

 _____ Director

_____ Director

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Consolidated Statement of Operations

Year ended August 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Subscriber fees	\$ 43,507,698	\$ 39,223,517
Advertising (note 10)	2,655,074	2,087,628
Contributions (note 13):		
Shaw Communications Inc.	1,500,000	1,500,000
Heritage Canada	967,852	815,708
Other	1,191,745	915,438
	<u>49,822,369</u>	<u>44,542,291</u>
Expenses:		
Network operations:		
Amortization of capital assets	2,194,509	2,196,964
Consultants	162,782	101,316
Facility operating costs	1,068,683	945,562
Insurance	154,108	128,420
Repairs and maintenance	1,260,238	896,144
Salaries and benefits	74,123	22,915
Transponder and uplink rental (note 13)	3,964,258	3,841,948
Uplink activities	463,788	462,087
Vehicle leases	119,591	117,713
	<u>9,462,080</u>	<u>8,713,069</u>
Network programming:		
Amortization of film and television program rights	12,917,456	12,722,522
Communications and marketing (note 10)	4,174,058	3,451,153
Consultants	796,625	739,803
Equipment and office supplies	60,883	46,321
Production expense	854,798	701,231
Program development contributions	409,177	558,562
SOCAN fees	440,787	328,928
Salaries	10,585,867	9,286,210
Travel	955,786	877,523
	<u>31,195,437</u>	<u>28,712,253</u>
General administration:		
Bad debt (note 11)	175,000	195,000
Board meetings	227,280	247,139
Entertainment	26,183	39,104
General office	487,682	358,594
Interest and finance charges	162,148	68,866
Memberships	57,044	8,424
Mortgage interest	-	202,164
Professional development	309,040	410,154
Professional fees	1,370,914	951,345
Recruitment and relocation	94,461	31,421
Salaries and benefits	3,600,488	3,278,807
Staff travel	247,547	213,338
Telephone	148,744	133,691
	<u>6,906,531</u>	<u>6,138,047</u>
	<u>47,564,048</u>	<u>43,563,369</u>
Net earnings	\$ 2,258,321	\$ 978,922

See accompanying notes to consolidated financial statements.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Consolidated Statement of Changes in Net Assets

Year ended August 31, 2019, with comparative information for 2018

	2019			2018
	Invested in capital assets	Unrestricted	Total	Total
Balance, beginning of year	\$ 19,784,396	\$ 36,219,855	\$ 56,004,251	\$ 55,025,329
Net earnings (loss)	(2,194,509)	4,452,830	2,258,321	978,922
Investment in capital assets	3,290,803	(3,290,803)	—	—
Balance, end of year	\$ 20,880,690	\$ 37,381,882	\$ 58,262,572	\$ 56,004,251

See accompanying notes to consolidated financial statements.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Consolidated Statement of Cash Flows

Year ended August 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Net earnings	\$ 2,258,321	\$ 978,922
Items not affecting cash:		
Amortization of film and television program rights	12,917,456	12,722,522
Amortization of capital assets	2,194,509	2,196,964
Allowance on loans receivable	175,000	175,000
Amortization of deferred contributions	(967,852)	(815,708)
	<u>16,577,434</u>	<u>15,257,700</u>
Net change in other non-cash working capital items:		
Restricted cash	1,721	(5,954)
Accounts receivable	(1,416,656)	1,700,300
Prepaid expenses, deposits and other assets	165,637	(560,326)
Accounts payable and accrued liabilities	(241,762)	1,519,973
Deferred contributions	1,329,500	1,270,500
Film and television program accounts payable	(850,097)	(718,465)
	<u>15,565,777</u>	<u>18,463,728</u>
Investing activities:		
Repayments (advances) of loans receivable, net (note 11[b])	(173,380)	5,000
Purchase of capital assets	(3,560,774)	(2,282,271)
Purchase of film and television program rights	(10,248,210)	(14,467,332)
	<u>(13,982,364)</u>	<u>(16,744,603)</u>
Financing activities:		
Repayment of mortgage, net	-	(4,371,102)
Advances under term loan facility	616,667	500,000
Advances under equipment lease facility	269,971	-
	<u>886,638</u>	<u>(3,871,102)</u>
Increase (decrease) in cash	2,470,051	(2,151,977)
Cash, beginning of year	9,343,335	11,495,312
Cash, end of year	<u>\$ 11,813,386</u>	<u>\$ 9,343,335</u>

See accompanying notes to consolidated financial statements.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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) Principles of consolidation:

As a result of its wholly owned share interest in Animiki See Digital Productions Inc. and Animiki See Digital Distribution Inc. and its ability to influence their Board of Directors, the Company has a controlling interest in Animiki See Digital Productions Inc. and Animiki See Digital Distribution Inc. Animiki See Digital Productions Inc. is an agent for the production and acquisition of certain film and television broadcast rights for the Company. Animiki See Digital Distribution Inc. is an agent for the sale and distribution of certain film and television broadcast rights for the Company. The Company does not consolidate Animiki See Digital Productions Inc. and Animiki See Digital Distribution Inc., and provides disclosure of the assets, liabilities and results of operations in note 11.

On November 24, 2014, Project APTN US (“APTN US”) was incorporated in the State of New Mexico, United States of America. As a result of its wholly owned share interest in APTN US and its ability to appoint all of its Board of Directors, the Company has a controlling interest in APTN US. The financial statements of the Company include the accounts of APTN US.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

2. Significant accounting policies (continued):

On November 20, 2015, First Peoples Radio Inc. ("FPR") was incorporated. As a result of its wholly owned share interest in FPR and its ability to appoint all of its Board of Directors, the Company has a controlling interest in FPR. The financial statements of the Company include the accounts of FPR.

(b) 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 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.

(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 (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 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.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

2. Significant accounting policies (continued):

(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
Equipment under capital lease	Shorter of useful life and term of lease

Construction in progress is transferred to the appropriate capital asset category and amortization begins when the capital project is completed and the asset is placed in service.

(f) Cash:

Cash 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) Licenses:

License renewal costs are expensed as incurred.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

2. Significant accounting policies (continued):

(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 and capital assets and their useful lives. Actual results could differ from these estimates.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

3. Restricted cash:

As at August 31, 2019 restricted cash of \$4,233 (2018 - \$5,954) 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:

	2019	2018
Subscriber fees	\$ 4,748,197	\$ 4,256,497
Advertising	493,854	196,136
Goods and services tax	482,787	462,942
Contribution receivable	600,000	–
Other	127,938	120,545
	<u>\$ 6,452,776</u>	<u>\$ 5,036,120</u>

5. Film and television program rights:

	2019	2018
Deposits on programs in process	\$ 2,335,439	\$ 1,663,210
Broadcast rights, net of accumulated amortization of \$42,259,183 (2018 - \$43,345,539)	25,111,965	28,453,440
	<u>\$ 27,447,404</u>	<u>\$ 30,116,650</u>

The Company has entered into various agreements to acquire additional film and television program rights amounting to approximately \$16,359,197 (note 12), to be paid out in the period from fiscal 2020 to 2021 (2018 - \$15,202,208).

During fiscal 2019, the Company retired broadcast rights that were fully amortized of approximately \$14.0 million (2018 - \$12.6 million), which reduced both the total cost and the accumulated amortization of broadcast rights by this amount.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

6. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,396,065	\$ –	\$ 1,396,065	\$ 1,396,065
Buildings	12,330,309	2,250,088	10,080,221	10,464,067
Office equipment	2,481,813	2,099,107	382,706	419,480
Digital and other broadcast equipment	30,710,962	22,528,519	8,182,443	7,099,307
Computer equipment	2,536,586	1,702,845	833,741	220,867
Leasehold improvements	1,754,816	1,581,825	172,991	184,610
Equipment under capital lease	1,130,392	167,477	962,915	860,421
	\$ 52,340,943	\$ 30,329,861	\$ 22,011,082	\$ 20,644,817

7. Bank indebtedness:

The Company has a line of credit facility up to \$2,500,000 which was not utilized as at August 31, 2019 (2018 - nil).

Advances under the line of credit 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. FPR credit facility:

	2019	2018
Equipment lease obligation, payable \$22,401 monthly, maturing April 11, 2024	\$ 1,130,392	\$ 860,421
Term loans (4.95%), payable \$25,000 monthly including principal and interest, maturing May 2, 2024	1,116,667	500,000
	2,247,059	1,360,421
Current portion of long-term debt	480,394	–
	\$ 1,766,665	\$ 1,360,421

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

8. FPR credit facility (continued):

Principal due annually on long term debt in the next five years is as follows:

2020	\$	480,394
2021		489,199
2022		498,321
2023		524,458
2024		254,687

FPR (note 2) entered into a revised credit facility agreement dated April 10, 2019. The facility provides FPR with a revolving term loan of up to \$1,500,000 of which a balance of \$1,116,667 (2018 - \$500,000) was outstanding at August 31, 2019. On October 16, 2019, a term loan of \$225,000 was advanced to FPR under this facility, for a 60 month term at 4.95%, with principal and interest due monthly.

The facility also provides equipment lease financing of up to \$2,000,000, of which a balance of \$1,130,392 (2018 - \$860,421) was outstanding as at August 31, 2019.

The agreement also provides for a line of credit up to \$1,500,000 which was not utilized as at August 31, 2019.

Pursuant to its credit facility agreement, the Company is subject to certain financial covenants and reporting requirements. As at August 31, 2019, the Company was in compliance with the financial covenants per the credit facility agreement dated April 10, 2019.

Advances under the facility bear interest at Royal Bank prime rate plus 1 percent. The facility is secured by a general security agreement giving the lender first ranking security interest in personal property of FPR and a guarantee by the Company (note 12).

9. Related party balances and transactions:

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

	2019	2018
Film and television program rights acquisitions	\$ 582,596	\$ 422,281
Other	38,348	37,446

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

9. 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:

	2019	2018
Inuit Broadcasting Corporation	\$ 116,613	\$ 44,505
Taqramiut Nipingat Inc.	–	43,095
Wataway Native Communications	–	7,995
Okalakatiget Society	1,300	1,300
Native Communications Inc.	2,508	436
	\$ 120,421	\$ 97,331

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

	2019	2018
Inuit Broadcasting Corporation	\$ –	\$ 83,608
Taqramiut Nipingat Inc.	25,625	18,655
Okalakatiget Society	23,400	–
Wataway Native Communications	–	18,122
	\$ 49,025	\$ 120,385

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, 2019 include \$147,194 (2018 - \$124,783) related to non-monetary transactions.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

11. Investment in Animiki See Digital Productions Inc. and Animiki See Digital Distribution Inc.:

(a) Summary financial information:

The Company's share of net earnings of Animiki See Digital Productions Inc. and Animiki See Digital Distribution Inc. is not significant. The carrying value of the investment in Animiki See Digital Productions Inc. and Animiki See Digital Distribution Inc. is comprised of the loans receivable as described in note 11(b). A consolidated financial summary of Animiki See Digital Productions Inc.'s and Animiki See Digital Distribution Inc.'s financial position as at August 31, 2019 and 2018 and the results of its operations for the years then ended are set out below.

	2019	2018
<i>Financial position:</i>		
Assets	\$ 1,570,135	\$ 860,335
Liabilities	\$ 1,060,959	\$ 507,159
Shareholder's equity	509,176	353,176
	<u>\$ 1,570,135</u>	<u>\$ 860,335</u>
<i>Results of operations:</i>		
Revenue	\$ 873,986	\$ 875,299
Expenses	717,987	763,700
Earnings for the year	<u>\$ 155,999</u>	<u>\$ 111,599</u>
<i>Cash flow from (used in):</i>		
Operating activities	\$ 112,752	\$ (183,591)
Investing activities	–	(3,287)
Financing activities	150,000	(3,037)
Net change in cash	<u>\$ 262,752</u>	<u>\$ (189,915)</u>

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

11. Investment in Animiki See Digital Productions Inc. and Animiki See Digital Distribution Inc. (continued):

During the year, the Company had the following transactions with Animiki See Digital Productions Inc. and Animiki See Digital Distribution Inc.:

- The Company sold information technology services in the amount of \$6,000 (2018 - \$6,000) to Animiki See Digital Productions Inc.
- The Company paid approximately \$2.7 million (2018 - \$3.7 million) to affiliated entities of Animiki See Digital Productions Inc. for program development.
- The Company paid \$607,876 (2018 - \$230,152) for program development to Animiki See Digital Productions Inc.
- The Company accrued interest due from Animiki See Digital Distribution Inc. of \$23,380 (2018 - \$14,668) on loans receivable.
- The Company entered into a loan agreement with Animiki See Digital Distribution Inc. in the amount of \$150,000 (2018 - \$50,000).

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the Company and both Animiki See Digital Productions Inc. and Animiki See Digital Distribution Inc.

(b) Loans receivable:

On August 31, 2016, the Company entered into an unsecured loan agreement with Animiki See Digital Distribution Inc., lending Animiki See Digital Distribution Inc. an amount of \$150,000. The loan bears interest at the rate of RBC prime plus 0.5 percent. Based on an amendment to the loan agreement dated November 10, 2016, the loan is to be repaid in full by August 31, 2021.

On June 30, 2017 the Company entered into an additional unsecured loan agreement with Animiki See Digital Distribution Inc., lending Animiki See Digital Distribution Inc. an amount of \$150,000. The loan bears interest at the rate of RBC prime plus 1 percent. The loan is to be repaid in full by June 30, 2022.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

11. Investment in Animiki See Digital Productions Inc. and Animiki See Digital Distribution Inc. (continued):

On July 17, 2018 the Company entered into an additional unsecured loan agreement with Animiki See Digital Distribution Inc., lending Animiki See Digital Distribution Inc. an amount of \$50,000. The loan bears interest at the rate of RBC prime plus 1 percent. The loan is to be repaid in full by July 18, 2023.

On November 1, 2018, the Company entered into an additional unsecured loan agreement with Animiki See Digital Distribution Inc., lending Animiki See Digital Distribution Inc. an amount of \$150,000. The loan bears interest at the rate of RBC prime plus 1 percent. The loan is to be repaid in full by October 31, 2023.

In accordance with all loan agreements the Company has with Animiki See Digital Distributions Inc., interest is to be paid quarterly or can be rolled into the loan principal at the end of each quarter. As at August 31, 2019, interest has been accrued on these loans in the amount of \$23,380, which is included in the loan receivable balance.

As at August 31, 2019, the Company has an allowance for doubtful accounts amount of \$350,000 (2018 - \$175,000) recorded against these loans. Animiki See Digital Distribution Inc.'s objective is to secure distribution rights for the productions made for the Company and to sell these and the Company owned productions to the global television market.

12. Commitments, contingencies and guarantees:

Commitments:

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

2020	\$	798,684
2021		777,601
2022		584,035
2023		471,076
2024		268,485
2025		110,481

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 \$16,359,207 to be paid out in the period from fiscal 2020 to 2021.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

12. Commitments, contingencies and guarantees (continued):

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. 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 facilities negotiated with RBC for its wholly owned subsidiary, FPR. The guarantee is in the amount of up to \$5,050,000, interest would accrue at the rate of the Bank's prime rate plus 5 percent from the date of demand. As at August 31, 2019, FPR has drawn against the facilities in the amount of \$2,247,059 (2018 - \$1,360,421) (note 8).

13. Contribution agreements:

The Company's agreement with Shaw Communications Inc. and affiliates ("Shaw") expiring on August 31, 2020, 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. In addition, in fiscal 2019 the Company received transponder and uplink services from an affiliate of Shaw at a cost of \$2,829,000 (2018 - \$2,829,000).

The Company signed a contribution agreement with Heritage Canada, dated March 15, 2017, providing the Company funding of \$2,000,000 towards the production of Aboriginal Day Live staged in June 2017. During the year ended August 31, 2019, the Company recognized \$402,826 as contribution revenue from Heritage Canada, with the remaining balance of the contribution to be recognized over the remaining license term of the program rights related to the televised event. As at August 31, 2019, an amount of \$761,010 was in deferred contributions related to this agreement.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

13. Contribution agreements (continued):

The Company signed a second contribution agreement with Heritage Canada, dated March 28, 2018, providing the Company funding of \$1,300,000 towards the production of Indigenous Day Live (formerly Aboriginal Day Live) staged in June 2018. During the year ended August 31, 2019, the Company received \$29,500 and recognized \$233,116 as contribution revenue from Heritage Canada, with the remaining balance of the contribution to be recognized over the remaining license term of the program rights related to the televised event. As at August 31, 2019, an amount of \$654,002 was in deferred contributions related to this agreement.

The Company signed a third contribution agreement with Heritage Canada, dated March 18, 2019, providing the Company funding of \$1,300,000 towards the production of Indigenous Day Live (formerly Aboriginal Day Live) staged in June 2019. During the year ended August 31, 2019, the Company received \$700,000 and recognized \$331,910 as contribution revenue from Heritage Canada, with the remaining balance of the contribution to be recognized over the remaining license term of the program rights related to the televised event. As at August 31, 2019, an amount of \$968,090 was in deferred contributions related to this agreement. The balance of the \$1,300,000 is expected to be received in fiscal 2020 upon acceptance of the report submitted by APTN.

14. 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, 2019 and 2018, the majority of subscriber fees were 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 will fluctuate with changes in the prime rate.

ABORIGINAL PEOPLES TELEVISION NETWORK INCORPORATED

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

14. 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.