



Audited Financial Statements 2019-20

The Ontario Educational
Communications
Authority



Management's Responsibility for Financial Statements

The accompanying financial statements of the Ontario Educational Communications Authority have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 25, 2020.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded, and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board reviews and approves the financial statements and meets periodically with management, and the Office of the Auditor General of Ontario to discuss audit, internal control, accounting policy, and financial reporting matters.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management:



Jennifer Hinshelwood Acting
Chief Operating Officer



INDEPENDENT AUDITOR'S REPORT

To the Ontario Educational Communications Authority
and to the Minister of Education

Opinion

I have audited the financial statements of the Ontario Educational Communications Authority (TVO), which comprise the statement of financial position as at March 31, 2020, and 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.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TVO as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of TVO in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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 TVO'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 TVO either intends to cease operations, or has no realistic alternative but to do so.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 TVO'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 TVO's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause TVO 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.

I 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 I identify during my audit.



Toronto, Ontario
June 25, 2020

Susan Klein, CPA, CA, LPA
Assistant Auditor General

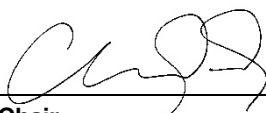
Statement of Financial Position

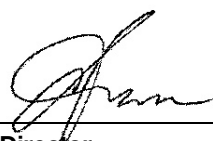
As of March 31, 2020

(\$000s)	2020	2019
Assets		
Current Assets		
Cash and cash equivalents (note 3)	18,823	4,368
Short term investments (note 3)	11,183	20,740
Accounts receivable (note 3)	1,192	911
Prepaid expenses	1,037	1,443
Inventories	22	129
	32,257	27,591
Broadcast rights and production costs (note 7)	20,112	19,817
Investments held for Capital Renewal (note 5)	3,459	3,695
Net capital assets (note 6a)	14,024	14,918
Total Assets	69,852	66,021
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	8,837	7,714
Deferred revenue (note 8)	8,056	7,141
	16,893	14,855
Deferred capital contributions (note 9)	8,058	8,937
Employee future benefits (note 4)	15,259	15,434
Asset retirement obligation (note 6b)	224	214
	23,541	24,585
Net Assets		
Invested in broadcast rights and production costs	20,112	19,817
Invested in capital assets	9,165	9,387
Unrestricted	141	(2,623)
	29,418	26,581
Total Liabilities and Net Assets	69,852	66,021

Commitments and contingencies (notes 14 and 16)
See accompanying Notes to Financial Statements.

On behalf of the Board:


Chair


Director

Statement of Operations

As of March 31, 2020

(\$000s)	2020	2019
Revenues		
Government operating grants (note 10)	38,303	40,046
Independent Learning Centre and Mathify contracts (note 15a)	9,166	9,261
Earned revenue (note 12)	11,448	11,172
One-time pension funding (note 4)	-	900
Government project funding (note 11)	3,268	5,093
Amortization of deferred capital contributions (note 9)	965	590
	63,150	67,062
Expenses		
Content and programming	18,579	18,074
Technical and production support services	15,488	16,051
Independent Learning Centre and Mathify contracts (notes 15b and 15c)	13,274	14,538
Management and general expenses	5,371	7,975
Employee future benefits (note 4)	382	2,886
Cost of other earned revenue (note 12)	3,166	2,976
Amortization of capital assets	4,053	3,721
	60,313	66,221
Excess of revenues over expenses	2,837	841

See accompanying Notes to Financial Statements.

Statement of Changes in Net Assets

For the year ended March 31, 2020

(\$000s)	2020				
	Invested in Broadcast Rights and Production Costs	Invested in Capital Assets	Internally Restricted	Unrestricted	Total
Balance, beginning of year	19,817	9,387	-	(2,623)	26,581
Excess/(deficiency) of revenues over expenses	(6,612)	(3,098)	-	12,547	2,837
Invested in assets during the year	6,907	2,876	-	(9,783)	-
Balance, end of year	20,112	9,165	-	141	29,418

(\$000s)	2019				
	Invested in Broadcast Rights and Production Costs	Invested in Capital Assets	Internally Restricted	Unrestricted	Total
Balance, beginning of year	20,037	10,840	-	(5,137)	25,740
Excess/(deficiency) of revenues over expenses	(6,999)	(3,311)	-	11,151	841
Invested in assets during the year	6,779	1,858	-	(8,637)	-
Balance, end of year	19,817	9,387	-	(2,623)	26,581

See accompanying Notes to Financial Statements.

Statement of Cash Flows

For the year ended March 31, 2020

(\$000s)	2020	2019
Operating Activities		
Excess of revenues over expenses	2,837	841
Add/(deduct) non-cash items:		
Amortization of capital assets	4,053	3,721
Accretion ARO (note 6)	10	9
Amortization of deferred capital contributions (note 9)	(965)	(590)
Amortization of broadcast rights and production costs (note 7)	6,612	6,999
Employee future benefits expense	382	2,886
Loss on disposal of capital assets	1	170
Net changes in non-cash working capital:		
Accounts receivable	(281)	59
Inventories	107	16
Prepaid expenses	406	(386)
Deferred revenue	915	984
Accounts payable and accrued liabilities	1,123	(1,356)
Contributions to employee benefit plans	(557)	(2,604)
Cash provided by operating activities	14,643	10,749
Capital transactions		
Broadcast rights additions	(6,907)	(6,779)
Capital asset additions	(3,164)	(3,305)
Proceeds from disposal of capital assets	4	3
Cash applied to capital transactions	(10,067)	(10,081)
Investing and financing transactions		
Purchase of short term investments	(11,190)	(27,240)
Redemption of short term investments	21,015	18,621
Interest	(268)	(347)
Current year's deferred capital contributions	322	1,562
Cash provided by investing and financing activities	9,879	(7,404)
Net increase (decrease) in cash position during the year	14,455	(6,736)
Cash and cash equivalents, beginning of year	4,368	11,104
Cash and cash equivalents, end of year	18,823	4,368

See accompanying Notes to Financial Statements.

Notes to Financial Statements

For the year ended March 31, 2020

1. AUTHORITY AND MANDATE

The Ontario Educational Communications Authority (the "Authority") is a Crown Corporation of the Province of Ontario that was created in June 1970 by the Ontario Educational Communications Authority Act (the "Act"). In accordance with the Act, the Authority's main objective is to initiate, acquire, produce, distribute, exhibit or otherwise deal in programs and materials in the educational broadcasting and communications fields. The Authority is licensed by the Canadian Radio-television and Telecommunications Commission ("CRTC") to broadcast English-language educational television programs. The broadcasting licence is subject to renewal by the CRTC and the current licence is for the period September 1, 2015 to August 31, 2022.

The Authority is a registered charitable organization which may issue donation receipts for income tax purposes. As a Crown Corporation of the Province of Ontario, the Authority is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Authority have been prepared by management in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations that include the 4200 series of the Public Sector Accounting Standards.

(b) Cash and Cash Equivalents

Cash includes balances with banks, net of any overdrafts. Cash equivalents consist of short-term, high-grade Canadian dollar investments maturing within 90 days.

(c) Inventories Held for Consumption

Inventories held for consumption, consisting of maintenance supplies and media tapes, are valued at cost where cost is determined on a first-in-first-out basis, net of an allowance for obsolescence.

(d) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight line basis over the following terms beginning the year following acquisition:

Capital Assets	Amortization Period
Building	30 years
Computer Equipment	5 years
Computer Software	3-5 years
In-House Technical Equipment	7 years
Leasehold Improvements	5 years
Office Equipment	10 years
Office Furniture and Fixtures	15 years
Transmitters	17 years
Transmitters - Asset Retirement Obligation	17 years
Transmitter Monitoring Equipment	7 years
Vehicles	5 years

The Authority reviews the carrying amounts of its capital assets on an annual basis. When a capital asset no longer has any long-term service potential, the Authority will recognize an expense (write-down) equal to the excess of its net carrying amount over any residual value.

Work in progress is not amortized until the completed assets are placed into operation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(e) Revenue Recognition**

1. The Authority follows the deferral method of accounting for grants and contributions whereby restricted grants, contributions and bequests are recognized as revenue in the year in which the related expenses are incurred. Unrestricted grants, contributions and bequests are recognized as revenue when received or receivable (if the amount to be received can be reasonably estimated and collection is reasonably assured).
2. Revenue from grants and contributions restricted for the purchase of capital assets is deferred and amortized over the same period of use as the related capital asset.
3. Revenue from the licensing of program material is recognized when the program material is delivered.
4. Individual donations are recorded on a cash basis. Contributions from corporate sponsors are recognized equally over the period the sponsorship program is delivered by the Authority.
5. Revenue from sponsorship is recognized when the content is broadcast or webcast.
6. Student fees for courses offered by the Independent Learning Centre ("ILC") and registration fees for General Education Development ("GED") are recognized as revenue at the time of enrolment.

(f) Employee Future Benefits

For all employee service up to December 31, 2017, the Authority accrues its obligations under employee defined benefit pension plans and the related costs, net of plan assets. The following accounting policies have been adopted:

1. The cost of pension benefits and other post-retirement benefits is determined by independent actuaries based on management's best estimate assumptions using the projected benefits method prorated on service.
2. Past service costs and any transitional asset or obligation are amortized over the expected average remaining service period of active plan members.
3. Actuarial gains and losses are recognized and amortized over the expected average remaining service period of active plan members.
4. The expected return on plan assets is based on the fair value of plan assets.

Effective January 1, 2018, eligible Authority employees are members of the Public Service Pension Plan (PSPP) and the Public Service Supplementary Benefits Account (PSSBA). The Authority accounts for its participation in the PSPP and PSSBA, which are multi-employer defined benefit pension plans, as defined contribution plans.

The Province of Ontario, who is the sole sponsor of the PSPP and PSSBA, determines the Authority's annual payments to the Plans and is responsible for ensuring that the pension funds are financially viable. Any surplus or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Authority. Therefore, the Authority's contributions are accounted for as if the plans were defined contribution plans with the Authority's contributions being expensed in the period they come due.

(g) Broadcast Rights and Production Costs

Broadcast rights and production costs are accounted for as follows:

- Current events and network promotion programs produced by the Authority are expensed in the year the costs are incurred.
- All other programs produced by the Authority and programs licensed under co-production, pre-buy and acquisition contracts are recorded at cost less accumulated amortization. Amortization is calculated on a straight line basis over the following periods:
 - Program licence acquired: term of contract
 - Program produced by the Authority: four years

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial Instruments

The Authority's financial instruments are accounted for as follows:

- Cash and cash equivalents, including investments held for capital renewal, are measured at amortized cost.
- Accounts receivable are stated at amortized cost.
- Accounts payable and accrued liabilities are stated at cost.

(i) Asset Retirement Obligation

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the asset. The obligations are initially measured at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of operations. The Authority recognizes a liability for future decommissioning of its transmitter facilities.

(j) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include employee future benefit obligations and useful life of capital assets and broadcast rights. Actual results could differ from those estimates.

(k) Prepaid Expenses

Prepaid expenses include property tax, cleaning, hydro, software support and other prepaids and are charged to expense over the period the Authority is expected to benefit from the expenditure.

(l) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

3. FINANCIAL INSTRUMENTS

Cash and cash equivalents

The Authority's cash equivalents consist of short-term, high-grade Canadian dollar investments. These investments mature within 90 days and had an average yield of 2.34% (2019 – 2.05%).

Short term investments

The Authority's short term investments consist of high-grade Canadian dollar investments that have a maturity date greater than 90 days. All the investments were purchased with a term of 1 year or less.

3. FINANCIAL INSTRUMENTS (CONT'D)**Accounts receivable**

(\$000s)	2020	2019
ILC earned revenue, donations, sales and licensing, tower rentals and transmitter maintenance fees	781	587
HST rebate	386	310
Others	25	14
	1,192	911

Operating line of credit

As part of its financial arrangements, the Authority negotiated a demand revolving line of credit with CIBC. The maximum available credit under the facility is \$1.0 million (2019 – \$1.0 million). The line of credit is unsecured and bears interest at the bank's prime lending rate. As at March 31, 2020, no amount (2019 – \$0) was outstanding under the facility.

Risk disclosures**(a) Liquidity risk**

Liquidity risk is the risk that the Authority will not be able to meet its cash flow obligations as they fall due. The Authority manages its liquidity risk by monitoring its operating requirements and prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The Authority is not exposed to significant liquidity risk.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority is exposed to credit risk arising from its accounts receivable. Given the amount of the Authority's accounts receivable and past experience regarding payments, the Authority is not exposed to significant credit risk.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Due to the short-term nature of the Authority's financial instruments, their carrying value approximates fair value and as a result the Authority is not exposed to significant interest rate risk.

(d) Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority maintains a U.S. dollar bank account. Its balance was not large enough at any time during the year to expose the Authority to significant currency risk.

4. EMPLOYEE FUTURE BENEFITS**Plan Merger and Curtailment**

Effective January 1, 2018, the Authority's Main and Executive Pension Plans were merged with the Public Service Pension Plan (PSPP) and the Authority's Supplementary Retirement Plan was merged with the Public Service Supplementary Benefits Plan (PSSBP), (collectively, the "Merger").

The PSPP and PSSBP are contributory defined benefit plans. PSPP members receive benefits based on length of service and the average annualized earnings during the five consecutive years that provide the highest earnings prior to retirement, termination or death. The PSPP is funded by contributions from participating employers and members, and by the investment earnings from the Public Service Pension Fund. Contributions from members and employers are remitted to the Ontario Pension Board (OPB). The portion of these contributions that exceeds Income Tax Act (Canada) limits is transferred to the PSSBP.

4. EMPLOYEE FUTURE BENEFITS (CONT'D)

The Authority's full-time employees participate in the PSPP which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Authority's annual payments of \$2.0M (2019 - \$2.1M) are included in expenses of each department in the Statement of Operations and in employee benefits in Note 13 (b).

As a result of the Merger, the Authority's plans have been curtailed to cease member contributions and freeze credited service effective December 31, 2017. The Authority was given consent by the Financial Services Commission of Ontario to transfer all defined benefit assets and liabilities to the PSPP and PSSBA on September 13, 2018. The Defined Contribution Pension Plan component of the Main Plan was closed on September 30, 2018.

Under the transfer agreement, TVO was required to pay any shortfall from changes in asset value between January 1, 2018 (the effective date of the merger) to the date of consent of asset transfer (September 13, 2018). This amount was \$1.4M of which \$0.9M was contributed by the Ministry of Education with the remainder coming from the Authority.

In addition, contributions were made to both the Main and Executive Plans to fund the solvency deficit. Contributions to the Main Plan ceased as of July 31, 2018 upon the filing of the January 1, 2018 actuarial valuation. Contributions to the Executive Plan ceased as of November 30, 2018 as the asset transfer to the PSPP and PSSBA occurred on December 12, 2018.

Authority-sponsored pension and other post-employment benefit plans have the following components:

(a) Registered pension plans and Supplementary retirement plan:

- The Main Pension Plan and the Executive Pension Plan have been curtailed. Current transactions reflect this curtailment.

(b) Post-employment benefits plan:

- The Authority offers post-employment benefits such as health care, dental care, and life insurance on a shared cost basis to persons hired before January 1, 2018. This plan is no longer offered to staff hired on or after January 1, 2018.

The most recent actuarial valuation for funding purposes of the other post-employment benefits plans was performed as of January 1, 2019.

4. EMPLOYEE FUTURE BENEFITS (CONT'D)

Information about the Authority's pension and other benefit plans is presented in the following tables.

(\$000s)	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Plan deficit as of January 1:								
Accrued benefit obligation	-	-	-	-	13,660	12,128	13,660	12,128
Balance of unamortized actuarial losses as of January 1	-	-	-	-	1,738	3,402	1,738	3,402
Contributions – Jan 1 to Mar 31	-	-	-	-	(139)	(96)	(139)	(96)
Employee future benefits liability as at March 31	-	-	-	-	15,259	15,434	15,259	15,434

(\$000s)	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Expenses for the year:								
Defined benefit plan:								
Service cost (employer portion)	-	-	-	-	310	440	310	440
Amortization of actuarial gains	-	-	-	-	(392)	(226)	(392)	(226)
Interest cost on accrued benefit obligation	-	5,338	-	46	464	484	464	5,868
Expected return on plan assets	-	(5,453)	-	-	-	-	-	(5,453)
Net actuarial gains on curtailment	-	2,367	-	(110)	-	-	-	2,257
Total defined benefit expense	-	2,252	-	(64)	382	698	382	2,886
Defined contribution plan expense	-	-	-	-	-	-	-	-
Total expenses	-	2,252	-	(64)	382	698	382	2,886
Contributions made to the plans:								
Pension plan contributions - Authority	-	47	-	419	261	276	261	742
Payments made from all the plans as of January 1:								
Pension benefits paid	-	4,412	-	368	-	-	-	4,780
Termination benefits paid	-	1,414	-	99	-	-	-	1,513

4. EMPLOYEE FUTURE BENEFITS (CONT'D)

The significant assumptions adopted in measuring the employee benefit obligations and pension expenses are as follows:

	Post-employment Benefit Plan	
	2020	2019
Discount rate to determine the accrued benefit obligation	3.20%	3.80%
Discount rate to determine the benefit cost	3.20%	3.80%
Health cost rate increase	4.50%	4.50%
Drug cost rate increase	5.80%	5.90%
Dental cost rate increase	4.50%	4.50%
Employee average remaining service lifetime (years)	13	10

The drug cost rate increase assumption is expected to decrease to 4.5% by 2033.

5. INVESTMENTS HELD FOR CAPITAL RENEWAL

To ensure that the Authority's technical capital assets keep pace with technological changes and can be maintained or replaced when needed, the Capital Renewal Fund was established in 1984. Up to fiscal 2008/09, the Authority set aside up to 2% of the funding received as a contribution to the Capital Renewal Fund. Available funds are invested in short-term deposits maturing within 365 days that earned an average interest rate of 2.42% (2019 – 1.84%) during the fiscal year. The changes in the fund are as follows:

(\$000s)	2020	2019
Balance, beginning of year	3,695	5,176
Purchase of capital assets	(321)	(1,562)
Interest earned	85	81
	3,459	3,695

6. CAPITAL ASSETS AND ASSET RETIREMENT OBLIGATION

(a) Capital Assets

Capital assets consist of the following:

(\$000s)	2020			2019		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	186	-	186	186	-	186
Building	1,988	1,946	42	1,988	1,943	45
Transmitters	7,324	5,354	1,970	7,221	5,138	2,083
Transmitters - asset retirement obligation	557	489	68	557	480	77
Transmitter monitoring equipment	2,158	2,028	130	2,050	2,013	37
In house technical equipment	21,152	19,075	2,077	21,470	19,195	2,275
Leasehold improvements	7,155	6,093	1,062	9,682	9,079	603
Computer equipment	6,758	5,641	1,117	6,433	5,297	1,136
Office furniture and fixtures	1,821	1,085	736	2,107	1,689	418
Office equipment	2	2	-	175	175	-
Vehicles	242	162	80	306	189	117
Computer software	12,566	6,755	5,811	12,131	4,227	7,904
Work-in-progress – transmitters	745	-	745	24	-	24
Work-in-progress – in-house tech	-	-	-	13	-	13
Total	62,654	48,630	14,024	64,343	49,425	14,918

Work-in-progress is related to the 600 MHz transmitter upgrade.

(b) Asset Retirement Obligation

The Authority recognized a liability for future decommissioning of its transmitter facilities which was required under their respective leases. In determining the fair value of its asset retirement obligations, the Authority discounted the associated cash flows at credit-adjusted risk free rates. The total undiscounted amount of the estimated future obligations is \$316,000 (2019 – \$316,000).

(\$000s)	2020	2019
Opening balance	214	205
Accretion expense	10	9
Closing balance	224	214

7. BROADCAST RIGHTS AND PRODUCTION COSTS

Broadcast rights and production costs consist of the following:

(\$000s)	2020			2019		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Broadcast rights and completed productions	85,631	68,983	16,648	78,728	62,371	16,357
Work in progress	3,464	-	3,464	3,460	-	3,460
	89,095	68,983	20,112	82,188	62,371	19,817

Amortization expense for the year was \$6,611,826 (2019 – \$6,999,075) and is included in content and programming expense.

8. DEFERRED REVENUE

(\$000s)	2020	2019
ILC – Ministry of Education grant and provincial project funding (note 15)	4,853	3,879
Funding for ILC – transition to Virtual Learning Environment (note 11)	-	1,024
Funding for Health & Physical Education	272	-
ILC Enrolments – Paid in Advance	413	-
Accessibility for Ontarians for Disability Act project funding	-	46
Gift to be utilized for Ontario Hubs (note 12)	1,289	1,240
Gift to be utilized for ILC	33	-
Individual contributions greater than \$100,000	634	583
Transmitter tower rental and maintenance	179	173
Sponsorship revenue	140	134
Other	243	62
	8,056	7,141

Expenditures related to the above deferrals, have been budgeted for the 2021 fiscal year.

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions received for the purchase of capital assets and are recorded as revenue (amortization of deferred capital contributions) in the Statement of Operations when the related capital assets are amortized. The changes in the deferred contributions balance are as follows:

(\$000s)	2020		
	Unamortized Capital Contributions	Unspent Funds	Total
Deferred capital contributions, beginning of year	5,242	3,695	8,937
Davis Studio rebuild	200	(200)	-
600MHz transmitter line replacement	121	(121)	-
Interest earned	-	86	86
Amortization of deferred capital contributions to revenue	(965)	-	(965)
Deferred capital contributions, end of year	4,598	3,460	8,058

(\$000s)	2019		
	Unamortized Capital Contributions	Unspent Funds	Total
Deferred capital contributions, beginning of year	4,270	5,176	9,446
Davis Studio rebuild	1,084	(1,084)	-
Media archive tape library	174	(174)	-
CN Tower transmitter replacement	280	(280)	-
600MHz transmitter line replacement	24	(24)	-
Interest earned	-	81	81
Amortization of deferred capital contributions to revenue	(590)	-	(590)
Deferred capital contributions, end of year	5,242	3,695	8,937

10. GOVERNMENT OPERATING GRANTS

(\$000s)	2020	2019
Ontario Ministry of Education		
Base grant	36,767	38,446
Capital maintenance grant	1,536	1,600
	38,303	40,046

11. GOVERNMENT PROJECT FUNDING

(\$000s)	2020	2019
Provincial project funding		
Ministry of Education		
Accessibility for Ontarians with Disabilities Act funding	166	401
Funding for operations of Over the Air Transmitters	1,000	1,000
Capital funding for 600mhz upgrade	600	-
Funding for ILC – transition to Virtual Learning Environment	1,424	4,716
Funding for ILC – transition to Virtual Learning Environment deferred (note 8)	-	(1,024)
Funding for Health & Physical Education	78	-
Total government project funding	3,268	5,093

12. EARNED REVENUE AND COST

(\$000s)	2020			2019		
	Revenue	Cost	Net Revenue	Revenue	Cost	Net Revenue
Individual and corporate donations and sponsorships	5,694	3,166	2,528	5,304	2,976	2,328
Donald Pounder bequest (a)	-	-	-	69	-	69
Green Family gift (b)	798	-	798	896	-	896
ILC earned revenue	2,530	-	2,530	2,720	-	2,720
Tower rental and transmitter maintenance	1,057	-	1,057	1,053	-	1,053
Interest income	842	-	842	572	-	572
Sales and licensing	166	-	166	128	-	128
Property tax rebate program for charities	240	-	240	247	-	247
Asset disposal	4	-	4	3	-	3
BDU affiliate fees	102	-	102	101	-	101
Others	15	-	15	79	-	79
	11,448	3,166	8,282	11,172	2,976	8,196

(a) Donald Pounder Bequest

The total Donald Pounder bequest was \$2,592,000 of which \$648,000 of the bequest was applied toward *The Agenda* program. The remaining \$1,944,000 was internally restricted by the Authority for new projects or enhancement of existing products or services as approved by the Board of Directors. As of March 31, 2020, the entire bequest was spent.

12. EARNED REVENUE AND COST (CONT'D)

(a) Donald Pounder Bequest (cont'd)

Total bequest revenue has been accounted for as follows:

(\$000s)	2020			2019		
	Restricted	Internally Restricted	Total	Restricted	Internally Restricted	Total
Bequest balance, beginning of year	-	-	-	69	-	69
Utilization of bequest	-	-	-	(69)	-	(69)
Bequest balance, end of year	0	0	0	0	0	0

(b) Green Family Gift to be Utilized for Local Hubs

In December 2016, the Authority received a \$2,000,000 gift to be utilized in the set up and operation of 4 journalistic local hubs ("Ontario Hubs") in the province to provide in-depth current affairs journalism in regions across Ontario. An additional \$2,000,000 was pledged by the Barrie and Laurie Green Family Charitable Trust in fiscal 2019 and the contribution received in 2020 was \$843,000 (2019 - \$833,000). Revenue will be recognized when expenditures are incurred for the set up and operation of the Ontario Hubs. There were expenditures of \$798,000 for the year ended March 31, 2020 (2019 - \$896,000).

(\$000s)	2020	2019
Balance, beginning of year	1,240	1,208
Contributions received – Green Foundation	843	833
Contributions received – Individual Donor gifts	4	95
Utilization of gift	(798)	(896)
Balance, end of year	1,289	1,240

(c) Green Sanderson Family Foundation

The Green Sanderson Family Foundation gifted \$100,000 to the Authority over 3 years to develop awareness of educational initiatives. In fiscal 2020, the Authority received \$33,334 of the gift.

13. EXPENSES

(a) Allocated Expenses

The Authority allocates certain general expenses to major activities on the following bases:

- Building cost – based on floor area occupied by the activity
- Cost of mailing, shipping and printing – based on usage

Total general expenses allocated to major functional groups are as follows:

(\$000s)	2020	2019
Current affairs, documentaries and digital learning, included in content and programming	1,311	1,466
Technical and production support services	493	1,040
Independent Learning Centre	959	707
Management and general	695	430
Cost of other earned revenue	103	72
	3,561	3,715

13. EXPENSES (CONT'D)

(b) Expenses by Type

The Statement of Operations reports on expenses by activity. Expenses by type during the fiscal year are as follows:

(\$000s)	2020	2019
Salaries and wages	30,049	32,246
Employee benefits	6,248	9,637
Licences and other	7,294	7,375
Facilities	4,467	4,618
Employee future benefits	382	2,886
Other services	3,769	2,351
Transportation and communication	1,851	1,842
Advertising	1,888	1,241
Supplies and equipment	302	295
Amortization of capital assets and accretion expense	4,063	3,730
	60,313	66,221

14. COMMITMENTS

The Authority has entered into operating leases covering transmission facilities, offices, warehouses and equipment. Future lease payments are as follows:

Year ending March 31 (\$000s)	Head Office Space	Others	Total
2021	898	918	1,816
2022	890	521	1,411
2023	918	104	1,022
2024	938	-	938
2025	938	-	938
2026 to 2027	2,266	-	2,266
	6,848	1,543	8,391

The lease of head office space expires on August 31, 2027 with options to extend the lease to August 31, 2047.

15. THE INDEPENDENT LEARNING CENTRE AND MATHIFY

The ILC provides a wide range of distance education courses, in English and in French that allow students to earn secondary school diploma credits, upgrade their basic skills, or study for personal development. It also supports children who may not be able to access elementary day school programs. The General Education Development testing is also available.

TVO Mathify provides a seamless school-to-home learning experience for learners with free 1:1 online after school math tutoring with an Ontario Certified Teacher. It also offers educators an enriched online classroom tool that enables interactive math lessons and activities, personalized learning and easy sharing between teachers, students and tutors to facilitate seamless learning and math support for students.

15. THE INDEPENDENT LEARNING CENTRE AND MATHIFY (CONT'D)

The ILC receives funding for these activities pursuant to contracts with the Ministry of Education to provide services. The portion of the funding that has been identified for specific projects is deferred until the related expenses have been incurred.

(a) TVO recognized the following revenue in respect of these contracts:

(\$000s)	2020	2019
ILC and Mathify Contracts		
Ministry of Education ILC contract	6,140	6,420
Mathify contract	4,000	4,000
Funding deferred from prior year (note 8)	3,879	2,720
Funding deferred to a future year (note 8)	(4,853)	(3,879)
ILC and Mathify grant and project funding recognized	9,166	9,261

(b) The ILC and Mathify incurred the following non-project operating expenses:

(\$000s)	2020	2019
ILC and Mathify Expenses during the year		
Salaries and benefits	8,741	8,929
Transportation and communication	244	242
Services	438	326
Allocated general expenses (note 13)	959	707
Licences	564	428
Supplies, equipment and others	159	214
Total ILC and Mathify expenses	11,105	10,846

(c) During the year, the ILC incurred expenses in connection with the transition to the Virtual Learning Environment. The majority of the funding for this project was provided by the Ministry of Education and is reported in Government Project Funding (note 11):

(\$000s)	2020	2019
ILC Adoption and preparation for new learning environment	2,169	3,692

Direct expenses related to the funding deferred to a future year have been budgeted for the 2021 fiscal year.

16. CONTINGENCIES

Contingencies refer to possible legal claims that have been made by or against the Authority, the ultimate outcome of which cannot be predicted with certainty. Management does not expect that the outcome of the claims against the Authority will have a material and adverse effect on its results and does not believe any provisions for losses are necessary at this time. No amounts have been recognized in the accounts for claims made by or against the Authority. Any settlements will be accounted for at the time of settlement.

17. RELATED PARTY TRANSACTIONS

The Authority is a Crown Corporation of the Province of Ontario and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. Specifically, the Authority received revenue from Ontario school boards for Independent Learning Centre (ILC) course fees and sales of educational materials. These transactions were recorded at exchange amounts agreed to by the related parties.

Non-grant revenue received from related parties during the year are as follows:

(\$000s)	2020	2019
School boards	424	521

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the basis of the financial statement presentation adopted in the current year.