Audited Financial Statements 2016-2017

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 finalized 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 22, 2017.

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 Internal Audit Department independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

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. The Audit Committee of the Board meets periodically with management, Internal Audit, 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:

Ldewilde

Lisa de Wilde
Chief Executive Officer

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

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

I have audited the accompanying financial statements of the Ontario Educational Communications Authority, which comprise the statement of financial position as at March 31, 2017 and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and 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 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 the auditor's 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, the auditor considers 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Educational Communications Authority as at March 31, 2017 and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 22, 2017

Susan Klein, CPA, CA, LPA
Assistant Auditor General

20 Dundas Street West
Suite 1530
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

20, rue Dundas ouest
suite 1530
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

Statement of Financial Position

As of March 31, 2017

($000s)		2017	2016
Assets			
	Current Assets		
	Cash and cash equivalents (note 3)	13,542	12,964
	Short term investments (note 3)	8,796	6,260
	Accounts receivable (note 3)	1,051	1,286
	Prepaid expenses	1,123	1,374
	Inventories	150	148
		24,662	**22,032**
Broadcast rights and production costs (note 7)		**20,653**	**21,221**
Investments held for Capital Renewal (note 5)		**5,112**	**5,329**
Net capital assets (note 6)		**13,983**	**12,428**
Total Assets		**64,410**	**61,010**
Liabilities and Net Assets			
	Current Liabilities		
	Accounts payable and accrued liabilities	9,443	8,416
	Deferred revenue (note 8)	4,981	2,624
		14,424	**11,040**
	Deferred capital contributions (note 9)	8,857	9,099
	Employee future benefits (note 4)	20,973	20,380
	Asset retirement obligation (note 6)	196	188
		30,026	**29,667**
	Net Assets		
	Invested in broadcast rights and production costs	20,653	21,221
	Invested in capital assets	9,870	8,414
	Internally restricted (note 13)	354	1,726
	Unrestricted	(10,917)	(11,058)
		19,960	**20,303**
Total Liabilities and Net Assets		**64,410**	**61,010**

Commitments and contingencies (notes 15 and 17)
See accompanying Notes to Financial Statements.

On behalf of the Board:

Chair **Director**

Statement of Operations

For the year ended March 31, 2017

($000s)	**2017**	**2016**
Revenues		
Government operating grants (note 10)	40,045	39,772
Independent Learning Centre (note 16)	12,531	12,907
Other earned revenue (note 12)	8,720	7,139
Bequest (note 13)	144	444
Government and corporate project funding (note 11)	1,741	968
Amortization of deferred capital contributions (note 9)	740	801
	63,921	**62,031**
Expenses		
Content and programming	18,686	18,786
Technical and production support services	17,042	15,704
Independent Learning Centre (note 16)	12,512	11,366
Management and general expenses	6,740	7,244
Employee future benefits (note 4)	3,493	3,040
Cost of other earned revenue (note 12)	3,165	2,853
Amortization of capital assets and accretion expense (note 6)	2,626	2,504
	64,264	**61,497**
(Deficiency) / Excess of revenues over expenses	**(343)**	**534**

See accompanying Notes to Financial Statements.

Statement of Changes in Net Assets

For the year ended March 31, 2017

($000s)			**2017**		
	Invested in Broadcast Rights and Production Costs	**Invested in Capital Assets**	**Internally Restricted**	**Unrestricted**	**Total**
Balance, beginning of year	**21,221**	**8,414**	**1,726**	**(11,058)**	**20,303**
Excess/(deficiency) of revenues over expenses	(7,251)	(1,893)	-	8,801	(343)
Invested in assets during the year	6,683	3,349	-	(10,032)	-
Inter-fund transfers (note 13)	-	-	(1,372)	1,372	-
Balance, end of year	**20,653**	**9,870**	**354**	**(10,917)**	**19,960**

($000s)			**2016**		
	Invested in Broadcast Rights and Production Costs	**Invested in Capital Assets**	**Internally Restricted**	**Unrestricted**	**Total**
Balance, beginning of year	**21,061**	**6,872**	**1,916**	**(10,080)**	**19,769**
Excess/(deficiency) of revenues over expenses	(7,379)	(1,873)	-	9,786	534
Invested in assets during the year	7,539	3,415	-	(10,954)	-
Inter-fund transfers (note 13)	-	-	(190)	190	-
Balance, end of year	**21,221**	**8,414**	**1,726**	**(11,058)**	**20,303**

See accompanying Notes to Financial Statements.

Statement of Cash Flows

For the year ended March 31, 2017

($000s)	**2017**	**2016**
Operating Activities		
(Deficiency) / excess of revenues over expenses	(343)	534
Add/(deduct) non-cash items:		
Amortization of capital assets	2,618	2,496
Accretion expense (note 6)	8	8
Amortization of deferred capital contributions	(740)	(801)
Amortization of broadcast rights and production costs	7,251	7,380
Employee future benefits expense	3,059	2,634
Loss on disposal of capital assets	10	170
Net changes in non-cash working capital:		
Accounts receivable	235	124
Inventories	(2)	-
Prepaid expenses	251	(331)
Deferred revenue	2,357	(948)
Accounts payable and accrued liabilities	1,027	(2,001)
Contributions to employee benefit plans	(2,466)	(2,727)
Cash provided by operating activities	**13,265**	**6,538**
Capital transactions		
Broadcast rights additions	(6,683)	(7,539)
Capital asset additions	(4,183)	(4,050)
Proceeds from disposal of capital assets	-	23
Cash applied to capital transactions	**(10,866)**	**(11,566)**
Investing and financing transactions		
Increase short term investments	(2,536)	(1,042)
Current year's deferred capital contributions	715	556
Cash provided by investing and financing activities	**(1,821)**	**(486)**
Net increase (decrease) in cash position during the year	**579**	**(5,514)**
Cash and cash equivalents, beginning of year	**12,964**	**18,478**
Cash and cash equivalents, end of year	**13,542**	**12,964**

See accompanying Notes to Financial Statements.

Notes to Financial Statements

For the year ended March 31, 2017

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 licenced 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. SUMMARY OF 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.

(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. SUMMARY OF 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

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.

(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. SUMMARY OF 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 365 days and had an average yield of 1.0% (2016 – 1.2%). The cash equivalent amount is $13,486,000 (2016 - $13,474,000)

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)	2017	2016
ILC earned revenue, donations, sales and licensing, tower rentals and transmitter maintenance fees	581	745
HST rebate	436	541
Others	34	-
	1,051	**1,286**

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 (2016 – $1.0 million). The line of credit is unsecured and bears interest at the bank's prime lending rate. As at March 31, 2017, no amount (2016 – $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

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

(a) Registered pension plans:

- Main Pension Plan – Most employees of the Authority are members of this plan, which consists of three elements – a non-contributory, defined benefit, best average earnings and years of service element; a contributory, defined contribution element; and a non-contributory, defined contribution element.

- Executive Pension Plan – Executives are members of this non-contributory, defined benefit, best average earnings and years of service plan.

4. EMPLOYEE FUTURE BENEFITS (CONT'D)

(b) Supplementary retirement plan:

- Certain employees are members of this unregistered and non-contributory plan which funds the portion of pension entitlements in excess of the maximum allowed for registered pension plans under the federal Income Tax Act.

The future benefits payable to employees under the defined benefit plans are adjusted for inflation based on the consumer price index up to a maximum of 3% per year.

Post-employment benefits plan:

- The Authority offers post-employment benefits such as health care, dental care, and life insurance on a shared cost basis.

The most recent actuarial valuation for funding purposes of the registered defined benefit pension plans was performed as of January 1, 2014. The next valuation for funding purposes will be performed as of January 1, 2017 and applied for the 2018 fiscal year.

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

	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan		Total	
($000s)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Plan deficit as of January 1:								
Accrued benefit obligation	99,892	97,600	1,551	1,358	12,541	12,558	113,984	111,516
Fair value of plan assets	(99,862)	(95,018)	-	-	-	-	(99,862)	(95,018)
	30	2,582	1,551	1,358	12,541	12,558	14,122	16,498
Balance of unamortized actuarial (gains)/losses as of January 1	4,897	2,522	331	335	2,235	1,714	7,463	4,571
Contributions – Jan 1 to Mar 31	(558)	(558)	-	-	(54)	(131)	(612)	(689)
Employee future benefits liability as at March 31	**4,369**	**4,546**	**1,882**	**1,693**	**14,722**	**14,141**	**20,973**	**20,380**

	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan		Total	
($000s)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Expenses for the year:								
Defined benefit plan:								
Service cost (employer portion)	2,126	2,083	193	203	501	406	2,820	2,692
Amortization of actuarial (gains)/losses	(277)	(506)	(41)	(30)	(170)	(91)	(488)	(627)
Interest cost on accrued benefit obligation	5,593	5,482	55	49	463	455	6,111	5,986
Expected return on plan assets	(5,384)	(5,417)	-	-	-	-	(5,384)	(5,417)
Plan amendment costs incurred	-	-	-	-	-	-	-	-
Total defined benefit expense	2,058	1,642	207	222	794	770	3,059	2,634
Defined contribution plan expense	434	406	-	-	-	-	434	406
Total expenses	**2,492**	**2,048**	**207**	**222**	**794**	**770**	**3,493**	**3,040**
Contributions made to the plans:								
Pension plan contributions - Authority	2,674	2,589	18	10	291	-	2,983	2,599
Pension plan contributions - employees	1,018	960	-	-	-	-	1,018	960
Payments made from all the plans as of January 1:								
Pension benefits paid	4,782	4,681	-	-	-	-	4,782	4,681
Termination benefits paid	2,656	3,020	-	-	-	-	2,656	3,020

4. EMPLOYEE FUTURE BENEFITS (CONT'D)

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

	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Discount rate to determine the accrued benefit obligation	5.75% to 6.00%	5.75% to 6.00%	3.70%	3.40%	3.70%	3.40%
Discount rate to determine the benefit cost	5.75% to 6.00%	5.75% to 6.00%	3.70%	3.40%	3.70%	3.60%
Expected investment return	5.75% to 6.00%	5.75% to 6.00%	N/A	N/A	N/A	N/A
Pension indexation	2.25%	2.25%	2.25%	2.25%	N/A	N/A
Salary rate increase	2.00% yr 1, 2.50% thereafter	2.00% yr 1, 2.50% thereafter	2.00% yr 1, 2.50% thereafter	2.00% yr 1, 2.50% thereafter	N/A	N/A
Health cost rate increase	N/A	N/A	N/A	N/A	4.50%	4.50%
Drug cost rate increase	N/A	N/A	N/A	N/A	6.95%	7.30%
Dental cost rate increase	N/A	N/A	N/A	N/A	4.50%	4.50%
Employee average remaining service lifetime (years)	11	11	11	11	12	13

The drug cost rate increase assumption is expected to decrease to 4.5% by 2023.

Defined benefit plan assets as at January 1 measurement date consisted of:

	Percentage of Total Fair Value of Plan Assets	
	2017	**2016**
Asset category		
Equity securities	55%	53%
Debt securities	39%	41%
Real estate fund	6%	6%

The actual investment return on pension plan assets was 8.05% in 2017 (2016 – 3.1%).

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 1.2% (2016 – 1.2%) during the fiscal year. The changes in the fund are as follows:

($000s)	**2017**	**2016**
Balance, beginning of year	5,329	5,268
Purchase of capital assets	(273)	-
Interest earned	56	61
	5,112	**5,329**

6. CAPITAL ASSETS AND ASSET RETIREMENT OBLIGATION

Capital Assets

Capital assets consist of the following:

($000s)			2017			2016
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	186	-	186	186	-	186
Buildings	2,268	2,197	71	2,268	2,183	85
Transmitters	7,421	5,064	2,357	7,405	4,850	2,555
Transmitters - asset retirement obligation	557	463	94	557	455	102
Transmitter monitoring equipment	2,061	1,766	295	2,068	1,642	426
In house technical equipment	21,703	19,900	1,803	23,107	20,888	2,219
Leasehold improvements	9,299	8,706	593	9,248	8,545	703
Computer equipment	6,677	5,075	1,602	6,203	4,701	1,502
Office furniture and fixtures	2,065	1,460	605	2,062	1,339	723
Office equipment	905	899	6	975	949	26
Vehicles	317	223	94	298	225	73
Computer software	5,623	2,403	3,220	4,556	1,870	2,686
Work-in-progress – software	3,057	-	3,057	1,142	-	1,142
Total	**62,139**	**48,156**	**13,983**	**60,075**	**47,647**	**12,428**

Amortization expense for the year was $2,618,469 (2016 - $2,496,184) and is included in Amortization of capital assets and accretion expense in the Statement of Operations.

Work-in-progress constitutes web sites construction and gaming development that have not been launched.

Asset Retirement Obligation

The Authority recognized a liability for future decommissioning of its transmitter and low power repeat transmitter (LPRT) 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 (2016 – $316,000).

($000s)	2017	2016
Opening balance	188	180
Accretion expense	8	8
Closing balance	**196**	**188**

7. BROADCAST RIGHTS AND PRODUCTION COSTS

Broadcast rights and production costs consist of the following:

($000s)			2017			2016
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Broadcast rights and completed productions	65,318	47,843	17,475	59,549	40,593	18,956
Work in progress	3,178	-	3,178	2,265	-	2,265
	68,496	**47,843**	**20,653**	**61,814**	**40,593**	**21,221**

Amortization expense for the year was $7,250,625 (2016 – $7,379,844) and is included in Content and programming expense.

8. DEFERRED REVENUE

($000s)	2017	2016
ILC – Ministry of Education grant and provincial project funding (note 16)	2,637	1,944
Funding for ILC Course Conversion deferred (note 11)	1,056	-
AODA project funding	(40)	157
Bequest (note 13)	88	232
Gift to be utilized for Local Hubs (note 13)	861	-
Transmitter tower rental and maintenance	168	169
Sponsorship revenue	163	63
Other	48	59
	4,981	**2,624**

Expenditures related to the above deferrals, except for the bequest, have been budgeted for the 2018 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)			2017
	Unamortized Capital Contributions	Unspent Funds	Total
Deferred capital contributions, beginning of year	**3,769**	**5,330**	**9,099**
Capital Maintenance Fund	273	(273)	-
Master Control Room Ingest Upgrades	46	-	46
Agenda Studio Lighting Upgrade	210	-	210
Web Infrastructure	187	-	187
Interest earned	-	55	55
Amortization of deferred capital contributions to revenue	(740)	-	(740)
Deferred capital contributions, end of year	**3,745**	**5,112**	**8,857**

($000s)			2016
	Unamortized Capital Contributions	Unspent Funds	Total
Deferred capital contributions, beginning of year	**4,014**	**5,269**	**9,283**
Capital assets funded by Ministry of Education grant:			
Special one-time capital grant	282	-	282
Project funding deferred from prior year	274	-	274
Interest earned	-	61	61
Amortization of deferred capital contributions to revenue	(801)	-	(801)
Deferred capital contributions, end of year	**3,769**	**5,330**	**9,099**

10. GOVERNMENT OPERATING GRANTS

($000s)	2017	2016
Ontario Ministry of Education		
Base grant	38,445	38,446
Capital maintenance grant	1,600	1,326
	40,045	**39,772**

11. GOVERNMENT AND CORPORATE PROJECT FUNDING

($000s)	2017	2016
Provincial project funding		
Ministry of Education		
Accessibility for Ontarians with Disabilities Act funding	597	727
Special one-time capital grant		
Capital Expenditure Grant	443	282
Capital Expenditure Grant – deferred (note 9)	(443)	(282)
Funding for special preparatory courses	-	240
Funding for ILC course conversion	2,199	-
Funding for ILC course conversion deferred (note 8)	(1,056)	-
	1,740	**967**
Corporate project funding		
Funding deferred from prior year (note 8)	1	1
Funding deferred to future year (note 8)	-	-
	1	**1**
Total government and corporate project funding	**1,741**	**968**

12. OTHER EARNED REVENUE AND COST

($000s)			2017			2016
	Revenue	Cost	Net Revenue	Revenue	Cost	Net Revenue
Individual and corporate donations	5,705	3,165	2,540	5,018	2,853	2,165
Tower rental and transmitter maintenance	1,028	-	1,028	1,018	-	1,018
Net proceeds from insurance settlement (note 19)	1,075	-	1,075	-	-	-
Interest income	302	-	302	337	-	337
Sales and licensing	272	-	272	394	-	394
Property tax rebate program for charities	245	-	245	239	-	239
Asset disposal	-	-	-	22	-	22
Others	93	-	93	111	-	111
	8,720	**3,165**	**5,555**	**7,139**	**2,853**	**4,286**

13. TRANSFORMATIVE GIFTS

(a) Bequest

During the year ended March 31, 2014, the Authority was informed that it was a beneficiary of the estate of a TVO viewer. In fiscal 2016, the Authority received the final $37,000 (2015 - $127,000, 2014 - $2,428,000), from the estate for a total bequest of $2,592,000. The donor stipulated in his will that 25%, or $648,000 (2016 - $10,000, 2015 - $32,000, 2014 - $606,000) of the bequest be applied toward *The Agenda* program. This restricted portion of the bequest is included in Deferred revenue in the Statement of Financial Position. Revenue will be recognized in future years when expenditures are incurred toward new projects associated with *The Agenda*.

The Authority has internally restricted the remaining 75%, or $1,944,000 (2016 - $27,000, 2015 - $95,000, 2014 - $1,822,000), of the bequest for new projects or enhancement of existing products or services as approved by the Board of Directors. During the year, the Authority applied $1,516,000 ($144,000 of the restricted portion and $1,372,000 of the internally restricted portion) to fund new projects.

The Bequest revenue of $144,000 recognized in the Statement of Operations is the total of the restricted portion utilized in the year plus internally restricted contributions received in the year.

Total bequest revenue received during fiscal years 2016 and 2017 has been accounted for as follows:

($000s)			**2017**			**2016**
	Restricted	Internally Restricted	Total	Restricted	Internally Restricted	Total
Bequest balance, beginning of year	232	1,726	1,958	639	1,916	2,555
Contributions received or receivable	-	-	-	10	27	37
Utilization of bequest	(144)	(1,372)	(1,516)	(417)	(217)	(634)
Bequest balance, end of year	**88**	**354**	**442**	**232**	**1,726**	**1,958**

(b) 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 ("Local Hubs") in the province to provide in-depth current affairs journalism in regions across Ontario. The gift consists of a $1,500,000 commitment plus an additional matching gift of up to $500,000 if the Authority raises $300,000 toward this project by June 2018. Revenue will be recognized in future years when expenditures are incurred for the set up and operation of the Local Hubs. There were no expenditures and therefore no revenue to recognize in for the year ended March 31, 2017. As at March 31, 2017, a total of $850,000 in respect of the gift had been received and $11,000 has been raised by the Authority. These amounts have been included in deferred revenue.

14. 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)	**2017**	**2016**
Current affairs and documentaries	1,531	1,767
Technical and production support services	1,605	1,531
Independent Learning Centre	876	574
Management and general	567	605
Cost of other earned revenue	68	154
	4,647	**4,631**

14. 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)	2017	2016
Salaries and wages	32,145	30,944
Licences and other	7,823	6,653
Advertising	2,460	2,638
Other services	1,156	3,128
Employee benefits	6,316	5,351
Facilities	4,757	4,645
Employee future benefits	3,493	3,040
Transportation and communication	2,069	1,965
Supplies and equipment	424	629
Amortization of capital assets and accretion expense	2,545	2,504
	63,188	**61,497**

15. 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
2018	1,381	700	2,081
2019	1,415	321	1,736
2020	1,416	309	1,725
2021	1,393	223	1,616
2022	1,386	68	1,454
2023 and beyond	7,878	-	7,878
	14,869	**1,621**	**16,490**

The lease of head office space expires on August 31, 2027.

16. THE INDEPENDENT LEARNING CENTRE

The ILC provides a wide range of distance education courses, in English and in French that allow adults 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 through the ILC.

Funding for these activities includes a grant from the Ministry of Education and ILC earned revenues. The portion of the grant that has been identified for specific projects is deferred until the related expenses have been incurred.

($000s)	2017	2016
Activities were funded by:		
Ministry of Education ILC grant	6,420	6,421
Homework Help project	4,000	4,000
Funding deferred from prior year (note 8)	1,944	1,752
Funding deferred to a future year (note 8)	(2,637)	(1,944)
ILC grant and project funding recognized	**9,727**	**10,229**
ILC earned revenues	2,804	2,678
Total ILC grant, project funding and earned revenue	**12,531**	**12,907**

16. THE INDEPENDENT LEARNING CENTRE (CONT'D)

Expenses during the year:		
Salaries and benefits	9,363	9,393
Transportation and communication	370	272
Services	465	597
Allocated general expenses (note 14)	876	574
Licences	232	238
Supplies, equipment and others	63	292
ILC Course Conversion costs	1,143	-
Total ILC expenses	**12,512**	**11,366**
ILC contribution to overhead	**19**	**1,541**

Direct expenses related to the funding deferred to a future year have been budgeted for the 2018 fiscal year.

17. 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.

18. 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)	**2017**	**2016**
School boards	682	743
	682	**743**

19. NET PROCEEDS ON INSURANCE SETTLEMENT

On August 27, 2014, the Authority incurred damage to its production facility and to a portion of the equipment in the facility from a flood. The Authority settled a claim with its insurance company for the damage to the facility during this fiscal. The amount received in prior year was $796,000.

($000s)	
Proceeds of disposition - insurance settlement for flood damage	1,741
Less legal expenses	(666)
Net proceeds of disposition	**1,075**

20. COMPARATIVE FIGURES

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