

ANNUAL REPORT

05 | 06

TVOntario



tvo



To: the Honourable Sandra Pupatello

Minister of Education
Queen's Park

I take pleasure in submitting the Annual Report of the Ontario Educational Communications Authority (TVOntario) for the fiscal year April 1, 2005 to March 31, 2006.

This is done in accordance with Section 12 (1) of the Ontario Educational Communications Authority Act.

Yours sincerely,

A handwritten signature in black ink that reads "Lisa de Wilde". The signature is written in a cursive, flowing style.

Lisa de Wilde
CEO, Ontario Educational Communications Authority

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Message from the Chair and from the CEO

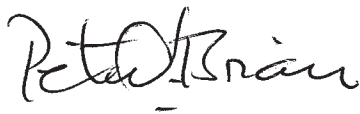
The 2005–06 fiscal year was a year of major transition for Ontario’s publicly funded educational media organization. It was a year of change, a year of review, and a year that set the stage for our future.

In September of 2005 the McGuinty government made an important move to strengthen TVOntario’s impact on the people of Ontario by moving responsibility for the organization from the Ministry of Training, Colleges and Universities to the Ministry of Education. The goal of this action was to align TVOntario’s strategic direction with the Ontario Government’s education policy priorities, to take advantage of the full range of media to support education.

As part of the realignment, TVOntario welcomed new leadership. The role of Chair and CEO was separated, and we were asked to conduct an internal review of the organization, with two purposes: to ensure that the government is getting full value for its funding of TVOntario and to ensure that our activities align with the government’s education priorities and becomes as relevant as possible to all Ontarians. The extensive internal strategic review took place through the last quarter of 2005–06, with the Board of Directors approving the new directions in April 2006. Necessary government approvals were then sought, culminating in the public announcement of June 29, 2006.

The environment in which we operate is changing extremely quickly and competition in the broadcast marketplace is increasing, as new digital technologies enable customers to access content on-demand over multiple platforms. Significant developments in this area have occurred since TVOntario’s strategic objectives were revised in 2004–05.

We have approached the annual report for 2005–06 to focus on key accomplishments, tracking the strategic objectives established 2004–05. The accomplishments selected were those that paved the way for TVOntario’s post-Strategic Review future. For more details on our future directions, please consult the *Looking Ahead* section of this annual report on page 12.



Peter O’Brian
Chairman



Lisa de Wilde
CEO

Strategy Map 2005–06 (Established 2004–05)

Goals and Objectives

TVOntario uses the power of television, the internet and other communications technologies to enhance education in English and French, inspiring learning for life.

Establish TVOntario as essential to building a knowledge-based society in Ontario.

- Provide unique, relevant, high quality programs and services that meet the educational and lifelong learning needs of key target audiences.
- Reflect the regional and societal diversity of Ontario.
- Increase awareness and usage of our programs and services.
- Dedicate resources required to support a digital future.

Provide a safe, non-violent, commercial-free educational service for children across Ontario.

- Continue to lead in the effective use of on-air, online, and print media for educational purposes.

Build a strong and secure financial future.

- Increase revenues from non-government sources.
- Maintain base operating fund at \$45 million.
- Maximize government project funding.

Manage the organization to the highest standards of business practices, demonstrating effective use of funds.

- Use technology to drive business process improvements.
- Implement a digital asset management strategy.
- Strengthen business practices such as business planning throughout the organization.
- Support the workforce by providing the skills and tools they will need to be successful.

Performance Highlights 2005–06

TVO

Goal: Establish TVOntario as essential to building a knowledge-based society in Ontario

Objective: Provide relevant, high-quality programs and services that meet the education needs of key target audiences

- The *TVOKids* preschool block delivered 13 hours and the after-school block delivered 133 hours of new curriculum-based content including short programs, hosted breaks, and community outreach.
- Web activities supported all on-air programs to extend the learning, tied to the Kindergarten and Grades 1–4 curriculum.
- A multi-year partnership with the Sheridan College Early Years Faculty was established to help guide our preschool strategy.
- *Studio 2*, *Diplomatic Immunity*, and other current affairs shows continued to provide analysis, debate and coverage of stories that reflect Ontario to Ontarians. This supported the membership affinity club for current affairs viewers.
- In partnership with the University of Toronto’s Munk Centre for International Studies, *Studio 2* delivered two live special broadcasts.
- The documentary series *The View From Here* and *Human Edge* commissioned and acquired 16 hours of in-depth social issue documentaries. This also supported the membership affinity club, Doc TVO.
- The lecture series *Big Ideas* presented 65 hours of programming featuring engaging and provocative thinkers.
- A “Film School Film Festival” was launched, to provide a destination for students and their colleges/universities to broadcast short films of students that have achieved excellence.
- *tvo.org* continued to feature resources that enhance and extend the learning opportunity for viewers, particularly educators and parents. Monthly visits increased from 46,100 to 75,100.

Objective: Reflect the regional and societal diversity of Ontario

- *TVOKids* after-school explored traditions, celebrations and daily activities of children of diverse communities across Ontario.
- TVO produced *The Spelling Bee of Canada* Ontario finals and the *Reach for the Top* Ontario finals, involving a diversity of young participants from across the province.
- *Studio 2* continued to support community-based events by delivering an annual contest (Best Song Contest, 2005) and celebrating the history, geography, and culture of the province.
- *Studio 2* delivered 25 field documentaries that focused on news stories, trends, and events throughout the province.



- *Person 2 Person with Paula Todd* presented stories from a diverse group of Ontarians on issues ranging from addictions, to mental illness, women's rights, learning disabilities, and immigration/refugee stories.

Objective: Increase awareness and usage of our programs and services

- *The Learn with TVO* educational outreach program delivered 15 campus visits/presentations to Faculties of Education, 15 presentations to individual school boards and 15 presentations to home schooling associations.
- The number of web-based teaching resources created in 2005–06 for intermediate and secondary school teachers tied to the TVO broadcast schedule increased from 20 to 42.
- Outreach kits for distribution to school boards across Ontario were developed with the first three themes being safe schools, the environment and literacy.

Increase access to our programs and services

- The adult programming block remained 95–98% closed-captioned, well ahead of the CRTC requirement of 90%.
- More of the children's schedule was captioned and by March 31, 2006, 84% of the overall TVO schedule was captioned.

Goal: Provide a safe, non-violent commercial-free educational service for children across Ontario

- *TVOKids* launched *Gisèle's Big Backyard*, to create a more appropriate setting for Gisèle's adventures in learning for preschoolers.
- *TVOKids* delivered 62 new children's episodes, all tied to the Ontario curriculum, including *Bod Squad* (healthy eating); *Tumbletown Tales* (math, with web-based activities); *Art Bot* (arts, with web-based activities); *Agents of Change* (volunteerism and community involvement); *Reading Rangers* (literacy and early reading) and *Time Trackers* (Canadian History).
- The *TVOKids* audience share increased from 12.0% to 13.4%. *TVOKids* is ranked second for viewers aged 2–7.
- *TVOKids.com* monthly visits increased from 335,800 to 408,200.

Performance Highlights 2005–06

TFO

Goal: Establish TVOntario as essential to building a knowledge-based society in Ontario

Objective: Provide relevant, high-quality programs and services that meet the education needs of key target audiences

- TFO continued to target provincial priorities for French language education and culture, namely:
 - Aménagement linguistique: TFO coproduced *Paul et Suzanne* for young children who need to strengthen their language skills and coproduced *Tékitoi 2*, aimed at children's identity building (construction identitaire)
 - Animation culturelle: TFO produced and broadcast new content within *Mini-TFO* (for ages 2–6), *Méga* (for ages 7–12) and *Volt* (for teenagers) and reinforced all broadcast activities with web products
- TFO programming continued to address the recruitment and retention priority for Franco-Ontarian youth:
 - Recruitment: TFO produced and distributed a kit in English and in French for parents interested in registering their children in French schools
 - Retention: The *En réalité* contest challenged grade 7 and 8 students to create and send in videos of their French high school. The goal was to engage them to stay at the school for grade 9
- Programs focused on the issues of greatest importance to the Franco-Ontarian community. In 2005–06 *Panorama* dedicated a week to the 20th anniversary of Loi 8 in March 2006. *Panorama* also covered the 30th anniversary of the Franco-Ontarian flag and the 10th anniversary of Collège Boréal, as well as providing daily analysis of the federal elections.
- The broadcast schedule continued to feature unique educational and cultural series for the Franco-Ontarian community such as *Francoeur 3 and 4*, *Villages et Visages 2005*, and *Le printemps des Voyageurs*. TFO also went into production for *Les vraies histoires des Pays-d'en-Hau*.
- 70 per cent of TFO's schedule was cleared for classroom use by the end of the year.
- *tfo.org* monthly visits increased from 38,100 to 50,500.

Objective: Reflect the regional and societal diversity of Ontario

- With offices in Toronto, Ottawa and Sudbury, *Panorama* ensured a balanced number of its 110 reports were submitted from the North, East and South-Central Ontario.
- *Volt* has a reporter in Ottawa and attended various events such as Festival de la chanson en milieu scolaire in Ottawa; the 30th anniversary of Hockey franco-ontarien in Hamilton; la Folie in Windsor; les Jeux franco-ontariens in Trenton.
- *MégaTFO* did a tour of the Kitchener-Dundas area.



- *Panorama* and *Volt* regularly created segments related to Ontario's ethnocultural communities.
- *Je vis ta vie* won the Géméaux Award for Multiculturalism.
- TFO supported and financed the documentary *Abasaruzi*, about French immigrants from African countries who gather in a Toronto church.

Objective: Increase awareness and usage of our programs and services

- TFO has successful partnerships with organizations dedicated to Franco-Ontarian education, such as *SOS Devoirs* with the 12 French school boards and *Les Vrais Pays d'en Haut* with the Ministry of Education and the CFORP.
- TFO held its annual Conseil pédagogique with the organizations and stakeholders involved in Ontario's French-language education.
- TFO initiated a project to digitize its inventory of 4,000 educational programs and distribute it to school boards.
- The Education team trained over 2,000 teachers in the use of TFO's pedagogical resources, and close to 1,000 parents through contacts established by teachers.

Goal: Provide a safe, non-violent, commercial-free educational service for children

- To increase awareness of "petite enfance" offerings among parents and educators, TFO produced and distributed a booklet for parents, a «petite grille de Noël» and a «petite grille d'été», as well as an activity kit for parents of children entering elementary schools.
- TFO's *Enfance* strategy emphasized convergent programs developed jointly by broadcast and online teams such as *Champlain*, which has a broadcast component, a web component and a teacher's guide. Other examples are *Mini-TFO*, *les Marmitons* and *Volt*.
- Web content was revamped for the 7–11 age group with a new hosting approach and presentation.
- The Education and New Media departments produced print and online resources to enhance TFO's broadcast programs, such as *Shinanu* (highlighting native realities and stories) and *Champlain*, as well as producing its annual *Horaire scolaire*.

Performance Highlights 2005–06

ILC

Goal: Establish TVOntario as essential to building a knowledge-based society in Ontario

Objective: Provide relevant, high-quality programs and services that meet the education needs of key target audiences

- ILC released 34 new secondary school courses, based on priorities set out in the Tripartite Agreement. Six additional courses were in final stages, for release in Q1 of 2006–07.
- Work began on enhancing the ILC’s ESL courses by making them credit courses and working with OISE/UT to integrate their ESL software.
- ILC began to upgrade the ILC elementary curriculum in compliance with the Sustaining Quality Curriculum requirements of the Ministry of Education.
- A contract with CFORP for grades 1–4 initiated the development of the French elementary curriculum.
- ILC developed 34 new digital learning objects to enhance the learning experience of ILC students, focusing on the most difficult aspects of the curriculum.

Objective: Increase awareness and usage of our programs and services

- ILC promoted its services to increase enrolments from day schools, private schools, foreign schools, the home schooling community, and adult education centres across the province.
- A nine per cent increase brought enrolments to a total of 19,495.
- ILC participated in 45 outreach events throughout the year.
- An awareness advisory committee was established to seek feedback from external stakeholders and cultivate champions in the community.
- ILC established a Franco-Ontarian liaison role to increase awareness and usage of ILC’s French curriculum.

Objective: Increase access to our programs and services

- The “Employers of Choice” program for GED testing continued, with 8 sessions involving new and repeat employers.
- GED registrations had an overall increase of 7 per cent.
- ILC distributed numerous partner kits and attended key events with guidance counsellors to build awareness about ILC resources with post-secondary registrars and other trusted intermediaries.



Performance Highlights 2005–06

Organizational

Goal: Manage the Organization to the highest standards of best business practices, demonstrating effective use of funds

Objective: Use technology to drive business process improvements

- Configured and implemented the Peoplesoft Purchasing module, streamlining financial workflows and improving business information around financial commitments.
- Sourced and implemented an e-commerce application to support on-line Membership donations and gifts.
- Completed the development of a new tape library work process, the first of ten new business processes that will streamline operations.
- Completed a needs assessment for the Copyright management system.
- Acquired technology to enable “browsing” of video tape elements as one step towards streamlining production process.
- Developed and assessed several options for a consolidated, digital plant that will support multiplatform production.

Objective: Strengthen business practices such as business planning throughout the organization

- In 2005–06 TVOntario received an unqualified audit.
- Developed options for the future of the LPRT (transmitter) network and options for the organization to work with northern communities to ensure they have access to TVO and TFO.
- Implemented a Web Development and quality assurance strategy that has improved both the reliability and functionality of web products.
- Reviewed the process for assigning technical crews to productions and have, as a result, significantly improved the planning and utilization of technical capacity to average more than 85% utilization.

Objective: Provide the skills, tools and information for our Workforce to be successful

- Held a three day Management workshop focusing on developing teams, effective performance management and managing in a unionized environment.
- Completed the development, implementation and training of a 14 point Health and Safety program.
- Completed First Aid certification, Fall Arrest training and WHMIS training for relevant staff members.
- Conducted extensive training for staff and management using the new Peoplesoft purchasing system.

- Began development of an employee intranet (to be released in September 06) that will improve staff communications and consolidate all business tools (such as forms, policies, procedures and manuals within one site).

Objective: Meet our regulatory requirements

- Applied for and received a reduction in Canadian content to 60% for TVO—the English network.

Goal: Build a strong and secure financial future

Objective: Increase revenues from non-government sources

- The membership base eroded from 100,000 to 93,249.
- Piloted distribution of the TFO signal to Vidéotron, one of Quebec’s largest cable providers. Payment is expected in fall 2006.
- Sales and licensing undertook product/market research on both the education and consumer marketplace and as a result began to wind-down US marketing efforts.
- TVOntario benefited from a modest disbursement from the TVOntario Foundation. Despite this, the Foundation continues to have difficulty attracting gifts and performing at expected levels.

Objective: Secure stable base operating funding

- Secured EDU transfer payment of \$45 million for 2005–06.

Objective: Maximize government project funding

- Generated \$3 million in revenue from the Ministry of Education for the e-Workshop project.
- Renewed ILC agreement at \$6.4 million for three years.
- Increased annual support from Heritage Canada by \$750,000 (to \$2,550,000) for French as a Minority Language services.

Objective: Secure the funds required to support a digital future

- As part of Strategic Review process in Q4, identified capital needs. Issued proposal to EDU in Q1 of 06–07.

The organization has not been able to grow earned revenues sufficient to keep pace with operating cost increases. Based on this cost structure it is necessary to increase revenues annually by \$2 million simply to keep pace with increasing operating costs.

TFO, ILC, TVO: Looking Ahead

These are exciting times to be involved in the world of educational media. The digital future presents tremendous opportunities, the internet is transforming the landscape, and technology is making new content and new platforms possible virtually every week! Customers have more and more options, and it is our mission to offer them indispensable and irresistible content.

TVOntario's strategic review, conducted from December 2005 through March of 2006, marked important turning points in the evolution of Ontario's publicly funded educational media organization. As we grappled with the challenges facing TVOntario, we decided that we needed to sequence our efforts.

As announced by the Ontario Government in June 2006, TFO will become a separate, stand-alone organization, with its own Board of Directors, management, and budget. This is a natural evolution for TFO and flows from its current successes, as well as from the needs of the Francophone communities that TFO serves. TFO is a window to, a champion of, and an advocate for Franco-Ontarian culture as well as a provider of valuable support to the French-language education system. TFO is truly a part of the fabric of Ontario's French-speaking communities, connecting people across the province. As such, it fulfills a very special role. We are proud to see the TFO team attain full autonomy as TFO celebrates its 20th anniversary, and look forward to supporting the planning process for this exciting transition.

We are preparing a plan that will move the Independent Learning Centre toward its full potential in the digital world. We intend to take this to the Board of Directors early in the fall of 2006.

In terms of TVO, the decisions we have made in our strategic review respond directly to the increasingly competitive media marketplace, clear Ministry of Education priorities, and the need to build a new and sustainable business model.

We are very appreciative of the Ontario Government's financial support, announced in June 2006, which will enable TVO to build a modest and efficient digital facility and provide the training and development that will equip our employees with the tools, skills, and information necessary to participate fully in the digital world. This significant shift of resources will take place over the next two years and enable us to respond to consumer demand by creating digital content and distributing it over multiple platforms, a fundamental part of TVO's strategic agenda.

While television will remain an important medium for TVO, the days of defining ourselves as a "broadcaster" are past. We are entering a new era as a provider of multi-platform content. Our goal is to open up as many opportunities as possible for the people of Ontario to have engaging experiences with our educational content.



When we evaluated TVO's expertise against the Ministry of Education's priorities during our strategic review, we were able to identify where and how TVO could be most effective. This allowed us to develop a clear definition of the educational content TVO provide: content that supports learning outside the classroom for preschool and school-aged children and their parents, and content that fosters citizenship by engaging people as active participants in the public issues defining our society. By the fall of 2007 we will implement our new, focused content strategy aligned with Ministry of Education priorities and provide the most innovative educational content for Ontario. This builds on our strengths in children's programming and in current affairs.

One of the most valuable contributions we can make to children is to encourage them to succeed in school. All our in-house content will be curriculum-linked and developed with educators. For preschoolers this means focusing on early childhood education and specifically on literacy and numeracy development. For school-aged kids—an often neglected demographic—it means focusing on, keeping them interested and engaged in learning with fun, educational content, and equipping them with the tools to use educational media in a positive way in their lives.

TVO's content strategy for adults will focus on citizenship and public engagement. By this we mean the range of economic, political, environmental, social, and cultural issues that define who we are and how we live, as citizens across the province, and particularly in Ontario's diverse urban regions, at the outset of the 21st century.

We will be placing a great deal of emphasis on building a sustainable business model for TVO, and key to that is building new revenue streams—an issue all media organizations are grappling with in the internet age. Innovation is key: we will continually test new ideas for digital content and multi-platform distribution with a view to developing new revenue opportunities.

Whether we're equipping kids to succeed in school or serving as a navigator that helps citizens to make sense of the world around them, TVO's role is now clearly defined. We have built sound content and distribution strategies that will energize our relationship with Ontarians, while clearly supporting the education priorities of the government and beginning to provide for our sustainability.

The need for a public educational media organization is greater today than ever. TFO, TVO, and the Independent Learning Centre are unique services that aim to be relevant and successful in serving their customers. The future is bright.

Donor Recognition Stars

Stars Members are our leading donors. We are pleased to recognize the following TVOntario Stars:

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Jill Javet
Dr. Vilayil I. John
Frances E. Johnson
B.J. Johnston
David E. & Joyce Jones
Harold & Merle Jones
Howard F. Jones
Rodney Jones
Derek Jubb
Patricia Junor
Margaret Kalin

Nellie Kamstra
Dr. Selia Karsten
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Dr. Elaine Keillor
David Kelley
Judith Kidd
Mary Kitchen
Drs. Graham & Judith Knowles
P.R. Knubley
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Don MacLean
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Monica Malkus
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Fredrick E. Marlow
Louise Marrack

Maggie Marshall
Elizabeth Mason
John Matheson
Mrs. Barbara Mayer
Paul A. Mayer
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Mark McCauley
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Douglas Melega
Chris Mellor Insurance Brokers
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 Marie-Claude LaRose
Eleanor Miller
Judith & Clinton Miller
M. Nadia Miller
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Gloria Nightingale
Emily Noble
Rodney Northey
D. Marion O'Donnell
Roy S. Oiye
Jane Olvet
Murray O'Neil
Elizabeth Osler
Bernard Ostry
Steve Paikin
Mr. Jayant Pandit
Colleen Parrish
C.G. Paton
Malcolm W. Payne
Robert Peck
Brian Pel
Sev Peloso
Edwin Pennington
Jane Phillips
Jacques Philosophe
Audrey Pickard
William J. Pickett
Ronald Pilfrey
Mr. & Mrs. Peter Pinkerton
Ian & Ann-Margret Plummer
Allen Pollard & Pauline Green
Joseph Pope
Kevin Pottie
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Richard Preece
J.F. Prested
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Hugh Pross
Anil Purandaré
Cecelia Quarrington
E. Racic
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Elizabeth Ramsdale
Richard N. Rankin
Erin Rankin-Nash
Linda Rapson
Elinor Ratcliffe
Kenneth C. Reeves
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Elaine Reid
Heidi & Gordon Reid
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Harold Richardson
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Barbara Richie
Beatrice Riddell
Don Rider
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Karen Ritchie
Duncan & Barbara Robertson
Margery Robertson
Vada Robinson
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Oscar Rogers
Thomas Rogers
Gordon A. Ross
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Penny Royce
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Dr. & Mrs. Alastair G. Scarth
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Melody Scott
Mr. & Mrs. Robert E. Scott
Cicely A. Scroggs
Ravi Seethapathy
Beverley Shanley
Winifred Shantz
Alan D. Sheffield
Alice Sheffield
Keith S. & Carole Sheppard
Risa Shuman
The Silver Tree Foundation
 (in memory of Judith Teller)
Barbara Sime
Sean Simmons
Stanley E. Simmons
Margaret Simpson
Helena Slampova
Alex Sloneicki
Frank R. Smith
Nancy Smith
Patricia E. Smith
Terry Smutylo
James Smyth
David Sniderman

Donor Recognition: Stars continued...

Andrew J. Spears	Allan Watanabe
Christine Stanton	Elizabeth Watson
Doreen Stanton	Moray & Joan Watson
Gordon & Valerie Stap	Owen B. Watts
Donald R. Steele	Ronald & Donna Watts
Noni Steels	Ronald & Fanshun Watts
Lisa Stilborn	Peter Webb & Joan York
Frank R. Stockwell	Richard Webb
Diana N. Stott	Amelia Wehlau
J. I. Strickland	Eyre D. Welland
Mr. & Mrs. Peter Sullivan	Myrna Westcott
Anne Sutherland	Martin Westmacott
John & Barbara Sutherland	Mrs. F. Jean Wheeler
Mr. & Mrs. Graham Swan	John & Betty Whetham
R.K. Sylvester	Leslie E. White
Warren Synnott	Pamela Wiggin
Martin M. Taylor	Linda Wightington
Paul Taylor	Isobel & John Wilkinson
Harshad Telang & Birubi Biman	Wendy Willmot
John S. Tener	Margaret K. Wilson
Stephen Tent	Robert Wilson
V. Teska	George Witte
Janice M. Thielenhaus	Fay Wood
J. A. Thomson	Sandra Wood
Pamela A. Thomson	Vivian Wood
Valerie A. Thomson	Gordon Woodall
Jim H. Thornley	Edna Woodhouse
Kirk & Mary Thornton	T. Robert Woods
Meredith Todd	Leslie Wright
Mary Trent	Gordon P. Wywrot
William Trischuk	Douglas Yarronton
William Trudell	Diane Young
A. Tso	Dr. E. R. Zimmermann & Beverley A. Leaman
D. Kenneth Tucker	Charles Zurbrigg
Maurice Tulett	36 Anonymous Donors
Barbara Turner	
Babette Turner-Underwood	
John Udd	
Ruthanne Urquhart	
Richard & Jean Van Loon	
Sylvia Vanhaverbeke	
John E. Vanneste	
Richard Vernon	
Peter & Jane Vickery	
Harvey Voldeng	
Jean Walker	
Russell Walker	
Stanley & Margaret Walpole	
Mrs. Elizabeth Walter	
Elizabeth D. Wangenheim	
Edith Wasson	

Donor Recognition

Corporate and Community Partners

Lead Supporters

TVOntario would like to thank the following corporations and organizations for their outstanding leadership and commitment to our mandate of providing quality educational programs and services:

Spelling Bee Partner

AIC Limited is the proud partner of TVOntario's 2005 *Spelling Bee of Canada Ontario Championships*. An enriching learning experience, the Spelling Bee of Canada fosters literacy and the development of children's communications skills. It also encourages parents, teachers, and the community to participate in the educational process. The program is a tool outside the regular school curriculum designed to enhance a child's academic achievement and instill a sense of accomplishment and self-confidence.

TFO Lead Partner

The Ministry of Education is a lead partner in TFO's educational programming and on-line products and services. Programs such as *Méga TFO*, aimed at kids 9 to 12 years old, and *Volt*, aimed at teenagers, benefit from this financial contribution. Other educational products include resources for the classroom in francophone and immersion schools throughout Ontario as well as teacher training services.

Homework Partner

RBC Financial Group is the proud presenting partner of *Ask a Teacher*. TVOntario's free help-with-homework online service gives students one-on-one assistance from live certified teachers five nights a week. Students can also practice needed skills in math, science, and literacy, or try a variety of exercises in preparation for standardized provincial tests.

Healthy Minds—Healthy Bodies Partner

Scotiabank is the proud presenting partner of the *TVOKids Don't Sit Still* tour, which takes *TVOKids* hosts across Ontario to present a free live stage show that promotes a healthy and active lifestyle to kids of all ages. The high-energy interactive stage performance inspires children—and even their parents—to get moving and stay moving!

Children's Literacy Partner

The TD Bank Financial Group proudly presents the *TVOKids TD Reading Rangers*. This entertaining on-air and online series promotes books, reading, and libraries to the children of Ontario. Boosting literacy, language skills, and social development, the series features TVO's popular *TVOKids* hosts as *Reading Rangers*—daring and dauntless heroes of the Wild West who, as reading enthusiasts, make books their business!

Nutrition Partner

The Dairy Farmers of Canada are the presenting partner of TVO's *The Bodies*, a series of short, creative programs that promote healthy eating among children. With the help of *The Bodies*—TVO's cool ambassadors of good nutrition, young viewers learn about the rewards and how-tos of good nutrition.

Tourism Partner

Ontario Tourism Marketing Partnership Corporation is proud to partner with TVOntario in presenting the province's tourism campaign that showcases Ontario as a dynamic year-round travel destination.

Donor Recognition: Corporate and Community Partners continued...

Presenting Partners

TVOntario would like to recognize the following companies and organizations for their support in helping TVOntario present quality educational programming to the people of Ontario:

AMEX Canada	Media Replications Services
BMO Financial Group	Ministère de l'éducation du Manitoba
Boss Promotions	Ministry of Finance Ontario Savings Bonds
Caisses populaires de l'Ontario / Région St-Laurent-Outaouais	Moore North America
Canadian Auto Workers Union	Mormark Print Productions
Canadian Imperial Bank Of Commerce	Mouvement Desjardins
The Cleland Communications Group	The Musagetes Fund at the Kitchener and Waterloo Community Foundation
Communications, Energy, & Paperworkers' Union of Canada, Local 72M	Office des affaires francophones
Comtés-unis de Prescott et Russell	Ontario English Catholic Teachers' Association
Conseil canadien de gestion agricole	Ontario Ministry of Health
Conseil scolaire de district du Centre-Sud-Ouest	Ontario Northland Railways
Corporate Advantage	Oscar Parrot
Daryl Bennett of The Liftlock Group	Oxford University Press
EF Educational Tours	Patrimoine canadien
Elementary Teachers' Federation of Ontario	Peterborough Public Library
Fédération des caisses populaires de l'Ontario, particulièrement les caisses populaires de l'est ontarien	PEI Tourism
Fondation franco-ontarienne	The Princess Margaret Hospital Foundation
Foodland Ontario	Print and Post
The Kiwanis Club of Casa Loma	RBC Financial Group
The Kiwanis Club of Toronto	The Responsive Marketing Group Inc.
La Cité collégiale	Ross A. Smith, AON Inc.
Manulife Financial Corporation	Sisters of St. Joseph
	TIM-BR Mart
	TD Meloche Monnex
	UB Signs and Graphics
	Visit Britain
	Zoom Airlines

Community Supporters

TVOntario would like to thank the following companies and organizations for their generous support over the past year through donations of in-kind goods or services:

Annick Press	National Ballet of Canada
Campbell Company of Canada	Northam Realty Advisors Ltd.
Canadian Tire	Peller Estates Winery
CanStage	Pizza Pizza
The Casual Way	Stott Pilates
Holiday Inn Peterborough Waterfront	Tim Hortons
Hot Docs Canadian International Documentary Film Festival	Tom's Place
Jaipur Grille	Toronto Symphony Orchestra
Kernels Popcorn Ltd.	Trent University
Mysteriously Yours Dinner Theatre	Twinings

OECA Board of Directors

April 1, 2005 to March 31, 2006

Peter O'Brian, Chair of the Board of Directors, Toronto*

President, Independent Pictures Inc.
(appointed November 1st, 2005
until October 31st, 2008)

Isabel Bassett, Chair and CEO, Toronto**

(until October 2005)

Gisèle Chrétien, Vice-Chair, Sudbury

Independent^{1,4-VC}
(until June 2007)

Anne-Marie H. Applin, Toronto

President, Applin Marketing and
Communications^{3-C,5}
(until June 2007)

Pierre C. Bélanger Ph.D., Toronto

Professor, Department of Communication,
University of Ottawa¹
(until June 2007)

Vala Monestime Belter, Mattawa**

Director of Nursing/Asst. Administrator,
Algonquin Nursing Home^{3,4}
(until July 2005)

Stephen R. Coxford, Toronto

President, Gresham & St. Andrew Inc.^{1-C,5}
(until June 2006)

Diane Desaulniers, Ottawa

President, Groupe Vision
Management Consulting³
(until June 2006)

L. Anne Gagné, Penetanguishene

Educator^{2,4}
(until June 2006)

Mitzie J. Hunter, Toronto

Vice-President, Marketing, Goodwill^{1,4}
(until June 2007)

Paul M. Lalonde, Toronto*

Partner, Heenan Blaikie
(appointed February 3rd 2006
until June 30th 2008)

Rebecca Ling, Markham**

Principal, Rebecca Ling Chartered Accountants
Professional Corporation^{2-C,4}
(until June 2005)

Ravi Seethapathy, Toronto

Audit Associate Manager,
Hydro One Networks Inc.^{2,3,5-C}
(until June 2007)

Nancy Smith, Toronto**

Chief Executive Officer,
The NextMedia Company Limited^{3,4-C,5}
(until June 2005)

Olga Kuplowska, Board Secretary and Director, Board Secretariat

Councils and Research

Total honorarium paid to board members (exclusive of the Chair) during the 2005–2006 fiscal year was \$18,220.02. This amount corresponds to recommended levels of remuneration set by the Lieutenant Governor in Council.

Legend:

- * – New Appointments in 2005–2006
- ** – Departures in 2005–2006

Board Committees served on:

- 1 – Finance
- 2 – Audit
- 3 – Development, Marketing and Communications
- 4 – Programming
- 5 – Strategic Planning & Priorities
- C – Committee Chair
- VC – Committee Vice-Chair

Salary Disclosure

March 31, 2006

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TVONTARIO / ANNUAL REPORT 2005/06

In 1996, the government of Ontario instituted the Public Sector Salary Disclosure Act. Under the provisions of this act, TVOntario is required to post the total compensation package of employees earning over \$100,000 for the calendar year of 2005.

Name	Position	Salary Paid (\$)	Taxable Benefits (\$)
Ammendolia, Mary	Host/Producer	100,185	2,182
Arnold, Clara	Director, Human Resources	115,164	965
Blackburn, Russell	Host/Producer (Professional name: Pierre Granger)	140,610	737
Buttignol, Rudy	Creative Head, Documentaries, Drama & Network	120,991	1,014
Carey-Lee, Yvonne	Director, Finance & Administration	103,322	865
Chapelle, Nancy	Managing Director, TVO	137,762	3,485
Cochrane, Anne	Director, Marketing and Communications	110,577	3,921
Dimock, Blair	Director, Strategic Planning	102,255	856
Ellingson, Pat	Creative Head, Children's and Daytime Programming	124,016	1,039
Grant, Doug	Creative Head, Current Affairs	129,916	1,088
Irwin, Sarah	Managing Director, Independent Learning Centre	122,738	1,024
Mishkel, Ian	Managing Director, Development, Marketing & Communications	153,581	9,785
Newell, Raymond	Director, Operations & Technology	105,207	3,769
Paikin, Steve	Host/Producer	214,037	3,772
Paquin, Claudette	Managing Director, TFO	129,481	2,776
Quenneville, Gisèle	Host/Producer	109,794	978
Robock, Lee	General Manager and Chief Operating Officer	146,145	3,557
Taylor, Pamela	Director, Legal Services and General Counsel	122,397	1,025
Todd, Paula	Host/Producer	178,034	3,307
Western, Ron	Director, Internal Audit	102,206	856
Wharton, Julian	Creative Head, Independent Production	101,159	848

Prepared under the Public Salary Disclosure Act, 1996

Financial Performance

Auditor's Report



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To The Ontario Educational Communications Authority
and the Minister of Education

I have audited the statement of financial position of The Ontario Educational Communications Authority as at March 31, 2006 as well as the statement of operations and equity, the statement of changes in equity and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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20 Dundas Street West
Toronto, Ontario
M5G 2C2
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www.auditor.on.ca

Toronto, Ontario
June 13, 2006

Gary R. Peall, CA
Deputy Auditor General

Financial Performance

Management's Responsibility for Financial Statements

TVOntario



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Toronto ON Canada M4T 2T1
Telephone: 416.484.2626
Fax: 416.484.2732

C.P. 200, succursale Q
Toronto ON Canada M4T 2T1
Téléphone : 416.484.2626
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tvontario.org

Lisa de Wilde
Chief Executive Officer
Directrice générale
ldewilde@tvontario.org

Management's Responsibility for Financial Statements

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, 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 13, 2006.

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 of the Ontario Educational Communications Authority (OECA) independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board of directors.

The OECA's Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Board has appointed an Audit Committee from among its own members. The audit committee 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 are reviewed jointly by the Audit and Finance Committees before approval by the Board of Directors.

The Office of the Auditor General of Ontario conducts an annual audit in accordance with section 11 of the *Ontario Educational Communications Authority Act*. The auditor's report outlines the scope of the auditor's examination and opinion.

Lisa de Wilde
Chief Executive Officer

Financial Performance

Statement of Financial Position

as at March 31, 2006

Assets (\$000s)	2006	2005
		restated (note 3)
Current Assets		
Cash and short-term investments (note 4)	16,474	12,637
Accounts receivable (note 5)	3,120	2,640
Prepaid expenses	871	1,074
Inventories	415	476
	20,880	16,827
Broadcast rights and production costs (note 9)	26,743	27,455
Accrued pension asset (note 6)	2,233	2,751
Investments held for Capital Renewal (note 7)	3,525	3,293
Net Capital Assets (note 8)	16,264	19,389
Total Assets	69,645	69,715
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	8,135	7,532
Deferred revenue (note 10)	12,600	9,428
Lease obligations (note 11)	23	21
	20,758	16,981
Non-Current Liabilities		
Lease obligations (note 11)	29	52
Employee future benefits (note 6)	4,455	3,420
Deferred capital contributions (note 12)	14,441	16,214
	18,925	19,686
Equity		
Invested in broadcast rights and production costs	25,578	26,700
Invested in capital assets	5,296	6,395
Restricted – Accrued pension asset	2,233	2,751
Unrestricted	(3,145)	(2,798)
	29,962	33,048
Total Liabilities and Equity	69,645	69,715

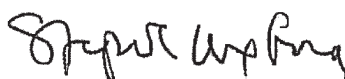
Commitments and Contingencies (note 16 and 19)

See accompanying Notes to Financial Statements.

On behalf of the Board:



Chair



Director

Financial Performance

Statement of Operations and Equity

for the year ended March 31, 2006

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TVONTARIO / ANNUAL REPORT 2005/06

(\$000s)	2006	2005
		restated (note 3)
Revenues		
Government operating grants (note 13)	50,296	53,476
Other earned revenue (note 15)	15,600	13,733
Government and corporate project funding (note 14)	8,002	5,782
Amortization of deferred capital contributions (note 12)	2,760	2,988
	76,658	75,979
Expenses		
TVO programming services	22,828	23,645
TFO programming services	16,239	15,498
Technical and production support services	15,363	15,613
Independent Learning Centre	8,830	8,966
Management and general expenses	5,105	4,882
Cost of other earned revenue (note 15)	4,820	4,729
Amortization of capital assets	4,150	4,319
Employee future benefits (note 6)	2,409	2,092
	79,744	79,744
Excess of expenses over revenues	(3,086)	(3,765)
Equity, beginning of year	33,048	36,813
Equity, end of year	29,962	33,048

See accompanying Notes to Financial Statements.

Financial Performance

Statement of Changes in Equity

for the year ended March 31, 2006

(\$000s)	2006			2005		
	Invested in Capital Assets	Invested in Broadcast Rights and Production Costs	Restricted Accrued Pension Asset	Unrestricted	Total	Total
Balance, beginning of year	6,395	26,700	2,751	(2,798)	33,048	36,813
Excess of expenses over revenues	(1,622)	(16,137)	(1,198)	15,871	(3,086)	(3,765)
Contribution to the defined benefit plan	–	–	680	(680)	–	–
Invested in Capital assets	523	–	–	(523)	–	–
Invested in broadcast rights and production costs	–	15,015	–	(15,015)	–	–
Balance, end of year	5,296	25,578	2,233	(3,145)	29,962	33,048

See accompanying Notes to Financial Statements

Financial Performance

Statement of Cash Flows

for the year ended March 31, 2006

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TVONTARIO / ANNUAL REPORT 2005/06

(\$000s)	2006	2005
		restated (note 3)
Operating Activities		
Excess of expenses over revenues	(3,086)	(3,765)
Add/(deduct) non-cash items:		
Amortization of capital assets	4,150	4,319
Amortization of deferred capital contributions	(2,469)	(2,706)
Amortization of broadcast rights and production costs	15,727	16,145
Pension expense	518	659
Post retirement benefits	1,035	925
Gain on disposal of capital assets	(59)	(29)
Net changes in non-cash working capital:		
Accounts receivable	(480)	2,058
Inventories	61	(9)
Prepaid expenses	203	(316)
Deferred revenue	3,172	3,641
Accounts payable and accrued liabilities	603	(67)
Cash provided by operating activities	19,375	20,855
Investing and Financing Activities		
Broadcast rights additions	(15,015)	(15,944)
Capital asset additions	(1,060)	(2,361)
Current year's deferred capital contributions	464	1,503
Proceeds from disposal of capital assets	94	113
Lease obligations	(21)	35
Cash used in investing and financing activities	(15,538)	(16,654)
Net increase in cash position during the year	3,837	4,201
Cash and short-term investments, beginning of year	12,637	8,436
Cash and short-term investments, end of year	16,474	12,637

See accompanying Notes to Financial Statements.

Financial Performance

Notes to Financial Statements

March 31, 2006

1. Authority and mandate

The Ontario Educational Communications Authority (the Authority) is a provincial Crown Corporation that was created in June 1970 by the Ontario Educational Communications Authority 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 a registered charitable organization which may issue income tax receipts for contributions. 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 generally accepted accounting principles.

(b) Inventories

Program support materials are valued at the lower of cost or net realizable value where cost is determined on a weighted average basis. Stores and supplies are valued at cost, where cost is determined on a first in, first out basis and is net of an allowance for obsolescence. Video and audio tapes are valued at the lower of cost or net realizable value, where cost is determined on a first in, first out basis.

(c) 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:

Building	30 years
Transmitters	17 years
Transmitter Monitoring Equipment	7 years
In House Technical Equipment	7 years
Leasehold Improvements	5 years
Computer Equipment	5 years
Office Furniture & Fixtures	15 years
Office Equipment	10 years
Vehicles	5 years

(d) Revenue recognition

1. Revenue from the licensing of program material is recognized when the rights to the program material are sold.
2. Membership contributions are recorded on a cash basis. Contributions from corporate sponsors are recognized when the contract is signed, except multi-year contributions that are recognized when the cash is received.
3. Grants and revenues received in the year for special purposes are deferred until the related expenses have been incurred.
4. Revenue from grants and contributions restricted for the purchase of capital assets is deferred and amortized over the same period as the related capital asset.
5. Student fees for courses and General Education Development testing are recognized as revenues at the time of registration.

(e) Employee Future Benefits

The Authority accrues its obligations under employee defined benefit plans and the related costs, net of plan assets. The following policies have been adopted:

1. The cost of pension benefits and other post retirement benefits is actuarially determined by independent actuaries using the projected benefit method and management's best estimate assumptions.
2. Past service cost and transitional asset or obligation are amortized over the expected average remaining service period of active plan members.
3. Actuarial gains (losses) are recognized to the extent that they exceed 10% of the greater of the accrued benefit obligation and the market value of plan assets. Amounts recognized are amortized over the average remaining service period of active plan members.
4. Pension fund assets are valued at market value.

(f) 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 four years.

(g) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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. Actual results could differ from those estimates.

3. Change in accounting policy

Effective April 1, 2005, the Authority changed its accounting policy for certain broadcast rights and production costs. Such costs, which were previously expensed in the year incurred, are now capitalized and amortized over the estimated useful lives of the related programs. Where applicable, restricted project funding is now deferred and amortized on the same basis as the related program.

This change in accounting policy has been adopted on a retroactive basis resulting in the following changes to the March 31, 2005 financial statements:

(\$000s)	2005		
	As Previously Stated	Increase (Decrease)	As Restated
Assets			
Broadcast rights and production costs	–	27,455	27,455
Liabilities			
Deferred revenue	8,673	755	9,428
Equity			
Invested in broadcast rights and production costs	–	26,700	26,700
Statement of Operations			
Government and corporate project funding	5,998	(216)	5,782
TVO programming services	23,405	240	23,645
TFO programming services	15,537	(39)	15,498

4. Cash and short-term investments

The Authority's investment policy restricts short-term investments to securities issued by or guaranteed as to principal and interest by Ontario, any other province of Canada, Canada or the United Kingdom, securities issued by the United States of America or deposit receipts, deposit notes, certificates of deposit, acceptances and other similar instruments issued or endorsed by any chartered bank to which the Bank Act (Canada) applies.

Cash and short-term investments of \$16,474,000 (2005–\$12,637,000) included \$16,420,000 (2005–\$11,593,000) of investments maturing within 90 days, yielding 2.9% (2005–2.2%) on average during the year, with a market value that approximates carrying value.

5. Accounts receivable

(\$000s)	2006	2005
Project funding	1,356	1,200
Trade	1,038	855
Other	726	585
	3,120	2,640

6. Employee future benefits

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

Registered pension plans: Most employees of the Authority are members of the Main Pension Plan which consists of a non-contributory defined benefits, best average earnings and years of service element and a contributory defined contribution element. Contract employees can only participate in a non-contributory defined contribution element within the Main Pension Plan. Certain eligible executives are members of an Executive Pension Plan which only has a non-contributory defined benefits, best average earnings element.

Unfunded retirement plan: The non-contributory defined benefits plan was adopted to preserve pension benefits in excess of the Federal Income Tax Act maximum accrued under the registered pension plans.

Post retirement benefit plan: The Authority offers non-pension post retirement benefits such as health care, dental care, and life insurance through defined benefits plans on a cost-sharing basis.

The most recent valuation of the defined benefit pension plans and the post retirement benefit plan was as of January 1, 2004. The Authority offered eligible members the opportunity to participate in an early retirement window during the 2004 and 2005 calendar years. In these circumstances, a supplemental actuarial evaluation is required by the Financial Services Commission of Ontario. The supplemental valuation determined that lump sum contributions were needed to maintain the solvency ratio. Remittances were made by the Authority to the pension plans in 2006.

Information about the Authority's pension and other benefit plans is as follows:

(\$000s)	2006		2005		2006		2005	
	Registered Pension Plans		Unfunded Retirement Plan		Post Retirement Plan			
Plan deficit as of January 1:								
Market value of plan assets	90,472	82,236	–	–	–	–	–	–
Accrued benefit obligation	91,437	82,359	39	225	9,970	7,361		
	(965)	(123)	(39)	(225)	(9,970)	(7,361)		
Balance of unamortized amounts as of January 1:								
Net transition (asset)/obligation	(7,855)	(8,745)	–	–	2,085	2,316		
Past service cost	988	1,099	11	15	–	–		
Actuarial (gains)/losses	9,783	10,548	(1)	2	3,407	1,601		
	2,916	2,902	10	17	5,492	3,917		
Contributions – January 1 to March 31	403	94	–	–	23	24		
Use of surplus – January 1 to March 31	(121)	(122)	–	–	–	–		
Accrued benefit asset/(obligation)	2,233	2,751	(29)	(208)	(4,455)	(3,420)		

Notes to Financial Statements continued...

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(\$000s)	2006	2005	2006	2005	2006	2005
	Registered Pension Plans		Unfunded Retirement Plan		Post Retirement Plan	
Disclosed in the Statement of Financial Position as:						
Accrued pension asset	2,233	2,751				
Accounts payable and accrued liabilities			(29)	(208)		
Employee future benefits					(4,455)	(3,420)
Expenses for the year:						
Defined benefit plan	711	623	176	58	1,035	925
Defined contribution plan	487	486	–	–	–	–
	1,198	1,109	176	58	1,035	925
Contributions to the defined benefit plan	680	450	–	–	–	–
Benefits paid	2,983	2,754	–	–	188	184

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

(\$000s)	2006	2005	2006	2005	2006	2005
	Registered Pension Plans		Unfunded Retirement Plan		Post Retirement Plan	
Discount rate	5.00%	5.75%	5.00%	5.75%	5.00%	5.75%
Investment return	8.00%	8.00%	N/A	N/A	N/A	N/A
Salary rate increase	4.50%	4.50%	4.50%	0.0–4.5%	N/A	N/A
Health cost rate increase	N/A	N/A	N/A	N/A	8.50%	8.50%
Dental cost rate increase	N/A	N/A	N/A	N/A	4.50%	4.50%
Average remaining service lifetime	9–12	9–12	5	2–6	16	16

Defined benefit plan assets as at December 31 measurement date consist of:

Asset category	2005	2004
	Percentage of Plan Assets	
Equity securities	63%	67%
Debt securities	37%	33%

7. Investments held for capital renewal

Since 1984, a portion of the funding received each year has been set aside to ensure that the Authority's technical capital assets keep pace with technological changes and can be maintained or replaced when needed. Available funds were invested in short-term deposits that earned an average interest rate of 2.9% (2005–2.2%) during the fiscal year. The changes in the fund were as follows:

(\$000s)	2006	2005
Balance, beginning of year	3,293	4,046
Allocation of grants—Ministry of Training, Colleges and Universities/Ministry of Education (note 13)	901	961
Interest earned	86	71
Drawing for capital acquisitions	(755)	(1,785)
Balance, end of year	3,525	3,293

8. Net capital assets

Capital assets consist of the following:

(\$000s)	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	215	–	215	236
Buildings	4,812	3,360	1,452	1,581
Transmitters	27,997	24,329	3,668	3,702
Transmitter monitoring equipment	1,105	955	150	195
In house technical equipment	26,532	21,348	5,184	6,202
Leasehold improvements	7,933	5,614	2,319	3,299
Computer equipment	7,181	4,965	2,216	2,362
Office furniture and fixtures	2,848	1,968	880	935
Office equipment	1,159	1,051	108	127
Vehicles	536	464	72	125
Construction in Progress	–	–	–	625
	80,318	64,054	16,264	19,389

9. Broadcast rights and production costs

Broadcast rights and production costs consist of the following:

(\$000s)	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Broadcast rights and completed productions	47,488	24,067	23,421	23,893
Work in progress	3,322	–	3,322	3,562
	50,810	24,067	26,743	27,455

Amortization expense for the year was \$15,727,000 (2005–\$16,145,000) and is included in TVO and TFO program services expense.

10. Deferred revenue

(\$000s)	2006	2005
Government grants (note 13)	6,796	1,194
Government (provincial & federal) project funding (note 14)	4,570	6,864
Corporate project funding (note 14)	1,004	1,154
Other	230	216
	12,600	9,428

Expenditures related to the above deferrals have been budgeted for the 2007 fiscal year.

11. Lease obligations

Lease obligations represent the balance of the commitments made under capital leases. The changes in the lease obligations balance are as follows:

(\$000s)	2006	2005
Lease obligations, beginning of year	73	38
Add: Capital leases additions	–	89
Less: Payments made on existing capital leases	(21)	(54)
Lease obligations, end of year	52	73
Current lease obligations	23	21
Non-current lease obligations	29	52
	52	73

12. Deferred capital contributions

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

(\$000s)	2006	2005
Deferred capital contributions, beginning of year	16,214	18,170
Add: Allocation of grants—Ministry of Training, Colleges and Universities/Ministry of Education (note 13)	901	961
Interest earned	86	71
	17,201	19,202
Less: Drawing for capital acquisitions	(291)	(282)
Amortization of capital contributions	(2,469)	(2,706)
Deferred capital contributions, end of year	14,441	16,214

13. Government operating grants

(\$000s)	2006	2005
Provincial		
Ministry of Training, Colleges and Universities/Ministry of Education		
– 2006 Base grant	45,040	48,040
– 2007 Prepayment	5,338	–
Less: Amount allocated for capital renewal (note 7)	(901)	(961)
Funding deferred to future year (note 10)	(5,338)	–
	44,139	47,079
Ministry of Education		
Independent Learning Centre grant	6,421	6,956
Funding deferred from prior year	1,194	635
Funding deferred to future year (note 10)	(1,458)	(1,194)
	6,157	6,397
Total government grants	50,296	53,476

The Authority's reporting responsibility was transferred from the Ministry of Training, Colleges and Universities to the Ministry of Education in November 2005.

14. Government and corporate project funding

(\$000s)	2006	2005
Provincial project funding		
Ministry of Education		
– Early Reading and Early Math	600	4,177
– Other MED project funding	883	476
Other provincial project funding	195	115
Funding deferred from prior year (note 10)	6,864	4,548
Funding deferred to future year (note 10)	(4,561)	(6,864)
	3,981	2,452
Federal project funding		
Heritage Canada	2,763	2,160
Other	85	–
Funding deferred to future year	(9)	–
	2,839	2,160
Corporate project funding		
Funding received during the year	1,032	1,766
Funding deferred from prior year (note 10)	1,154	558
Funding deferred to future year (note 10)	(1,004)	(1,154)
	1,182	1,170
Total government and corporate project funding	8,002	5,782

15. Other earned revenue and cost

(\$000s)	2006			2005		
	Revenue	Cost	Net Revenue	Revenue	Cost	Net Revenue
Development and Marketing						
Sales and Licensing	1,106	1,298	(192)	931	1,283	(352)
Membership and corporate donations	7,324	3,480	3,844	7,288	3,407	3,881
Total Development and Marketing	8,430	4,778	3,652	8,219	4,690	3,529
Cable revenue	2,275	42	2,233	2,142	39	2,103
ILC revenues	2,423	–	2,423	1,962	–	1,962
Others	2,472	–	2,472	1,410	–	1,410
	15,600	4,820	10,780	13,733	4,729	9,004

16. Commitments

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

Year ending March 31	(\$000s)
2007	1,991
2008	1,462
2009	684
2010	413
2011	194
2012 and beyond	256
Total future lease payments	5,000

The lease of head office space expires in August 2007. Subsequent to year end the lease was renewed until August 31, 2027.

17. Contributed materials and services

The Authority uses the services of volunteers to assist primarily in the membership area. The Authority also receives contributions of materials for use mainly in fundraising activities. Due to the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

18. The Independent Learning Centre

Under the terms of an agreement with the Ministry of Education and the Ministry of Training, Colleges and Universities, the Independent Learning Centre (ILC) was transferred to the Authority in 2002.

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 (GED) 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 (course development) is deferred until the related expenses have been incurred.

(\$000s)	2006	2005
Activities were funded by:		
Ministry of Education ILC grant (note 13)	6,421	6,956
Funding deferred from prior year	1,194	635
Funding deferred to future year	(1,458)	(1,194)
ILC grant recognized	6,157	6,397
ILC earned revenues (note 15)	2,423	1,962
Total ILC grant and earned revenues	8,580	8,359

Expenditures related to the above deferrals have been budgeted for the 2007 fiscal year.

19. 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 the Authority. Any settlements will be accounted for at the time of settlement.

20. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current presentation.

21. The TVOntario Foundation

The TVOntario Foundation was constituted as a public foundation under the Canada Corporations Act effective April 1, 1998. The Board of Directors of the Foundation is appointed by the Board of Directors of the Authority, with the members of the Foundation being comprised exclusively of members of the Board of Directors of the Authority. The Foundation is a registered charity under the Income Tax Act, whose objectives are to receive and maintain a fund or funds and to pay all or part of the principal and income to the Authority provided that the Authority maintains its status as a registered charity and continues to have as its objective the promotion of educational and/or children's programming.

In accordance with Canadian generally accepted accounting principles, the accounts of the Foundation are not consolidated in the financial statements of the Authority. The financial position and results of operations for the year ended March 31, 2006 were as follows:

Financial Position as at March 31 (\$000s)	Unrestricted Fund	Matching Gift Fund	2006 Total	2005 Total
Assets				
Cash and short term investments	881	2,606	3,487	3,474
Liabilities and Equity				
Accrued liabilities	-	-	-	38
Equity	881	2,606	3,487	3,436
Total liabilities and equity	881	2,606	3,487	3,474

(\$000s)	Results of operations for the year ended March 31 st			Restricted Funds	
	Unrestricted Fund	Matching Gift Fund	Other Restricted	2006 Total	2005 Total
Revenues					
Donations	115	–	50	165	239
Interest income	79	–	–	79	74
	194	–	50	244	313
Contribution to the Authority	–	193	–	193	273
Excess of revenues over contribution to Authority	194	(193)	50	51	40
Interfund transfer	50	–	(50)	–	–
Equity, beginning of year	637	2,799	–	3,436	3,396
Equity, end of year	881	2,606	–	3,487	3,436

The Board of Directors of the Authority has approved the funding of the Foundation's operating expenditures through the Authority until March 31, 2007. The Foundation's net expenditures absorbed by the Authority were \$145,000 during the year ended March 31, 2006 (2005–\$42,000).

In compliance with the Income Tax Act, the Foundation made a disbursement of \$189,000 (2005–\$235,000) as a contribution to the Authority. An additional \$4,000 (2005–\$38,000) was also paid to the Authority from the Matching Gift Fund to meet the commitment to match the current year donations.

Short-term investments earned an average interest rate of 2.3% (2005–2.2%) during the fiscal year.