



two
Audited Financial
Statements

2018-19

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 11, 2019.

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:



Lisa de Wilde, C.M.
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

Opinion

I have audited the financial statements of the Ontario Educational Communications Authority (TVO), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TVO as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing TVO's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless TVO either intends to cease operations, or has no realistic alternative but to do so.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TVO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on TVO's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause TVO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Toronto, Ontario
June 11, 2019

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Statement of Financial Position

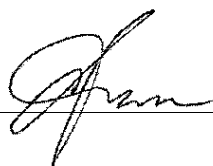
As of March 31, 2019

(\$000s)	2019	2018
Assets		
Current Assets		
Cash and cash equivalents (note 3)	4,368	11,104
Short term investments (note 3)	20,740	11,774
Accounts receivable (note 3)	911	970
Prepaid expenses	1,443	1,057
Inventories	129	145
	27,591	25,050
Broadcast rights and production costs (note 7)	19,817	20,037
Investments held for Capital Renewal (note 5)	3,695	5,176
Net capital assets (note 6a)	14,918	15,507
Total Assets	66,021	65,770
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	7,714	9,070
Deferred revenue (note 8)	7,141	6,157
	14,855	15,227
Deferred capital contributions (note 9)	8,937	9,446
Employee future benefits (note 4)	15,434	15,152
Asset retirement obligation (note 6b)	214	205
	24,585	24,803
Net Assets		
Invested in broadcast rights and production costs	19,817	20,037
Invested in capital assets	10,853	10,840
Unrestricted	(4,089)	(5,137)
	26,581	25,740
Total Liabilities and Net Assets	66,021	65,770

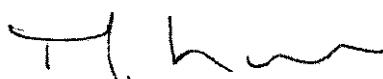
Commitments and contingencies (notes 14 and 16)
See accompanying Notes to Financial Statements.

On behalf of the Board:

Chair



Director



Statement of Operations

For the year ended March 31, 2019

(\$000s)	2019	2018
Revenues		
Government operating grants (note 10)	40,046	40,046
TVO ILC and Mathify contracts (note 15a)	9,261	9,142
Earned revenue (note 12)	11,172	11,039
One-time pension funding (note 4)	900	-
Government project funding (note 11)	5,093	3,690
Amortization of deferred capital contributions (note 9)	590	670
	67,062	64,587
Expenses		
Content and programming	18,074	18,625
Technical and production support services	16,051	16,048
TVO ILC and Mathify contracts (notes 15b and 15c)	14,538	15,767
Management and general expenses	7,975	5,769
Employee future benefits (note 4)	2,886	(3,035)
Cost of other earned revenue (note 12)	2,976	2,943
Amortization of capital assets and accretion expense (note 6)	3,721	2,690
	66,221	58,807
Excess of revenues over expenses	841	5,780

See accompanying Notes to Financial Statements.

Statement of Changes in Net Assets

For the year ended March 31, 2019

(\$000s)	2019				
	Invested in Broadcast Rights and Production Costs	Invested in Capital Assets	Internally Restricted	Unrestricted	Total
Balance, beginning of year	20,037	10,840	-	(5,137)	25,740
Excess/(deficiency) of revenues over expenses	(6,999)	(3,311)	-	11,151	841
Invested in assets during the year	6,779	3,324	-	(10,103)	-
Inter-fund transfers (note 12)	-	-	-	-	-
Balance, end of year	19,817	10,853	-	(4,089)	26,581

(\$000s)	2018				
	Invested in Broadcast Rights and Production Costs	Invested in Capital Assets	Internally Restricted	Unrestricted	Total
Balance, beginning of year	20,653	9,870	354	(10,917)	19,960
Excess/(deficiency) of revenues over expenses	(7,529)	(2,023)	-	15,332	5,780
Invested in assets during the year	6,913	2,993	-	(9,906)	-
Inter-fund transfers (note 12)	-	-	(354)	354	-
Balance, end of year	20,037	10,840	-	(5,137)	25,740

See accompanying Notes to Financial Statements.

Statement of Cash Flows

For the year ended March 31, 2019

(\$000s)	2019	2018
Operating Activities		
(Deficiency) / excess of revenues over expenses	841	5,780
Add/(deduct) non-cash items:		
Amortization of capital assets (note 6)	3,721	2,682
Accretion ARO (note 6)	9	8
Amortization of deferred capital contributions	(590)	(670)
Amortization of broadcast rights and production costs	6,999	7,529
Employee future benefits expense	2,886	(3,414)
Loss / (gain) on disposal of capital assets	170	(3)
Net changes in non-cash working capital:		
Accounts receivable	59	81
Inventories	16	5
Prepaid expenses	(386)	66
Deferred revenue	984	1,176
Accounts payable and accrued liabilities	(1,356)	(373)
Contributions to employee benefit plans	(2,604)	(2,407)
Cash provided by operating activities	10,749	10,460
Capital transactions		
Broadcast rights additions	(6,779)	(6,913)
Capital asset additions	(3,305)	(4,212)
Proceeds from disposal of capital assets	3	10
Cash applied to capital transactions	(10,081)	(11,115)
Investing and financing transactions		
(Increase) short term investments	(8,619)	(2,827)
Interest	(347)	(151)
Current year's deferred capital contributions	1,562	1,195
Cash provided by investing and financing activities	(7,404)	(1,783)
Net (decrease) in cash position during the year	(6,736)	(2,438)
Cash and cash equivalents, beginning of year	11,104	13,542
Cash and cash equivalents, end of year	4,368	11,104

See accompanying Notes to Financial Statements.

Notes to Financial Statements

For the year ended March 31, 2019

1. AUTHORITY AND MANDATE

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

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

2. 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 TVO ILC ("ILC") and registration fees for General Education Development ("GED") are recognized as revenue at the time of enrolment.

(f) Employee Future Benefits

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

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

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

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

(g) Broadcast Rights and Production Costs

Broadcast rights and production costs are accounted for as follows:

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

2. 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 90 days and had an average yield of 2.05% (2018 – 1.4%). The cash equivalent amount is \$4,367,531 (2018 - \$11,104,000)

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. The short-term amount is \$20,740,000 (2018 – \$11,774,000).

3. FINANCIAL INSTRUMENTS (CONT'D)

Accounts receivable

(\$000s)	2019	2018
TVO ILC earned revenue, donations, sales and licensing, tower rentals and transmitter maintenance fees	587	578
HST rebate	310	332
Others	14	60
	911	970

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 (2018 – \$1.0 million). The line of credit is unsecured and bears interest at the bank's prime lending rate. As at March 31, 2019, no amount (2018 – \$0) was outstanding under the facility.

Risk disclosures

(a) Liquidity risk:

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

(b) Credit risk:

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

(c) Interest rate risk:

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

(d) Foreign currency risk:

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

4. EMPLOYEE FUTURE BENEFITS

Plan Merger and Curtailment

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

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

4. EMPLOYEE FUTURE BENEFITS (CONT'D)

The Agency's full-time employees participate in the PSPP which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Agency's annual payments of \$2.111 million (2018 - \$.572 million), are included in expenses of each department in the Statement of Operations and in employee benefits in the Note 13 (b).

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

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

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

The Authority recorded the following (gain) / expense for the year:

(\$000s)	2019	2018
Related to the Authority's plan	629	2,920
Net actuarial gain due to Plan curtailment	2,257	(5,955)
Total Employee Future Benefit expense / net (gain)	2,886	(3,035)

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

(a) Registered pension plans and Supplementary retirement plan:

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

(b) Post-employment benefits plan:

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

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

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

4. EMPLOYEE FUTURE BENEFITS (CONT'D)

(\$000s)	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Plan deficit as of January 1:								
Accrued benefit obligation	-	100,306	-	2,056	12,128	13,217	12,128	115,579
Fair value of plan assets	-	(102,274)	-	-	-	-	-	(102,274)
	-	(1,968)	-	2,056	12,128	13,217	12,128	13,305
Balance of unamortized actuarial (gains)/losses as of January 1	-	-	-	-	3,402	1,966	3,402	1,966
Contributions – Jan 1 to Mar 31	-	(54)	-	-	(96)	(65)	(96)	(119)
Employee future benefits liability as at March 31	-	(2,022)	-	2,056	15,434	15,118	15,434	15,152

(\$000s)	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Expenses for the year:								
Defined benefit plan:								
Service cost (employer portion)	-	2,132	-	192	440	415	440	2,739
Amortization of actuarial (gains)/losses	-	(518)	-	(44)	(226)	(230)	(226)	(792)
Interest cost on accrued benefit obligation	5,338	5,674	46	64	484	472	5,868	6,210
Expected return on plan assets	(5,453)	(5,616)	-	-	-	-	(5,453)	(5,616)
Net actuarial gains on curtailment	2,367	(5,917)	(110)	(38)	-	-	2,257	(5,955)
Total defined benefit expense	2,252	(4,245)	(64)	174	698	657	2,886	(3,414)
Defined contribution plan expense	-	379	-	-	-	-	-	379
Total expenses	2,252	(3,866)	(64)	174	698	657	2,886	(3,035)
Contributions made to the plans:								
Pension plan contributions - Authority	47	2,241	419	-	276	250	742	2,491
Pension plan contributions - employees	-	809	-	-	-	-	-	809
Payments made from all the plans as of January 1:								
Pension benefits paid	4,412	4,959	368	-	-	-	4,780	4,959
Termination benefits paid	1,414	5,517	99	-	-	-	1,513	5,517

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	
	2019	2018	2019	2018	2019	2018
Discount rate to determine the accrued benefit obligation	N/A	5.75% to 6.00%	N/A	3.70%	3.80%	3.70%
Discount rate to determine the benefit cost	N/A	5.75% to 6.00%	N/A	3.60%	3.80%	3.60%
Expected investment return	N/A	5.75% to 6.00%	N/A	N/A	N/A	N/A
Pension indexation	N/A	2.00%	N/A	2.00%	N/A	N/A
Salary rate increase	N/A	2.00% yr 1, 2.50% thereafter	N/A	2.00% yr 1, 2.50% thereafter	N/A	N/A
Health cost rate increase	N/A	N/A	N/A	N/A	4.5%	4.50%
Drug cost rate increase	N/A	N/A	N/A	N/A	5.9%	6.95%
Dental cost rate increase	N/A	N/A	N/A	N/A	4.5%	4.50%
Employee average remaining service lifetime (years)	N/A	9 to 11	N/A	9	10	11

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

4. EMPLOYEE FUTURE BENEFITS (CONT'D)

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

Asset category	Percentage of Total Fair Value of Plan Assets	
	2019	2018
Equity securities	N/A	57%
Debt securities	N/A	37%
Real estate fund	N/A	6%

The actual investment return on pension plan assets was N/A in 2019 (2018 – 7.2%).

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 1.84% (2018 – 1.3%) during the fiscal year. The changes in the fund are as follows:

(\$000s)	2019	2018
Balance, beginning of year	5,176	5,112
Purchase of capital assets	(1,562)	-
Interest earned	81	64
	3,695	5,176

6. CAPITAL ASSETS AND ASSET RETIREMENT OBLIGATION

(a) Capital Assets

Capital assets consist of the following:

(\$000s)	2019			2018		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	186	-	186	186	-	186
Building	1,988	1,943	45	1,988	1,939	49
Transmitters	7,221	5,138	2,083	7,179	5,025	2,154
Transmitters - asset retirement obligation	557	480	77	557	472	85
Transmitter monitoring equipment	2,050	2,013	37	2,061	1,897	164
In house technical equipment	21,470	19,195	2,275	20,758	19,191	1,567
Leasehold improvements	9,682	9,079	603	9,559	8,868	691
Computer equipment	6,433	5,297	1,136	6,593	5,184	1,409
Office furniture and fixtures	2,107	1,689	418	2,106	1,580	526
Office equipment	175	175	-	175	175	-
Vehicles	306	189	117	303	177	126
Computer software	12,131	4,227	7,904	10,785	3,430	7,355
Work-in-progress – transmitters	24	-	24	-	-	-
Work-in-progress – in-house tech	13	-	13	-	-	-
Work-in-progress – software	-	-	-	1,195	-	1,195
Total	64,343	49,425	14,918	63,445	47,938	15,507

6. CAPITAL ASSETS AND ASSET RETIREMENT OBLIGATION (CONT'D)

Amortization expense for the year was \$3,721,373 (2018 - \$2,681,623) and is included in Amortization of capital assets and accretion expense in the Statement of Operations.

(b) 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 (2018 – \$316,000).

(\$000s)	2019	2018
Opening balance	205	196
Accretion expense	9	9
Closing balance	214	205

7. BROADCAST RIGHTS AND PRODUCTION COSTS

Broadcast rights and production costs consist of the following:

(\$000s)	2019			2018		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Broadcast rights and completed productions	78,728	62,371	16,357	72,240	55,372	16,868
Work in progress	3,460	-	3,460	3,169	-	3,169
	82,188	62,371	19,817	75,409	55,372	20,037

Amortization expense for the year was \$6,999,075 (2018 – \$7,529,020) and is included in content and programming expense.

8. DEFERRED REVENUE

(\$000s)	2019	2018
TVO ILC – Ministry of Education grant and provincial project funding (note 15)	3,879	2,720
Funding for TVO ILC – transition to Virtual Learning Environment (note 11)	1,024	1,716
Accessibility for Ontarians for Disability Act project funding	46	47
Bequest (note 12)	-	69
Gift to be utilized for Local Hubs (note 12)	1,240	1,208
Individual contributions greater than \$100,000	583	-
Transmitter tower rental and maintenance	173	158
Sponsorship revenue	134	164
Other	62	75
	7,141	6,157

Expenditures related to the above deferrals, except for the bequest, have been budgeted for the 2020 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)	2019		
	Unamortized Capital Contributions	Unspent Funds	Total
Deferred capital contributions, beginning of year	4,270	5,176	9,446
Davis Studio rebuild	1,084	(1,084)	-
Media archive tape library	174	(174)	-
CN Tower transmitter replacement	280	(280)	-
600MHz transmitter line replacement	24	(24)	-
Interest earned	-	81	81
Amortization of deferred capital contributions to revenue	(590)	-	(590)
Deferred capital contributions, end of year	5,242	3,695	8,937

(\$000s)	2018		
	Unamortized Capital Contributions	Unspent Funds	Total
Deferred capital contributions, beginning of year	3,745	5,112	8,857
Mathify website rebuild (note 15)	1,095	-	1,095
Student record system (note 15)	100	-	100
Interest earned	-	64	64
Amortization of deferred capital contributions to revenue	(670)	-	(670)
Deferred capital contributions, end of year	4,270	5,176	9,446

10. GOVERNMENT OPERATING GRANTS

(\$000s)	2019	2018
Ontario Ministry of Education		
Base grant	38,446	38,446
Capital maintenance grant	1,600	1,600
	40,046	40,046

11. GOVERNMENT PROJECT FUNDING

(\$000s)	2019	2018
Provincial project funding		
Ministry of Education		
Accessibility for Ontarians with Disabilities Act funding	401	350
Funding for operations of Over the Air Transmitters	1,000	-
Funding for TVO ILC – transition to Virtual Learning Environment	4,716	5,056
Funding for TVO ILC – transition to Virtual Learning Environment deferred (note 8)	(1,024)	(1,716)
Total government project funding	5,093	3,690

12. EARNED REVENUE AND COST

(\$000s)	2019			2018		
	Revenue	Cost	Net Revenue	Revenue	Cost	Net Revenue
Individual and corporate donations and sponsorships	5,304	2,976	2,328	5,767	2,943	2,824
Donald Pounder bequest (a)	69	-	69	19	-	19
Green Family gift (b)	896	-	896	558	-	558
TVO ILC earned revenue	2,720	-	2,720	2,685	-	2,685
Tower rental and transmitter maintenance	1,053	-	1,053	1,044	-	1,044
Interest income	572	-	572	402	-	402
Sales and licensing	128	-	128	131	-	131
Property tax rebate program for charities	247	-	247	219	-	219
Asset disposal	3	-	3	10	-	10
BDU affiliate fees	101	-	101	99	-	99
Cancellation fee received	-	-	-	75	-	75
Others	79	-	79	30	-	30
	11,172	2,976	8,196	11,039	2,943	8,096

(a) Donald Pounder Bequest

During the year ended March 31, 2014, the Authority was informed that it was a beneficiary of the estate of a TVO viewer. A total bequest of \$2,592,000 (2016 – \$37,000, 2015 - \$127,000, 2014 - \$2,428,000) was received. 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.

The Authority had 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.

The remaining Bequest revenue of \$69,000 was recognized in the Statement of Operations in fiscal 2019.

Total bequest revenue has been accounted for as follows:

(\$000s)	2019			2018		
	Restricted	Internally Restricted	Total	Restricted	Internally Restricted	Total
Bequest balance, beginning of year	69	-	69	88	354	442
Utilization of bequest	(69)	-	(69)	(19)	(354)	(373)
Bequest balance, end of year	0	-	0	69	0	69

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

In December 2016, the Authority received a \$2,000,000 gift to be utilized in the set up and operation of 4 journalistic local hubs ("Local Hubs") in the province to provide in-depth current affairs journalism in regions across Ontario. An additional \$2,000,000 was pledged by the Barry and Laurie Green Family Charitable Trust and Goldie Feldman in fiscal 2019 and the contribution received to date was \$833,000. Revenue will be recognized when expenditures are incurred for the set up and operation of the Local Hubs. There were expenditures of \$896,000 for the year ended March 31, 2019 (2018 - \$558,000).

(\$000s)	2019	2018
Balance, beginning of year	1,208	861
Contributions received – Green Foundation	833	750
Contributions received – Individual Donor gifts	95	155
Utilization of gift	(896)	(558)
Balance, end of year	1,240	1,208

13. EXPENSES

(a) Allocated Expenses

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

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

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

(\$000s)	2019	2018
Current affairs, documentaries and digital learning	1,466	1,604
Technical and production support services	1,040	922
TVO ILC	707	931
Management and general	430	493
Cost of other earned revenue	72	77
	3,715	4,027

(b) Expenses by Type

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

(\$000s)	2019	2018
Salaries and wages	32,246	33,862
Employee benefits	9,637	6,553
Licences and other	7,375	7,992
Facilities	4,618	4,818
Employee future benefits	2,886	(3,035)
Other services	2,351	1,948
Transportation and communication	1,842	2,013
Advertising	1,241	1,560
Supplies and equipment	295	406
Amortization of capital assets and accretion expense	3,730	2,690
	66,221	58,807

14. COMMITMENTS

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

Year ending March 31 (\$000s)	Head Office Space	Others	Total
2020	1,297	1,043	2,340
2021	1,275	705	1,980
2022	1,267	377	1,644
2023	1,307	104	1,411
2024	1,335	-	1,335
2025 to 2027	4,562	-	4,562
	11,043	2,229	13,272

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

15. TVO ILC AND MATHIFY

TVO ILC provides a wide range of distance education courses, in English and in French that allow students to earn secondary school diploma credits, upgrade their basic skills, or study for personal development. The General Education Development testing (high school equivalency) is also available.

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

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

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

(\$000s)	2019	2018
TVO ILC and Mathify Contracts:		
Ministry of Education TVO ILC contract	6,420	6,420
Mathify contract	4,000	4,000
Capital expenditure – deferred (note 9)	-	(1,195)
Funding deferred from prior year (note 8)	2,720	2,637
Funding deferred to a future year (note 8)	(3,879)	(2,720)
TVO ILC and Mathify grant and project funding recognized	9,261	9,142

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

(\$000s)	2019	2018
TVO ILC and Mathify Expenses during the year:		
Salaries and benefits	8,929	9,296
Transportation and communication	242	236
Services	326	584
Allocated general expenses (note 13)	707	931
Licences	428	522
Supplies, equipment and others	214	858
Total TVO ILC and Mathify expenses	10,846	12,427

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

(\$000s)	2019	2018
TVO ILC Adoption and preparation for new learning environment	3,692	3,340

Direct expenses related to the funding deferred to a future year have been budgeted for the 2020 fiscal year.

16. CONTINGENCIES

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

17. RELATED PARTY TRANSACTIONS

The Authority is a Crown Corporation of the Province of Ontario and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. Specifically, the Authority received revenue from Ontario school boards for TVO 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)	2019	2018
School boards	521	436

18. COMPARATIVE FIGURES

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



Charitable Registration Number: 85985 0232 RR0001
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