

**ONTARIO FRENCH-LANGUAGE EDUCATIONAL
COMMUNICATIONS AUTHORITY (OFLECA)**

FINANCIAL STATEMENTS

MARCH 31, 2021

**ONTARIO FRENCH-LANGUAGE EDUCATIONAL
COMMUNICATIONS AUTHORITY (OFLECA)**

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MANAGEMENT'S REPORT

Management of the Ontario French-language Educational Communications Authority (OFLECA) is responsible for the financial statements, the notes to the financial statements and all other financial information contained in this financial report.

Management has prepared the financial statements in accordance with Canadian public sector accounting standards. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and professional judgements were used. Management believes the financial statements present fairly the OFLECA's financial position as at March 31, 2021, as well as the results of its operations and its cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, Management has developed and maintains a system of internal controls designed to provide reasonable assurance that the OFLECA's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Directors is responsible for ensuring that the OFLECA's Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out its responsibility for review of the financial statements principally through the Audit Committee. The Audit Committee meets with Management and the external auditors to discuss the results of audit examinations and financial reporting matters and to satisfy itself that each party is properly discharging its responsibilities. The external auditors have full access to the Audit Committee with or without the presence of Management.

The financial statements for the year ended March 31, 2021 have been audited by Marcil Lavallée, Chartered Professional Accountants, Licensed Public Accountants, the independent external auditors appointed by the members of the OFLECA. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their professional opinion on the financial statements.



Michelle Séguin, CPA, CA
Acting President and CEO



Sylvain L'Écuyer, CPA, CA
Director of Finance responsible for Financial, Legal and Administrative Services

Toronto, Ontario
June 25, 2021

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Ontario French-language Educational Communications Authority (OFLECA)

Opinion

We have audited the financial statements of Ontario French-language Educational Communications Authority (OFLECA) (the Organization), which comprise the statement of financial position as at March 31, 2021, 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 our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

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

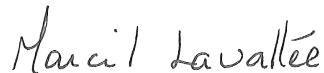
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
June 25, 2021

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2021

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	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,619,383	\$ 8,577,160
Accounts receivable (Note 4)	2,754,833	3,300,010
Prepaid expenses	1,181,238	1,304,302
	9,555,454	13,181,472
RESTRICTED CASH (Note 5)	9,246,343	6,154,165
BROADCASTING RIGHTS (Note 6)	17,370,215	17,773,522
IN-HOUSE PROGRAMMING (Note 7)	12,466,875	12,919,164
ASSET – EMPLOYEE FUTURE BENEFITS (Note 8)	4,595,300	4,156,400
CAPITAL ASSETS (Note 9)	5,881,407	7,030,847
	49,560,140	48,034,098
	\$ 59,115,594	\$ 61,215,570

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2021

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	2021	2020
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 10)	\$ 5,090,911	\$ 7,061,482
Deferred contributions (Note 11)	2,035,089	2,583,074
	7,126,000	9,644,556
LIABILITY – EMPLOYEE FUTURE BENEFITS (Note 8)	2,906,300	2,718,300
DEFERRED CONTRIBUTIONS – BROADCASTING RIGHTS (Note 12)	20,814,871	20,185,368
DEFERRED CONTRIBUTIONS – IN-HOUSE PROGRAMMING (Note 13)	12,668,487	13,194,941
DEFERRED CONTRIBUTIONS – CAPITAL ASSETS (Note 14)	8,581,867	8,707,620
	44,971,525	44,806,229
	52,097,525	54,450,785
NET ASSETS		
Internal Restrictions (Note 5)		
- TFO Fund	1,519,008	1,519,008
- Pension Fund	-	-
Unrestricted	5,499,061	5,245,777
	7,018,069	6,764,785
	\$ 59,115,594	\$ 61,215,570

ON BEHALF OF THE BOARD



President of the Board

Dominique O'Rourke

President of the Finance and Audit Committee

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2021

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	2021	2020
REVENUE		
Contributions		
- Operating grants (Note 15)	\$ 18,337,954	\$ 17,129,241
- Funding for special projects (Note 16)	1,427,339	332,342
- Corporate and government (Note 17)	2,628,600	2,638,000
Other revenue (Note 18)	3,156,723	3,100,294
Amortization of deferred contributions		
- Broadcasting rights (Note 12)	6,306,122	5,995,699
- In-house programming (Note 13)	7,018,610	7,755,298
- Capital assets (Note 14)	1,892,714	2,014,313
	40,768,062	38,965,187
EXPENSES		
Content and programming	8,600,316	6,327,299
Production and technology	7,087,029	7,561,062
Administration	8,867,635	8,489,412
Amortization of broadcasting rights	6,306,122	5,995,699
Amortization of in-house programming	7,018,610	7,755,298
Amortization of capital assets	1,892,714	2,014,313
Employee future benefits	993,252	739,571
	40,765,678	38,882,654
EXCESS OF REVENUE OVER EXPENSES BEFORE NET ACTUARIAL GAINS ON EMPLOYEE FUTURE BENEFITS PLANS	2,384	82,533
Net actuarial gains – Employee future benefits plans	250,900	146,500
EXCESS OF REVENUE OVER EXPENSES	\$ 253,284	\$ 229,033

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2021

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	Internal Restrictions			2021 Total	2020 Total
	TFO Fund	Pension Fund	Unrestricted		
BALANCE, BEGINNING OF YEAR	\$ 1,519,008	\$ -	\$ 5,245,777	\$ 6,764,785	\$ 6,535,752
Excess of revenue over expenses	-	-	253,284	253,284	229,033
Allocation – Pension Fund	-	-	-	-	-
BALANCE, END OF YEAR	\$ 1,519,008	\$ -	\$ 5,499,061	\$ 7,018,069	\$ 6,764,785

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2021

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	2021	2020
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 253,284	\$ 229,033
Adjustments for:		
Amortization of broadcasting rights	6,306,122	5,995,699
Amortization of in-house programming	7,018,610	7,755,298
Amortization of capital assets	1,892,714	2,014,313
Net actuarial gains – Employee future benefits Plan	(250,900)	(146,500)
Amortization of deferred contributions – broadcasting rights	(6,306,122)	(5,995,699)
Transfer – deferred contributions – broadcasting rights	(179,837)	(167,000)
Amortization of deferred contributions – in-house programming	(7,018,610)	(7,755,298)
Transfer – deferred contributions – in-house programming	(74,164)	-
Amortization of deferred contributions – capital assets	(1,892,714)	(2,014,313)
Transfer – deferred contributions – capital assets	(759,812)	(375,975)
	(1,011,429)	(460,442)
Net change in non-cash working capital items (Note 3)	(1,850,315)	(3,538,061)
	(2,861,744)	(3,998,503)
INVESTING ACTIVITIES RELATED TO CAPITAL ASSETS AND INTANGIBLE ASSETS		
Programming grant	7,115,462	9,487,623
In-house programming grant	6,566,320	7,050,733
Capital grant	2,526,773	2,150,395
Acquisition of broadcasting rights	(5,902,815)	(7,908,777)
Acquisition of in-house programming	(6,566,320)	(6,774,956)
Acquisition of capital assets – net amount	(743,275)	(1,473,622)
	2,996,145	2,531,396
NET INVESTING ACTIVITY		
Net change in restricted cash	(3,092,178)	(1,943,179)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(2,957,777)	(3,410,286)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	8,577,160	11,987,446
CASH AND CASH EQUIVALENTS, END OF YEAR		
	\$ 5,619,383	\$ 8,577,160

Cash and cash equivalents consist of cash.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

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1. STATUTE AND NATURE OF OPERATIONS

The Ontario French-language Educational Communications Authority (the Authority) is a Crown corporation created by a decree on April 1, 2007. The Authority is an independent French language broadcasting network and a charitable organization under the Income Tax Act and, as such, is exempt from income tax.

The Authority's main objectives are to provide French language educational broadcasting and telecommunications to the general public, to provide for the francophone community's interests and needs, and to develop the knowledge and skills of this community.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS-GNFPO). The Authority has elected to apply Section SP 4200 series for government not-for-profit organizations. The accounting policies are set out below:

Management estimates

The preparation of financial statements in compliance with the PSAS-GNFPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods covered. Actual amounts could differ from these estimates. The main estimates relate to the useful life of capital assets, broadcasting rights and capitalized in-house programming costs and to the evaluation of certain provisions. Estimates also include the basis of allocating expenses used to capitalize the portion of the salaries and other expenses related to in-house programming. Estimates also include assets and liabilities related to employee future benefits.

The main items for which significant estimates were made are the defined benefits assets and liabilities for the accrued benefit pension plan and other retirement benefits plan. To estimate these amounts, management is required to make various assumptions that it considers reasonable, including with respect to inflation rates, discount rates and mortality rates. Management also takes into account future salary increases and the retirement age of employees. Any changes to the assumptions could have a significant impact on the Authority's results and financial position. The staff pension benefit expense could increase or decrease in upcoming years.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contribution receivable

A contribution receivable is recognized as an asset when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Revenue recognition

Contributions

The Authority follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue in the statement of operations when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions which are, explicitly or implicitly, externally restricted for the purchase of capital assets or broadcasting rights or internally developed television broadcasting subject to amortization (in-house programming) are deferred in the statement of financial position and recognized as revenue in the statement of operations on the same basis and over the same periods as the related assets.

Contributions which are, explicitly or implicitly, externally restricted for specific expenses to be incurred in future years (in-house programming and others) are deferred in the statement of financial position and recognized as revenue in the statement of operations in the period in which the related expenses are incurred.

Subscriptions and other

Revenue from signal subscriptions, sale of services, advertising and distribution, sale of educational products and other is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income

Interest income is recognized as revenue when it becomes due.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contributions received in the form of supplies and services

The Authority accounts for the contributions received in the form of supplies and/or services when the fair value of these contributions can be reasonably estimated, and when the Authority would have obtained the supplies and services for its regular operations in another manner. Contributions received in the form of supplies and/or services are recorded at the fair value of the supplies and services received.

Financial instruments

Measurement of financial instruments

The Authority initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Authority subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost include cash, accounts receivable and restricted cash.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Transaction costs

The Authority recognizes its transaction costs in operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Cash and cash equivalents

The Authority's policy is to present unrestricted cash and investments with a term equal to or less than three months in cash and cash equivalents.

In-house programming, broadcasting rights and production costs

In-house programming, broadcasting rights and production costs are accounted for as follows:

In-house programming

In-house programming is defined as internally developed television broadcasting. Completed and in-progress programming having a future economic value through rebroadcasting and the use of web-based interactive tools is accounted for on an individual basis at cost, deducted from accumulated amortization and cumulative loss in value. Cost includes the cost of supplies and services and the portion of the labour and other direct expenses related to programming. Programming costs are recognized in the statement of operations with the television and new media services expense using the straight-line method over a period of four years or when programming is sold or unusable.

Broadcasting rights and production costs

Broadcasting rights and productions under co-production, pre-purchase and acquisition contracts are accounted for at cost. Broadcasting rights are amortized over a period of four years on a straight-line basis.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are recorded at cost, net of accumulated amortization.

Amortization is calculated using the straight-line method over the estimated useful lives of assets over the following periods:

	Periods
Mobility (tablets and smart phones)	2 years
Office equipment	3 years
Office infrastructure	4 years
Computerized production equipment	5 years
Production equipment	7 years
Office furniture and equipment	10 years
Leasehold improvements	Duration of the lease

Write-down of capital assets, broadcasting rights and in-house programming

When capital assets, broadcasting rights and in-house programming no longer contribute to the Authority's ability to provide services, the excess of the carrying amount of such assets over their residual value, if any, is recognized in the statement of operations.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee future benefits

The Authority accrues its obligations under the employee defined benefit plans, net of the fair value of plan assets. In order to do so, the Authority has adopted the following policies:

- The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service. This determination incorporates management's best estimate of future salary levels, discount rate, other cost escalation, retirement ages of employees and other actuarial factors;
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- An actuarial gain (loss) arises from the difference between the actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligations. Actuarial gains (losses) for each period are recognized on a systematic basis and are amortized over the average remaining service life of active employees covered by the pension plan, which is 13 years. The average remaining service period of the active employees covered by the other retirement benefit plans is 17 years.

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of expenses relating to non-monetary assets and liabilities, which are translated at the historical rate. Exchange gains and losses are recognized in the current year's operations.

Excess financing

Government ministries can require the reimbursement of any excess funding. All such reimbursements will be accounted for in the financial year in which they occur.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

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3. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2021	2020
Accounts receivable	\$ 545,177	\$ (519,838)
Prepaid expenses	123,064	(4,994)
Accounts payable and accrued liabilities	(1,970,571)	(896,646)
Deferred contributions	(547,985)	(2,116,583)
	\$ (1,850,315)	\$ (3,538,061)

4. ACCOUNTS RECEIVABLE

	2021	2020
Ministry of Education	\$ 306,046	\$ 1,015,125
Federal government	431,396	172,706
Provincial governments and government agencies	413,841	758,468
Corporate and other	753,218	511,517
Commodity taxes	850,332	842,194
	\$ 2,754,833	\$ 3,300,010

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

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5. RESTRICTED CASH

	2021	2020
Reserves		
- Capital renewal ^(a)	\$ 1,000,000	\$ 1,000,000
- TFO Fund ^(b)	1,519,008	1,519,008
- MALÉO (Module d'apprentissage en ligne pour l'élémentaire en Ontario) ^(c)	1,255,010	-
- Transition	-	12,306
- AODA ^(d)	125,597	258,455
- In-house programming	201,612	275,777
Commitments		
- Broadcasting rights	3,444,656	2,411,846
- Capital assets	1,700,460	676,773
	\$ 9,246,343	\$ 6,154,165

^(a) A portion of the funding received annually can be set aside to ensure that the Authority's technical capital assets keep pace with technological changes and can be maintained or replaced.

^(b) During the 2008-2009 year, the Authority decided to restrict contributions obtained from the dissolution of the TVOntario Foundation, which were received during the previous year. To this effect, these restricted funds may be used for purposes determined by the Board of Directors from time to time, and only with the approval of the Board.

^(c) The Ministry of Education has mandated the Authority to develop an online learning resource package covering the entire French-language elementary curriculum in Ontario to support teachers, students and parents. The balance of \$1,255,010 is recorded as a deferred contribution and added to the reserve. This amount will be used during the year ending March 31, 2022.

^(d) Annually, a portion of the operating budget is specifically allocated to meet the requirements of the *Accessibility for Ontarians with Disabilities Act, 2005* (AODA). The balance of \$125,597 was recognized as deferred revenue and as an addition to the restricted cash. This amount will be used during the year ending March 31, 2022.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

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6. BROADCASTING RIGHTS

	2021		
	Cost	Accumulated amortization	Net value
Broadcasting rights and completed productions	\$ 30,627,068	\$ 15,938,692	\$ 14,688,376
Broadcasting rights written off during the year	(3,223,428)	(3,223,428)	-
	27,403,640	12,715,264	14,688,376
Work in progress	2,681,839	-	2,681,839
	\$ 30,085,479	\$ 12,715,264	\$ 17,370,215

	2020		
	Cost	Accumulated amortization	Net value
Broadcasting rights and completed productions	\$ 33,019,669	\$ 18,208,432	\$ 14,811,237
Broadcasting rights written off during the year	(8,575,862)	(8,575,862)	-
	24,443,807	9,632,570	14,811,237
Work in progress	2,962,285	-	2,962,285
	\$ 27,406,092	\$ 9,632,570	\$ 17,773,522

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

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7. IN-HOUSE PROGRAMMING

	2021		
	Cost	Accumulated amortization	Net value
In-house programming	\$ 36,396,728	\$ 23,929,853	\$ 12,466,875
In-house programming completely amortized and written off during the year	(9,462,392)	(9,462,392)	-
	<u>\$ 26,934,336</u>	<u>\$ 14,467,461</u>	<u>\$ 12,466,875</u>
	2020		
	Cost	Accumulated amortization	Net value
In-house programming	\$ 40,102,116	\$ 27,182,952	\$ 12,919,164
In-house programming completely amortized and written off during the year	(10,271,708)	(10,271,708)	-
	<u>\$ 29,830,408</u>	<u>\$ 16,911,244</u>	<u>\$ 12,919,164</u>

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

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8. ASSET AND LIABILITY – EMPLOYEE FUTURE BENEFITS

Description of pension and other retirement benefit plans

The Authority has a number of funded and unfunded defined benefit plans, as well as defined contribution plans, that provide pension, other retirement and post-employment benefits to most of its employees.

The pension plan to which most of the Authority's employees contribute is made up of two components. The first component consists of a defined benefit plan entirely funded by the Authority. According to this plan, pension benefits are based on the number of years of service and the employee's salary at the end of their career. Every year, the pension benefits are grossed-up in accordance with the rate of inflation, up to a maximum of 3%. The second component consists in a defined contribution plan, with contributions paid by both the Authority and the participants. Other retirement benefit plans are contributory health care, dental and life insurance plans.

Total cash payments

Cash payments made for future employee benefits, consisting of cash contributed by the Authority to its funded pension plan, cash payments directly to beneficiaries on account of its unfunded other retirement benefit plans, and cash contributed to its defined contribution plans, amount to \$1,381,280 (2020: \$1,065,571).

Defined benefit plans

The Authority measures its accrued defined benefit obligations and the fair value of the plan assets as at March 31 of each year. The most recent actuarial valuation of the pension plan, for funding purposes, was prepared by Morneau Shepell as at March 31, 2021 and is a data extrapolation and evaluation based on the complete actuarial valuation dated March 31, 2020.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

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8. ASSET AND LIABILITY – EMPLOYEE FUTURE BENEFITS (continued)

Reconciliation of the funded status of the benefit plans to amounts recorded in the financial statements

	2021		
	Funded Pension Benefit Plan	Other Unfunded Retirement Benefit Plans	Total
Accrued benefit obligations	\$ 17,335,600	\$ 2,458,100	\$ 19,793,700
Fair value of plan assets	(22,077,000)	-	(22,077,000)
Funded status – plan deficit (surplus)	(4,741,400)	2,458,100	(2,283,300)
Unamortized net actuarial gain	146,100	448,200	594,300
Accrued pension liability (asset)	\$ (4,595,300)	\$ 2,906,300	\$ (1,689,000)
	2020		
	Funded Pension Benefit Plan	Other Unfunded Retirement Benefit Plans	Total
Accrued benefit obligations	\$ 15,559,400	\$ 2,333,900	\$ 17,893,300
Fair value of plan assets	(18,318,900)	-	(18,318,900)
Funded status – plan deficit (surplus)	(2,759,500)	2,333,900	(425,600)
Unamortized net actuarial gain (loss)	(1,396,900)	384,400	(1,012,500)
Accrued pension liability (asset)	\$ (4,156,400)	\$ 2,718,300	\$ (1,438,100)

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8. ASSET AND LIABILITY – EMPLOYEE FUTURE BENEFITS (continued)

Pension plan asset components

At the measurement date of March 31, the pension plan assets consist of the following:

	2021	2020
	%	%
Asset category		
Equity securities	61	60
Debt securities	39	40
Other	-	-
	100	100

Employee future benefit costs recognized in the year and benefits paid

	2021	
	Pension Benefit Plan	Other Benefit Plans
Employee future benefits costs recognized	\$ 676,800	\$ 213,000
Benefits paid, reimbursements and transfers	\$ 1,195,500	\$ 25,000

	2020	
	Pension Benefit Plan	Other Benefit Plans
Employee future benefits costs recognized	\$ 530,000	\$ 188,900
Benefits paid, reimbursements and transfers	\$ 622,400	\$ 30,200

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

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8. ASSET AND LIABILITY – EMPLOYEE FUTURE BENEFITS (continued)

Employee future benefits costs recognized consists of the following:

	Pension Benefit Plan		Other Benefit Plans	
	2021	2020	2021	2020
Current service benefits' costs	\$ 738,100	\$ 775,200	\$ 170,400	\$ 156,700
Amortization of net actuarial losses (gains)	96,600	(31,800)	(19,900)	(26,500)
Interest costs of pension benefits	874,100	806,900	-	-
Actuarial loss (gain) related to the expected return on plan assets	(1,032,000)	(1,020,300)	62,500	58,700
	\$ 676,800	\$ 530,000	\$ 213,000	\$ 188,900

Significant assumptions

The significant assumptions used are as follows (weighted average):

	2021	
	Pension Benefit Plan	Other Benefit Plans
	%	%
Accrued benefit obligations		
Discount rate	5.40	2.80
Rate of compensation increase:		
Non-unionized employees	2.5 per year	-
Unionized employees	2.5 per year	-
Employee future benefits costs		
Discount rate	5.60	4.71
Expected long-term rate of return on plan assets	5.60	-
Rate of compensation increase:		
Non-unionized employees	2.5 per year	-
Unionized employees	2.5 per year	-

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

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8. ASSET AND LIABILITY – EMPLOYEE FUTURE BENEFITS (continued)

Significant assumptions (continued)

	2020	
	Pension Benefit Plan	Other Benefit Plans
	%	%
Accrued benefit obligations		
Discount rate	5.60	2.60
Rate of compensation increase:		
Non-unionized employees	2.5 per year	-
Unionized employees	2.5 per year	-
Employee future benefits costs		
Discount rate	5.40	4.00
Expected long-term rate of return on plan assets	5.40	-
Rate of compensation increase:		
Non-unionized employees	2.5 per year	-
Unionized employees	2.5 per year	-

The assumed health care cost trend rates are based on the following:

	2021	2020
	%	%
Growth rate of health care costs	5.11	5.17
Prescription medication:		
Initial health care cost trend rate	6.0	6.0
Cost trend rate declines to	4.0	4.0
Year that the rate reaches the rate it is assumed to remain at	2040	2040
Hospitalization cost, eye care, dental care and other medical care	Between 0 and 4.00	Between 0 and 4.00

Defined contribution plan

The total expense recognized in relation with the defined contribution plan amounts to \$263,205 (2020: \$224,217).

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

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9. CAPITAL ASSETS

	2021		
	Cost	Accumulated amortization	Net value
Mobility	\$ 234,057	\$ 208,336	\$ 25,721
Office equipment	1,106,878	711,353	395,525
Office infrastructure	562,253	561,083	1,170
Production equipment	15,057,188	13,328,805	1,728,383
Computerized production equipment	13,762,444	12,062,422	1,700,022
Office furniture and equipment	2,211,290	1,525,246	686,044
Leasehold improvements	7,483,232	6,138,690	1,344,542
	\$ 40,417,342	\$ 34,535,935	\$ 5,881,407
	2020		
	Cost	Accumulated amortization	Net value
Mobility	\$ 243,159	\$ 189,723	\$ 53,436
Office equipment	1,008,562	638,921	369,641
Office infrastructure	562,253	560,026	2,227
Production equipment	15,028,036	12,694,558	2,333,478
Computerized production equipment	13,321,766	11,424,267	1,897,499
Office furniture and equipment	2,143,286	1,360,658	782,628
Leasehold improvements	7,483,232	5,891,294	1,591,938
	\$ 39,790,294	\$ 32,759,447	\$ 7,030,847

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

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10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trades payable and accrued charges	\$ 4,117,686	\$ 5,643,004
Accrued wages and benefits	817,898	1,078,532
Government remittances	155,327	339,946
	\$ 5,090,911	\$ 7,061,482

11. DEFERRED CONTRIBUTIONS

	2021		
	Ministry of Education	Others	Total
<i>Deferred Contributions</i>			
Balance, beginning of year	\$ 2,298,961	\$ 101,722	\$ 2,400,683
Add: Amount received	645,434	392,914	1,038,348
Less: Amount recognized as revenue	(2,478,798)	(333,961)	(2,812,759)
Balance, end of year	465,597	160,675	626,272
<i>Special projects</i>			
Balance, beginning of year	182,391	-	182,391
Add: Amount received	2,494,945	-	2,494,945
Less: Amount recognized as revenue	(1,268,519)	-	(1,268,519)
Balance, end of year	1,408,817	-	1,408,817
Total	\$ 1,874,414	\$ 160,675	\$ 2,035,089

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

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11. DEFERRED CONTRIBUTIONS (continued)

	2020		
	Ministry of Education	Others	Total
<i>Deferred contributions</i>			
Balance, beginning of year	\$ 4,483,139	\$ 156,940	\$ 4,640,079
Add: Amount received	2,286,655	205,964	2,492,619
Less: Amount recognized as revenue	(4,470,833)	(261,182)	(4,732,015)
Balance, end of year	2,298,961	101,722	2,400,683
<i>Special projects</i>			
Balance, beginning of year	59,578	-	59,578
Add: Amount received	296,360	-	296,360
Less: Amount recognized as revenue	(173,547)	-	(173,547)
Balance, end of year	182,391	-	182,391
Total	\$ 2,481,352	\$ 101,722	\$ 2,583,074

12. DEFERRED CONTRIBUTIONS – BROADCASTING RIGHTS

	2021	2020
Balance, beginning of year	\$ 20,185,368	\$ 16,860,444
Add:		
Amount received this year – Ministry of Education	6,860,626	8,430,839
Amount received – Others	254,836	1,056,784
Less:		
Transfer	(179,837)	(167,000)
Amortization – Amount recognized as revenue	(6,306,122)	(5,995,699)
Balance, end of year	\$ 20,814,871	\$ 20,185,368

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

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13. DEFERRED CONTRIBUTIONS – IN-HOUSE PROGRAMMING

	2021	2020
Balance, beginning of year	\$ 13,194,941	\$ 13,899,506
Add:		
Amount received – Ministry of Education	5,887,359	5,689,379
Amount received – Canadian Media Fund	678,961	1,361,354
Less:		
Transfer	(74,164)	-
Amortization – Amount recognized as revenue	(7,018,610)	(7,755,298)
Balance, end of year	\$ 12,668,487	\$ 13,194,941

14. DEFERRED CONTRIBUTIONS – CAPITAL ASSETS

	2021	2020
Balance, beginning of year	\$ 8,707,620	\$ 8,947,513
Add:		
Amounts added to deferred contributions – Ministry of Education	2,526,773	2,150,395
Less:		
Transfer	(759,812)	(375,975)
Amortization – Amount recognized as revenue	(1,892,714)	(2,014,313)
Balance, end of year	\$ 8,581,867	\$ 8,707,620

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

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15. CONTRIBUTIONS – OPERATING GRANTS

	2021	2020
<i>Received in current year</i>		
Grant – core	\$ 15,684,414	\$ 14,312,183
Grant – core – AODA	657,300	657,300
Grant – capital	1,750,000	1,750,000
Grant – broadcasting rights	6,860,626	8,430,839
Grant – in-house programming	5,887,359	5,689,379
<hr/>		
<i>Total received in current year: Ministry of Education</i>	30,839,699	30,839,701
<hr/>		
<i>Received in prior year</i>		
Capital	759,812	375,975
Broadcasting rights	1,568,658	1,000,000
AODA	258,455	260,992
Dedicated projects	2,220,343	4,209,841
<hr/>		
<i>Transfer to deferred contributions</i>		
Broadcasting rights	(8,429,284)	(9,430,839)
In-house programming	(5,887,359)	(5,689,379)
Capital assets	(2,526,773)	(2,150,395)
Dedicated projects	(340,000)	(2,028,200)
Dedicated projects – AODA	(125,597)	(258,455)
<hr/>		
	\$ 18,337,954	\$ 17,129,241

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

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16. CONTRIBUTIONS – FUNDING FOR SPECIAL PROJECTS

	2021		
	Ministry of Education	Others	Total
Funding received in current year	\$ 2,653,765	\$ -	\$ 2,653,765
Funding recognized	176,529	-	176,529
Less: Deferred contributions	(1,402,955)	-	(1,402,955)
	\$ 1,427,339	\$ -	\$ 1,427,339

	2020		
	Ministry of Education	Others	Total
Funding received in current year	\$ 455,154	\$ -	\$ 455,154
Funding recognized	173,548	-	173,548
Less: Deferred contributions	(296,360)	-	(296,360)
	\$ 332,342	\$ -	\$ 332,342

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

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17. CONTRIBUTIONS – CORPORATE AND GOVERNMENT

	2021	2020
<i>Ministry of Education</i>		
Funding received in current year	\$ 2,605,000	\$ 2,605,000
<i>Canada Media Fund</i>		
Funding received in current year	678,961	1,361,354
Less: Deferred contributions – in-house programming	(678,961)	(1,361,354)
<i>Other Ontario agencies</i>		
Funding received in current year	179,836	986,684
Less: Deferred contributions – broadcasting rights	(179,836)	(981,784)
<i>Other provinces</i>		
Funding received in current year	99,200	20,000
Funding received in current year – broadcasting rights	75,000	75,000
Less: Contributions deferred to the next fiscal year	(75,600)	-
Less: Deferred contributions – broadcasting rights	(75,000)	(75,000)
<i>Corporate</i>		
Funding received in current year	-	4,600
Funding recognized from prior years	-	3,500
	\$ 2,628,600	\$ 2,638,000

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

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18. OTHER REVENUE

	2021	2020
Signal subscriptions	\$ 1,432,386	\$ 1,316,864
Sale of services	961,480	401,678
Promotion and distribution	145,605	455,925
Sale of educational material	245,129	220,867
Sublease	131,651	139,519
Interest	101,304	292,715
Donations received in the form of services	117,199	77,600
Donations and other	21,969	195,126
	\$ 3,156,723	\$ 3,100,294

19. RELATED PARTY TRANSACTIONS BETWEEN RELATED ORGANIZATIONS

As sponsor of the Ontario French-language Educational Communications Authority Pension Plan, the Authority has undertaken to pay certain costs of the pension plan, including compensation of employees, professional fees and costs associated with the use of premises and other associated costs.

20. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Authority is exposed to various financial risks resulting from both its operations and its investment activities. The Authority's management manages financial risks.

The Authority does not enter into financial agreements including derivative financial instruments for speculative purposes.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

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20. FINANCIAL INSTRUMENTS (continued)

Financial risks

The Authority's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

Credit risk is the risk of financial loss for the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise mainly from certain financial assets held by the Authority consisting of cash and cash equivalents and accounts receivable.

The Authority is exposed to credit risk attributable to its accounts receivable. The credit risk is assessed as low mainly due to the type of debtor, for the most part comprised of the government.

The Authority is exposed to concentration risk attributable to cash and cash equivalents and restricted cash since it only trades with one financial institution. The Authority manages its credit risk by dealing with a reputable bank.

Exchange risk

The Authority is exposed to exchange risk due to cash and cash equivalents and accounts receivable denominated in US dollars. As at March 31, 2021, cash and cash equivalents in US dollars totalled USD \$28,786 (CAD \$36,198) (2020: USD \$107,274 (CAD \$152,188)).

The Authority does not enter into forward exchange contracts to cover its exchange risk exposure. The Authority believes that it is not subject to significant foreign exchange risk from its financial instruments.

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20. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due.

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents. To ensure that the Authority has the necessary funds to fulfill its obligations, the Authority's management establishes budgets, but does not prepare cash flow forecasts.

As at March 31, 2021, the Authority has a cash and cash equivalents and restricted cash balance of \$14,865,726 (2020: \$14,731,325). All the Authority's financial liabilities totalling \$5,090,911 (2020: \$7,061,482) have contractual maturities of less than 365 days.

21. CONTRACTUAL OBLIGATIONS

The Authority has entered into operating lease agreements, expiring December 31, 2028, which call for payments of \$6,238,281 for the rental of office space. The minimum lease payments for the next five years are \$894,363 for the year ending March 31, 2022, \$923,138 for the year ending March 31, 2023, \$949,382 for the year ending March 31, 2024, \$951,811 for the year ending March 31, 2025 and \$959,098 for the year ending March 31, 2026.

The Authority has entered into other operating lease agreements expiring in 2021-2022 to pay a total amount of \$130,560.

As at March 31, 2021, the Authority had committed an amount of \$3,444,656 for the purchase of broadcasting rights, of which \$2,880,841 will be paid during the year ending March 31, 2022, \$558,815 during the year ending March 31, 2023 and \$5,000 during the year ending March 31, 2024.

As at March 31, 2021, the Authority had committed an amount of \$1,700,460 for the purchase of capital assets for the 2021-2022 year.

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22. CONTINGENCY

The funding received from government ministries may be refunded following an audit if the funding received is identified as a surplus based on the funding arrangements agreed between the parties. As at March 31, 2021, management has not been informed of any potential refund.

23. COMPARATIVE FIGURES

Certain 2020 figures have been reclassified to be consistent with the 2021 presentation.