

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

FINANCIAL STATEMENTS

MARCH 31, 2016

**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 for government not-for-profit organizations. 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, 2016, 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, 2016 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.



Glenn O'Farrell
President and Chief Executive Officer



Lisa Larsen, CPA, CA
Chief Financial Officer, Finance and controls

Toronto, Ontario
June 10, 2016

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Ontario French-language Educational Communications Authority

We have audited the accompanying financial statements of the Ontario French-language Educational Communications Authority (OFLECA), which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Marcil Lavallée

OTTAWA

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BHD / IAPA

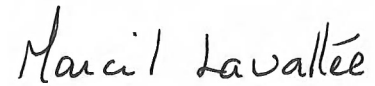
Nos partenaires canadiens et internationaux
Our Canadian and International Partners

Comptables professionnels agréés
Chartered Professional Accountants

Marcil-Lavallee.ca

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario French-language Educational Communications Authority as at March 31, 2016, as well as the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Marcil Lavallée". The signature is written in a cursive style with a prominent loop at the end of the last name.

Chartered Professional Accountants, Licensed Public Accountant

Ottawa, Ontario
June 10, 2016

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2016

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	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,100,698	\$ 8,767,480
Accounts receivable (Note 4)	2,707,384	2,515,507
Prepaid expenses	1,063,080	1,074,677
	11,871,162	12,357,664
RESTRICTED CASH (Note 5)	3,853,117	6,446,229
BROADCASTING RIGHTS (Note 6)	17,941,907	16,711,234
IN-HOUSE PROGRAMMING (Note 7)	20,241,936	18,746,383
ASSET – EMPLOYEE FUTURE BENEFITS (Note 8)	1,326,200	1,086,400
CAPITAL ASSETS (Note 9)	9,179,376	8,974,367
	52,542,536	51,964,613
	\$ 64,413,698	\$ 64,322,277

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF FINANCIAL POSITION

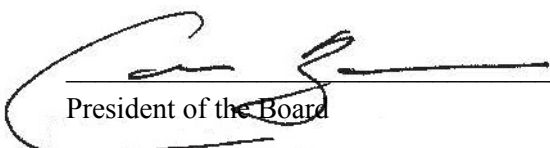
MARCH 31, 2016

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	2016	2015
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 10)	\$ 7,325,272	\$ 4,826,481
Deferred contributions (Note 11)	2,142,482	5,818,125
	9,467,754	10,644,606
LIABILITY – EMPLOYEE FUTURE BENEFITS (Note 8)	2,011,500	1,782,100
DEFERRED CONTRIBUTIONS – BROADCASTING RIGHTS (Note 12)	18,118,630	17,909,342
DEFERRED CONTRIBUTIONS – IN-HOUSE PROGRAMMING (Note 13)	20,241,936	18,746,383
DEFERRED CONTRIBUTIONS – CAPITAL ASSETS (Note 14)	10,183,651	10,960,759
	50,555,717	49,398,584
	60,023,471	60,043,190
NET ASSETS		
Internal Restriction (Note 5)		
- TFO Fund	1,519,008	1,519,008
- Pension Fund	323,400	323,400
Unrestricted	2,547,819	2,436,679
	4,390,227	4,279,087
	\$ 64,413,698	\$ 64,322,277

Contractual obligations (Note 21) and *Contingencies* (Note 22)

ON BEHALF OF THE BOARD



President of the Board

Vice-President of the Board and President of the Audit Committee

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2016

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	2016	2015
REVENUE		
Contributions		
- Operating grants (Note 15)	\$ 14,887,026	\$ 9,355,617
- Funding for special projects (Note 16)	688,091	788,739
- Corporate and government (Note 17)	3,274,337	2,605,702
Other revenue (Note 18)	3,699,154	3,226,751
Amortization of deferred contributions		
- Broadcasting rights (Note 12)	6,900,055	5,629,684
- In-house programming (Note 13)	8,776,155	6,969,691
- Capital assets (Note 14)	2,656,653	3,372,752
	40,881,471	31,948,936
EXPENSES		
Content and programming	10,456,090	6,122,701
Production and technology	4,898,444	3,433,594
Administration	6,638,570	5,943,567
Amortization of broadcasting rights	6,900,055	5,629,684
Amortization of in-house programming	8,776,155	6,969,691
Amortization of capital assets	2,656,653	3,372,752
Employee future benefits	454,764	456,118
	40,780,731	31,928,107
EXCESS OF REVENUE OVER EXPENSES BEFORE NET ACTUARIAL GAINS ON EMPLOYEE FUTURE BENEFITS PLANS	100,740	20,829
Net actuarial gains – Employee future benefits plans	10,400	323,400
EXCESS OF REVENUE OVER EXPENSES	\$ 111,140	\$ 344,229

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2016

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	Internal Restrictions (Note 5)			2016	2015
	TFO Fund	Pension Fund	Unrestricted		
BALANCE, BEGINNING OF YEAR	\$ 1,519,008	\$ 323,400	\$ 2,436,679	\$ 4,279,087	\$ 3,934,858
Excess of revenue over expenses	-	-	111,140	111,140	344,229
BALANCE, END OF YEAR	\$ 1,519,008	\$ 323,400	\$ 2,547,819	\$ 4,390,227	\$ 4,279,087

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2016

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	2016	2015
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 111,140	\$ 344,229
Adjustments for:		
Amortization of broadcasting rights	6,900,055	5,629,684
Amortization of in-house programming	8,776,155	6,969,691
Amortization of capital assets	2,656,653	3,372,752
Net actuarial gains – Employee future benefits Plan	(10,400)	(323,400)
Amortization of deferred contributions – broadcasting rights	(6,900,055)	(5,629,684)
Transfer – deferred contributions – broadcasting rights	(2,224,719)	(1,742,614)
Amortization of deferred contributions – in-house programming	(8,776,155)	(6,969,691)
Amortization of deferred contributions – capital assets	(2,656,653)	(3,372,752)
Transfer – deferred contributions capital assets	(986,432)	(101,532)
	(3,110,411)	(1,823,317)
Net change in non-cash working capital items (Note 3)	(1,357,131)	1,209,534
Programming grant	9,334,061	7,563,238
In-house programming grant	10,271,708	12,368,932
Capital grant	2,865,977	1,952,532
	18,004,204	21,270,919
INVESTING ACTIVITIES RELATED TO CAPITAL ASSETS AND INTANGIBLE ASSETS		
Acquisition of broadcasting rights	(8,130,728)	(7,034,959)
Acquisition of in-house programming	(10,271,708)	(12,368,932)
Acquisition of capital assets	(2,861,662)	(966,140)
	(21,264,098)	(20,370,031)
NET INVESTING ACTIVITY		
Net change in restricted cash	2,593,112	(612,479)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(666,782)	288,409
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,767,480	8,479,071
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,100,698	\$ 8,767,480

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

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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 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.

On August 28, 2015, the Canadian Radio-television and Telecommunications Commission (CRTC) renewed the Authority's programming license. The license was granted for a period of 7 years, from September 1, 2015 to August 31, 2022.

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. 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.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Management estimates (continued)

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.

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

Revenue from signal subscriptions is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Interest income

Interest income is recognized as revenue when earned.

Contributions received in the form of supplies and services

The Authority accounts for the contributions received in the form of supplies and 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 services are recorded at the fair value of the supplies and services received. When the fair value of the supplies and services received cannot be reasonably determined, the contributions are recognized at the fair value of the supplies and services transferred.

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 and cash equivalents, accounts receivable and restricted cash.

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

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

In-house programming, broadcasting rights and production costs (continued)

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.

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	15 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, 2016

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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, 2016

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3. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2016	2015
Accounts receivable	\$ (191,877)	\$ (902,904)
Prepaid expenses	11,597	436,763
Accounts payable and accrued liabilities	2,498,791	565,031
Deferred contributions	(3,675,642)	1,110,644
	\$ (1,357,131)	\$ 1,209,534

4. ACCOUNTS RECEIVABLE

	2016	2015
Ministry of Education	\$ 36,207	\$ 99,360
Governments and government agencies	646,965	307,400
Subscriptions (cable broadcasting and educational subscriptions)	396,591	431,380
Commodity taxes	1,271,498	794,666
Others	356,123	882,701
	\$ 2,707,384	\$ 2,515,507

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

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5. RESTRICTED CASH

	2016	2015
Reserves		
- Capital renewal ^(a)	\$ 1,000,000	\$ 1,000,000
- Pension Fund ^(b)	863,400	863,400
- TFO Fund ^(c)	1,519,008	1,519,008
- Broadcasting rights ^(d)	-	490,623
- Transition	87,734	90,476
- AODA ^(e)	201,977	788,845
Commitments		
- Broadcasting rights	176,723	707,485
- Capital assets	4,275	986,392
	\$ 3,853,117	\$ 6,446,229

(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 previous years, the Authority chose to restrict a portion of the period's surplus for additional contributions to the pension fund (\$323,400). Moreover, an amount of \$540,000 represents an amount received from the Ministry, specifically allocated to the Pension Fund.

(c) 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.

(d) The cash balance related to the acquisition of educational content for 2 to 12 year olds has been entirely spent during the year.

(e) 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 \$201,977 was recognized as a deferred revenue and as an addition to the Fund. This amount will be used during the year ended March 31, 2017.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

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6. BROADCASTING RIGHTS

	2016		
	Cost	Accumulated amortization	Net value
Broadcasting rights and completed productions	\$ 64,677,995	\$ 49,713,269	\$ 14,964,726
Broadcasting rights written off during the year	(36,343,672)	(36,343,672)	-
	28,334,323	13,369,597	14,964,726
Work in progress	2,977,181	-	2,977,181
	\$ 31,311,504	\$ 13,369,597	\$ 17,941,907

	2015		
	Cost	Accumulated amortization	Net value
Broadcasting rights and completed productions	\$ 56,074,133	\$ 42,813,214	\$ 13,260,919
Work in progress	3,450,315	-	3,450,315
	\$ 59,524,448	\$ 42,813,214	\$ 16,711,234

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

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7. IN-HOUSE PROGRAMMING

	2016		
	Cost	Accumulated amortization	Net value
In-house programming	\$ 43,456,880	\$ 23,214,944	\$ 20,241,936
In-house programming completely amortized and written off during the year	(4,330,600)	(4,330,600)	-
	\$ 39,126,280	\$ 18,884,344	\$ 20,241,936
	2015		
	Cost	Accumulated amortization	Net value
In-house programming	\$ 33,185,172	\$ 14,438,789	\$ 18,746,383

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

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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 \$834,430 (2015: \$962,202).

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 Mercer as at March 31, 2016 and is a data extrapolation and evaluation based on the complete actuarial valuation dated March 31, 2014.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

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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

	2016		
	Funded Pension Benefit Plan	Other Unfunded Retirement Benefit Plans	Total
Accrued benefit obligations	\$ 11,991,600	\$ 2,066,100	\$ 14,057,700
Fair value of plan assets	(13,604,500)	-	(13,604,500)
Funded status – plan deficit (surplus)	(1,612,900)	2,066,100	453,200
Unamortized net actuarial (gain) loss	286,700	(54,600)	232,100
Accrued pension liability (asset)	\$ (1,326,200)	\$ 2,011,500	\$ 685,300

	2015		
	Funded Pension Benefit Plan	Other Unfunded Retirement Benefit Plans	Total
Accrued benefit obligations	\$ 11,038,600	\$ 2,077,700	\$ 13,116,300
Fair value of plan assets	(13,661,900)	-	(13,661,900)
Funded status – plan deficit (surplus)	(2,623,300)	2,077,700	(545,600)
Unamortized net actuarial (gain) loss	1,536,900	(295,600)	1,241,300
Accrued pension liability (asset)	\$ (1,086,400)	\$ 1,782,100	\$ 695,700

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

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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:

	2016	2015
	%	%
Asset category		
Equity securities	60	60
Debt securities	40	35
Other	-	5
	100	100

Employee future benefit costs recognized in the year and benefits paid

	2016	
	Pension Benefit Plan	Other Benefit Plans
Employee future benefits costs recognized	\$ 351,300	\$ 246,900
Benefits paid	\$ 315,700	\$ 17,500

	2015	
	Pension Benefit Plan	Other Benefit Plans
Employee future benefits costs recognized	\$ 268,500	\$ 179,600
Benefits paid	\$ 700,000	\$ 14,700

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	
	2016	2015	2016	2015
Current service benefits' costs	\$ 631,000	\$ 572,500	\$ 166,000	\$ 122,200
Amortization of net actuarial losses (gains)	(131,900)	(142,600)	20,600	(2,400)
Interest costs of pension benefits	(147,800)	(161,400)	60,300	59,800
	\$ 351,300	\$ 268,500	\$ 246,900	\$ 179,600

Significant assumptions

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

	2016	
	Pension Benefit Plan	Other Benefit Plans
	%	%
Accrued benefit obligations		
Discount rate	5.70	3.20
Rate of compensation increase		
Non-unionized employees	1.50 until 2019	-
Non-unionized employees	2.50 2020 and after	-
Unionized employees	2.50 per year	-
Employee future benefits costs		
Discount rate	5.70	2.80
Expected long-term rate of return on plan assets	5.70	-
Rate of compensation increase		
Non-unionized employees	1.50 until 2019	-
Non-unionized employees	2.50 2020 and after	-
Unionized employees	2.50 per year	-

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

Significant assumptions (continued)

	2015	
	Pension Benefit Plan	Other Benefit Plans
	%	%
Accrued benefit obligations		
Discount rate	5.70	2.80
Rate of compensation increase		
Non-unionized employees	1.50 until 2019	-
Non-unionized employees	2.50 2020 and after	-
Unionized employees	2.50 per year	-
Employee future benefits costs		
Discount rate	6.35	3.80
Expected long-term rate of return on plan assets	6.35	-
Rate of compensation increase		
Non-unionized employees	1.00 until 2019	-
Non-unionized employees	2.20 2020 and after	-
Unionized employees	2.20 per year	-

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

	2016	2015
	%	%
Prescription medication:		
Initial health care cost trend rate	6.5	6.5
Cost trend rate declines to	4.5	4.5
Year that the rate reaches the rate it is assumed to remain at	2030	2030
Hospitalization cost, eye care, dental care and other medical care	Between 0 and 5.00	Between 0 and 5.00

Defined contribution plan

The total expense recognized in relation with the defined contribution plan amounts to \$226,900 (2015: \$189,898).

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9. CAPITAL ASSETS

	2016		
	Cost	Accumulated amortization	Net value
Mobility	\$ 63,256	\$ 10,243	\$ 53,013
Office equipment	488,870	4,579	484,291
Office infrastructure	558,022	105,630	452,392
Production equipment	12,333,868	10,302,172	2,031,696
Computerized production equipment	10,735,275	7,573,448	3,161,827
Office furniture and equipment	2,040,691	677,030	1,363,661
Leasehold improvements	5,726,954	4,094,458	1,632,496
	\$ 31,946,936	\$ 22,767,560	\$ 9,179,376
	2015		
	Cost	Accumulated amortization	Net value
Technical equipment (production equipment)	\$ 11,568,360	\$ 9,577,807	\$ 1,990,553
Computer equipment (computerized production equipment)	10,070,681	6,451,083	3,619,598
Office furniture and equipment	1,779,895	555,673	1,224,222
Leasehold improvements	5,666,338	3,526,344	2,139,994
	\$ 29,085,274	\$ 20,110,907	\$ 8,974,367

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

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10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade payables and accrued charges	\$ 6,361,116	\$ 4,012,882
Accrued wages and benefits	782,090	633,563
Government remittances	182,066	180,036
	\$ 7,325,272	\$ 4,826,481

11. DEFERRED CONTRIBUTIONS

	2016		
	Ministry of Education	Others	Total
<i>Deferred Contributions</i>			
Balance, beginning of year	\$ 5,655,970	\$ 76,023	\$ 5,731,993
Add: Amount received	1,507,300	46,490	1,553,790
Less: Amount recognized as revenue	(5,119,677)	(85,021)	(5,204,698)
Balance, end of year	2,043,593	37,492	2,081,085
<i>Special projects</i>			
Balance, beginning of year	72,132	14,000	86,132
Add: Amount received	276,357	320,000	596,357
Less: Amount recognized as revenue	(293,739)	(327,353)	(621,092)
Balance, end of year	54,750	6,647	61,397
Total	\$ 2,098,343	\$ 44,139	\$ 2,142,482

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

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11. DEFERRED CONTRIBUTIONS (continued)

	2015		
	Ministry of Education	Others	Total
<i>Deferred contributions</i>			
Balance, beginning of year	\$ 4,569,623	\$ 93,303	\$ 4,662,926
Add: Amount received	4,272,557	73,295	4,345,852
Less: Amount recognized as revenue	(3,186,210)	(90,575)	(3,276,785)
Balance, end of year	5,655,970	76,023	5,731,993
<i>Special projects</i>			
Balance, beginning of year	44,555	-	44,555
Add: Amount received	368,085	462,231	830,316
Less: Amount recognized as revenue	(340,508)	(448,231)	(788,739)
Balance, end of year	72,132	14,000	86,132
Total	\$ 5,728,102	\$ 90,023	\$ 5,818,125

12. DEFERRED CONTRIBUTIONS – BROADCASTING RIGHTS

	2016	2015
Balance, beginning of year	\$ 17,909,342	\$ 17,718,402
Add:		
Amount received this year – Ministry of Education	8,331,561	7,440,012
Amount received prior year – Ministry of Education	1,002,000	-
Amount received – Others	500	123,226
Less :		
Transfer	(2,224,718)	(1,742,614)
Amortization – Amount recognized as revenue	(6,900,055)	(5,629,684)
Balance, end of year	\$ 18,118,630	\$ 17,909,342

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13. DEFERRED CONTRIBUTIONS – IN-HOUSE PROGRAMMING

	2016	2015
Balance, beginning of year	\$ 18,746,383	\$ 13,347,142
Add:		
Amount received – Ministry of Education	9,541,708	11,584,137
Amount received – Canadian Media Fund	730,000	784,795
Less:		
Amortization – Amount recognized as revenue	(8,776,155)	(6,969,691)
Balance, end of year	\$ 20,241,936	\$ 18,746,383

14. DEFERRED CONTRIBUTIONS – CAPITAL ASSETS

	2016	2015
Balance, beginning of year	\$ 10,960,759	\$ 12,482,511
Add :		
Amount received – Ministry of Education	2,865,977	1,952,532
Less :		
Transfer	(986,432)	(101,532)
Amortization – Amount recognized as revenue	(2,656,653)	(3,372,752)
Balance, end of year	\$ 10,183,651	\$ 10,960,759

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15. CONTRIBUTIONS – OPERATING GRANTS

	2016	2015
<i>Received in current year</i>		
Grant – core	\$ 11,640,739	\$ 10,234,365
Grant – core – AODA	657,300	792,100
Grant – capital	1,867,000	1,750,000
Grant – capital – AODA	-	100,000
Grant – broadcasting rights	6,132,953	5,113,897
Grant – in-house programming	9,541,708	11,584,137
<i>Received in prior year</i>		
Capital	986,432	101,532
Broadcasting rights	2,189,763	2,326,114
AODA	788,845	-
Dedicated projects	2,873,509	2,602,710
<i>Transfer to deferred contributions</i>		
Broadcasting rights	(8,331,561)	(7,440,012)
In-house programming	(9,541,708)	(11,584,137)
Capital assets	(2,865,977)	(1,952,532)
Dedicated projects	(850,000)	(3,483,712)
Dedicated projects – AODA	(201,977)	(788,845)
	\$ 14,887,026	\$ 9,355,617

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

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16. CONTRIBUTIONS – FUNDING FOR SPECIAL PROJECTS

	2016		
	Ministry of Education	Others	Total
Funding received in current year	\$ 343,357	\$ 320,000	\$ 663,357
Funding recognized	293,739	327,353	621,092
Less: Deferred contributions	(276,358)	(320,000)	(596,358)
	\$ 360,738	\$ 327,353	\$ 688,091

	2015		
	Ministry of Education	Others	Total
Funding received in current year	\$ 368,085	\$ 462,231	\$ 830,316
Funding recognized	340,508	448,231	788,739
Less: Deferred contributions	(368,085)	(462,231)	(830,316)
	\$ 340,508	\$ 448,231	\$ 788,739

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

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17. CONTRIBUTIONS – CORPORATE AND GOVERNMENT

	2016	2015
Ministry of Education		
Funding received in current year	\$ 2,605,000	\$ 2,605,000
Federal		
Funding received in current year	1,305,756	784,795
Less: Deferred contributions	(730,000)	(784,795)
Other Ontario agencies		
Funding received in current year	1,255	33,620
Funding recognized from prior years	32,723	11,633
Other provinces		
Funding received in current year	54,295	68,368
Funding recognized from prior years	5,308	-
Less: Deferred contributions	-	(960)
Corporate		
Funding received in current year	-	5,100
Funding recognized from prior years	500	6,167
Less: Contributions deferred to the following year – broadcasting rights	(500)	(123,226)
	\$ 3,274,337	\$ 2,605,702

18. OTHER REVENUE

	2016	2015
Signal subscriptions	\$ 2,521,551	\$ 2,689,867
Sale of products, donations and other	599,135	233,402
Sublease	99,157	103,241
Interest	184,049	200,241
Donations received in the form of supplies and services	295,262	-
	\$ 3,699,154	\$ 3,226,751

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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 reviews financial risks on a regular basis to mitigate the impact of such risks.

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

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's accounts receivable are classified as current.

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.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

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20. FINANCIAL INSTRUMENTS (continued)

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, 2016, cash and cash equivalents in US dollars totalled USD \$53,934 (CAD \$70,044) (2015: USD \$87,917 and CAD \$111,356).

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.

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 fulfil its obligations, the Authority's management establishes budgets, but does not prepare cash flow forecasts.

As at March 31, 2016, the Authority has a cash and cash equivalents and restricted cash balance of \$11,953,815 (2015: \$15,213,709). All the Authority's financial liabilities totalling \$7,325,272 (2015: \$4,826,484) have contractual maturities of less than 365 days.

21. CONTRACTUAL OBLIGATIONS

The Authority has entered into operating lease agreements, expiring August 31, 2027, which call for payments of \$8,581,600 for the rental of office space. The minimum lease payments for the next five years are \$523,900 for the year ended March 31, 2017, \$463,300 for the year ended March 31, 2018, \$721,000 for the year ended March 31, 2019, \$753,800 for the year ended March 31, 2020 and \$777,300 for the year ended March 31, 2021.

The Authority has entered into other operating lease agreements expiring in 2019-2020 which call for monthly lease payments of \$22,239 for access to communication services. The minimum lease payments for the next four years amount to \$391,868 for the year ended March 31, 2017, \$266,868 for the year ended March 31, 2018, \$266,868 for the year ended March 31, 2019 and \$177,912 for the year ended March 31, 2020.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

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21. CONTRACTUAL OBLIGATIONS (continued)

As at March 31, 2016, the Authority had committed an amount of \$2,156,320 for the purchase of broadcasting rights for the year ended March 31, 2017 and \$398,527 for the year ended March 31, 2018.

As at March 31, 2016, the Authority had committed an amount of \$4,275 for the purchase of capital assets for the year 2016-2017.

The Authority has also entered into other contracts for an amount of \$306,353, of which \$151,054 will be paid during the year 2016-2017, \$108,712 during the year 2017-2018 and \$46,588 during the year 2018-2019.

22. CONTINGENCIES

The nature of the Authority's activities is such that there may be litigation pending or in the prospect at any time. With respect to claims existing as at March 31, 2016, management believes that the Authority has valid defenses and appropriate insurance coverage in place. Even in the event these claims would be found valid, management believes that such claims are not expected to have a material effect on the Authority's financial position. No amount has been recorded in the financial statements.

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, 2016, management has not been informed of any potential refund.