

ANNUAL REPORT

For the Period April 1, 2016 to March 31, 2017



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MESSAGE FROM THE CHAIR



June 21, 2017

The Honourable Tracy MacCharles
Minister of Government and Consumer Services
Minister Responsible for Accessibility
Mowat Block, 6th Floor
900 Bay Street
Toronto, ON
M7A 1L2

Dear Minister MacCharles,

On behalf of the interim Board of Directors (the “Board”), I am pleased to present the Ontario Film Authority’s (OFA) 2016/17 Annual Report highlighting activities and accomplishments in our first full fiscal year of operations.

The past year saw the OFA shift from the implementation phase as a new Delegated Administrative Authority to one where it is fully operational and ready to transition to a permanent board of directors. To prepare for this transition, the Board welcomed the Minister’s approval of two key governance tools - the OFA’s corporate By-law #3 and the nomination and election process for the first permanent board of directors.

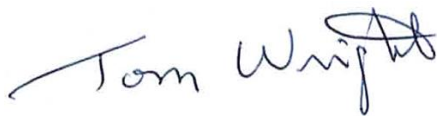
With the governance framework settled, the Board sought expressions of interest from the designated stakeholder communities and conducted interviews with interested candidates for the first permanent board of directors. The slate of four candidates, who individually and collectively meet the OFA’s skills and experience matrix, is ready to be elected to the permanent board upon appointment of the three ministerial appointees.

The OFRB, a division within the OFA, has the statutory mandate to review and classify films in accordance with legislation, OFRB guidelines and prevailing community standards. The OFRB performs an important function for the public by rating films and providing information about films to assist the public in making informed viewing choices for themselves and their families. In the past, individuals were selected to serve on the OFRB through the public appointments process. This year marked another first - the development and implementation of a robust competency-based recruitment strategy to hire individuals for the Ontario Film Review Board (OFRB). In March 2017, the OFA welcomed seven new members to the OFRB, who together with the existing members, represent a cross-section of Ontarians.

Much of the foundational work of implementation is complete including approval of a comprehensive respectful workplace program; appointment of an OFRB interim chair and a vice chair to lead the OFRB until such time as an OFRB chair is selected; and, initiating a procurement process for a new information management and e-commerce platform. Looking forward, a permanent Board and senior management will focus on developing a strategic plan, fine-tuning regulatory processes and practices, and continuing with the good stewardship of the OFA's finances, always with the public interest at the forefront.

I would like to thank the interim board of directors for their hard work and commitment. We have been on this journey since the OFA's inception as a corporation in 2013 and as this Annual Report reflects, we can take great pride in today's OFA. And, a big thank you to the OFA/OFRB team for embracing the day-to-day challenges that come with a new organization with humour and professionalism all under the strong leadership of Executive Director/Registrar, Abena Buahene.

Yours truly,

A handwritten signature in dark ink that reads "Tom Wright". The signature is fluid and cursive, with the first name "Tom" written in a larger, more prominent script than the last name "Wright".

Tom Wright
Chair of the Board of Directors
Ontario Film Authority

MESSAGE FROM THE EXECUTIVE DIRECTOR AND REGISTRAR



Our implementation journey to become established as a Delegated Administrative Authority (DAA) is complete. I am pleased that the day-to-day operational challenges which come with being “the new kid on the block” are lessening. Our annual business plan provides us with direction and key business priorities to support the fulfillment of our core activities under the Administrative Agreement with the Ministry of Government and Consumer Services, and in accordance with the *Film Classification Act, 2005* and its associated regulation.

A well-functioning and responsive organization relies on their human resources to fulfill their mandate. This year, we focused on building core organizational and regulatory capacity and expertise. Through professional development and cross-training of core competencies in the film classification, licensing and finance areas, and adjusting job responsibilities, administrative staff were better positioned to be more responsive to our stakeholder clients and the public. We also recruited seven new members for the OFRB division.

As a new DAA, it was incumbent that we spent time reviewing our various application forms and streamlining our client interactions. To this end, fillable film classification and licensing application forms were fine-tuned and uploaded to the OFA’s website, complete with “how-to checklists” and examples to assist users to submit complete applications and required documentation. We also updated our website to provide more details about film classification ratings and content advisories so that the public can make informed viewing choices for themselves and their children.

This year also saw our first foray into communication and education initiatives. We invited the OFA’s film industry clients who regularly use our film classification services to a *Meet and Greet* at our premises. It was a great opportunity for both clients and staff to put names to faces (given that communication is usually by telephone or email) and to exchange ideas on how to improve film classification application processes and forms, and enhance our customer service outcomes.

We look forward in the year ahead to continue our efforts to improving our organizational and regulatory effectiveness, cultivating a harmonious, respectful and productive workplace with strong employee engagement, and nurturing our collaborative relationship with the Ministry of Government and Consumer Services who provide us with feedback and support in fulfilling our mandate.

In closing, I would like to thank my great team who are dedicated to ensuring that our core business activities run smoothly and efficiently, and for taking on special projects to keep us moving forward in our important public interest mandate.

A handwritten signature in black ink, reading "Abena Buahene". The signature is fluid and cursive, with a long horizontal stroke at the end.

Abena Buahene
Executive Director/Registrar

MANDATE

The OFA's mandate is to administer the *Film Classification Act, 2005* ("FCA") and the associated regulation.

The OFA is responsible for:

- licensing of film distributors, retailers and exhibitors
- hiring Ontario Film Review Board (OFRB) members and overseeing the OFRB which classifies most mainstream films and approves or refuses to approve adult sex films for public exhibition and distribution
- promoting and enhancing public information, education, confidence and awareness in the film industry in Ontario through, but not necessarily limited to the following activities: film classification, licensing, inspections, investigations, responding to complaints and public education activities
- engaging the public, stakeholders and government to enhance consumer protection and foster constructive dialogues

The OFA supports the Ministry of Government and Consumer Services' mission of protecting the public interest and advancing the principle of ensuring a fair, safe and informed marketplace as it relates to the FCA.

Organization

The OFA is an independent, not-for-profit corporation financed through film classification fees and licensing fees from film distributors, exhibitors and retailers. The Ministry of Government and Consumer Services (MGCS) continues to be responsible for the FCA and Ontario Regulation 452/05.

Governance

The Board of Directors has the authority to direct the OFA in accordance with its Administrative Agreement with the MGCS and all applicable statutes. The Board oversees the management of the OFA's business and affairs including oversight of the operations of the OFRB.

The OFA is currently governed by a four-member interim Board of Directors, comprised of government, industry and public representatives. The Board is accountable to the Minister through the Chair, for the performance of the OFA.

Tom Wright, Chair

Tom Wright was elected Chair of the interim Board of Directors of the Ontario Film Authority in September 2013. He is also Chair of the interim Boards of Directors of the Bereavement Authority of Ontario and the Condominium Authority of Ontario and Vice-Chair of the Resource Productivity and Recovery Authority.

In November 1997, Tom became Registrar under the *Real Estate and Business Brokers Act* and in January 2002 became CEO at the Real Estate Council of Ontario (RECO) until his retirement in September 2014.

From 1991 to 1997 Tom was Information and Privacy Commissioner for the Province of Ontario.

A graduate of Queen's Law School, Tom was called to the Ontario Bar in 1975 and practised law for 10 years prior to joining the Ontario Public Service in 1985 where he held various legal positions.

Renu Kulendran, Director

Renu Kulendran is the Assistant Deputy Minister of the Consumer Services Operations Division in the Ministry of Government and Consumer Services. Renu is responsible for delivering the ministry's consumer complaint, regulatory compliance and enforcement programs; implementing modernized data and risk-based awareness, prevention and enhanced compliance and enforcement strategies for the ministry; transforming ministry program delivery through expansion of the delegated administrative authority model and providing expert advice on the model across government; and, developing regulatory partnerships with other ministries, governments and enforcement entities to achieve consumer protection objectives.

Renu has extensive experience in social and economic resource policy development; issues management; stakeholder relations; and, experience managing complex enforcement and compliance issues in an operational context.

Renu has held senior leadership positions at the Ministry of Labour, Ministry of Community Safety and Correctional Services, the Ministry of Education, and Cabinet Office. She has worked in the Ontario Public Service for over 28 years.

Wendy Noss, Director

Wendy Noss is the President of the Toronto-based Motion Picture Association – Canada.

MPA-Canada is the voice and advocate of the major international producers and distributors of movies, home entertainment and television programming in Canada and is an affiliate of the Motion Picture Association of America, Inc. (MPAA). The film and television studios represented include Walt Disney Studios Motion Pictures, Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Twentieth Century Fox Film Corporation, Universal City Studios LLC, and Warner Bros. Entertainment Inc.

Wendy is responsible for overseeing the MPAA member companies' legislative, regulatory, and legal strategies across Canada and for promoting their interests across the country. On behalf of these studios and their domestic affiliates, Wendy leads the organization in support of initiatives which further the health of the film and television industry and foster an environment of respect for creativity in Canada. Wendy joined MPA-Canada in 2006 and previously served as General Counsel.

Wendy has more than 25 years of experience in government affairs representing creative industries in Canada. Prior to joining the Motion Picture Association - Canada, she was a practicing lawyer focusing on intellectual property law and policy. She previously served as Counsel and Director of Legal and Government Affairs for the national copyright collective representing authors and publishers.

Wendy attended the University of Western Ontario where she received her Bachelor of Arts (English) in 1987. She was awarded her law degree from Osgoode Hall Law School in 1990 and was admitted as a Member of the Law Society of Upper Canada in 1992.

Wendy currently serves as a member of the Board of Directors of the Canadian American Business Council, the Motion Picture Classification Corporation of Canada, and MPA-Canada. She was selected by the Government of Ontario to serve on the Board of the OFA, and the Ministry of Tourism, Culture and Sport's Film and Television Advisory Panel.

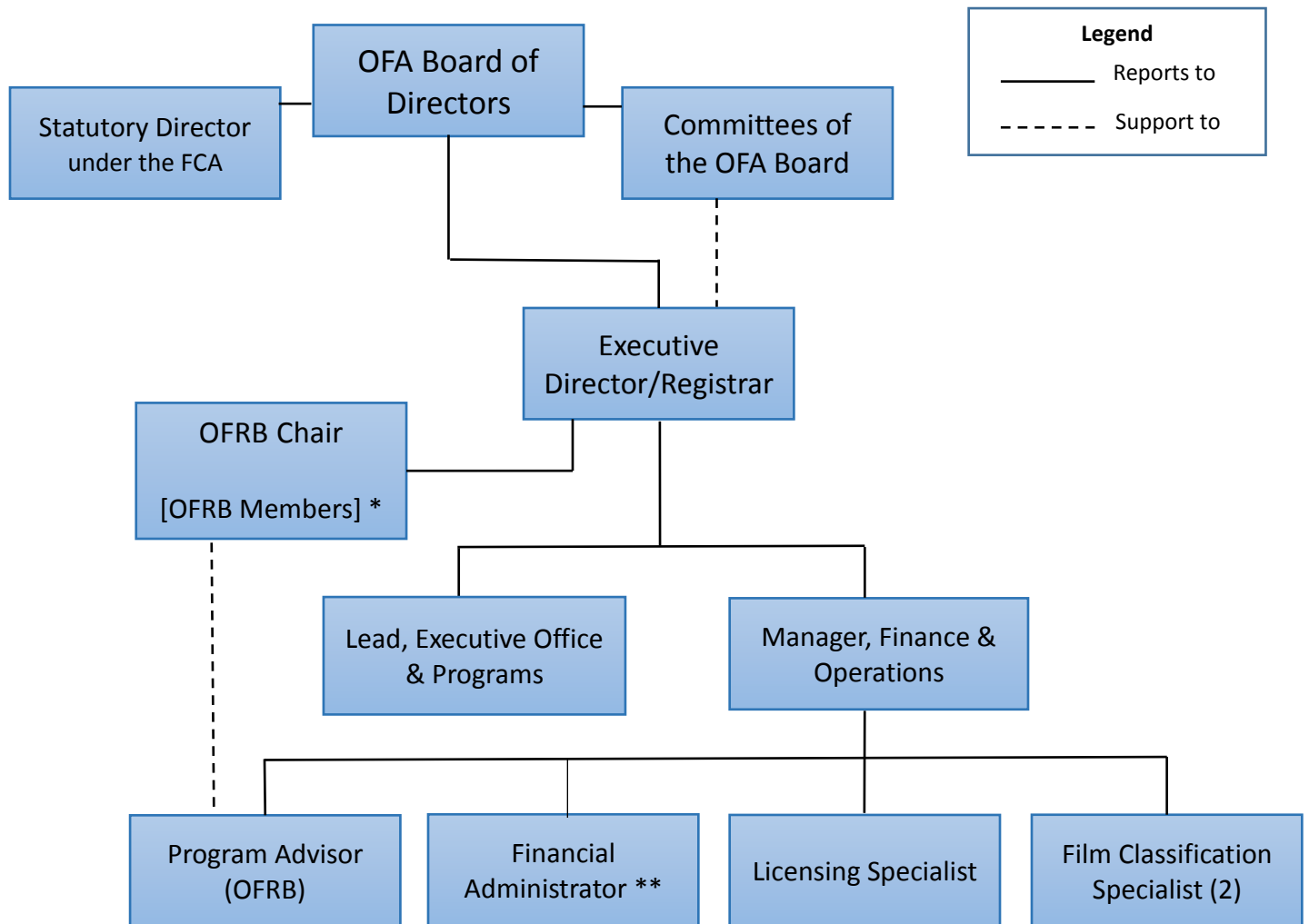
Janet Robinson, Director

Janet Robinson led a successful 30-year career in the health care field; active in team management, mentorship and enhancing stakeholder relations within and outside of health centres.

In 1999, Janet was appointed to the OFRB as a member of the classification team. In 2003, she was appointed Vice-Chair and in 2004, was appointed Chair where she held this position until 2014. During her tenure as OFRB Chair, Janet led outreach programming for Ontario's general public with public film evenings and speaking with interested groups. She also initiated the "OFRB Student Film Competition", a 60 second public service announcement (PSA) explaining OFRB's film classifications. Two successful contests were held (one in 2006 and one in 2008) and the winning PSAs were shown on 590 screens across Ontario.

Janet now serves on the interim Board of Directors for the OFA.

Organizational Chart



* OFRB Members report to the OFRB Chair

** OFA has a bilingual staff member

ONTARIO FILM REVIEW BOARD (OFRB)

The OFRB is a division within the OFA with the specific mandate to review and classify and/or approve films in accordance with the FCA, established OFRB guidelines, and prevailing community standards so that Ontarians can make informed viewing choices for themselves and their families.

Subject to a few specific exceptions, for a film to be distributed or exhibited in Ontario, it must first be classified or approved by the OFRB.

Ontario's film classifications categories (ratings) as follows: General (G), Parental Guidance (PG), 14A, 18A and Restricted (R), are set out in Regulation 452/05 under the FCA. In addition to determining a classification category, the OFRB also often provides information pieces or content advisories about a film to assist the public with making an informed viewing choice. The OFRB consists of individuals (members) who come from a variety of diverse backgrounds, and vary in age, gender, vocation, race, cultural background and sexual orientation. OFRB members typically sit on screening panels of two or three members, a panel of three members to classify English/French films and a panel of two members to classify films in other languages.

Adult sex films are approved by one member, however if the member does not approve the adult sex film, a second member will also independently review the film.

Classification decisions are made by consensus but occasionally members cannot agree on the final classification of a film. In these instances, a cumulative panel is called and two to four members who have not screened the film are assigned to classify the film. The results of both the original panel and the cumulative panel are tallied, and the classification rating identified by the majority (which is now considered a cumulative decision) will be assigned to the film.

The OFRB is currently led by the interim Chair Barbara Duckitt and the Vice Chair Adam Jones, who ensure that the OFRB fulfills its mandate. While they are members of the OFRB, they do not classify films. During this fiscal year, the OFRB welcomed seven new members bringing the OFRB's composition to nineteen.

Periodically, the OFRB reviews and updates its classification guidelines and procedures as appropriate to ensure that they reflect and maintain the integrity of community standards. In the fall of 2016, the OFRB met as a group to undertake a comprehensive review of its reference manual which includes classification procedures and the guidelines. The OFRB members also discussed implied sexual violence and how it is portrayed in film with the view to adding this concept as an additional content advisory.

Information on how the OFRB classifies films can be found on the OFA's website (www.ontariofilmauthority.ca).

From April 1, 2016 to March 31, 2017, the OFRB classified 3,716 films, screening a total of 371,246 minutes of film. In addition, the OFRB classified another 1,844 films by way of documentation, i.e. these films were rated based on a written application process rather than screened. For more detailed information on classification statistics, please refer to pages 17 to 19 of the Annual Report.

Classification Categories

Ontario Regulation 452/05 under the *Film Classification Act, 2005* gives the Ontario Film Review Board the authority to review and classify films into one of five classification categories: G, PG, 14A, 18A or R. Elements that contribute to the film classification include language, violence, nudity, sexual activity, horror and psychological impact.



Suitable for viewers of all ages.



Parental Guidance is advised. Theme or content may not be suitable for all children.



Suitable for viewing by persons 14 years of age and older. Persons under 14 must be accompanied by an adult. May contain violence, coarse language, and/or sexually suggestive themes.



Suitable for persons 18 years of age and older. Persons under 18 may attend but must be accompanied by an adult. May contain: explicit violence, frequent coarse language, sexual activity and/or horror.



Admission restricted to persons 18 years of age and older. Content not suitable for minors. May contain: frequent use of sexual activity, brutal/graphic violence, intense horror and/or other disturbing content.

ACCOMPLISHMENTS

The OFA's key accomplishments are highlighted in both the Message from the Chair and Message from the Executive Director/Registrar. Summarized below are more details on all of the OFA's accomplishments during the 2016/17 fiscal year.

	Activity	Accomplishments
DEVELOP HUMAN CAPITAL	Build staff capacity through training and cross-training of core competencies in all areas of operations to ensure learning from experience as well as to maintain a nimble and responsive organization where staff can support the OFA's mandate across functional lines.	Administrative staff positions descriptions were reviewed and revised as necessary to reflect roles and responsibilities. Employee engagement was fostered through the uptake of individual professional development opportunities and a team building event which included the OFRB member employees.
	Develop and implement a staff performance management process reflective of position requirements and competencies.	Conducted annual individual staff performance reviews aligned with required position competencies and revised descriptions. Learning opportunities were identified as appropriate.
	Develop legislated employment policies and other human resources/organizational best practices and policies (respectful workplace; privacy and access; expenses; occupational health and safety, etc.).	Board approved employment-related policies including a respectful workplace policy.
	Build and strengthen the Ontario Film Review Board (OFRB) human resources capacity and competencies to review, classify and approve films in accordance with the <i>Film Classification Act, 2005</i> , OFRB guidelines and prevailing community standards.	Developed and implemented a recruitment strategy to hire employees for the OFRB. Conducted comprehensive orientation and training rollout for new OFRB employees. Extensive review of the OFRB guidelines was undertaken to ensure community standards are accurately reflected. OFRB members participated in training and discussion about revisions to the guidelines.

	Activity	Performance Plan
GOVERNANCE LEADERSHIP AND REGULATORY OVERSIGHT	Implement the nomination process for representation from the designated stakeholder constituencies to be elected to the first permanent Board of Directors.	Candidates from the designated stakeholder constituencies were selected in accordance with the nomination process to be put forth to the OFA members for election to the first permanent Board of Directors.
	Finalize draft OFA permanent Corporate By-law #3 which will set out how the first permanent Board will manage and supervise the affairs of the OFA.	Minister of Government and Consumer Services approved Corporate By-law #3.
CONTINUOUS IMPROVEMENT OF ORGANIZATIONAL EFFECTIVENESS AND EFFICIENCIES	Review and amend film classification and licensing forms to make them easier for film industry sector clients to understand and complete.	New and improved film classification and licensing forms complete with “how to checklists” and examples were created and posted on the OFA website.
	Streamline interactions with OFA clients in order to provide seamless customer service.	Clients can now pre-populate and save standard information for each fillable application form. Monthly statements are emailed to clients with prepaid accounts.
	Develop vision and implementation plan for the OFA’s new information technology (IT) system and e-commerce infrastructure to support the OFA’s mandate.	Business case for current and future information management and e-commerce system completed and procurement strategy devised to tender the design and implementation of a new information management and e-commerce system to an external IT vendor. Procurement of IT vendor to replace the legacy information management system is ongoing.
	Participate in the community of Delegated Administrative Authorities to share best practices.	Staff regularly attend various Delegated Administrative Authorities collaboration committees (leadership, IT, communications and human resources) to identify and implement opportunities to enhance operational efficiencies and work together on common consumer protection objectives.

	Activity	Performance Plan
ENHANCE STAKEHOLDER COLLABORATION AND OUTREACH	Promote awareness of the OFA and foster open communication with film industry sector and the public.	Invited film industry clients who regularly use the film classification services to an OFA “meet and greet” and present a “how to” guide on the film classification application process. Fine-tuned and updated OFA website content including posting more information on classification content advisories, and about the OFA’s process for submitting inquiries, comments and formal complaints. All OFA staff (including the OFRB chair and vice-chair) are available to provide information and assistance in-person, by telephone or email. Contact information is posted on the website. Services are available in French upon request, and basic information is provided in French on the OFA website.

OPERATIONAL PERFORMANCE REVIEW

Licensing

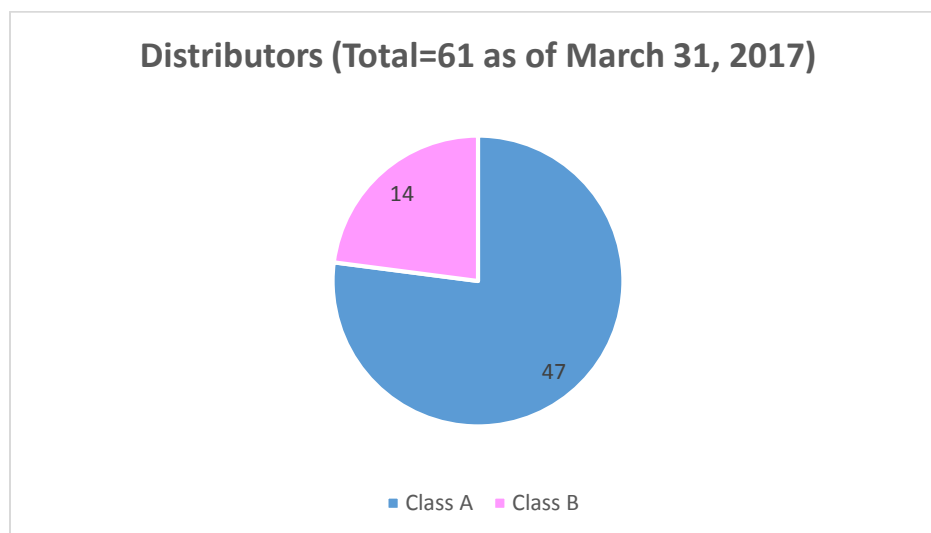
Subject to some exemptions, distributing or exhibiting a film in Ontario requires a licence under the FCA. As of March 31, 2017, the OFA has issued a total of 1,936 licences in seven classes of licences. Please refer to the charts below for a breakdown of the classes of licences.

Licence renewal and expiry letters are sent out 60 days prior to a licensee's expiry date. Provided that all of the information on an application form is complete and correct, a licence is issued within three business days.

All phone and/or email enquiries are answered within one business day.

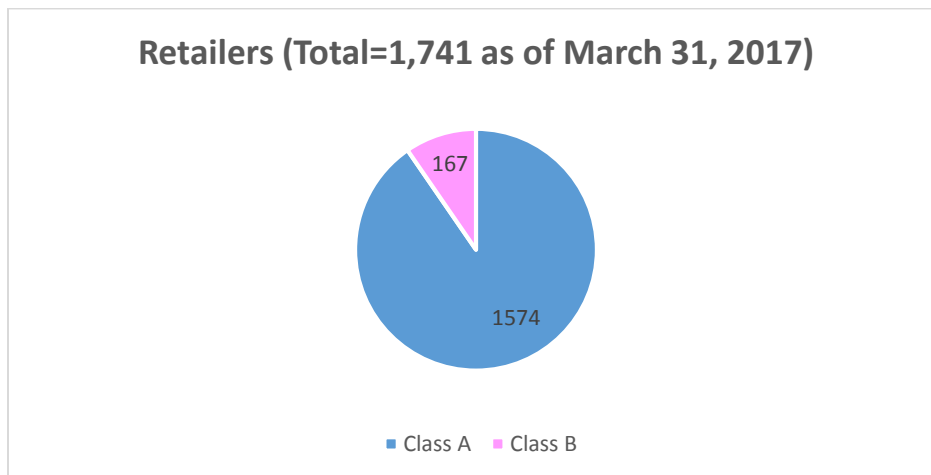
A total of 61 distributor licences were issued in the following two classes:

- Class A Distributor (47) - authorized to distribute films other than adult sex films
- Class B Distributor (14)- authorized to distribute films or adult sex films only to a Class B distributor, Class B exhibitor or Class B retailer licensee



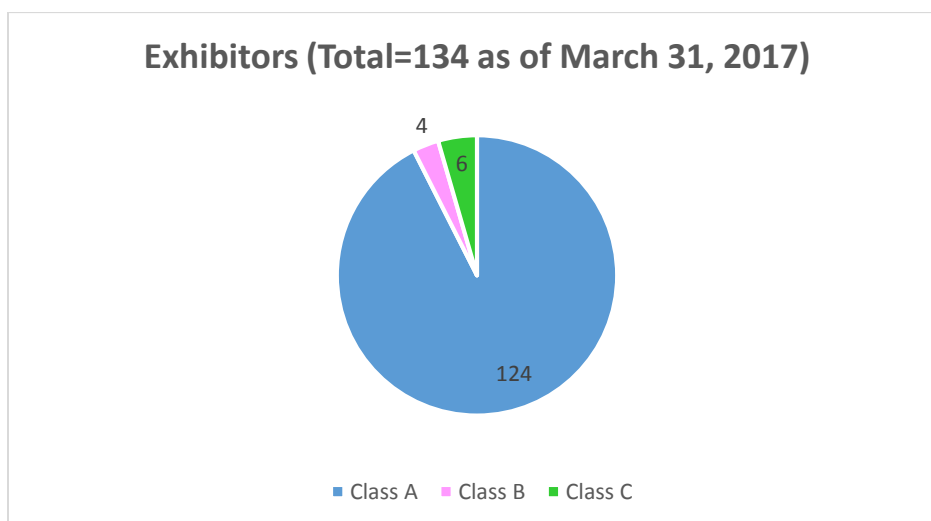
A total of 1,741 retailer licences were issued in the following two classes:

- Class A Retailer (1,574) - authorized to distribute films other than adult sex films to the public
- Class B Retailer (167) - authorized to distribute films, including adult sex films to the public



A total of 134 exhibitor licences were issued in the following three classes:

- Class A Exhibitor (124) - authorized to exhibit films other than adult sex films at the premises specified in the licence
- Class B Exhibitor (4) - authorized to exhibit adult sex films at the premises specified in the licence
- Class C Exhibitor (6) - authorized to exhibit films other than adult films at premises commonly known as drive-in theatres



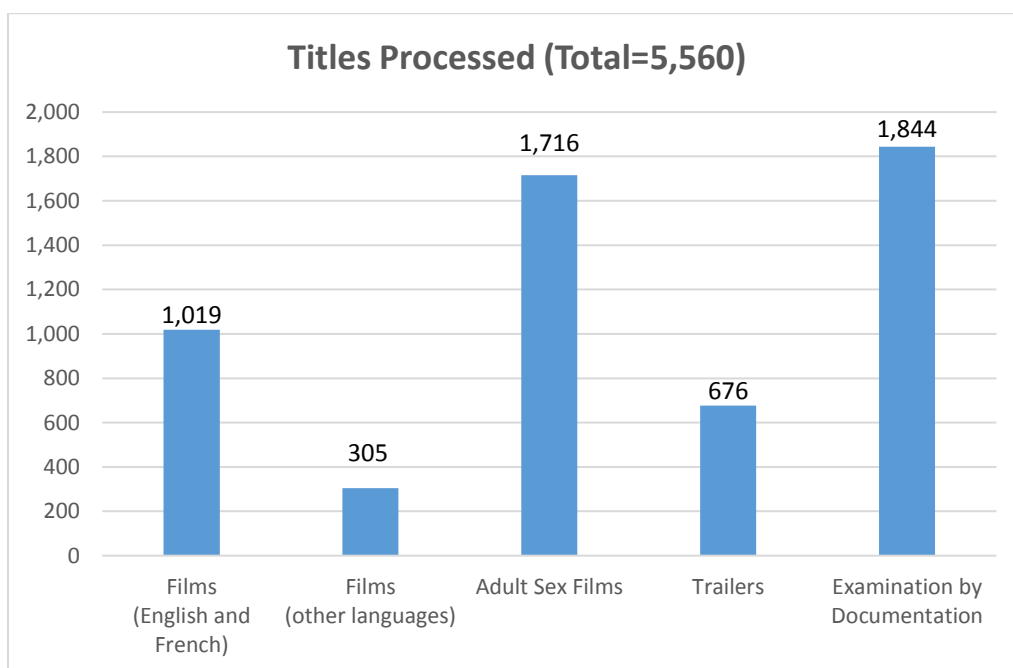
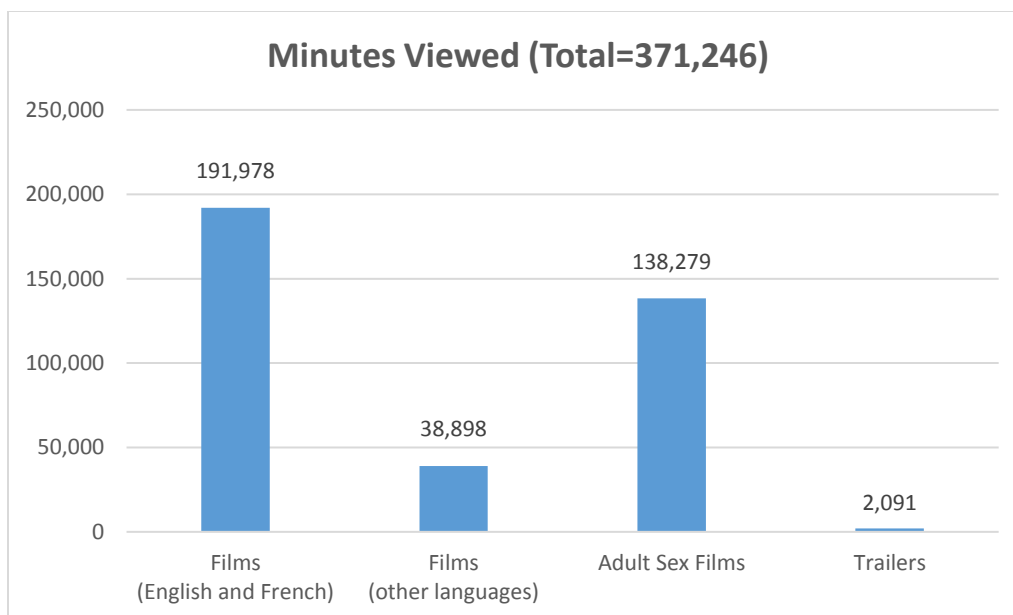
Film Classification

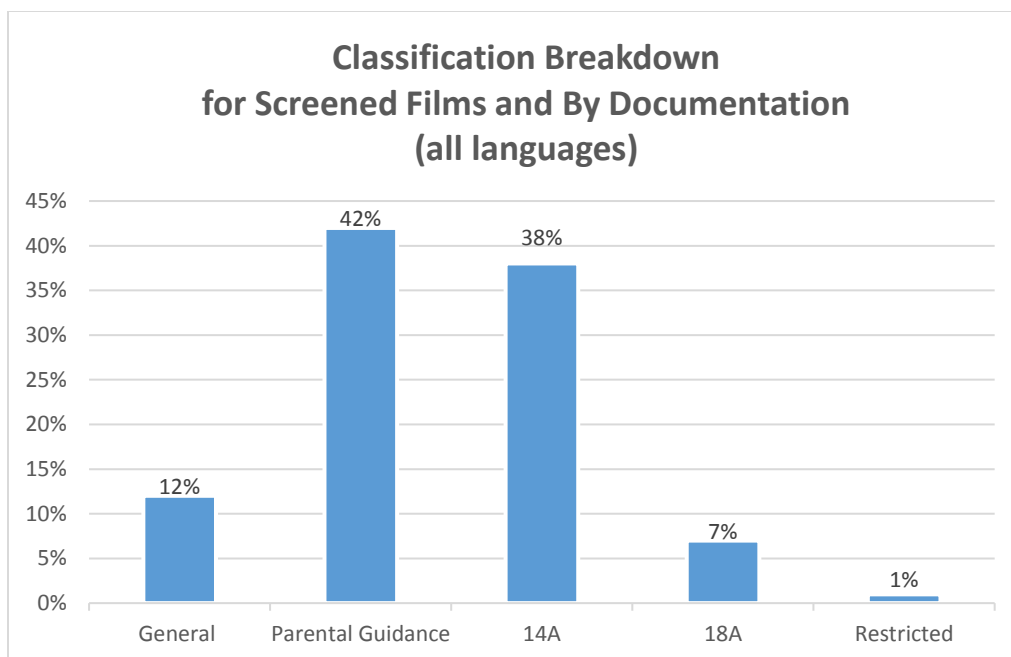
The OFRB issues a certificate of classification for every film it reviews and classifies. All adult sex films the OFRB approves are also issued a certificate of classification.

There is an appeal process outlined in the FCA. If the original applicant for a certificate of classification disagrees with the classification rating the OFRB has issued or the OFRB has refused to approve an adult sex film, the applicant may appeal that decision (within 14 days of receipt of a certificate of classification) and resubmit the film to the OFRB.

In the event that a member of the public is dissatisfied with a classification rating and submits a complaint to the OFA, this may trigger the OFA Statutory Director's authority to order a reconsideration of the film by the OFRB. In both instances (appeals and reconsiderations), the film is then screened and classified by members who did not participate in the initial decision.

APRIL 1, 2016 - MARCH 31, 2017	
Minutes Viewed	
Films (English and French)	191,978
Films (other languages)	38,898
Adult Sex Films (ASF)	138,279
Trailers	2,091
Total:	371,246
Titles Processed	
Films (English and French)	1,019
Films (other languages)	305
Adult Sex Films (ASF)	1,716
Trailers	676
Total:	3,716
Appeals	
Classification– decision changed	10
Approval– decision changed	0
Classification– decision upheld	10
Approval– decision upheld	0
Total:	20
Reconsiderations	0
Cumulative Decisions	4
Adult Sex Film Non-Approval Decisions	34
Examination by Documentation	1,844





Requests for screening dates for all films are provided either on the same day the request is made or within three business days. Requests are typically made via email and submitted with the application form for classification. Appeal screenings are scheduled within three days of the submission of an appeal request.

Once the OFRB has screened a film on the scheduled date and provided the classification information to the OFA administrative team, the turnaround time to issue a certificate of classification for films for exhibition is on the same day of screening or the next business day; standard is one to two business days.

Home DVD and adult sex films are screened and issued a classification within ten business days or less; standard is ten days.

All phone and/or email enquiries are answered within one business day.

COMPLAINT HANDLING PROCESS

Complaints may be submitted to the OFA by telephone, fax, mail, email or by completing and submitting the “Inquiry, Comment or Complaint” form. When the OFA receives a complaint, it may be resolved anywhere from a few hours over the telephone or a few days to a few weeks for a formal complaint. The length of time may vary depending on the complexity of the issues, and the feedback and documentation required to deal with the complaint.

The majority of general enquiries, comments or complaints are sent to the OFA via email and typically pertain to film classification decisions. The complaints are generally from members of the public/consumers who are dissatisfied with a rating for a movie they or their children have viewed in a theatre. For example, they may question why a film was rated PG instead of 14A. The OFRB Chair responds in writing typically within seven business days to all enquiries and complaints dealing with film classification decisions, outlining the classification process and providing an explanation of how the rating was arrived at.

When a complaint involves allegations of non-compliance with the FCA, the Registrar will undertake the necessary compliance and enforcement activities.

Complaints

There were no complaints against the OFA itself. However, the OFA received 17 complaints from individuals who were dissatisfied with the OFRB’s classification of a film or trailer. Appeals against the Registrar’s administrative decisions, such as the denial or revocation of a licence, may proceed, as appropriate to the Licence Appeal Tribunal. There were no such appeals.

Note - An applicant for a certificate of classification may appeal the OFRB’s classification decision or appeal the OFRB’s refusal to approve an adult sex film under the FCA. Appeals and reconsiderations are not included in the above complaint statistics (refer to page 17 for statistics on appeals and reconsiderations).

FRENCH LANGUAGE SERVICE

The OFA can respond to any enquiries received in French, whether oral or written. The nature and level of service the OFA provides in French is determined on an as-required basis.

During this period, there were no requests for French language services. However, responses to two emails were voluntarily provided in French.

FINANCIAL REVIEW

The financial overview is based on the April 1, 2016 to March 31, 2017 audited financial statements. The organization was delegated the operations on October 1, 2015, and therefore, fiscal 2017 is the first full year of revenue for the organization. It should be noted that the comparative figures for 2016 includes costs related to activities to set up the OFA.

In addition to general operational expenses incurred with administering the *Film Classification Act, 2005 (FCA)*, the OFA continued to incur one-time costs related to improving IT infrastructure and security, fine-tuning the web-based film classification and licensing application forms, and the recruitment of more members for the Ontario Film Review Board.

The OFA relies on two revenue streams, film classification and licensing fees, which are set out in accordance with a fee structure under the Minister's Order made under the FCA. Fees for film classification services are generally broken down by film application type (full screening, limited exhibition, by documentation, etc.) whereas licensing fees are charged depending on the class of licence an exhibitor, distributor or retailer may require. Revenue is mostly derived from Canadian sources, however the OFA has had clients as far away as Israel and the UK.

The interim Board has approved for fiscal 2016/17, the investment of operating cash in short term deposits (30, 60, 90 and 120 days). Future investments will align with an investment policy and the OFA's strategic plan once the permanent Board is in place.



ONTARIO FILM AUTHORITY

FINANCIAL STATEMENTS

MARCH 31, 2017

ONTARIO FILM AUTHORITY

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MARCH 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Members of Ontario Film Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Ontario Film Authority, which comprise the statement of financial position as at March 31, 2017, and the statements of changes in net assets, operations, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion of 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 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.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Ontario Film Authority as at March 31, 2017, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

June 21, 2017

Sloan Partners LLP

Chartered Professional Accountants
Licensed Public Accountants

ONTARIO FILM AUTHORITY
STATEMENT OF FINANCIAL POSITION

As at March 31	2017	2016
ASSETS		
Current		
Cash	\$ 886,504	\$ 877,199
Short-term investments	784,895	-
Accounts receivable	26,447	357,633
HST PSB rebate recoverable	34,256	43,711
Grants receivable	-	65,040
Prepaid expenses	24,952	19,814
	<u>1,757,054</u>	<u>1,363,397</u>
Capital assets (Note 3)	<u>47,053</u>	<u>69,472</u>
	<u>\$ 1,804,107</u>	<u>\$ 1,432,869</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 185,989	\$ 435,652
Deferred revenue (Note 4)	659,808	716,422
HST payable	-	13,648
	<u>845,797</u>	<u>1,165,722</u>
NET ASSETS		
Invested in capital assets	47,053	69,472
Unrestricted net assets	911,257	197,675
	<u>958,310</u>	<u>267,147</u>
	<u>\$ 1,804,107</u>	<u>\$ 1,432,869</u>

Approved by:

Director: Tom Wright

Director: _____

ONTARIO FILM AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31	2017	2016
NET ASSETS CONSIST OF:		
Unrestricted net assets		
Balance, beginning	\$ 197,675	(6,236)
Excess of revenue over expenses	723,663	287,637
Purchase of capital assets	(10,081)	(83,726)
Balance, end of year	911,257	197,675
Invested in capital assets		
Balance, beginning of year	69,472	6,236
Amortization	(32,500)	(20,490)
Purchase of capital assets	10,081	83,726
Balance, end of year	47,053	69,472
NET ASSETS, ending	<u><u>\$ 958,310</u></u>	<u><u>\$ 267,147</u></u>

ONTARIO FILM AUTHORITY
STATEMENT OF OPERATIONS

Year ended March 31	2017	2016
REVENUE		
Classification fees	\$ 1,902,689	\$ 883,826
Grants	-	496,905
Licensing fees	563,144	248,690
Other revenue	1,450	-
	<u>2,467,283</u>	<u>1,629,421</u>
EXPENSES		
Salaries and wages	720,680	358,473
OFRB classification services	547,279	236,487
Legal fees	71,550	229,047
Office and general	62,509	113,920
Oversight fee	(111,000)	111,000
Occupancy costs	246,815	102,723
Subcontractors	83,114	99,862
Professional fees	33,629	33,643
Board of director remuneration	30,232	26,427
Insurance	42,303	25,482
Interest and bank charges	16,509	4,720
Amortization	32,500	20,490
	<u>1,776,120</u>	<u>1,362,274</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 691,163</u>	<u>\$ 267,147</u>

ONTARIO FILM AUTHORITY
STATEMENT OF CASH FLOWS

Year ended March 31	2017	2016
CASH PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 691,163	\$ 267,147
Item not affecting cash:		
Amortization	32,500	20,490
Changes in non-cash working capital:		
Accounts receivable	331,186	(357,633)
HST PSB rebate recoverable	9,455	(8,874)
Grants receivable	65,040	(32,380)
Prepaid expenses	(5,138)	(14,146)
Accounts payable and accrued liabilities	(249,664)	352,707
Deferred revenue	(56,614)	692,917
HST payable	(13,648)	13,648
	<u>804,280</u>	<u>933,876</u>
INVESTING		
Purchase of capital assets	(10,081)	(83,726)
Purchase of short term investments	(784,895)	-
	<u>(794,976)</u>	<u>(83,726)</u>
Net cash used in investing activities		
	<u>(794,976)</u>	<u>(83,726)</u>
NET INCREASE (DECREASE) IN CASH	9,304	850,150
CASH, beginning	877,199	27,049
CASH, ending	\$ 886,504	\$ 877,199

ONTARIO FILM AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

PURPOSE OF THE ORGANIZATION

The Ontario Film Authority (the "Organization") was established to administer the Film Classification Act, 2005 (the "FCA") and its associated regulation made pursuant to it and any other legislation and regulations as may be designated and delegated to the Organization under the Safety and Consumer Statutes Administration Act, 1996 as amended from time to time and any other legislation or regulations under which responsibilities are designated to the Organization in the future. The Organization will oversee the licensing of film theatres and the operations, including the film classification and approval activities of the Ontario Film Review Board, or any successor organization. The Organization will also promote and enhance public information, education, confidence and awareness in the film industry in Ontario through, but not necessarily limited to the following activities: film classification, licensing, inspections, investigations, responding to complaints, and public education activities.

The Organization was incorporated without share capital under the laws of the Province of Ontario on September 25, 2013. It is carried on without the purpose of gain for its members, and any profits or other accretions to the corporation shall be used in promoting its objects, and as such, is exempt from income tax.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant by the Organization.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the recognition, measurement and disclosure of amounts reported in the financial statements and accompanying notes. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results could differ from these estimates. Significant estimates are comprised of prepaid expenses, HST PSB recoverable, book value of capital assets, accruals for accounts payable and accrued liabilities, and deferral of revenues.

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

ONTARIO FILM AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided at rates intended to write-off assets over their estimated productive lives as follows:

	<u>Rate</u>	<u>Method</u>
Video equipment	40%	declining balance
Computer equipment	45%	declining balance
Computer software	100%	declining balance

The Organization regularly reviews its capital assets to eliminate obsolete items and fully amortize items no longer in service.

Revenue Recognition

(i) Grant revenue

The Organization follows the deferral method of accounting for contributions. Restricted contributions, if any, are recognized in revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Contributions are allocated to the purpose to which they relate. If the contributor makes no designation, they are allocated to general purposes. Grants are recognized in the period to which the related project occurs. Grants are recorded in revenue when the corresponding conditions for receipt of the funds received are met, or the period for which the funds are designated has passed.

Grants received in excess of the amount to be recognized in revenue for the year are recorded as deferred revenue.

(ii) Classification fees

Fees charged for reviewing and classifying films in accordance with the FCA. Classification fees are recognized when the film has been classified.

(iii) Licensing fees

Fees charged for licensing retailers, distributors, and exhibitors are for a one, two, five, or ten year period. They are recognized evenly over the duration of the license. Unearned fees are recorded as deferred revenue.

ONTARIO FILM AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

2. CAPITAL MANAGEMENT

When managing capital, the Organization's objectives are to ensure that the entity continues as a going concern as well as to maintain optimal benefits to its stakeholders. Management adjusts the capital structure as necessary, in order to support the operational requirements of the organization. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of management to sustain future development of the organization. The Organization defines capital to include its working capital position and the net assets of the organization.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Organization, is appropriate.

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Computer equipment	\$ 55,437	\$ 30,755	\$ 24,682	\$ 37,299
Video equipment	43,964	21,593	22,371	32,000
Computer software	3,212	3,212	-	173
	<u>\$ 102,613</u>	<u>\$ 55,560</u>	<u>\$ 47,053</u>	<u>\$ 69,472</u>

ONTARIO FILM AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

4. DEFERRED REVENUE

	2017	2016
Continuity of deferred revenue:		
Deferred revenue, beginning	\$ 716,422	\$ 23,505
License fees received	496,037	711,225
Classification fees received	1,913,182	1,137,713
Grants received	-	473,400
	<u>3,125,641</u>	<u>2,345,843</u>
 Licensing fee revenues	 (563,144)	 (248,690)
Classification fee revenues	(1,902,689)	(883,826)
Grant revenue	-	(496,905)
	<u>\$ 659,808</u>	<u>\$ 716,422</u>
 Deferred revenue consists of:		
Licensing fees received in advance	405,589	\$ 462,535
Classification fees received in advance	254,219	253,887
	<u>\$ 659,808</u>	<u>\$ 716,422</u>

The Organization was delegated the operations on October 1, 2015 and therefore fiscal 2017 is the first full year of revenues for the Organization.

5. FINANCIAL INSTRUMENTS

In accordance with CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement, financial instruments are classified into one of the following five categories: held for trading, held to maturity, loans and receivables, available for sale, or other financial liabilities. The classification determines the accounting treatment of the instrument. The classification is determined by the organization when the financial instrument is initially recorded, based on the underlying purpose of the instrument. The financial assets and financial liabilities of the organization are classified and measured as follows:

Financial assets/liabilities	Category	Measurement
Cash	Held for trading	Fair value
Receivables	Loans and receivables	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Fair value

ONTARIO FILM AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

The Organization's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. The fair value of a financial instrument is the estimated amount that the organization would receive or pay to settle a financial asset or financial liability as at the reporting date.

6. COMMITMENTS

The Organization is committed to lease its premises at 4950 Yonge Street, Suite 101B, Toronto, Ontario M2N 6K1 until September 30, 2018. The future minimum annual lease payments are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2018	246,535
2019	<u>123,267</u>
	<u>\$ 369,802</u>

7. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's method of presentation.

ontario
film
authority

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