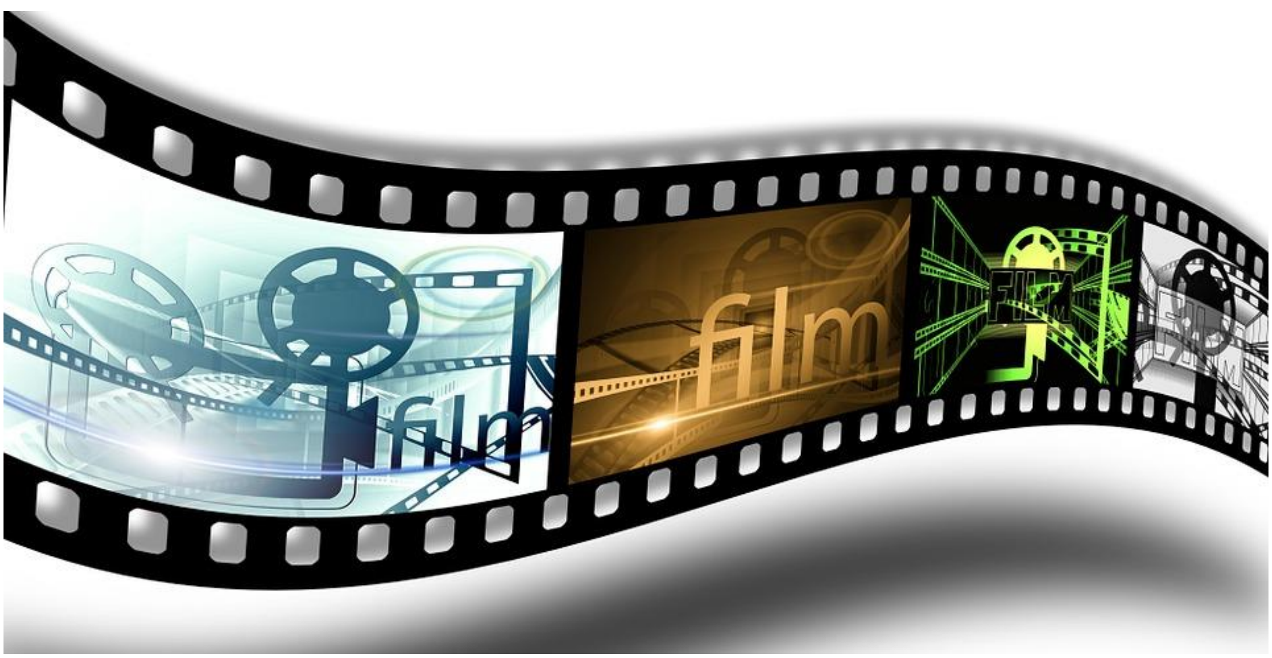
ontario
film
authority

ANNUAL REPORT

April 1, 2017 to March 31, 2018



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MESSAGE FROM THE CHAIR

July 30, 2018

The Honourable Todd Smith
Minister of Government and Consumer Services
Mowat Block, 6th Floor
900 Bay Street
Toronto, ON
M7A 1L2

Dear Minister Smith,

It is my honour, as the Chair of the Ontario Film Authority's (OFA) first permanent Board of Directors (Board), to present the OFA's 2017-2018 Annual Report.

When the torch was passed from the OFA's interim Board to the permanent Board in December 2017, the transition was seamless. The OFA's current Board consists entirely of new elected directors and new ministerial appointed directors who bring a richness of unique perspectives, skills and distinct experiences to the table.

The first order of business for the Board was to participate in a comprehensive orientation and governance training session to be ready for the challenges ahead. The session was highly informative and generated much discussion around good governance. It also provided an opportunity for the Board to gain an understanding of the OFA's path to delegation as an administrative authority, and the milestones it had achieved in its initial year of operation under the Administrative Agreement.

The Board will continue to work with the OFA's management team to ensure that the organization's resources are spent in an effective and efficient manner, and that the OFA will continue to focus on providing timely customer service to its film classification clients and licensees.

As the OFA heads into its third year as a Delegated Administrative Authority, the Board looks toward the future. Providing strategic direction is the most important function for any board of directors. In the spring of 2018, together with the management team, we undertook a strategic planning process, another first for the OFA. In serving the public interest, the OFA will continue to focus on how best to deliver on its statutory mandate, ensuring that it operates in a transparent and consistent manner. The OFA will strive for regulatory excellence, be mindful of the impact of change on those it regulates, and work to enhance stakeholder engagement.

In closing, I would like to thank the interim Board of Directors of the OFA – Chair Tom Wright, and Board Members Renu Kulendran, Wendy Noss and Janet Robinson. All were instrumental in ensuring the OFA's transition to a Delegated Administrative Authority was managed professionally and effectively. Without their dedication to the task, which was often complex and in unknown territory, the OFA would not be the stable and effective organization it is now. I would also like to thank Executive Director, Abena Buahene, and her remarkable staff for their support and advice. They have been unmatched.

I look forward to working with the Board and staff of the OFA over the next year, to continue to address the work and challenges ahead for this organization. It is my privilege to serve as Chair.

Yours truly,

Mary Henricksen
Chair of the Board of Directors
Ontario Film Authority

MESSAGE FROM THE EXECUTIVE DIRECTOR & REGISTRAR

Under the guidance of the interim Board of Directors, much of our focus on the administrative front was to either accomplish or set in motion some of the key business priorities set out in our 2017-2018 business plan. Our goal was to enable the first permanent Board to begin its tenure dealing with governance matters. Building on the foundation that was set last year, our operational motto for 2017-2018 was "let's keep moving forward".

Technology plays a big part in assisting the public, licensees and film classification clients to access our various services. After a rigorous procurement process, we engaged an IT solutions provider to design the OFA's new information technology system which will result in the automation of many processes currently performed manually.

As our lease expires in the fall of 2018, the management team sourced suitable premises which would allow us to not only construct well laid-out film classification viewing rooms, but also provide a refreshed and more integrated office space than currently exists. I am pleased to say that a lease at a new location was executed and construction of the new office started in July 2018.

One of the OFA's core mandates is the viewing and classification of films for the distribution and exhibition of films in Ontario. This important service is done by the Ontario Film Review Board (OFRB), a division within the OFA. The OFRB met twice this fiscal year to review and update the film classification guidelines, to ensure they maintain the integrity of the film classification process. I am most appreciative of the support and dedication of the OFRB's interim Chair, Barbara Duckitt, and Vice-Chair, Adam Jones, for guiding the work of the OFRB while the search for a permanent chair was undertaken.

Reflecting on our second full year of operations, I continue to be grateful and inspired by being part of an organization that has a committed Board of Directors, engaged and innovative staff, and a strong and collaborative relationship with our Ministry of Government and Consumer Services' oversight team.

Thanks to all.

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; and
- engaging the public, stakeholders and government to enhance consumer protection and foster constructive dialogues.

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

ONTARIO FILM AUTHORITY STRUCTURE

Organization

The OFA is an independent, not-for-profit corporation which administers the provisions of the FCA and its associated regulation on behalf of the MGCS.

Governance

The Board of Directors (Board) 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 Board is accountable to the Minister through the Chair, for the performance of the OFA. In exercising their fiduciary duty to the OFA, the Directors adhere to a Code of Conduct and Policy on Conflicts of Interest and Confidentiality.

Pursuant to the OFA's Corporate By-law No. 3, the OFA is currently governed by a seven-member Board comprised of

- three directors appointed by the MGCS;
- three elected directors from designated stakeholder constituencies (exhibitors, non-Canadian major distributors and distributors of Canadian films); and
- one elected director with experience in broadcast codes/standards relating to the distribution of product from the screen-based entertainment sector.

The Board as a whole, is required to possess a variety of the following experience and attributes:

Experience	Governance	Board Experience
		Financial Acumen
		System Thinking and Risk Assessment
		Strategic Direction and Planning
		Government Experience
	Regulatory	Regulatory Governance
		Stakeholder Relations
		Classification / Standards Experience
		Media Literacy
Individual Attributes	All Directors	Independence
		Competence / Consumer Experience
		Communications Skills
		Informed / Business & Professional Judgment
		Integrity / Ethics / Values and Accountability
		Decision Making
		Partnership / Relationship Building

Board of Directors

Mary Henricksen, Chair

Mary Henricksen is the Business Affairs and Production Executive at Vérité Films, a boutique production company developing high-quality dramas, comedies and innovative youth and children's programming.

Mary has had a varied career in the film, television and digital production and distribution industry in Canada, including senior roles with the Canada Media Fund, Telefilm Canada, the Province of British Columbia and the Canadian Broadcasting Corporation (CBC). Her 25-year career has included stints in both service and domestic production, large scale program delivery for national funding bodies, as well as in the development of government policy in the arts, culture and entertainment sectors. She has also served in senior roles in the not-for-profit space, most recently as the Executive Director of the Canadian Academic Accounting Association.

Mary graduated from the University of British Columbia with a Bachelor of Commerce. She most recently served as a board member with the Schizophrenia Society of Ontario, an organization looking to improve treatment and care for those living with schizophrenia in Ontario.

Peter Apostolopoulos, Director

Peter Apostolopoulos is President of TriBro Studios and Managing Partner of his family's international real estate development firm based in Toronto.

Peter has experience in different roles throughout the film and television industry, including writing, acting and producing. He has placed additional focus on what Ontario needs most in this sector, film production studios. With the continuous investments his company places in this specific niche, he will continue to help grow the Ontario film industry and keep Ontario as a destination of choice for productions. In late 2014, TriBro Studios opened and since then, the studio has been the centrepiece for many important productions. More importantly, back in 2014, Peter wanted to see more women at the helm of productions and to help equal the playing field, he announced an initiative for productions that have women in director roles or show-runner positions.

Nuria Bronfman, Director

Nuria Bronfman is the Executive Director of the Movie Theatre Association of Canada (MTAC), a national trade association representing movie theatre owners across the country, both large circuits and independents.

Nuria has worked in the film industry in Canada for over 25 years. Prior to her current job at MTAC, she held senior management roles at the Toronto International Film Festival (TIFF) and Famous Players movie theatre circuit.

Nuria has served on various industry and community boards including The Canadian Film Centre, National Screen Institute, Motion Picture Theatre Association of Canada, National Association of Theatre Owners, Marketing Advisory of the Feature Film Fund, Variety Village, Easter Seals Canada and the Abilities Festival.

Barbara Motzney, Director *

Barbara Motzney is the Assistant Deputy Minister, Policy and Strategic Direction at Western Economic Diversification Canada (WD).

Prior to joining WD in April 2017, Barbara was the first Chief Consumer Officer at the Canadian Radio-television and Telecommunications Commission (CRTC) and head of the Consumer Affairs and Strategic Policy Sector. She provided leadership to key regulatory files such as new wireless and broadcast codes of conduct, introduction of video relay service in Canada, broadcast emergency alerting, accessibility issues, future of pay phones and broadband performance measurement.

Barbara also spent 5 years as a Director and Vice President of the Board of Directors of the Canadian chapter of the International Institute of Communications. In her 26 years with the federal public service, Barbara also held policy and corporate leadership positions with Public Safety Canada, Canadian Heritage, Health Canada and Industry Canada where she has worked on government priorities (including Canada-US Beyond the Border Action Plan, copyright reform legislation, 2010 Olympic & Paralympic Games and UNESCO Convention on Protection and Promotion of the Diversity of Cultural Expressions).

Barbara graduated from the University of Western Ontario with a Bachelor of Arts in Financial and Administrative Studies and holds a Master of Business Administration from Concordia University.

* also appointed as the Statutory Director of the OFA under the FCA

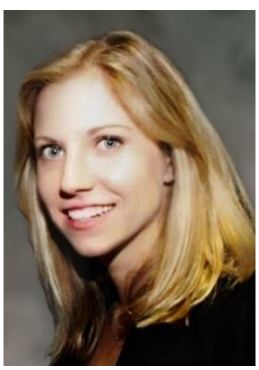
Hafeez Rupani, Director

Hafeez Rupani is Vice-President, Legal Affairs at the Motion Picture Association - Canada (MPA-Canada), an organization that serves as the voice and advocate of the major international producers and distributors of movies, home entertainment and television programming in Canada. MPA-Canada is an affiliate of the Motion Picture Association of America, Inc. (MPAA) and the motion picture studios served are 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.

Hafeez is responsible for providing strategic and operational advice to MPA-Canada on a wide variety of legal and public policy issues that affect the MPAA member companies and their domestic affiliates in Canada, including film and television production and distribution matters, copyright, broadcasting, and issues surrounding new technologies and the Internet.

Prior to joining MPA-Canada, Hafeez was a Partner at the law firm Borden Ladner Gervais LLP where he served as Regional Leader of both the Intellectual Property Litigation Group and the Advertising, Marketing & Sponsorship Group.

Hafeez also has extensive volunteer experience and presently serves as the Chairperson for the Arts & Culture Portfolio on the Aga Khan Ismaili Council for Ontario and as a Board Member for the Ismaili Centers Management Board.



Sarah Timlick, Director

Sarah Timlick is the Manager of Sales Distribution and Exhibitor Relations at Elevation Pictures, Canada's newest full-service film and TV distributor. Sarah is responsible for overseeing Exhibitor Relations, In-theatre Marketing and leading Theatrical Sales in eastern and western Canada, as well as Video on Demand (VOD) transactional business.

Sarah has worked in the entertainment industry for 9 years starting in film distribution at Alliance Films. She became Manager of Exhibitor Relations and In-Theatre Marketing, overseeing the successful advertising and in-theatre promotions for various film franchises, as well as solidifying strong relationships with various partners such as Lionsgate, Weinstein Company, Focus Features, Relativity, Cineplex, Empire and Landmark theatres. Following the acquisition of Alliance Films by Entertainment One (eOne), she led the Exhibitor Relations department and was a key player in the successful Canadian marketing campaigns for various films. In January 2015, Sarah joined Elevation Pictures.

Sarah graduated from the University of Toronto with a degree in Fine Art History, Cinema and Visual Studies.

Monique Van Remortel, Director

Monique Van Remortel is the Senior Director, Business & Rights - Unscripted Programming at the Canadian Broadcasting Corporation (CBC), Canada's national public broadcaster and one of Canada's largest cultural institutions.

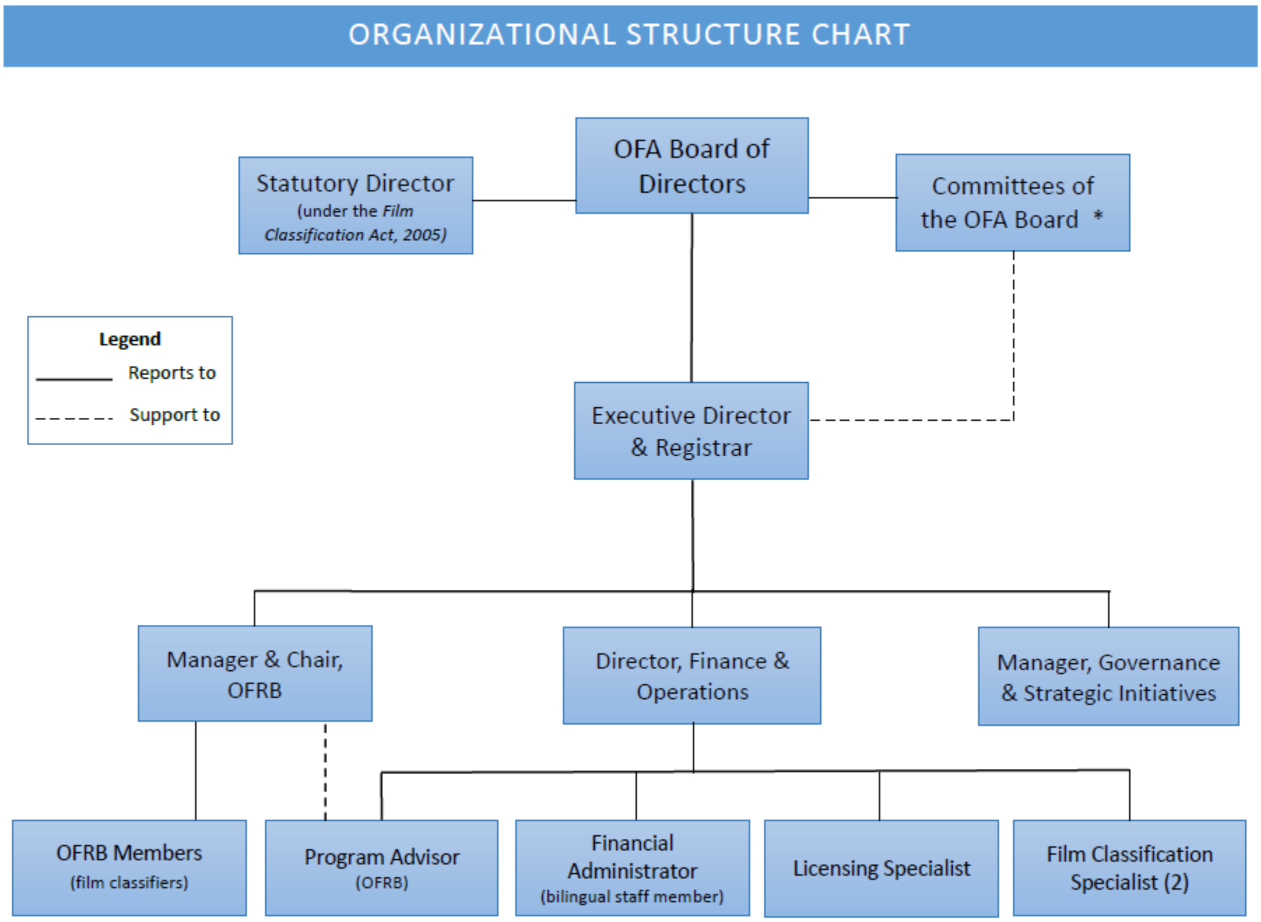
Monique oversees the business deals for the development and production of CBC and Documentary Channel's commissioned documentaries as well as CBC's commissioned Factual and Arts programming. Monique and her team work closely with independent producers to navigate the complexities of the Canadian Media Fund, tax credits, and other sources of external funding to ensure a project's financing structure and rights package make sense for the broadcaster in a rapidly changing media landscape. Prior to working in Unscripted, Monique spent several years working in the Scripted side of CBC's business group, on deals for its comedy, drama and children's programming.

Before joining CBC in 2004, Monique was in a boutique arts and entertainment law practice where she represented writers, artists, photographers, producers, and talent. She also spent several years as duty counsel for Artists Legal Advice Services (ALAS), advising creators on a variety of intellectual property and entertainment law matters. Monique is a former Chair of the board of Artists & Lawyers for the Advancement of Creativity, the non-profit organization that operates ALAS.

OFA Directors and Management

From left to right - Kathy Nakanishi, Mary Henricksen, Myuran Palasandiran, Hafeez Rupani, Barbara Motzney, Monique Van Remortel and Abena Buahene. Absent - Peter Apostolopoulos, Nuria Bronfman and Sara Timlick.

Organizational Chart



* Currently there are no committees established.

ONTARIO FILM REVIEW BOARD

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

The OFRB consists of individuals who come from a variety of diverse backgrounds, and vary in age, gender, vocation, race, cultural background and sexual orientation.

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. In addition to determining a classification category, the OFRB provides content advisories and detailed observations about a film.

From April 1, 2017 to March 31, 2018, the OFRB classified 3,271 films, screening a total of 288,866 minutes of film. In addition, the OFRB classified another 1,984 films by way of documentation (films rated based on a written application process rather than screened). For more detailed information on classification statistics, please refer to pages 18 to 20.

The classification guidelines are reviewed and updated periodically to ensure that they maintain the integrity of the film classification process.

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

Classification Categories

Elements that contribute to the film classification include language, violence, nudity, sexual activity, horror and psychological impact. Ontario Regulation 452/05 under the FCA gives the OFRB the authority to review and classify films into one of five classification categories (ratings):

G – Suitable for all	Suitable for viewers of all ages.
PG – Parental guidance advised	Parental Guidance is advised. Theme or content may not be suitable for all children.
14A – Persons younger than 14 must be accompanied by an adult	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.
18A – Persons younger than 18 must be accompanied by an adult	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.
R – Restricted to persons 18 or older	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 the OFA's significant accomplishments during the 2017-2018 fiscal year.

	Performance Measures	Accomplishments
DEVELOP HUMAN CAPITAL	Recruit and hire OFRB chair.	A comprehensive description for the OFRB Manager/Chair position was created. Recruitment firms were invited to respond to a Request for Proposal and a firm was selected to commence the recruitment process.
	Build and strengthen the OFRB human resources capacity and competencies.	The OFRB met twice this fiscal year to review and enhance the OFRB guidelines and procedures.
	Continue to develop and implement human resources policies and organizational best practices.	Training for all staff on the OFA's Respectful Workplace Program was conducted by an external consultant. Developed a comprehensive Health & Safety Manual for the OFA and roll-out will occur in the next fiscal year. The OFA's Joint Health & Safety Committee continues to conduct regular workplace inspections and communicates health and safety tips and resources as applicable.

	Performance Measures	Accomplishments
GOVERNANCE LEADERSHIP AND REGULATORY OVERSIGHT	Establish ongoing stability of governance oversight through effective transition to a permanent Board.	The permanent Board was instated pursuant to the OFA's Corporate Bylaw #3. The new Board participated in an orientation and governance training session.
	Develop a risk management framework for managing risks it may encounter in meeting OFA's mandate.	Collective agreement negotiations continue, along with contingency planning as appropriate.
	Review and revise the Memorandum of Understanding (MOU), which sets out the accountability framework between the OFRB Chair and the OFA Board.	A draft of a new MOU was submitted to the Ministry for its consideration.
CONTINUOUS IMPROVEMENT OF ORGANIZATIONAL EFFECTIVENESS AND EFFICIENCIES	Procure IT vendor for the new information management system and complete design of the information management system.	Procured IT vendor through a Request for Proposal and the vendor commenced business analysis, process mapping and design of the information management system. Management approved the blueprint of the new information management system.
	Find suitable office space for OFA operations as the existing lease ends September 30, 2018.	Conducted an analysis to determine space requirements and engaged a commercial realtor to locate suitable premises. A suitable premise was found and a ten-year lease for the new location was executed.

	Performance Measures	Accomplishments
ENHANCE STAKEHOLDER COLLABORATION AND OUTREACH	Increase outreach to and seek feedback from consumers through various initiatives.	A template for a Registrar's letter informing retail vendors who distribute adult sex films, about the requirements under the FCA was created. It is routinely included with the licensing application, where appropriate. Outreach and communications initiatives will be undertaken once the OFA has a strategic plan in place.
	OFA/OFRB will continue to pursue the sharing of information and approaches with other provincial film classification bodies with the view of harmonization.	The OFRB Vice-Chair and the OFA Executive Director attended a Canadian film industry conference and met with representatives from the other provincial classification review boards, to discuss trends in the film industry and film classification issues of mutual interest.
	Provide recommendations and advice to the Minister on a variety of issues including consumer protection activities and legislative review.	The OFA's senior management team attends regularly scheduled meetings with its MGCS oversight team to address specific public/consumer protection enquiries and to discuss issues of mutual interest.
	Expand awareness and understanding of the OFA's regulatory role.	The development of a risk-based compliance program and a communication/education plan to inform industry stakeholders about the compliance program will be undertaken once the OFA has a strategic plan in place.

Licensing

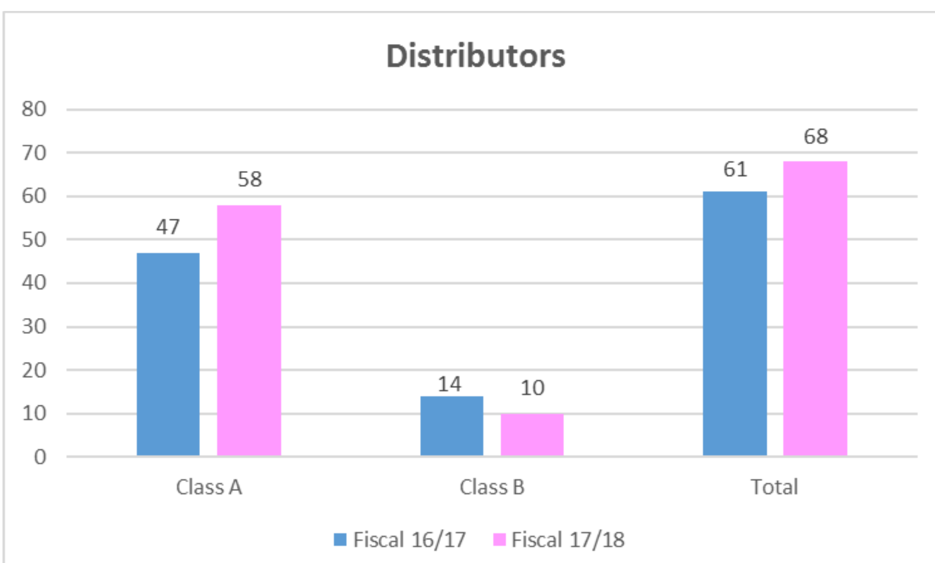
Subject to some exemptions, distributing or exhibiting a film in Ontario requires a licence under the FCA. As of March 31, 2018, the OFA has issued a total of 2,050 licences in seven classes of licences. Please refer to the charts below for a breakdown of the classes of licences.

Licence renewal and expiry letters are sent out 60 days prior to a licensee's expiry date. If all 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.

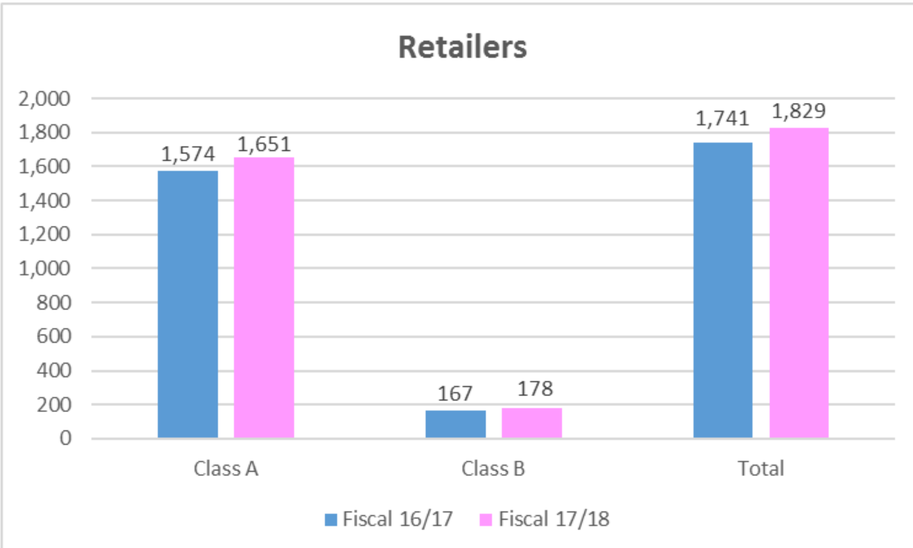
A total of 68 distributor licences were issued in the following two classes:

- Class A Distributor (58) - authorized to distribute films other than adult sex films
- Class B Distributor (10) - authorized to distribute films or adult sex films only to a Class B distributor, Class B exhibitor or Class B retailer licensee



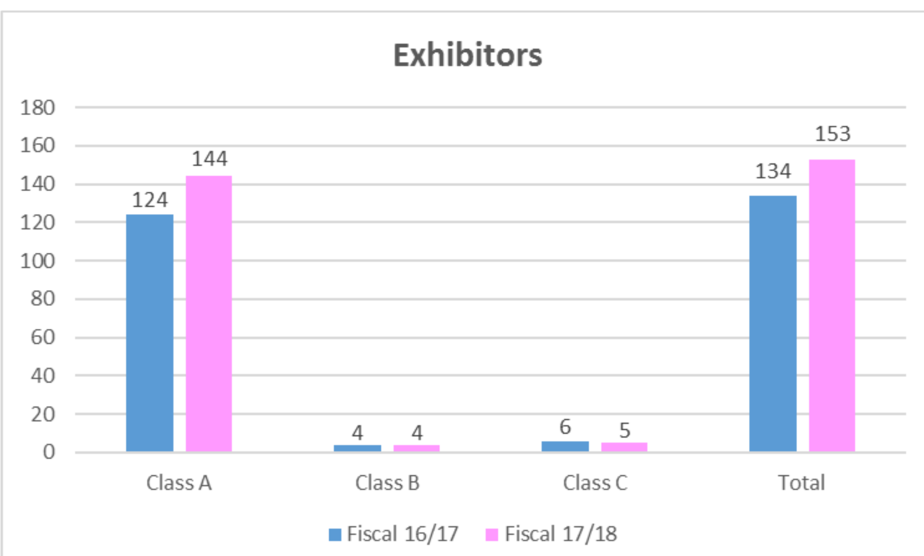
A total of 1,829 retailer licences were issued in the following two classes:

- Class A Retailer (1,651) - authorized to distribute films other than adult sex films to the public
- Class B Retailer (178) - authorized to distribute films, including adult sex films to the public



A total of 153 exhibitor licences were issued in the following three classes:

- Class A Exhibitor (144) - 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 (5) - authorized to exhibit films other than adult films at premises commonly known as drive-in theatres



Film Classification

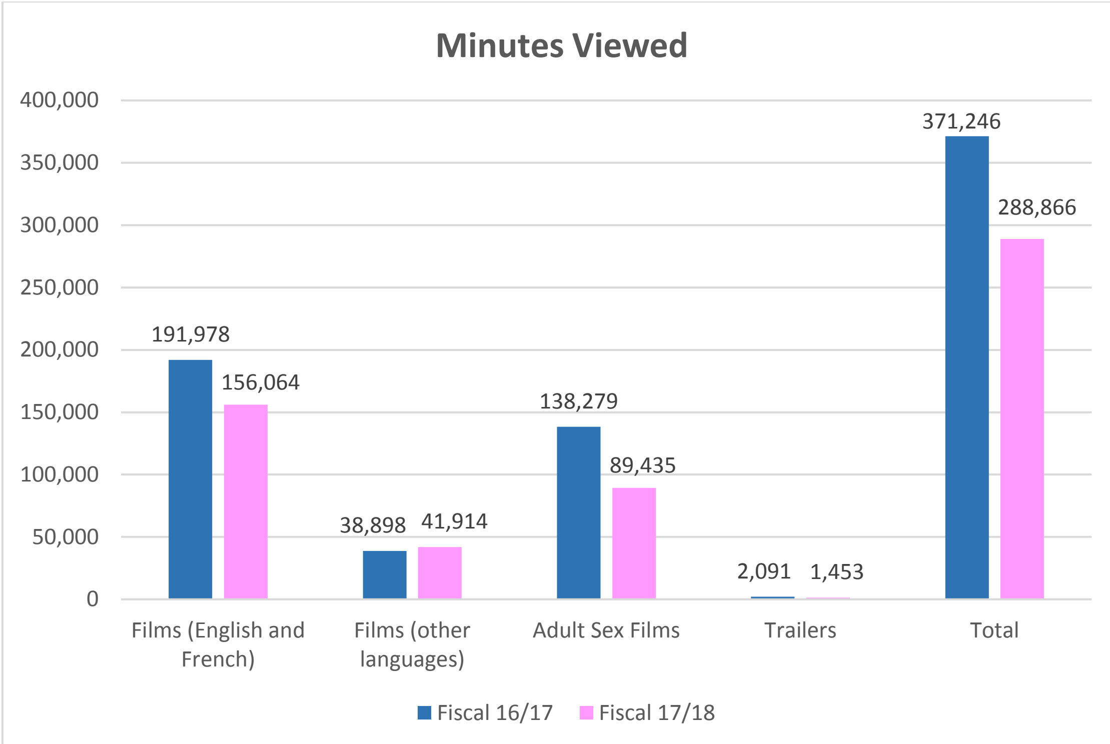
The OFRB issues a certificate of classification for every film it reviews and classifies. All adult sex films (ASF) that the OFRB approves, are also issued a certificate of classification.

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 disagrees with the OFRB's non-approval of 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.

If 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 - MARCH 31	Fiscal 16/17	Fiscal 17/18
Minutes Viewed		
Films (English and French)	191,978	156,064
Films (other languages)	38,898	41,914
Adult Sex Films (ASF)	138,279	89,435
Trailers	2,091	1,453
Total:	**371,246**	**288,866**
Titles Processed		
Films (English and French)	1,019	942
Films (other languages)	305	334
Adult Sex Films (ASF)	1,716	1,256
Trailers	676	739
Total:	**3,716**	**3,271**
Appeals *		
Classification– decision changed	10	19
Approval– decision changed	0	0
Classification– decision upheld	10	8
Approval– decision upheld	0	0
Total:	**20**	**27**
Reconsiderations *	0	1
Cumulative Panel Decisions *	4	11
Adult Sex Film Non-Approval Decisions	34	24
Examination by Documentation	**1844**	**1984**

* Reconsideration and types of panels (normal, cumulative, appeal) are defined on the OFA website at www.ontariofilmauthority.ca/en/classifications/ofrb.


Minutes Viewed
400,000
350,000
300,000
250,000
200,000
150,000
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50,000
0
191,978
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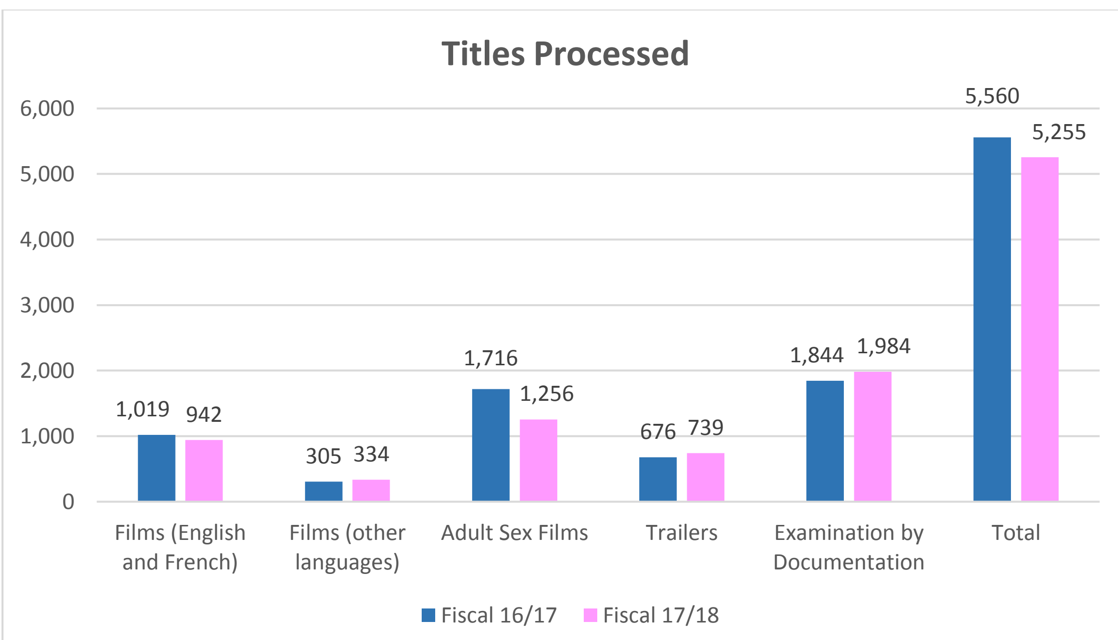
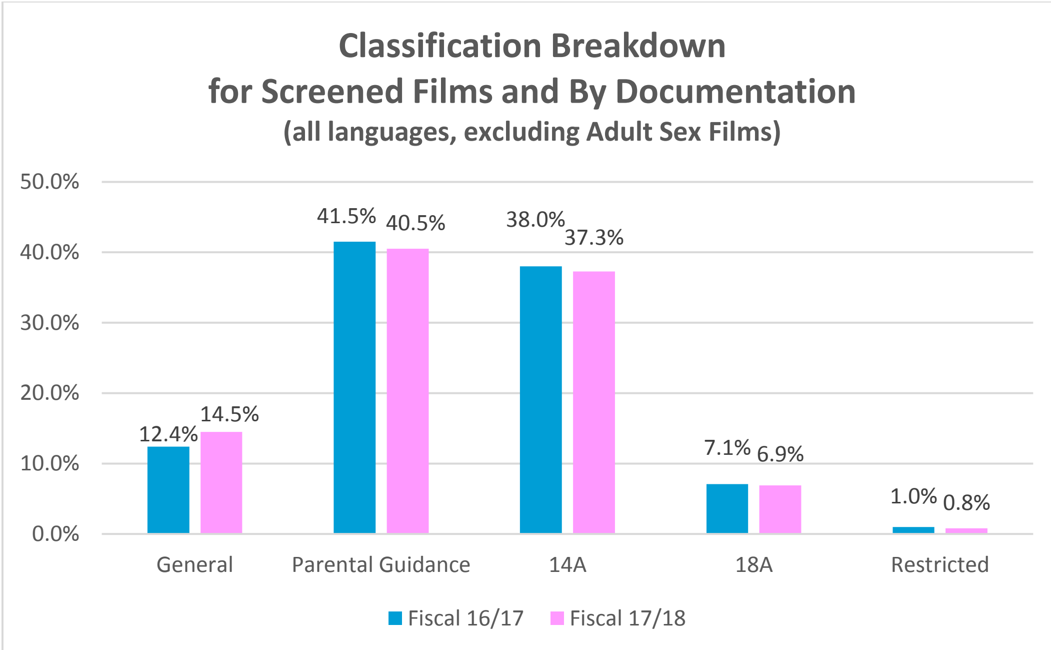
Total
Fiscal 16/17
Fiscal 17/18


Titles Processed
6,000
5,000
4,000
3,000
2,000
1,000
0
1,019
942
305
334
1,716
1,256
676
739
1,844
1,984
5,560
5,255
Films (English and French)
Films (other languages)
Adult Sex Films
Trailers
Examination by Documentation
Total
Fiscal 16/17
Fiscal 17/18



Requests for screening dates are typically made via email and submitted with the application form for classification. Screening dates for all films are provided within three business days.

Once the OFRB has screened a film and provided the classification information to the OFA's Film Classification Specialist, the turnaround time to issue a certificate of classification for films for exhibition is within two business days.

Home DVD and adult sex films are screened and issued a classification within ten business days.

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

COMPLAINT HANDLING PROCESS

Customers, stakeholders and the public may submit enquiries and complaints to the OFA by telephone, fax, mail, email or by a completed “Inquiry, Comment or Complaint” form. Where possible, complaints are dealt with at the source in a timely manner and may be resolved in a few hours over the telephone. Some complaints may take a few days to a few weeks to address. 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 OFA encourages two-way communication at all levels to ensure it is continually improving service quality. Further information on the complaints process is available on the OFA’s website at www.ontariofilmauthority.ca/en/contact/complaints.

Most 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 that 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 two 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

The OFA received 8 complaints (down from 17 received in the previous fiscal year) from individuals who were unhappy with the classification of a film or trailer. None of these complaints resulted in a need to launch a reconsideration process.

Under the FCA, 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. Appeals and reconsiderations are not included in the above complaint statistics (refer to page 18 for statistics on appeals and reconsiderations).

One complaint was received against the OFA itself. In late 2017, the OFA received a complaint from an industry stakeholder group stating that Ontario’s film ratings are incongruent with the ratings of other provinces. In response, the OFA has agreed to conduct an analysis of decisions rendered by the OFRB to determine how Ontario compares to other provinces in terms of its ratings. The analysis and related report is anticipated to be completed by mid-2018.

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.

FRENCH LANGUAGE SERVICE

The OFA can respond to 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, the OFA responded to two telephone enquiries in French.

FINANCIAL REVIEW

The financial overview is based on the April 1, 2017 to March 31, 2018 audited financial statements which reflects the OFA's second full year of operations post delegation (October 1, 2015).

In addition to general operational expenses incurred with administering the FCA, the OFA incurred one-time costs related to replacing the existing film classification and licensing database[1].

The OFA primarily relies on two revenue streams, film classification and licensing fees, in accordance with a fee structure set out under the Minister's Order made under the FCA. Fees for film classification services are generally broken down by English/French features, foreign language features and trailers. Licencing 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 some international clients as well.

This fiscal year has been a challenging one from a revenue standpoint, primarily due to the

- 20% decrease in minutes viewed for English/French language films; and
- 35% decrease in minutes viewed for adult sex films.

It is difficult to determine whether the above figures point to a trend. Fiscal 2018-2019 figures may shed light on whether the current fiscal year is an anomaly or not.

The OFA continues to invest 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, as appropriate.

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[1] As per the Administrative Agreement with the Ministry of Government and Consumer Services (MGCS), the OFA was granted access to MGCS' Consumer Affairs Tracking System (CATS) database for a period of 3 years ending September 30, 2018. The OFA is responsible for replacing CATS with their own database.

SLOAN PARTNERS LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Morison KSi
Independent member

ONTARIO FILM AUTHORITY

FINANCIAL STATEMENTS

MARCH 31, 2018

DEDICATED TO EXCELLENCE,
COMMITTED TO YOUR SUCCESS

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ONTARIO FILM AUTHORITY

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MARCH 31, 2018

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, 2018, 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, 2018, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Sloan Partners LLP

July 20, 2018

Chartered Professional Accountants
Licensed Public Accountants

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ONTARIO FILM AUTHORITY
STATEMENT OF FINANCIAL POSITION

As at March 31		2018		2017
ASSETS				
Current				
Cash	$	**299,973**	$	886,504
Short-term investments		**1,185,000**		784,895
Accounts receivable		**14,973**		26,447
HST PSB rebate recoverable		**-**		34,256
Prepaid expenses		**71,340**		24,952
		1,571,286		1,757,054
Capital assets (Note 3)		**178,360**		47,053
Intangible asset (Note 4)		**73,800**		-
	$	**1,823,446**	$	1,804,107
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**316,548**	$	185,989
Deferred revenue (Note 5)		**678,824**		659,808
		995,372		845,797
NET ASSETS				
Invested in capital assets		**252,160**		47,053
Unrestricted net assets		**575,914**		911,257
		828,074		958,310
	$	**1,823,446**	$	1,804,107

Approved by:

Director: [signature]

Director: Stimlick

ONTARIO FILM AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31		2018		2017
NET ASSETS CONSIST OF:				
Unrestricted net assets				
Balance, beginning of year	$	**911,257**		197,675
Excess of revenue over expenses (expenses over revenue)		**(70,080)**		723,663
Purchase of capital assets		**(191,463)**		(10,081)
Purchase of intangible asset		**(73,800)**		-
Balance, end of year		**575,914**		911,257
Invested in capital assets				
Balance, beginning of year		**47,053**		69,472
Amortization		**(60,156)**		(32,500)
Purchase of capital assets		**191,463**		10,081
Purchase of intangible asset		**73,800**		-
Balance, end of year		**252,160**		**47,053**
NET ASSETS, end of year	$	**828,074**	$	**958,310**

ONTARIO FILM AUTHORITY
STATEMENT OF OPERATIONS

Year ended March 31	2018	2017
REVENUE		
Classification fees	**$ 1,290,679**	$ 1,902,689
Licensing fees	**812,200**	563,144
Other revenue	**80,470**	1,450
Interest income	**12,196**	-
	2,195,545	2,467,283
EXPENSES		
Salaries and benefits	**802,152**	720,680
OFRB classification services	**539,433**	547,279
Occupancy costs	**246,535**	246,815
Legal fees	**163,571**	71,550
Office and general	**162,230**	62,509
Oversight fee	**111,000**	(111,000)
Subcontractors	**81,214**	83,114
Board of director remuneration	**69,504**	30,232
Insurance	**44,394**	42,303
Professional fees	**24,109**	33,629
Interest and bank charges	**19,697**	16,509
Memberships and licenses	**1,681**	-
Bad debt	**105**	-
Amortization	**60,156**	32,500
	2,325,781	1,776,120
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	**$ (130,236)**	$ 691,163

ONTARIO FILM AUTHORITY
STATEMENT OF CASH FLOWS

Year ended March 31	2018	2017
CASH PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses (expenses over revenue)	$ (130,236)	$ 691,163
Item not affecting cash:		
Amortization	60,156	32,500
Changes in non-cash working capital:		
Accounts receivable	11,474	331,186
HST PSB rebate recoverable	34,256	9,455
Grants receivable	-	65,040
Prepaid expenses	(46,388)	(5,138)
Accounts payable and accrued liabilities	130,559	(249,663)
Deferred revenue	19,016	(56,614)
HST payable	-	(13,648)
	78,837	804,281
INVESTING		
Purchase of capital assets	(191,463)	(10,081)
Puchase of intangible asset	(73,800)	-
Purchase of short term investments	(400,105)	(784,895)
Net cash used in investing activities	(665,368)	(794,976)
NET INCREASE (DECREASE) IN CASH	(586,531)	9,305
CASH, beginning of year	886,504	877,199
CASH, end of year	$ 299,973	$ 886,504

See the accompanying notes to the financial statements

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.

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:

	Rate	Method
Film projection equipment	40%	declining balance
Computer equipment	45%	declining balance
Leasehold improvements	10 years	straight-line over term of lease

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

Intangible asset

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

	Rate	Method
Database	10 years	straight-line

The amortization method and the estimate of useful life of the intangible asset is reviewed annually. As the database is not ready for use, there is no amortization.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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	**2018 Net Book Value**	2017 Net Book Value
Film projection equipment	$ 118,086	$ 45,366	**$ 72,720**	$ 22,371
Computer equipment	169,560	70,029	**99,531**	24,682
Leasehold improvements	6,430	321	**6,109**	-
	$ 294,076	$ 115,716	**$ 178,360**	$ 47,053

4. INTANGIBLE ASSET

	Cost	Accumulated Amortization	**2018 Net Book Value**	2017 Net Book Value
Database	$ 73,800	$ -	**$ 73,800**	$ -

5. DEFERRED REVENUE

	2018	2017
Continuity of deferred revenue:		
Deferred revenue, beginning	**$ 659,808**	$ 716,422
License fees received	**490,071**	496,037
Classification fees received	**1,631,824**	1,913,182
	2,781,703	3,125,641
Licensing fee revenues	**(812,200)**	(563,144)
Classification fee revenues	**(1,290,679)**	(1,902,689)
Deferred revenue, ending	**$ 678,824**	$ 659,808
Deferred revenue consists of:		
Licensing fees received in advance	**391,967**	405,589
Classification fees received in advance	**286,856**	254,219
	$ 678,824	$ 659,808

6. 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

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.

7. COMMITMENTS

The Organization is committed to lease its premises at 4950 Yonge Street, Suite 101B, Toronto, Ontario M2N 6K1 until September 30, 2018. The Organization will be moving to a new location, 40 Sheppard Avenue West, Suite 400, Toronto ON commencing October 1, 2018. The future minimum annual lease payments are as follows:

Fiscal year	Amount
2019	123,267
2020	29,340
2021	58,680
2022	58,680
2023 and thereafter	440,100
	$ 710,067

8. 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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