

**EDMONTON SCREEN INDUSTRIES OFFICE
SOCIETY**

Financial Statements

Year Ended December 31, 2018

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY
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Year Ended December 31, 2018

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April 2, 2019
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Directors of Edmonton Screen Industries Office Society

Opinion

We have audited the financial statements of Edmonton Screen Industries Office Society (the Society), which comprise the statement of financial position as at December 31, 2018, and the statements of revenue and expenditures, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2018, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

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

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

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

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

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**Independent Auditor's Report to the Directors of Edmonton Screen Industries Office
Society (continued)**

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Kingston Ross Pasmak LLP
Kingston/Ross Pasmak LLP
Chartered Professional Accountants

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY
Statement of Revenue and Expenditures
Year Ended December 31, 2018

	2018	2017 <i>(8 months)</i>
REVENUE		
Government grants <i>(Note 3)</i>	\$ 259,503	\$ 265,000
Sponsorships	18,566	-
	278,069	265,000
PROGRAMMING COSTS		
	62,730	-
	215,339	265,000
ADMINISTRATIVE EXPENSES		
Contractor fees	186,004	8,750
Recruitment fees	25,000	27,776
Travel	15,329	3,388
Legal fees	15,063	7,147
Accounting fees	12,820	7,470
Goods and Services Tax	6,693	1,285
Rent	6,000	-
Office	3,049	305
Advertising and promotion	2,860	575
Insurance	2,367	2,336
Telephone and utilities	916	50
Interest and bank charges	95	6
Business taxes, licenses and memberships	-	63
	276,196	59,151
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS	(60,857)	205,849
OTHER INCOME		
Interest income	3,393	1,426
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	\$ (57,464)	\$ 207,275

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2018

	Unrestricted	Internally Restricted	2018	2017 (8 months)
NET ASSETS - BEGINNING OF YEAR	\$ 207,275	\$ -	\$ 207,275	\$ -
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(57,464)	-	(57,464)	207,275
NET ASSETS - END OF YEAR	\$ 149,811	\$ -	\$ 149,811	\$ 207,275

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY
Statement of Financial Position
December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 207,830	\$ 223,080
Accounts receivable	3,566	-
Contributions receivable (Note 4)	3,956,531	-
Goods and Services Tax recoverable	6,693	1,285
Prepaid expenses	5,661	-
	\$ 4,180,281	\$ 224,365
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 69,942	\$ 17,090
Deferred contributions (Note 5)	3,960,528	-
	4,030,470	17,090
LEASE COMMITMENT (Note 6)		
NET ASSETS	149,811	207,275
	\$ 4,180,281	\$ 224,365

ON BEHALF OF THE BOARD

Director

Director

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY
Statement of Cash Flow
Year Ended December 31, 2018

	2018	2017 <i>(8 months)</i>
OPERATING ACTIVITIES		
(Deficiency) excess of revenues over expenditures	\$ (57,464)	\$ 207,275
Changes in non-cash working capital:		
Accounts receivable	(3,566)	-
Contributions receivable	(3,956,531)	-
Goods and Services Tax receivable	(5,408)	(1,285)
Prepaid expenses	(5,661)	-
Accounts payable and accrued liabilities	52,852	17,090
Deferred contributions	3,960,528	-
	42,214	15,805
(DECREASE) INCREASE IN CASH	(15,250)	223,080
CASH - BEGINNING OF YEAR	223,080	-
CASH - END OF YEAR	\$ 207,830	\$ 223,080
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 13,051	\$ 106,663
Term Deposits	194,779	116,417
	\$ 207,830	\$ 223,080

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

1. PURPOSE OF THE SOCIETY

Edmonton Screen Industries Office Society (the "Society") is a not-for-profit organization incorporated provincially under the Societies Act of Alberta on May 10, 2017. As a not-for-profit organization, the Society is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Society operates to support the development, growth, and sustainability of Edmonton as a centre of excellence in storytelling, creativity, innovation, collaboration and production across all sectors of the screen media industries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies observed in the preparation of the financial statements are summarized below.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit plus highly liquid short term investments, less cheques issued and outstanding. Highly liquid short term investments consist of term deposits that are valued at cost plus accrued interest and have maturities at the date of purchase of sixty days or less. These term deposits have annual rates of return ranging from 1.90% to 1.95%.

Revenue recognition

Edmonton Screen Industries Office Society follows the deferral method of accounting for contributions.

Restricted contributions that meet the definition of a liability are deferred and recognized as revenue in the period in which the related expenses are incurred. Unrestricted contributions and interest earned thereon are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions are recorded as receivable if the amount to be received can be reasonably estimated and its collection is reasonably assured.

Government grants

Government grants are recorded when there is a reasonable assurance that the Society had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

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EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY
Notes to Financial Statements
Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments

All financial instruments are initially measured at fair value, and, unless otherwise noted, the Society subsequently measures its financial instruments at amortized cost.

Donated services

Donated services include volunteer hours in fulfilling the Society's mission. Due to the difficulty in determining the value of donated services, the Society chooses not to record these amounts in the financial statements.

3. GOVERNMENT GRANTS

The Society entered into a Subsidy Agreement (the "Agreement") in 2017 to receive grant funding from the City of Edmonton for a total of \$530,000 over a three year period. During the year, \$238,500 (2017 - \$265,000) of this amount was received by the Society. The remaining \$26,500 will be received upon receipt by the City of Edmonton of audited financial statements for 2018, a report on specific performance indicators as outlined in the Agreement and new sustainable funding for program development.

During the year, the Government of Alberta provided \$25,000 of externally restricted funds to support programming and content. As at December 31, 2018, \$21,003 of these funds was used for qualified expenditures.

4. CONTRIBUTIONS RECEIVABLE

During the year, the Society entered into a Subsidy Agreement to receive grant funding from the City of Edmonton in the amount of \$3,956,531 to create the Edmonton Screen Media Fund (ESMF). The ESMF is to be used to invest in the local ownership and development of premium intellectual property and to leverage resources to access public and private capital and resources. Subsequent to year end the funds were received.

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY
Notes to Financial Statements
Year Ended December 31, 2018

5. DEFERRED CONTRIBUTIONS

	2018	2017
Balance, beginning of year	\$ -	\$ -
Recognition of the ESMF grant funding	3,956,531	-
Government of Alberta grant funding	25,000	-
Expenses incurred	(21,003)	-
Balance, end of year	\$ 3,960,528	\$ -

Funds on hand at the end of 2018 will be carried forward and used to fund qualified expenditures in future years.

6. LEASE COMMITMENT

The Society uses office space provided by the Edmonton Arts Council under a sub-lease arrangement for \$500 a month. Under the terms of the arrangement, the Society is billed for office space as well as shared goods and services on a quarterly basis.

Future minimum lease payments are unknown as at December 31, 2018.

7. SUBSEQUENT EVENTS

Subsequent to the fiscal year end, the Society entered into a Funding Agreement (the "Agreement") to receive grant funding from the City of Edmonton for a total of \$4,461,000 over a four year period to assist in developing and continuing its operations. The funding will be received as follows:

- a) \$458,000 upon receipt by the City of Edmonton of a proposed budget for 2019 and a report of specific performance indicators as outlined in the Agreement;
- b) \$458,000 on July 1, 2019 upon receipt by the City of Edmonton of audited financial statements for 2018;
- c) \$578,000 on January 1, 2020 upon receipt by the City of Edmonton of a proposed budget for 2020 and a report of specific performance indicators as outlined in the Agreement;
- d) \$578,000 on July 1, 2020 upon receipt by the City of Edmonton of audited financial statements for 2019;
- e) \$590,500 on January 1, 2021 upon receipt by the City of Edmonton of a proposed budget for 2021 and a report of specific performance indicators as outlined in the Agreement;
- f) \$590,500 on July 1, 2021 upon receipt by the City of Edmonton of audited financial statements for 2020;
- g) \$604,000 on January 1, 2022 upon receipt by the City of Edmonton of a proposed budget for 2022 and a report of specific performance indicators as outlined in the Agreement; and
- h) \$604,000 on July 1, 2022 upon receipt by the City of Edmonton of audited financial statements for 2021.