

**EDMONTON SCREEN INDUSTRIES OFFICE
SOCIETY**

Financial Statements

Year Ended December 31, 2019

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY
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Year Ended December 31, 2019

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April 7, 2020

INDEPENDENT AUDITOR'S REPORT

Edmonton, Alberta

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, 2019, and the statements of revenues 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, 2019, and the results of its operations and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 5 in the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Society's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 ASNPO, 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 related 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.

(continues)

Independent Auditor's Report to the Members 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 Revenues and Expenditures
Year Ended December 31, 2019

	2019	2018
REVENUE		
Government grants (<i>Note 4</i>)	\$ 949,693	\$ 259,503
Sponsorships	15,200	18,566
Application fees	1,500	-
	966,393	278,069
PROGRAMMING COSTS	135,805	62,951
GROSS PROFIT	830,588	215,118
EXPENDITURES		
Staffing	414,756	190,654
Consultants	67,194	25,625
Travel	37,445	15,710
Office and administration	26,240	4,160
Rent	20,130	6,000
Accounting services	16,461	15,285
Legal fees	13,795	13,242
Equipment purchases	13,548	-
Design and print	12,421	-
Insurance	8,668	2,367
Advertising and promotion	1,726	2,932
	632,384	275,975
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FROM OPERATIONS	198,204	(60,857)
OTHER INCOME (EXPENSES)		
Interest income	95,019	3,393
Other	310	-
	95,329	3,393
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 293,533	\$ (57,464)

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY**Statement of Changes in Net Assets****Year Ended December 31, 2019**

	Unrestricted	Internally Restricted	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 149,811	\$ -	\$ 149,811	\$ 207,275
EXCESS OF REVENUE OVER EXPENDITURES	293,533	-	293,533	(57,464)
Internally imposed restrictions <i>(Note 11)</i>	(86,099)	86,099	-	-
NET ASSETS - END OF YEAR	\$ 357,245	\$ 86,099	\$ 443,344	\$ 149,811


EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY
Statement of Financial Position
December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 407,832	\$ 207,830
Accounts receivable	4,040	3,566
Goods and Services Tax recoverable	15,050	6,693
Prepaid expenses	16,532	5,661
Accrued interest (Note 6)	88,232	-
Investment - Edmonton Screen Media Fund (Note 6)	3,956,531	-
Contributions receivable	-	3,956,531
	\$ 4,488,217	\$ 4,180,281
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	\$ 66,980	\$ 69,942
Grants payable (Note 8)	3,472	-
Deferred contributions (Note 9)	3,974,421	3,960,528
	4,044,873	4,030,470
CONTINGENT LIABILITY		
NET ASSETS		
Unrestricted	357,245	149,811
Internally restricted (Note 11)	86,099	-
	443,344	149,811
	\$ 4,488,217	\$ 4,180,281

ON BEHALF OF THE BOARD


Peggy Garrity (Sep 3, 2020 08:22 MDT)

Director


Scott Nye (Sep 3, 2020 08:28 MDT)

Director

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY**Statement of Cash Flow****Year Ended December 31, 2019**

	2019	2018
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	\$ 293,533	\$ (57,464)
Changes in non-cash working capital:		
Accounts receivable	(474)	(3,566)
Goods and Services Tax receivable	(8,357)	(5,408)
Prepaid expenses	(10,871)	(5,661)
Accrued interest on investment	(88,232)	-
Contributions receivable	3,956,531	(3,956,531)
Accounts payable and accrued liabilities	(2,962)	52,852
Grants payable	3,472	-
Deferred contributions	13,893	3,960,528
	3,863,000	42,214
Cash flow from (used by) operating activities	4,156,533	(15,250)
INVESTING ACTIVITY		
Purchase of term deposits	(3,956,531)	-
Cash flow used by investing activity	(3,956,531)	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	200,002	(15,250)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	207,830	223,080
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 407,832	\$ 207,830
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash	\$ 122,379	\$ 13,051
Term deposits	285,453	194,779
	\$ 407,832	\$ 207,830

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

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. COVID-19

The recent outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Society or clients, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the Society's business, the continued spread of COVID-19 and the measures taken by the federal, provincial and municipal governments to contain its impact could adversely impact the Society's business, financial condition or results of operations. Specifically, the Society's ability to invest ESMF funds and issue grants will be impacted by the slowdown in the screen media industry. Program delivery and revenue generation will be limited to the opportunities made available by our partners and vendors. The extent to which the COVID-19 outbreak impacts the Society's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

3. 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.

Revenue recognition

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

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted and internally restricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted interest income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted and internally restricted interest income is recognized as revenue when earned.

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EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

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

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 less than a year. These term deposits have annual rates of return ranging from 1.90% to 1.95%.

Grants payable

The Society records grants (included in program costs expense) at the time the related grant application is approved.

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 expenses during the period. Such estimates include accrued accounts payable, contributions receivable and grants payable. These are periodically reviewed and any necessary adjustments 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

Volunteers contribute a significant amount of time each year to assist the Society in carrying out its mission. However, the contributed services of the volunteers are not recognized as revenue and expenses in these financial statements because their fair value cannot be reasonably determined.

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

4. GOVERNMENT GRANTS

Unrestricted

During the year, the Society received the remaining \$26,500 (2018 - \$238,500) balance of the subsidy agreement with with City of Edmonton from 2017.

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 operation. The funding began in 2019 and \$916,000 of this amount was received by the Society.

The remaining funding will be received as follows:

- \$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;
- \$578,000 on July 1, 2020 upon receipt by the City of Edmonton of audited financial statements for 2019;
- \$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;
- \$590,500 on July 1, 2021 upon receipt by the City of Edmonton of audited financial statements for 2020;
- \$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
- \$604,000 on July 1, 2022 upon receipt by the City of Edmonton of audited financial statements for 2021.

Externally Restricted

In 2018, the Society entered into a Capital Subsidy Agreement ("Capital 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. At least 50% of the returns attributable to the eligible projects are required to be returned to the ESMF. The funds were received and deferred in 2019.

During the year, the Society received several grants from the Government of Alberta totaling \$21,086 (2018 - \$25,000). Related expenses totaling \$7,193 (2018 - \$21,003) were incurred in the year. Government of Alberta grants received are used to support program content and subsidize wages for summer staff.

	2019	2018
Government of Alberta - Summer Temporary Employment Program	\$ 2,586	\$ -
Government of Alberta - CARES programming	18,500	-
Government of Alberta - programming and content	-	25,000
	\$ 21,086	\$ 25,000

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

5. GOING CONCERN

On December 11, 2019, the City of Edmonton passed a motion to explore amalgamation of city funded organizations supporting technology innovation. The Society is considered one of these organizations. At the financial statement report date the outcome of the decision remains unknown as the COVID-19 outbreak postponed some expected City of Edmonton meetings. There is a material uncertainty related to events and conditions that may cast significant doubt on the Society's ability to continue as a going concern.

6. EDMONTON SCREEN MEDIA FUND

The Society invested funds in a Guaranteed Investment Certificate (GIC) with an interest rate of 2.38%, maturing January 23, 2020. Subsequent to year-end the GIC matured and was reinvested.

As of December 31, 2019, the GIC had accrued interest of \$88,232.

7. GOVERNMENT REMITTANCES

Government remittances consist of amounts such as payroll withholding taxes required to be paid to government authorities and are recognized when the amounts come due. Government remittances of \$8,467 (2018 - \$nil) are included in accounts payable and accrued liabilities.

8. GRANTS PAYABLE

The Society has committed grants to industry organizations that become payable and are classified as accounts payable on verification of the related disbursements made by the industry organization.

	2019	2018
Balance, beginning of the year	\$ -	\$ -
Grant commitments issued during the year	21,106	-
Expired commitments	-	-
Grants paid during the year	(17,634)	-
	\$ 3,472	\$ -

Subsequent to the fiscal year end, the Society entered into several agreements to provide grants totalling \$42,261. These industry grants are to support activities in the industry and are expected to be fully utilized in 2020.

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

9. DEFERRED CONTRIBUTIONS

	2019	2018
Balance - beginning of year	3,960,528	-
Government of Alberta grant funding received	21,086	25,000
ESMF grant funding received	-	3,956,531
Contributions recognized	(7,193)	(21,003)
	\$ 3,974,421	\$ 3,960,528

10. LEASE COMMITMENT

During the year, the Society entered into a lease agreement with the City of Edmonton, expiring April 30, 2023. Under the terms of the agreement, the Society is charged annual rent of \$1 and monthly operating costs of \$2,211, subject to annual review. Future minimum lease payments as at December 31, 2019, are as follows:

2020	\$ 26,533
2021	26,533
2022	26,533
2023	8,844
	<u>\$ 88,443</u>

11. INTERNALLY RESTRICTED NET ASSETS

The Society's Board of Directors has internally restricted net assets related to application fees received, interest earned on the principal of the ESMF not yet invested and the other 50% of returns attributable to the eligible projects from the ESMF. The net assets, to a maximum of \$100,000, are internally restricted for the purpose of administering and managing the ESMF.

	2019
Application fee revenue	\$ 1,500
Interest income earned on the principal not yet invested	88,234
Programming costs	(3,635)
	\$ 86,099

12. SUBSEQUENT EVENTS

Subsequent to the fiscal year end, the Society approved the use of \$250,000 of the ESMF. As of the report date the agreements with the recipients have not been signed.

13. COMPARATIVE FIGURES AND DESCRIPTIONS

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









ESIO - 2109 Audited Financials for signature

Final Audit Report

2020-09-03

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