

ANNUAL REPORT 2019

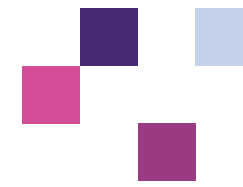
Edmonton Screen
Industries Office

Our 2019 at a glance.

The ESIO catalyzes the development, growth and sustainability of companies, entrepreneurs and craftspeople in the Edmonton screen media industries.



Edmonton Screen Industries Office



INTRODUCTION

Economic activity and sector employment is increasing. Knowledge gaps are being addressed. Governments at every level are being engaged. Site selectors are more aware of Edmonton's advantages. Clients are attracting more outside investment. Stakeholders remain enthusiastic about the organization and its programs.



Letter from ESIO Board Chair

In 2019 the ESIO made incredible steps to get the organization up and running with a small but mighty team and new programs to launch to support and stimulate the screen media industry. When I started my term as Board Chair, I knew that the ESIO must be open to possibilities. And is this year has taught us anything, it's that we need to be able to shift gears, respond to changes beyond our control, and keep our purpose front and centre in everything we do. With the work of our outgoing Board Chair, Carmen McNary, and the ESIO's CEO, Josh Miller, we were well positioned to respond and make good progress in a remarkably challenging year.

Launching the Edmonton Screen Media Fund in November of 2019, and welcoming stakeholders to our launch event, we could never have anticipated the excitement and the electricity that would be in the room that night. Leading up to that event at the end of the year, the ESIO had been busy. Busy creating programs, busy establishing funding streams, busy creating long lasting and meaningful partnerships, and busy with getting the ESIO known to the Edmonton Metro region.

On the ESIO board, I had big shoes to fill with the completion of Carmen's term as Board Chair. I have appreciated the commitment and support from our board who have been a steady supportive force that keeps the organization moving. Thank you to the board and Advisory Committee for playing an important role in steering the direction of the screen-media industries not only in Edmonton, but across our province. Thank you also to the ESIO staff for activating the ideas of the board and the Edmonton community and making so many dreams become a reality—and not just a virtual one. Thank you as well to all the volunteers who helped make our events unforgettable.

Our Annual General Meeting was held in the spring, and the board met in-person several times throughout the year. Our work this year has included developing programs and relationships across industries and communities. The board has also been busy planning for next year and hope to invest in several projects with the ESMF.

We are excited to see what the future holds now that the organization is operational and look forward to bringing inspiration to the community as well as some much needed financial support. Let us continue to stay inspired by the connections we make and never forget that we are building an industry that will make an outstanding contribution to the future of our community and the entire province.

Sincerely,

Peggy Garritty
Board Chair,
Edmonton Screen Industries Office Society



Letter from ESIO CEO

2019 was an enormously productive year for the ESIO and an incredible year for the screen industries in Edmonton. Following a foundational year in 2018, we began to operationalize our programs and initiatives, which culminated in our Major Programs Launch event in November, where we inaugurated the Edmonton Screen Media Fund (ESMF).

The ESIO had been working toward this moment since our inception in 2017 and we were delighted to be able to show what we have been quietly building behind the scenes. Stakeholder engagement is now at an all-time high and we continue to make headway on our strategic priorities—from growth in program participation and skills development events, to our outbound advocacy and marketing efforts to our site selection and business attraction activities.

Looking ahead, the screen-industries in Edmonton are well-positioned for growth. Our efforts in 2020 will focus on coordinating existing resources and expanding our programs, supercharging our website, increasing our locations presence on ReelScout, launching our digital goods & services directory and working with municipal, provincial and federal partners on incentives to foster and sustain continuing growth in the sector.

I would like to thank our outgoing Board Chair Carman McNary for his exceptional leadership as well as thank our current Board Chair Peggy Garritty for her outstanding stewardship as we take the ESIO to the next level. The ESIO is also blessed with a fully-engaged and savvy Board of Directors whom we are fortunate to have on our team.

My profound gratitude also goes out to our ESIO staff, who have worked incredibly hard to make 2019 such a successful year. Thanks as well go out to our Industry Advisory Committee since, without our stakeholders, the ESIO would not even exist. Lastly, kudos to our tireless volunteers, who went above and beyond to make all of our events successful.

While we do not know what the future will bring, there are some absolutes. Edmontonians will never stop driving for success, which will be achieved through talent, hard work and a propensity for collaboration. I am excited to see which projects and ventures will be supported by the ESMF and I look forward to a year filled with creativity and excellence.

Sincerely,

Josh Miller
CEO,
Edmonton Screen Industries Office Society



ESIO STAFF

Josh Miller, CEO

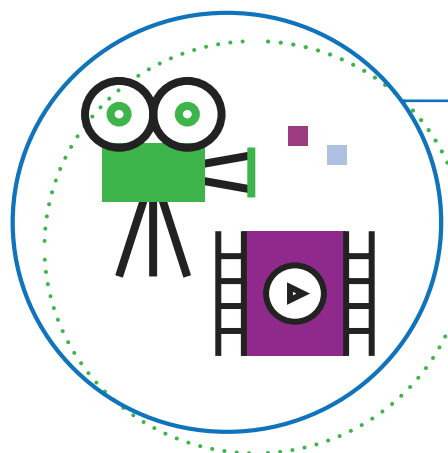
Jen Marr, CPA, CA, Finance Director

Shay Wilson, Grants Officer

Raj Nigam, Programs Officer

Amy Fraser, Executive Assistant

Background

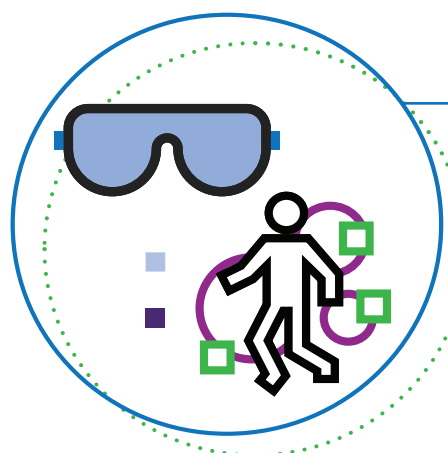
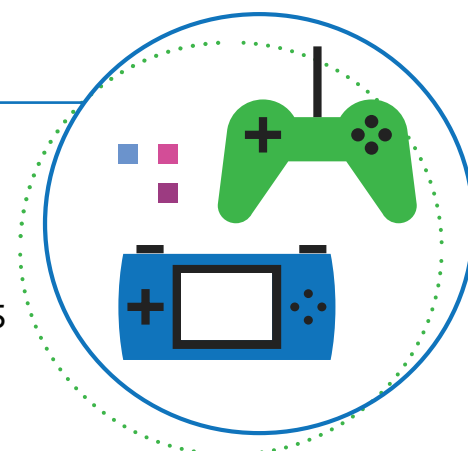


Film & TV Production

- Film & TV production volume in Canada in 2019 was CAD \$9.3 billion, a **5.8% increase** over 2018.
- It generated 180,900 full-time equivalent jobs, a **2.4% increase** over 2018 and represented CAD \$12.8 billion in GDP impact in Canada, a **5.2% increase** over 2018.
- It also attracted CAD \$5.7 billion in foreign investment, a **4.9% increase** over 2018.¹

Video Game Sector

- The video game sector in Canada directly contributed an estimated **CAD \$2.6 billion in GDP** in 2019.
- The sector also generated **CAD \$1.9 billion** in indirect and induced impacts.
- The total GDP contribution is estimated to be CAD \$4.5 billion, which is **20% increase** over 2017.²



Virtual & Augmented Reality Markets

- The global virtual and augmented reality marketing in 2019 is estimated to be **USD \$16.8 billion** and is expected to **top USD \$34 billion** by 2023.
- Canada is expected to have the **fastest growth rate** over the next few years.³
- In 2022, the Canadian augmented and virtual reality market is expected to reach a market size of **USD \$8 billion**.⁴

The ESIO

The ESIO acts as a catalyst, a cultivator and a stimulator for the Edmonton screen media sector. This sector includes large anchor companies, small and medium size indie companies, creative entrepreneurs, a skilled workforce, infrastructure and facilities. It has a track record of successful ventures and a collective desire by all to see the industry grow and thrive.

The buzz of creativity and innovation in the sector has never been so dynamic. Interactive digital media (IDM). Film & television (AV). Educational technology. Augmented and virtual reality. Among these unique business segments, there is a desire for expansion and collaboration. There is a sense of commitment and an awareness of our local advantages.

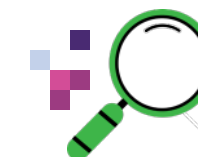
The ESIO is harnessing this determination by inspiring, encouraging and supporting Edmonton talent to step up, follow their passion, and reach for regional economic growth and a global platform. Business leaders, educational institutions, government officials and investors all have a role to play as we work together to support and define a rising screen media ecosystem.

The ESIO's broad mandate is to activate the entire Edmonton ecosystem, remove barriers to growth, find the right enablers, connect investable enterprises with motivated investors, and help create the right conditions for the industry to grow.

The ESIO also strives to ensure Edmonton is known nationally and internationally as a great place to initiate, develop, produce and commercialize screen content.

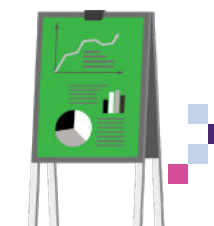
We are excited to share the progress of the ESIO's programs and initiatives as well as measurably demonstrate their impact on the Edmonton screen media sector.

Scope of Report



This report spans 2019. This was of course prior to the COVID-19 pandemic. With the organization's foundation building mostly complete, the ESIO's focus shifted to operationalizing its programs, guided by our Strategic Plan, which identified three strategic priorities.

Strategic Priorities



1. Sustainable Enterprises
2. Regional Competitiveness
3. Vibrant Ecosystem

¹ Profile 2019, Canadian Media Producers Association

² The Canadian Video Game Industry 2019, Entertainment Software Association of Canada

³ Kommando Tech

⁴ Statistica 2020

⁵ All references to Edmonton include the Edmonton Metro region.

PRIORITY 1

SUSTAINABLE ENTERPRISES

OBJECTIVE

The ESIO supports sustainable enterprises, recognizing that their competitiveness will drive better opportunities, projects and bolster the ecosystem. We do this with initiatives that educate, support and invest in their growth and sustainability.

“

“We are incredibly thankful for the support the ESIO has given us through the Industries Support Program. The grant has allowed us to fill a gap in our marketing capacity to tell the story of our studio and to show our games to our audience. We are already seeing great benefits from this relationship!”

- Derek Kwan, Caldera Interactive Ltd.



Initiatives

A) Establish the Edmonton Screen Media Fund

The Edmonton Screen Media Fund (ESMF) is a capital pool of approximately \$4 million provided by the City of Edmonton and earmarked for investment in screen media ventures and projects to be located in Edmonton. Access to investment financing has been identified as one of the primary challenges for our stakeholders and the ESMF is designed to be part of the solution.

In preparation for launch, ESMF investment policy was created, guidelines were developed, representatives of other funding programs were consulted, freelance analysts were recruited to assist with evaluations and an efficient intake and application process was established.

In conjunction with the official launch of the fund on November 6, 2019, information sessions were held to familiarize prospective applicants with the guidelines. To date, the ESIO has fielded numerous formal and informal queries, reviewed twelve full applications and approved three investments. Two of these investments have been finalized and several are pending.

Of the approved, one is project equity investment and the other is a loan. They consist of one feature film and one video game. The total of these investments is slightly more than \$230,000.

Outcomes: These investments have helped increase employment in the sector and, based on our evaluation and the structure of the deals, the projects have strong potential to provide the ESIO with a financial return, which will help to grow the ESMF for future reinvestment.

B) Establish Key Operating Programs

Funded from the ESIO operating budget, guidelines and application forms for these programs were developed in 2019 and the programs were activated in late 2019 and early 2020.

Industry Support Program

These non-repayable grants are designed to provide a competitive edge to Edmonton enterprises engaged in the creation and exploitation of screen media content.

ESIO contributions range from \$500 to \$10,000 and the ESIO committed three grants in 2019, for \$500, \$2,500, and \$10,000 respectively.

Location Rebate Program

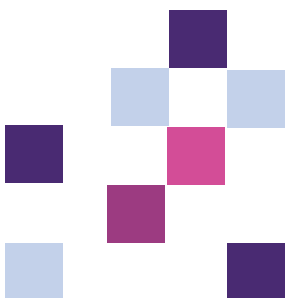
This program is designed to incentivize both local and guest enterprises to select Edmonton as the location for their project or venture.

In 2019, one production company was approved for location rebate totaling \$971.

Location Scouting Program

This program is designed to assist local and guest enterprises to research and access Edmonton locations for their screen media project or venture.

In 2019, one locations scout was funded totaling \$3,986.



Initiatives

C) Leverage Funding

ESIO continuously seeks opportunities to leverage its operating revenue by applying for government grants, securing corporate sponsorships, soliciting private investment, charging service fees, maximizing interest and accepting donations.

- A provincial CARES grant was approved for \$18,500 in February 2019.
- A provincial STEP Grant was received for \$2,587.
- Raised a total of \$15,200 in corporate sponsorship revenue.



PRIORITY 2

REGIONAL COMPETITIVENESS

OBJECTIVE

ESIO will market and advocate for Edmonton Metro and build on opportunities to maintain a competitive playing field for film & television and interactive digital media.



"The outcomes of [the Early Stage Project Grant] have truly been INVALUABLE."

- Blake McWilliam, Back Road Productions

Initiatives

A) Competitive Positioning

Encourage supportive government programs and policies to maintain and expand the screen industries sector in Edmonton and in Alberta as a whole.

- The ESIO participated in meetings with representatives of all Alberta film & TV industry associations, guilds, unions, film commissions and others to formulate and execute a government relations strategy aimed at persuading the major Alberta parties to include a film and TV production tax credit in their election platforms.

Outcome: This strategy led to the creation of new Alberta Film and Television Tax Credit Program implemented in 2019 by the current provincial government.

- The ESIO is currently engaging with Digital Alberta, Edmonton Global, Calgary Economic Development and IDM industry stakeholders in Edmonton and Calgary to promote the implementation of a provincial technology job creation rebate program.

Anticipated Outcome: leveling the playing field with other jurisdictions and incentivizing Alberta IDM enterprises to hire locally.

B) Unique Locations

Create and maintain an inventory of locations and resources for existing screen industry players and to attract potential projects to the Edmonton region.

- Work began on populating the online locations platform Reel Scout with updated location photos and current site information. This platform allows site-selectors worldwide to access photos and information on Edmonton locations and request additional details from the ESIO, which also generates contacts for our database.
- ESIO engaged with the Canadian Film & Television Commissions, a group comprised of municipal, regional and provincial film commissions. Meetings are held quarterly where evolving industry trends are discussed and best practices are exchanged. Discussions are currently underway to formulate a "national offer" to try to attract mega budget productions that require locations situated across multiple Canadian jurisdictions.

C) Brand Awareness & Reach

In November of 2019, the ESIO Major Programs Launch Event at The Orange Hub took place. The event served as a formal introduction to the community and the launch of the ESMF.

Initiatives

C) Brand Awareness & Reach Continued

In 2019 the ESIO staff attended many events in order to engage government, industry and creators. This included travel within Edmonton, the province, Canada and international travel. Attendance of these events proved to be incredibly beneficial for the ESIO and developing its presence.

There was significant coverage of the ESIO on traditional media, social media, as well as advertising from award nominations for a video that ESIO commissioned in 2018.

The ESIO sponsored 14 events in 2019 and was able to receive significant brand recognition from these events.



PRIORITY 3

VIBRANT ECOSYSTEM

OBJECTIVE

The ESIO will energize the screen media industries and enhance the creative communities across the entire ecosystem.

“

“We received news... that one of our projects (Zainab and Naji) has been funded by Shaw Rocket Fund! A sincere thanks goes to ESIO. The Optimal Pitch workshop really provided the ground work for the proposal and pitch materials!”

- Michael Milo, CEO, Muslim Kids TV

Initiatives

A) Energize the Ecosystem

The ESIO will act as a catalyst and “hub” for building and cultivating inter-disciplinary relationships and networks among Edmonton screen industry players, organizations and beyond. The ESIO will foster organizational excellence and leadership by encouraging a business culture and by acting as an honest broker and convener for Edmonton screen industries.

In May, the ESIO moved into The Orange Hub and were joined by FAVA (Film and Video Arts Society of Alberta), WIFTA (Women in Film and Television Alberta) and the former Edmonton Digital Arts College (EDAC) in a coordinated effort to establish an incubator for the screen media industries — one of the priorities identified by our stakeholders. The City-owned building has adaptable spaces such as production and green screen studios, an editing and colour correction suite, meeting space recording studio, a theatre with upgraded projection and sound equipment and more. Most of these spaces are administered by FAVA.

Based on the needs of our stakeholders, the ESIO continues to conduct skills workshops to address gaps in industry know-how. Skills development highlights from 2019 include:

- ESIO hosted a workshop on Discoverability (how to position your content to be findable and competitive online) delivered by Magnify Digital on November 28 in The Orange Hub.
- Digital marketing agency Social Lite Communications delivered a presentation on digital marketing on December 17, as part of the Edmonton Screen Media Holiday Celebration, which had approximately 120 attendees.

The ESIO Industry Advisory Committee, comprised of up to 30 industry stakeholders, continued to convene quarterly to provide input into ESIO policies and programs.

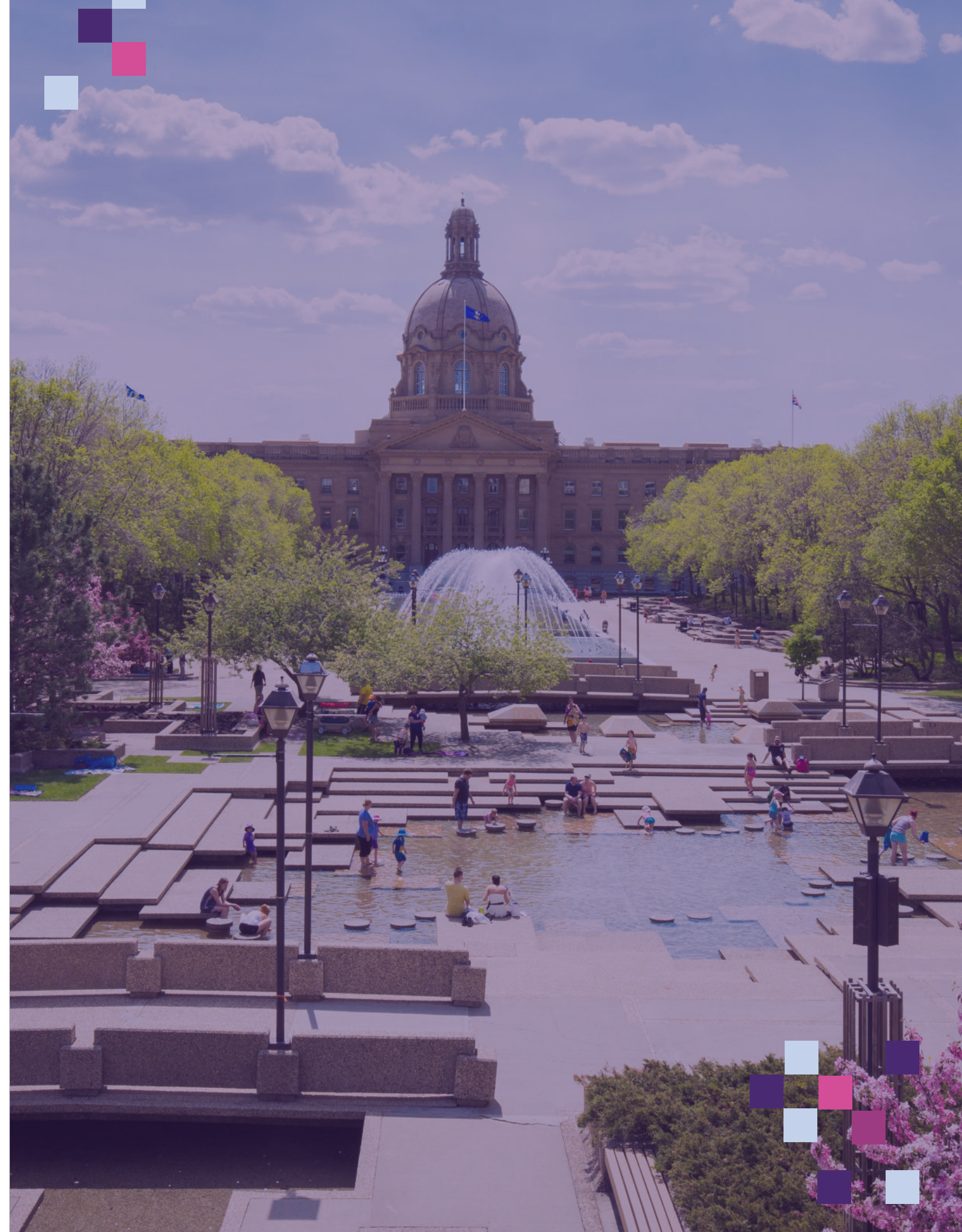
Staff worked with Edmonton Global to coordinate business and investment attraction activities, specifically in a joint sponsorship of the Banff Reboot Red indie games conference in 2020 following the 2019 conference. The 2020 conference has been rescheduled.

Initiatives

B) Organizational Excellence

Impeccable governance continues to be foundational for the organization. Governance highlights from 2019 include:

- A five-year Strategic Plan was finalized by the Board.
- We continued to compile all the required documentation for Imagine Canada accreditation.
- Multiple policies were implemented spanning areas such as privacy, fundraising, records management, communications and human resources.
- We updated the bylaws of the Society on December 11, 2019.
- We developed a Business Plan for 2020 detailing specific program goals, strategies to leverage funds, areas of collaboration with sister municipal organizations and the implementation of concrete internal performance measurements.
- Established our offices at The Orange Hub, creating the foundation for a screen media incubator which will grow over time.



Audited Statements



CHARTERED PROFESSIONAL ACCOUNTANTS

Suite 1500, 9888 Jasper Avenue NW
Edmonton, Alberta T5J 5C6
T. 780.424.3000 | F. 780.429.4817 | W. krpgroup.com

April 7, 2020
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, 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.

Audited Statements

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 Pasnak LLP
Kingston Ross Pasnak LLP
Chartered Professional Accountants

Audited Statements

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)

Number of staff positions, not including independent contractors - 4 permanent, full-time; 1 part-time/part-year.
Total expenditure on all compensation - \$229,829 (part-time - \$6,080).

Compensation Range	Number of permanent, full-time employees
\$1 to \$39,999	0
\$40,000 to \$79,999	4
\$80,000 and over	0

Audited Statements

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

Audited Statements

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

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

Director

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

Director

Audited Statements

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

Audited Statements

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.

(continues)

Audited Statements

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.

Audited Statements

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 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

Audited Statements

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.

Audited Statements

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)
	<u>\$ 86,099</u>

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.



Edmonton Screen Industries Office

