

**EDMONTON SCREEN INDUSTRIES OFFICE
SOCIETY**

Financial Statements

Year Ended December 31, 2021

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

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Year Ended December 31, 2021

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April 27, 2022
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Directors of Edmonton Screen Industries Office Society

Report on the Financial Statements

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, 2021, 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, 2021, 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.

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, 2021

	2021	2020
REVENUE		
Government grants (Note 3)	\$ 1,173,152	\$ 1,172,856
Sponsorships	33,110	-
Other grants	28,500	-
Returns on Edmonton Screen Media Fund	3,205	640
Application fees	1,500	3,000
	1,239,467	1,176,496
PROGRAMMING COSTS (Note 4)	563,695	343,805
	675,772	832,691
EXPENDITURES		
Staffing	589,559	573,622
Consultants	36,481	46,528
Advertising and promotion	28,081	13,571
Office and administration	26,456	20,060
Accounting services	25,113	18,348
Rent	20,721	27,195
Insurance	16,163	12,945
Equipment purchases	13,082	6,852
Travel	2,937	5,039
Legal fees	2,874	17,186
	761,467	741,346
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES FROM OPERATIONS	(85,695)	91,345
OTHER INCOME		
Government assistance (Note 5)	103,856	88,207
Interest income	45,101	82,197
Other	3,500	25
Gain on equity investments	2	2
	152,459	170,431
EXCESS OF REVENUE OVER EXPENDITURES	\$ 66,764	\$ 261,776

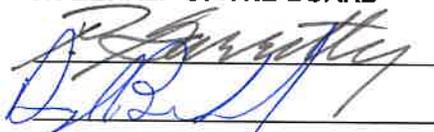
EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY**Statement of Changes in Net Assets****Year Ended December 31, 2021**

	Unrestricted	Internally Restricted (Note 9)	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 570,204	\$ 134,916	\$ 705,120	\$ 443,344
Excess of revenue over expenditures	66,764	-	66,764	261,776
Internally restricted transfer	1,400	(1,400)	-	-
NET ASSETS - END OF YEAR	\$ 638,368	\$ 133,516	\$ 771,884	\$ 705,120

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY
Statement of Financial Position
December 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 4,632,982	\$ 2,555,372
Guaranteed Investment Certificate	-	2,000,000
Accrued interest	-	37,674
Accounts receivable	20,000	21,857
Goods and Services Tax recoverable	7,537	8,426
Prepaid expenses	28,591	29,618
Current portion of loans receivable (Note 6)	146,307	52,991
	4,835,417	4,705,938
LOANS RECEIVABLE (Note 6)	175,691	237,154
EQUITY INVESTMENTS	4	2
	\$ 5,011,112	\$ 4,943,094
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 106,399	\$ 104,482
Employee deductions payable	16,543	19,627
Grants payable (Note 4)	100,410	77,235
Deferred revenue	500	-
Deferred contributions (Note 7)	3,975,376	3,996,630
	4,199,228	4,197,974
CANADA EMERGENCY BUSINESS ACCOUNT (Note 5)	40,000	40,000
	4,239,228	4,237,974
LEASE COMMITMENT (Note 8)		
NET ASSETS		
Unrestricted	638,368	570,204
Internally restricted (Note 9)	133,516	134,916
	771,884	705,120
	\$ 5,011,112	\$ 4,943,094

ON BEHALF OF THE BOARD

 Director
 Director

See notes to financial statements
Edmonton Screen Industries Office Society

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY**Statement of Cash Flow**

Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 66,764	\$ 261,776
Item not affecting cash:		
Acquisition of equity investments	(2)	(2)
	66,762	261,774
Changes in non-cash working capital:		
Accounts receivable	1,857	(17,817)
Goods and Services Tax receivable	889	6,624
Prepaid expenses	1,027	(13,086)
Accrued interest	37,674	50,558
Accounts payable and accrued liabilities	1,917	45,969
Employee deductions payable	(3,084)	11,160
Grants payable	23,175	73,763
Deferred contributions	(21,254)	22,209
Deferred revenue	500	-
	42,701	179,380
Cash flow from operating activities	109,463	441,154
INVESTING ACTIVITIES		
ESMF loan receivable issued	(170,062)	(304,807)
ESMF loan receivable repayment	138,209	14,662
Purchase of guaranteed investment certificate	-	(2,000,000)
Proceeds from guaranteed investment certificate	2,000,000	3,956,531
Cash flow from investing activities	1,968,147	1,666,386
FINANCING ACTIVITY		
Canada Emergency Business Account	-	40,000
INCREASE IN CASH AND CASH EQUIVALENTS	2,077,610	2,147,540
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,555,372	407,832
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,632,982	\$ 2,555,372
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash	\$ 164,558	\$ 199,796
Term deposits	4,468,108	2,355,576
Prepaid credit card	316	-
	\$ 4,632,982	\$ 2,555,372

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

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 the Edmonton Metropolitan Region 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.

Revenue recognition

The 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.

Externally 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.

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 90 days. These term deposits have annual rates of return ranging from prime less 1.50% to prime less 1.55%.

Equity investments

The Society records equity investments initially at fair value and subsequently at cost, less any reduction for impairment.

Grants payable

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

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EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

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

Government assistance

Government assistance is recognized in the statement of revenue and expenditures on a systematic basis, over the periods in which the Society expenses match the related costs for which the assistance is intended to compensate. During the year, the Society received the Canada Emergency Wage Subsidy and the Canada Emergency Rent Subsidy.

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. Significant estimates include the completeness of accrued liabilities, the collectibility of loans receivable, and the valuation of equity investments. 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, 2021

3. GOVERNMENT GRANTS

Unrestricted

The Society entered into a Funding Agreement (the "Agreement") in 2019 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.

During the year, the Society received \$1,121,000 of unrestricted funding per the Agreement. The remaining funding will be received as follows:

- \$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 June 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.

4. 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.

	2021	2020
Balance, beginning of the year	\$ 77,235	\$ 3,472
Grant commitments issued during the year, included in programming costs	210,533	188,415
Expired prior year commitments	(2,745)	(2,201)
Grants paid during the year	(184,613)	(112,451)
	\$ 100,410	\$ 77,235

These industry grants and rebates are to support activities in the industry and are expected to be fully utilized in 2022.

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

5. GOVERNMENT ASSISTANCE

During the year, the Government continued to offer subsidies to employers in order to assist with wage and rental costs. The Society benefited from the Canadian Emergency Wage Subsidy (CEWS) for remuneration paid between December 20, 2020 to July 31, 2021 in the amount of \$98,239, all of which has been recognized in the year.

The Society benefited from the Canada Emergency Rent Subsidy (CERS) for rent paid between December 20, 2020 to July 31, 2021 in the amount of \$5,617, all of which has been recognized in the year.

The Society also benefited from the Canada Emergency Business Account (CEBA), which provides a non-interest-bearing loan of \$60,000, of which \$20,000 is forgiven if repaid before December 31, 2023. Subsequent to December 31, 2023, any remaining outstanding loan balance will be converted into a three-year term loan with interest of 5% per annum maturing December 31, 2025.

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

6. LOANS RECEIVABLE

The Society administers the Edmonton Screen Media Fund (ESMF) to incentivize and support screen media projects or ventures that produced, manufactured and/or headquartered in the Edmonton Metropolitan Region. During the year, the Society has provided funding to the following projects.

	2021	2020
Loan receivable bearing interest at 5.95% per annum, repayable in quarterly blended payments of \$14,662. The loan matures on May 3, 2023 and is secured by a general security agreement.	\$ 84,379	\$ 136,618
Loan receivable bearing interest at 0% per annum repayable in accordance with the recoupment schedule. The loan is secured by a general security agreement. Upon full recoupment by all investors, the Society will receive a royalty specified at 17% of the project revenue on an ongoing basis. The Society has committed to funding the lesser of (a) \$80,720 or (b) 17% of the final cost of the project. At year-end \$76,589 had been funded.	76,589	68,527
Loan receivable bearing interest at 0% per annum, repayable in accordance with the recoupment schedule. The loan is secured by a general security agreement. Upon full recoupment by all investors, the society will receive a royalty specified at 26% of the project revenue on an ongoing basis. The society has committed to funding the lesser of (a) \$125,000 or (b) 14.5% of the final cost of the project. At year-end \$75,000 has been funded.	75,000	-
Loan receivable bearing interest at 0% per annum, repayable in accordance with the recoupment schedule. The loan is secured by a general security agreement. Upon full recoupment by all investors, the society will receive a royalty specified at 30% of the project revenue on an ongoing basis. The society has committed to funding the lesser of (a) 120,000 or (b) 15% of the final cost of the project. At year-end \$72,000 has been funded.	72,000	-
Loan receivable bearing interest at 0% per annum repayable in accordance with the recoupment schedule. The loan is secured by a general security agreement. Upon full recoupment by all investors, the Society will receive a royalty specified at 41% of the project revenue on an ongoing basis. The Society has committed to funding the lesser of (a) \$100,000 or (b) 9% of the final cost of the project. At year-end \$100,000 had been funded and the society has recouped \$85,970.	14,030	85,000
	321,998	290,145

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EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

6. LOANS RECEIVABLE (continued)

Amounts receivable within one year	(146,307)	(52,991)
	\$ 175,691	\$ 237,154

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants and donations. Restricted contributions can only be used for specific programs. The programs are as follows: ESIO workshops and conference, promotion of Edmonton locations, Gil Cardinal Legacy Award, and Edmonton Screen Media Fund.

	Government grants	Other grants	2021	2020
Balance - beginning of year	\$ 3,993,130	\$ 3,500	\$ 3,996,630	\$ 3,974,421
Explore Edmonton contribution received	-	40,000	40,000	-
Canada Summer Jobs grant	18,088	-	18,088	-
Province of Alberta funding	3,250	-	3,250	-
ESMF returns allocated to the Fund	3,205	-	3,205	640
Government of Alberta Community Initiatives Program grant funding received	-	-	-	34,925
Gil Cardinal Legacy Award contribution received	-	-	-	3,500
Contributions recognized	(52,151)	(28,500)	(80,651)	(16,856)
Contributions repaid	(5,146)	-	(5,146)	-
	\$ 3,960,376	\$ 15,000	\$ 3,975,376	\$ 3,996,630

8. LEASE COMMITMENT

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 \$1,685, subject to annual review. Operating costs were reduced from \$2,211 to \$1,685 for 2021 and will remain the same for 2022 until such a time the annual operating costs are reviewed again by the City of Edmonton. Future minimum lease payments as at December 31, 2021, are as follows:

2022	\$ 20,220
2023	6,740
	\$ 26,960

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

9. 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 are internally restricted for the purpose of administering and managing the ESMF.

	2021	2020
Application fee revenue	\$ 1,500	\$ 3,000
Interest income earned on the ESMF fund	36,371	71,118
ESMF returns	3,205	640
Gain on ESMF investment	2	2
Programming costs	(42,478)	(25,941)
	\$ (1,400)	\$ 48,817

10. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments. The following analysis provides information about the Society's risk exposure as of December 31, 2021. Unless otherwise noted, the Society's risk exposure has not changed from the prior year.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk from loans receivable. In order to reduce its credit risk, the Society reviews a new projects viability before extending a loan and conducts regular reviews of its existing loan recipients performance.