

**EDMONTON SCREEN INDUSTRIES OFFICE
SOCIETY**

Financial Statements

Year Ended December 31, 2023

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Index to Financial Statements

Year Ended December 31, 2023

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Revenues and Expenditures	3
Statement of Changes in Net Assets	4
Statement of Financial Position	5
Statement of Cash Flow	6
Notes to Financial Statements	7 - 12



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April 15, 2024
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, 2023, 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, 2023, 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.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2022 have been restated. 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.

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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 Revenues and Expenditures****Year Ended December 31, 2023**

	2023	2022 <i>Restated - Note 2</i>
REVENUES		
Government grants (Note 4)	\$ 1,296,093	\$ 1,255,778
Other grants	4,500	-
Returns on Edmonton Screen Media Fund	16	1,300
Sponsorships	-	19,498
	1,300,609	1,276,576
PROGRAMMING COSTS		
Programming costs	442,866	524,341
Loan forgiveness	-	22,500
	442,866	546,841
	857,743	729,735
EXPENDITURES		
Staffing	659,121	593,345
Accounting services	24,241	22,038
Office and administration	24,058	29,057
Rent	21,260	20,111
Consultants	16,400	83,495
Insurance	16,138	15,838
Advertising and promotion	15,883	63,013
Travel	10,956	11,446
Bad debts	5,000	-
Equipment purchases	1,035	5,886
Legal fees	373	6,509
	794,465	850,738
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS	63,278	(121,003)
OTHER INCOME		
Interest income	232,632	115,006
Other	-	1,730
	232,632	116,736
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 295,910	\$ (4,267)

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY**Statement of Changes in Net Assets****Year Ended December 31, 2023**

	Unrestricted	Internally Restricted (Note 10)	2023	2022 <i>Restated - Note 2</i>
NET ASSETS - BEGINNING OF YEAR				
As previously reported	\$ 538,593	\$ 229,020	\$ 767,613	\$ 771,884
Change in accounting policy for equity investments	-	-	-	(4)
As restated	538,593	229,020	767,613	771,880
Excess (deficiency) of revenues over expenditures	110,984	184,926	295,910	(4,267)
NET ASSETS - END OF YEAR	\$ 649,577	\$ 413,946	\$ 1,063,523	\$ 767,613

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Statement of Financial Position

December 31, 2023

	2023	2022 <i>Restated - Note 2</i>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 4,837,442	\$ 4,741,252
Accounts receivable	24,466	27,278
Goods and Services Tax recoverable	7,269	9,299
Prepaid expenses	62,231	21,388
Current portion of loans receivable (Note 7)	-	5,831
	\$ 4,931,408	\$ 4,805,048
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 90,476	\$ 109,920
Program commitments (Note 5)	80,650	164,272
Canada Emergency Business Account (Note 6)	40,000	40,000
Deferred contributions (Note 8)	3,656,759	3,723,243
	3,867,885	4,037,435
COMMITMENTS (Note 9)		
NET ASSETS		
Unrestricted	649,577	538,593
Internally restricted (Note 10)	413,946	229,020
	1,063,523	767,613
	\$ 4,931,408	\$ 4,805,048

ON BEHALF OF THE BOARD

P. Garritty
P. Garritty (Apr 15, 2024 09:37 MDT) _____ Director

Rod Matheson
Rod Matheson (Apr 16, 2024 08:35 MDT) _____ Director

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY**Statement of Cash Flow****Year Ended December 31, 2023**

	2023	2022 <i>Restated - Note 2</i>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 295,910	\$ (4,267)
Changes in non-cash working capital:		
Accounts receivable	2,812	(7,278)
Goods and Services Tax recoverable	2,030	(1,762)
Prepaid expenses	(40,843)	7,203
Accounts payable and accrued liabilities	(19,444)	3,522
Employee deductions payable	-	(16,543)
Program commitments	(83,622)	(38,169)
Deferred contributions	(66,484)	87,517
Deferred revenue	-	(500)
	(205,551)	33,990
Cash flow from operating activities	90,359	29,723
INVESTING ACTIVITY		
EMSF loan receivable repayment	5,831	78,548
Cash flow from investing activity	5,831	78,548
INCREASE IN CASH AND CASH EQUIVALENTS	96,190	108,271
Cash and cash equivalents - beginning of year	4,741,252	4,632,981
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,837,442	\$ 4,741,252
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 256,111	\$ 684,726
Term deposits	4,581,331	4,056,526
	\$ 4,837,442	\$ 4,741,252

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2023

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. PRIOR PERIOD ADJUSTMENT

In the current year, the Society changed the accounting policy with respect to the treatment of EMSF/SIF disbursements for equity agreements. Previously, the Society recorded a loan receivable balance and equity investment balance for the equity agreements.

In the current year, the Society voluntarily changed the accounting policy related to the equity agreements, now referred to as program commitments to better align with the ESMF/SIF agreement and other funders. Equity agreements are no longer represented as assets but are expensed in the year of approval and offset against deferred contributions.

The change has been applied retrospectively and has resulted in the following changes to the December 31, 2022 balances:

	Opening	Adjustment	Restated
Current portion of loans receivable	\$ 81,764	\$ (75,933)	\$ 5,831
Loans receivable	132,000	(132,000)	-
Equity investments	4	(4)	-
Program commitments	(121,272)	(43,000)	(164,272)
Deferred contributions	(3,974,176)	250,933	(3,723,243)
Unrestricted net assets	(767,617)	4	(767,613)

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

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.

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EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2023

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 deposit accounts with interest calculated daily and paid monthly. The ability to draw funds from these accounts require a withdrawal notice within the applicable notice periods of either 31 or 60 days. These accounts have annual rates of return ranging from prime less 1.50% to prime less 1.55%.

Program commitments

Financial contributions are delivered through various forms of funding including recoupable investments and non-recoupable contributions.

All forms of funding are expensed in the year in which the Society determines the financial contribution to the project is approved. Some forms of funding may be recovered in the case of equity investments if certain criteria in the funding agreements are met. As the likelihood of the project achieving those criteria is uncertain and the actual amount and timing of recovery of these types of funding is not determinable, or may never be recovered, no amount is recorded in the financial statements of the Society until the criteria have been met and the amounts are known.

In certain instances, the actual amounts paid differ from the original commitment where actual project expenses are less than commitments. Adjustments for these differences are recorded when determined.

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.

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. 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.

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EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2023

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

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, 2023

4. GOVERNMENT GRANTS

Unrestricted

The City of Edmonton approved an ongoing annual grant funding of \$1,200,000, beginning 2023 through 2026 to assist in developing and continuing its operation. \$1,200,000 was received during the year.

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.

In 2023, the Society entered into an amending agreement with the City of Edmonton. Known as the Strategic Initiatives Fund (SIF), the fund is now to be used for foundational infrastructure partnerships, strategic funding partnerships and education. Returns are no longer required to be attributed to the SIF.

5. PROGRAM COMMITMENTS

The Society has committed financial support to industry organizations and individuals that become payable and are classified as a liability when the funding agreement criteria is met.

	2023	2022
Balance, beginning of the year	\$ 164,272	\$ 202,441
Program commitments issued during the year	157,400	199,861
Expired commitments	(16,414)	(33,972)
Program commitments paid during the year	(224,608)	(204,058)
	\$ 80,650	\$ 164,272

These industry grants and rebates are to support activities in the industry and are expected to be fully utilized in 2024.

6. GOVERNMENT ASSISTANCE

In 2020, the Society 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 January 18, 2024. Subsequent to December 31, 2023 and before January 18, 2024, the Society repaid the full balance of the loan.

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2023

7. LOANS RECEIVABLE

	2023	2022
Loan receivable bearing interest at 5.95% per annum, repayable in quarterly blended payments of \$14,662. The loan matured on February 3, 2023 and was repaid during the year.	\$ -	\$ 5,831
Amounts receivable within one year	-	(5,831)
	\$ -	\$ -

8. 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: promotion of esports, promotion of Edmonton locations, Gil Cardinal Legacy Award, and Edmonton Screen Media Fund/Strategic Initiatives Fund.

	Government grants	Other grants	2023	2022
Balance - beginning of year	\$ 3,688,243	\$ 35,000	\$ 3,723,243	\$ 3,635,727
Explore Edmonton contribution received	-	-	-	20,000
Canada Summer Jobs grant	4,712	-	4,712	-
Government of Alberta funding	41,381	-	41,381	1,474
ESMF returns allocated to the Fund	16	-	16	1,300
ESMF recoupments	-	-	-	88,716
ESMF - Loan forgiveness	-	-	-	(22,500)
SIF commitment	(50,000)	-	(50,000)	-
Contributions recognized	(46,093)	(4,500)	(50,593)	(1,474)
Contributions repaid	-	(12,000)	(12,000)	-
	\$ 3,638,259	\$ 18,500	\$ 3,656,759	\$ 3,723,243

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2023

9. COMMITMENTS

The Society entered into a lease agreement with the City of Edmonton, expiring April 30, 2027. Under the terms of the agreement, the Society is charged annual rent of \$1 and monthly operating costs of \$1,728, subject to annual review. Operating costs were increased from \$1,635 to \$1,728 for 2023 and will remain the same for 2024 until such a time the annual operating costs are reviewed again by the City of Edmonton. Future minimum lease payments as at December 31, 2024, are as follows:

2024	\$	20,736
2025		20,736
2026		20,736
2027		<u>6,914</u>
Total	\$	69,122

During the year, the Society provided conditional commitments for project funding to three producers, totalling \$157,800. Once these producers meet the criteria, the Society will determine whether to proceed with funding the projects and a corresponding program commitment will be recorded.

During the year, the Society provided a commitment of \$1,000 to support an event being held in early 2024.

10. 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/SIF 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/SIF.

	2023	2022
Interest income earned on the ESMF/SIF fund	\$ 210,630	\$ 100,937
ESMF returns	16	1,300
Programming costs	(25,720)	(6,729)
	\$ 184,926	\$ 95,508

11. 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, 2023. 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. In order to reduce credit risk, the Society regularly reviews accounts receivable. The Society does not have an allowance for doubtful accounts as at year end (2022 - \$nil). During the year, the Society wrote off \$5,000 in accounts receivable (2022 - \$nil).