

**EDMONTON SCREEN INDUSTRIES OFFICE
SOCIETY**

Financial Statements

Year Ended December 31, 2022

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

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April 20, 2023
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, 2022, 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, 2022, 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, 2022

	2022	2021
REVENUE		
Government grants (Note 3)	\$ 1,255,778	\$ 1,173,152
Sponsorships	19,498	33,110
Returns on Edmonton Screen Media Fund	1,300	3,205
Other grants	-	28,500
Application fees	-	1,500
	1,276,576	1,239,467
PROGRAMMING COSTS		
Programming costs (Note 4)	524,341	563,695
Loan forgiveness (Note 6)	22,500	-
	546,841	563,695
	729,735	675,772
EXPENDITURES		
Staffing	593,345	589,559
Consultants	83,495	36,481
Advertising and promotion	63,013	28,081
Office and administration	29,057	26,456
Accounting services	22,038	25,113
Rent	20,111	20,721
Insurance	15,838	16,163
Travel	11,446	2,937
Legal fees	6,509	2,874
Equipment purchases	5,886	13,082
	850,738	761,467
DEFICIENCY OF REVENUE OVER EXPENDITURES FROM OPERATIONS	(121,003)	(85,695)
OTHER INCOME		
Interest income	115,006	45,101
Other	1,730	3,500
Government assistance	-	103,856
Gain on equity investments	-	2
	116,736	152,459
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES	\$ (4,267)	\$ 66,764

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY**Statement of Changes in Net Assets****Year Ended December 31, 2022**

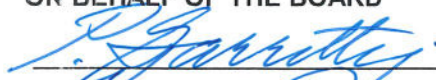
	Unrestricted	Internally Restricted (Note 9)	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 638,368	\$ 133,516	\$ 771,884	\$ 705,120
(Deficiency) excess of revenue over expenditures	(99,775)	95,508	(4,267)	66,764
NET ASSETS - END OF YEAR	\$ 538,593	\$ 229,024	\$ 767,617	\$ 771,884


EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY**Statement of Financial Position**

December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 4,741,252	\$ 4,632,982
Accounts receivable	27,278	20,000
Goods and Services Tax recoverable	9,299	7,537
Prepaid expenses	21,388	28,591
Current portion of loans receivable (Note 6)	81,764	146,307
	4,880,981	4,835,417
LOANS RECEIVABLE (Note 6)	132,000	175,691
EQUITY INVESTMENTS	4	4
	\$ 5,012,985	\$ 5,011,112
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 109,920	\$ 106,399
Employee deductions payable	-	16,543
Grants payable (Note 4)	121,272	100,410
Canada emergency business account (Note 5)	40,000	-
Deferred Revenue	-	500
Deferred Contributions (Note 7)	3,974,176	3,975,376
	4,245,368	4,199,228
CANADA EMERGENCY BUSINESS ACCOUNT (Note 5)	-	40,000
	4,245,368	4,239,228
LEASE COMMITMENT (Note 8)		
NET ASSETS		
Unrestricted	538,593	638,368
Internally restricted (Note 9)	229,024	133,516
	767,617	771,884
	\$ 5,012,985	\$ 5,011,112

ON BEHALF OF THE BOARD

 Director

 Director

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

Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenditures	\$ (4,267)	\$ 66,764
Item not affecting cash:		
Acquisition of equity investments	-	(2)
	(4,267)	66,762
Changes in non-cash working capital:		
Accounts receivable	(7,278)	1,857
Goods and Services Tax recoverable	(1,762)	889
Prepaid expenses	7,203	1,027
Accrued interest	-	37,674
Accounts payable and accrued liabilities	3,521	1,917
Employee deductions payable	(16,543)	(3,084)
Grants payable	20,862	23,175
Deferred contributions	(1,200)	(21,254)
Deferred revenue	(500)	500
	4,303	42,701
Cash flow from operating activities	36	109,463
INVESTING ACTIVITIES		
ESMF loan receivable issued	(55,000)	(170,062)
ESMF loan receivable repayment	163,234	138,209
Proceeds from guaranteed investment certificate	-	2,000,000
Cash flow from investing activities	108,234	1,968,147
INCREASE IN CASH AND CASH EQUIVALENTS	108,270	2,077,610
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,632,982	2,555,372
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,741,252	\$ 4,632,982
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 684,726	\$ 164,558
Term deposits	4,056,526	4,468,108
Prepaid credit card	-	316
	\$ 4,741,252	\$ 4,632,982

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2022

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 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%.

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.

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.

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EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2022

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include the completeness of accrued liabilities, the collectability 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, 2022

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 the remaining \$1,208,000 of unrestricted funding per the Agreement.

The City of Edmonton approved ongoing annual grant funding of \$1,200,000, beginning 2023.

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.

	2022	2021
Balance, beginning of the year	\$ 100,410	\$ 77,235
Grant commitments issued during the year, included in programming costs	199,861	210,533
Expired prior year commitments	(33,972)	(2,745)
Grants paid during the year	(145,027)	(184,613)
	\$ 121,272	\$ 100,410

These industry grants and rebates are to support activities in the industry and are expected to be fully utilized in 2023.

5. 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 December 31, 2023. The Society will be repaying the funds 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, 2022

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.

	2022	2021
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 \$102,000 has been funded.	\$ 102,000	\$ 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 34% 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 \$100,000 has been funded.	100,000	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 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 \$94,067.	5,933	14,030
Loan receivable bearing interest at 5.95% per annum, repayable in quarterly blended payments of \$14,662. The loan matures on February 3, 2023 and is secured by a general security agreement. During the year the Society forgave \$22,500 of the loan receivable.	5,831	84,379
Loan received in the year. Upon full recoupment by all investors, the Society will receive a royalty specified at 17% of the project revenue on an ongoing basis. At year-end the balance of the loan had been recouped.	-	76,589
	213,764	321,998
Amounts receivable within one year	(81,764)	(146,307)
	\$ 132,000	\$ 175,691

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2022

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

	Government grants	Other grants	2022	2021
Balance - beginning of year	\$ 3,960,376	\$ 15,000	\$ 3,975,376	\$ 3,996,630
Explore Edmonton contribution received	-	20,000	20,000	40,000
Canada Summer Jobs grant	-	-	-	18,088
Province of Alberta funding	1,474	-	1,474	3,250
ESMF returns allocated to the Fund	1,300	-	1,300	3,205
ESMF - Loan forgiveness	(22,500)	-	(22,500)	-
Contributions recognized	(1,474)	-	(1,474)	(80,651)
Contributions repaid	-	-	-	(5,146)
	\$ 3,939,176	\$ 35,000	\$ 3,974,176	\$ 3,975,376

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 \$1,635, subject to annual review. Operating costs were reduced from \$1,685 to \$1,635 for 2022 and will remain the same for 2023 until such a time the annual operating costs are reviewed again by the City of Edmonton. Future minimum lease payments as at December 31, 2022, are as follows:

2023	\$ 6,540
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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.

	2022	2021
Interest income earned on the ESMF fund	\$ 100,937	\$ 36,371
ESMF returns	1,300	3,205
Application fee revenue	-	1,500
Gain on ESMF investment	-	2
Programming costs	(6,729)	(42,478)
	\$ 95,508	\$ (1,400)

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Notes to Financial Statements

Year Ended December 31, 2022

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, 2022. 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. The Society does not have an allowance for doubtful accounts as at year end (2021 - \$nil).

11. SUBSEQUENT EVENTS

Subsequent to year end, the City of Edmonton approved the Society's proposal for realignment of the Edmonton Screen Media Fund to the Strategic Initiatives Fund.