EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Financial Statements

Year Ended December 31, 2020

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY
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Year Ended December 31, 2020

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April 6, 2021
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, 2020, 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, 2020, 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 Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Professional Accountants

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Statement of Revenues and Expenditures

Year Ended December 31, 2020

	2020	2019
REVENUE		
Government grants *(Note 3)*	**$ 1,172,856**	$ 949,693
Application fees	**3,000**	1,500
Returns on Edmonton Screen Media Fund	**640**	-
Sponsorships	**-**	15,200
	1,176,496	966,393
PROGRAMMING COSTS *(Note 4)*	**343,805**	135,805
GROSS PROFIT	**832,691**	830,588
EXPENDITURES		
Staffing	**573,622**	414,756
Consultants	**46,528**	67,194
Rent	**27,195**	20,130
Office and administration	**20,060**	26,240
Accounting services	**18,348**	16,461
Legal fees	**17,186**	13,795
Insurance	**12,945**	8,668
Advertising and promotion	**13,571**	14,148
Equipment purchases	**6,852**	13,548
Travel	**5,039**	37,445
	741,346	632,385
EXCESS OF REVENUE OVER EXPENDITURES FROM OPERATIONS	**91,345**	198,203
OTHER INCOME		
Government assistance *(Note 5)*	**88,207**	-
Interest income	**82,197**	95,019
Other	**25**	310
Gain on equity investments	**2**	-
	170,431	95,329
EXCESS OF REVENUE OVER EXPENDITURES	**$ 261,776**	$ 293,532

See notes to financial statements

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Statement of Changes in Net Assets

Year Ended December 31, 2020

	Unrestricted	Internally Restricted *(Note 10)*	**2020**	2019
NET ASSETS - BEGINNING OF YEAR	$ 357,245	$ 86,099	**$ 443,344**	$ 149,811
EXCESS OF REVENUE OVER EXPENDITURES	212,959	48,817	**261,776**	293,533
NET ASSETS - END OF YEAR	$ 570,204	$ 134,916	**$ 705,120**	$ 443,344

See notes to financial statements

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Statement of Financial Position

December 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 2,555,372**	$ 407,832
Guaranteed Investment Certificate *(Note 6)*	**2,000,000**	3,956,531
Accrued interest *(Note 6)*	**37,674**	88,232
Accounts receivable	**21,857**	4,040
Goods and Services Tax recoverable	**8,426**	15,050
Prepaid expenses	**29,618**	16,532
Current portion of loans receivable *(Note 7)*	**52,991**	-
	4,705,938	4,488,217
LOANS RECEIVABLE *(Note 7)*	**237,154**	-
EQUITY INVESTMENTS *(Note 7)*	**2**	-
	$ 4,943,094	$ 4,488,217
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	**$ 104,482**	$ 58,513
Employee deductions payable	**19,627**	8,467
Grants payable *(Note 4)*	**77,235**	3,472
Deferred contributions *(Note 8)*	**3,996,630**	3,974,421
	4,197,974	4,044,873
CANADA EMERGENCY BUSINESS ACCOUNT *(Note 5)*	**40,000**	-
	4,237,974	4,044,873
LEASE COMMITMENT *(Note 9)*		
NET ASSETS		
Unrestricted	**570,204**	357,245
Internally restricted *(Note 10)*	**134,916**	86,099
	705,120	443,344
	$ 4,943,094	$ 4,488,217

ON BEHALF OF THE BOARD

Peggy Garritty
Peggy Garritty (Apr 12, 2021 09:50 MDT) *Director*

Darryl Boessenkool (Apr 12, 2021 18:08 MDT) *Director*

See notes to financial statements

EDMONTON SCREEN INDUSTRIES OFFICE SOCIETY

Statement of Cash Flow

Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**$ 261,776**	$ 293,532
Item not affecting cash:		
Purchase of equity investments	**(2)**	-
	261,774	293,532
Changes in non-cash working capital:		
Accounts receivable	**(17,817)**	(474)
Goods and Services Tax receivable	**6,624**	(8,357)
Prepaid expenses	**(13,086)**	(10,871)
Accrued interest	**50,558**	(88,232)
Contributions receivable	**-**	3,956,531
Accounts payable and accrued liabilities	**45,969**	(11,429)
Employee deductions payable	**11,160**	8,467
Grants payable	**73,763**	3,472
Deferred contributions	**22,209**	13,893
	179,380	3,863,000
Cash flow from operating activities	**441,154**	4,156,532
INVESTING ACTIVITIES		
ESMF loan receivable issued	**(304,807)**	-
ESMF loan receivable repayment	**14,662**	-
Purchase of guaranteed investment certificate	**(2,000,000)**	(3,956,531)
Proceeds from guaranteed investment certificate	**3,956,531**	-
Cash flow (used by) from investing activities	**1,666,386**	(3,956,531)
FINANCING ACTIVITY		
Canada Emergency Business Account	**40,000**	-
INCREASE IN CASH AND CASH EQUIVALENTS	**2,147,540**	200,001
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**407,832**	207,830
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 2,555,372**	$ 407,831
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash	**$ 199,796**	$ 122,379
Term deposits	**2,355,576**	285,453
	$ 2,555,372	$ 407,832

See notes to financial statements

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 a year. 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 program costs expense) at the time the related grant application is approved.

(continues)

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, Canada Emergency Rent Subsidy, Canada Emergency Business Account loan, and Temporary Wage 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.

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. The City of Edmonton approved a motion in December 2020 to reduce 2021 funding by $60,000.

During the year, the Society received $1,156,000 of unrestricted funding per the Agreement. The remaining funding will be received as follows:

- $560,500 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;
- $560,500 on June 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 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.

During the year, the Society recognized deferred grants from the Government of Alberta totaling $16,856 (2019 - $7,193) when the related expense was incurred.

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.

	2020	2019
Balance, beginning of the year	**$ 3,472**	$ -
Grant commitments issued during the year, included in programming costs	**188,415**	21,106
Expired prior year commitments	**(2,201)**	-
Grants paid during the year	**(112,451)**	(17,634)
	$ 77,235	$ 3,472

These industry grants and rebates are to support activities in the industry and are expected to be fully utilized in 2021.

5. GOVERNMENT ASSISTANCE

During the year, the Government passed legislation offering 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 July 5, 2020 to December 19, 2020 in the amount of $58,600, all of which has been recognized in the year. Of this amount $20,300 is receivable at year-end. The Society benefited from the Temporary Wage Subsidy (TWS) for payroll deductions on remuneration paid between March 18, 2020 to June 19, 2020 in the amount of $6,340, all of which has been recognized in the year.

The Society benefited from the Canada Emergency Rent Subsidy (CERS) for rent paid between September 27, 2020 to December 19, 2020 in the amount of $3,267, all of which has been recognized in the year. Of this amount $1,312 is receivable at year-end.

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, 2022. The $20,000 forgivable portion has been recognized in income in the year. Subsequent to December 31, 2022, any remaining outstanding loan balance will be converted into a three-year term loan with interest of 5% per annum maturing December 31, 2025.

6. GUARANTEED INVESTMENT CERTIFICATE

The Society invested funds in a Guaranteed Investment Certificate (GIC) with an interest rate of 2.01%, maturing January 23, 2021.

As of December 31, 2020, the GIC had accrued interest of $37,674 (2019 - $88,232).

7. 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 three projects.

	2020	2019
Loan receivable bearing interest at 5.95% per annum, repayable in quarterly blended payments of $14,662. The loan matures on May 3, 2023 and is secured by a general security agreement.	**$ 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, 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 $68,527 had been funded.	**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, 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 $85,000 had been funded.	**85,000**	-
	290,145	-
Amounts receivable within one year	**(52,991)**	-
	$ 237,154	$ -

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: ESIO workshops and conference, Gil Cardinal Legacy Award, and Edmonton Screen Media Fund.

	2020	2019
Balance - beginning of year	**$ 3,974,421**	$ 3,960,528
Government of Alberta Community Initiatives Program grant funding received	**34,925**	21,086
Gil Cardinal Legacy Award contribution received	**3,500**	-
ESMF returns allocated to the Fund	**640**	-
Contributions recognized	**(16,856)**	(7,193)
	$ 3,996,630	$ 3,974,421

9. 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 $2,211, subject to annual review. Future minimum lease payments as at December 31, 2020, are as follows:

2021	$ 26,533
2022	26,533
2023	8,844
	$ 61,910

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 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.

	2020	2019
Application fee revenue	**$ 3,000**	$ 1,500
Interest income earned on the ESMF fund	**71,118**	88,234
ESMF returns	**640**	-
Programming costs	**(25,941)**	(3,635)
	$ 48,817	$ 86,099

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, 2020. 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.

12. COMPARATIVE FIGURES

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

13. COVID-19

The 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 could be impacted by the slowdown in the screen media industry. Program delivery and revenue generation could 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.