

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Financial Statements

Year Ended March 31, 2021

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

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Year Ended March 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Newfoundland and Labrador Film Development Corporation

Opinion

We have audited the financial statements of Newfoundland and Labrador Film Development Corporation (the Company), which comprise the statement of financial position as at March 31, 2021, and the statements of revenues and expenditures, changes in net assets and cash flows 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 Company as at March 31, 2021, and the results of its operations and cash flows 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 Company 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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.

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Independent Auditor's Report to the Directors of Newfoundland and Labrador Film Development Corporation (*continued*)

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 Company'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 Company'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 Company 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.

St. John's, Newfoundland and Labrador
May 25, 2021


CHARTERED PROFESSIONAL ACCOUNTANTS

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION
Statement of Revenues and Expenditures
Year Ended March 31, 2021

	Budget	2021	2020
REVENUES	\$ 611,000	\$ 611,000	\$ 611,000
EXPENSES			
Salaries and wages	366,507	380,334	345,875
Office (Note 6)	73,900	71,782	70,901
Consultancies (Note 3)	25,821	43,232	89,240
Training	46,500	42,738	20,807
Sponsorships	35,000	27,706	36,120
Professional fees	17,726	17,531	14,860
Advertising and promotion	9,020	14,239	9,040
Miscellaneous	2,350	3,387	2,238
	576,824	600,949	589,081
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	34,176	10,051	21,919
OTHER INCOME	-	-	3,905
EXCESS OF REVENUES OVER EXPENSES	\$ 34,176	\$ 10,051	\$ 25,824

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Financial Position

March 31, 2021

ASSETS

Cash (Note 5)	\$	438,346	\$	614,892
Accounts receivable		11,146		12,962
Prepaid expenses		6,101		6,101
	\$	455,593	\$	633,955

LIABILITIES AND NET ASSETS

Accounts payable	\$	45,637	\$	33,235
Payables and accruals - Equity Investment Program		272,611		587,947
Advances received (Note 3)		79,475		-
		397,723		621,182

NET ASSETS

Share capital (Note 4)		3		3
Net assets		57,867		12,770
		57,870		12,773
	\$	455,593	\$	633,955

ON BEHALF OF THE BOARD



Director



Director

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2021

	2020 Balance	Excess of revenues over expenses	Contributions	Withdrawals	2021 Balance
Operations Fund	\$ 24,499	\$ 10,051	\$ -	\$ -	\$ 34,550
Equity Fund	(11,729)	-	35,046	-	23,317
	\$ 12,770	\$ 10,051	\$ 35,046	\$ -	\$ 57,867

	2019 Balance	Excess of revenues over expenses	Contributions	Withdrawals	2020 Balance
Operations Fund	\$ (1,325)	\$ 25,824	\$ -	\$ -	\$ 24,499
Equity Fund	11,655	-	(23,384)	-	(11,729)
	\$ 10,330	\$ 25,824	\$ (23,384)	\$ -	\$ 12,770

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**Statement of Cash Flows****Year Ended March 31, 2021**

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 10,051	\$ 25,824
Item not affecting cash:		
Excess of receipts over commitments (commitments over receipts) - Equity Fund	35,046	(23,384)
	45,097	2,440
Changes in non-cash working capital:		
Accounts receivable	1,816	(599)
Accounts payable	12,402	(11,671)
Payables and accruals - Equity Investment Program	(315,336)	189,032
Advances received	79,475	-
	(221,643)	176,762
INCREASE (DECREASE) IN CASH FLOW	(176,546)	179,202
Cash - beginning of year	614,892	435,690
CASH - END OF YEAR (Note 5)	\$ 438,346	\$ 614,892

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2021

1. PURPOSE OF THE COMPANY

Newfoundland and Labrador Film Development Corporation (the "company") is incorporated provincially under the Corporations Act of Newfoundland and Labrador. Management has determined that they are exempt from payment of income tax under Section 149(1) of the Income Tax Act.

The Corporation's purpose is to promote the development of, and to stimulate employment and investment in, the Provincial film and video industry by providing financial and other assistance.

The Corporation has been designated by the Province's Finance Minister to co-administer the Newfoundland and Labrador Film Tax Credit Program, including registration of productions, review of tax credit applications and recommendations to the Department of Finance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian Public Sector Accounting Standards for not-for-profit organizations

Fund accounting

Newfoundland and Labrador Film Development Corporation follows the restricted fund method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Equity Fund reports the assets, liabilities, revenues, and expenses related to Newfoundland and Labrador Film Development Corporation's equity investment.

Revenue recognition

Revenue from the Government of Newfoundland and Labrador is recognized in the year it is received.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Public Sector 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 are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

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NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2021

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

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealised gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

3. ATLANTIC CANADA OPPORTUNITIES AGENCY

During the year, marketing events and initiatives were completed to increase the marketability and growth of local film and TV industry professionals. Newfoundland and Labrador producers and filmmakers greatly benefited with the help of a consultant who navigated these markets. The NLFDC partnered with the Atlantic Canada Opportunity Agency (ACOA) and local production companies. During the pandemic, these consultancies have been administered virtually.

Total funding received from ACOA during the year was \$127,500 (2020 - \$176,128). As of March 31, 2021, \$79,475 in advances have not been utilized. The funding used during the year has been credited against travel expenses.

4. SHARE CAPITAL

Authorized:

600 Common voting shares

	2021	2020
Issued:		
600 Common shares	\$ 3	\$ 3

5. CASH

	2021	2020
Cash	\$ 438,346	\$ 614,892

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2021

6. OFFICE

Office expense consists of the following:

	2021	2020
<u>Office</u>		
Rent	\$ 33,600	\$ 33,599
Communications	10,988	10,681
Office Equipment purchases/leases	8,620	8,247
Board meeting expense	8,560	7,951
Office Supplies	3,039	2,306
Computer maintenance/software	2,719	1,045
Bank fees	1,774	1,253
Couriers/Taxis	1,105	2,964
Meeting Supplies/consumables	681	1,519
Printing charges	406	403
Postage	189	234
Annual Returns	100	100
Website Hosting	-	599
	\$ 71,781	\$ 70,901

7. EQUITY INVESTMENTS

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefits to Newfoundland and Labrador. Equity investments are made with the condition of repayment through participation in revenue generated by projects. Revenue is recorded as recoupment when received.

Based on the Corporation's low recoupment rate, an allowance has been set up to write-off the cumulative equity investment, net of recoupment.

	2021	2020
<u>Equity Investments</u>		
Equity Investment	\$ 60,425,775	\$ 56,803,361
Allowance against Equity Investment	(59,689,204)	(56,104,415)
Recoupment	(736,571)	(698,946)
	\$ -	\$ -

8. RECOUPMENT

	2021	2020
<u>Recoupment</u>		
Christmas Furey 2017 Inc. - A Christmas Furey	\$ -	\$ 359
Take the Shot Productions Inc. - Republic Of Doyle	37,624	-
	\$ 37,624	\$ 359

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2021

9. PROJECT DEVELOPMENT LOANS

The Corporation provides loans to qualified applicants to support the process of film and video development that takes an idea through the stages of research, writing, market analysis and budget development. This work must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production

Project development loans are interest free and are to be repaid on the earlier of the first day of principal photography or on the optioning, sale, or transfer of the property to a third party.

An allowance has been made to write-off the cumulative amount of these development loans.

	2021	2020
<u>Project Development Loans</u>		
Development Loans	\$ 6,638,149	\$ 6,257,984
Allowance against development loans	(6,638,149)	(6,257,984)
	\$ -	\$ -

10. COMMITMENTS

Because of the lead times required to obtain all the resources necessary to complete film and video productions, the corporation approves applications for funding which will, on occasion, result in program disbursements in subsequent fiscal periods, pending availability of funds.

As at March 31, 2021, the Corporation was contractually committed to advance funds totaling \$8,355,256 - (2020 - \$8,544,401) from the Equity Investment Program as investments and loans in respect of current and future projects subject to the availability of funds in subsequent years and other terms and conditions as outlined in the funding agreements.

11. ECONOMIC DEPENDENCE

The Corporation is economically dependant on the Government of Newfoundland and Labrador for annual funding.

12. FINANCIAL INSTRUMENTS

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of March 31, 2021.

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources and accounts payable.

Unless otherwise noted, it is management's opinion that the company is not exposed to significant other price risks arising from these financial instruments.

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2021

13. ADJUSTMENT TO OPENING OF EQUITY INVESTMENT PROGRAM

Due to the lead times required to obtain the resources necessary to complete film and video productions, amounts disbursed often differ from those originally committed. Therefore, amounts reported as committed in any given fiscal period may differ on a film by film basis. These adjustments to prior period commitments are reflected as one adjustment in the current year.

14. COVID-19

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant market, financial and social impact.

At the time of approval of these financial statements the company has instituted procedures and protocols, in accordance with public health guidelines, to mitigate health risks in relation to the pandemic. The company has contractually insisted that production companies using the equity funds present a plan that follows the Covid-19 guidelines issued by the province of Newfoundland and Labrador and has been approved by the Newfoundland and Labrador Film Development Corporation.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of our report which provide additional evidence relating to conditions at year end. Management has assessed related financial impacts at this time and determined there to be no current year financial effect.

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION
Schedule of Receipts and Commitments - Equity Investment Program
(Schedule 1)
Year Ended March 31, 2021

	2021	2020
RECEIPTS		
Province of Newfoundland and Labrador Funding	\$ 4,000,000	\$ 4,000,000
Recoupment	37,624	360
Interest Earned	413	12,900
	4,038,037	4,013,260
Current year commitments		
2020 Productions NL Inc. - Surrealtor	500,000	-
Adventures Unknown Season 1 Inc. - Pimp My Shed	-	34,800
Adventures Unknown Season 3 Inc. - Adventures Unknown Season 3	20,500	-
Away Films Inc. - Sweetland	-	6,864
Black Conflux Productions NL Inc. - Black Conflux	-	76,664
Blue Pinion Films Inc. - SJWFF	8,548	23,702
Butter Pictures Inc. - CBC Absolutely NL: Home	-	7,500
Butter Pictures Inc. - Animal Arrangements	-	10,000
Cranky Goad Entertainment Ltd. - Of this Place Season 5	-	32,000
Cranky Goad Entertainment Ltd. - Silicon Island	15,000	20,000
Cranky Goat Entertainment Ltd. - Under the Weather	-	95,040
Davis Film Inc. - Mummering Legends	19,800	-
F. James Consulting Ltd. - From Inside the Circle Children's Project	-	9,323
Fort James Season 2 (NL) Inc. - Frontier Season 2	500,000	400,000
Fort James Season 3 (NL) Inc. - Frontier Season 3	-	1,200,000
From Inside the Circle 2018 Co. Ltd. - Season 2	-	41,470
Grown in Darkness Films Inc. - Grown into Darkness	19,800	-
HVGB Nine Planets Ltd. - The Nine Planets	10,000	-
Hawco Productions Inc. - Shallow	10,000	-
India Se Films Inc. - The Condom King of Newfoundland	-	23,304
LJH Films Inc. - Black Harbour Deep	4,143	-
Little Dog Season 2 Inc. - Little Dog (Season 2)	-	200,000
Maroni NL Productions Inc. - Maroni 2	100,000	-
Media Connections Film Inc. - Elfreda	2,802	-
Merb'ys Productions Inc. - Merb'ys	17,647	17,000
Of This Place 6 Ltd. - Of This Place (Season 6)	30,000	-
Oops Productions Inc. - How to Dail at Accessibility	30,000	-
Oops Productions Inc. - How to Fail at Documentary Filmmaking	30,000	-
Panoramic Pictures Inc. - The Last Rituals	-	11,880
Pope Rex Season 1 Inc. - Hudson and Rex (Season 1)	1,677,000	1,673,000
Rex Season 3 Inc. - Hudson and Rex (Season 3)	1,000,000	-
Rink Rat Productions Inc. - A Bay Story	9,602	-
Rink Rat Productions Inc. - Bark Avenue	11,843	-
Rink Rat Productions Inc. - Brotherly Love	9,240	-
Rink Rat Productions Inc. - Crippled	6,115	-
Rink Rat Productions Inc. - Dear Everybody	10,755	-
Rink Rat Productions Inc. - Game	14,923	-
Rink Rat Productions Inc. - Love Does Not Die	11,912	-
Rink Rat Productions Inc. - Me, Mom, COVID19	26,184	-
Rink Rat Productions Inc. - Postal	12,836	-
Rink Rat Productions Inc. - The Devil To Pay	13,818	-
Rock Island Productions Inc. - Salvage Bay	10,000	-
SMH Season 1 Inc. - Sing Me Home	30,000	-

(continues)

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Schedule of Receipts and Commitments - Equity Investment Program (continued)
(Schedule 1)

Year Ended March 31, 2021

	2021	2020
Sara Fost Pictures Inc. - Sweet Angel Baby	7,400	-
Sara Fost Pictures Inc. - Wish you were here	-	10,000
Sara Frost Pictures Inc. - The Street	11,689	-
Sibelle Productions Inc. - Hors Circuit Season 3	10,920	-
Small Fortune Productions Inc. - A Small Fortune	-	80,000
Take The Shot Productions Inc. - Where We Belong	13,093	-
The Hunting Party Inc. - The Great Depression	3,914	-
The Righteous Film NL Inc. - The Righteous	44,963	40,000
The Rightful Heir Productions Inc. - The Rightful Ayre	8,028	-
Visionary Hag Productions Inc. - Spin	18,150	-
Visionary Hag Productions Inc. - Floating After Farley	30,000	-
Visionary Hag Productions Inc. - The Existence of Magic	-	25,000
Wreckhouse Productions Inc. - Limelight	11,687	-
Wreckhouse Productions Inc. - Making It Real	10,000	-
Total committed	4,332,312	4,037,547
	(294,275)	(24,287)
Opening Balance	(11,728)	11,656
Adjustment to opening balance (Note 13)	300,000	-
Expired holdbacks	30,171	2,621
Legal fees	(851)	(1,719)
	317,592	12,558
EXCESS OF RECEIPTS OVER COMMITMENTS	\$ 23,317	\$ (11,729)