

**NEWFOUNDLAND AND LABRADOR
FILM DEVELOPMENT CORPORATION**

Financial Statements

Year Ended March 31, 2020

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION
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Year Ended March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Newfoundland and Labrador Film Development Corporation

We have audited the accompanying financial statements of Newfoundland and Labrador Film Development Corporation, which comprise the statement of financial position as at March 31, 2020 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian Public Sector Accounting Standards for not-for-profit organizations. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland and Labrador Film Development Corporation as at March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PINSENT BARTLETT

CHARTERED PROFESSIONAL ACCOUNTANTS

St. John's, Newfoundland and Labrador
July 17, 2020

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Revenues and Expenditures

Year Ended March 31, 2020

	Budget	2020	2019
REVENUES	\$ 611,000	\$ 611,000	\$ 611,000
EXPENSES			
Salaries and wages (Note 3)	359,028	345,875	344,887
Travel (Note 4)	63,805	89,240	130,080
Office (Note 7)	73,000	70,901	69,282
Sponsorships	40,000	36,120	29,359
Training	26,500	20,807	21,283
Professional fees	15,726	14,860	13,289
Advertising and promotion	10,150	9,040	9,084
Miscellaneous	1,350	2,238	3,008
	589,559	589,081	620,272
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	21,441	21,919	(9,272)
OTHER INCOME	-	3,905	3,465
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 21,441	\$ 25,824	\$ (5,807)

The accompanying notes are an integral part of these financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Financial Position

March 31, 2020

ASSETS

Cash (Note 6)	\$	614,892	\$	435,690
Accounts receivable		12,962		12,363
Prepaid expenses		6,101		6,101

	\$	633,955	\$	454,154
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LIABILITIES AND NET ASSETS

Accounts payable	\$	33,235	\$	44,906
Payables and accruals - Equity Investment Program		587,947		398,915

		621,182		443,821
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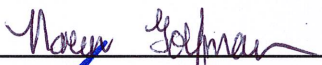
NET ASSETS

Share capital (Note 5)		3		3
Net assets		12,770		10,330


		12,773		10,333
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	\$	633,955	\$	454,154
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ON BEHALF OF THE BOARD



Director



Director

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2020

	2019 Balance	Excess of revenues over expenses	Contributions	Withdrawals	2020 Balance
Operations Fund	\$ (1,326)	\$ 25,824	\$ -	\$ -	\$ 24,498
Equity Fund	11,656	-	(23,384)	-	(11,728)
	\$ 10,330	\$ 25,824	\$ (23,384)	\$ -	\$ 12,770

	2018 Balance	Excess of revenues over expenses	Contributions	Withdrawals	2019 Balance
Operations Fund	\$ 12,118	\$ (5,807)	\$ -	\$ (7,637)	\$ (1,326)
Equity Fund	21,871	-	(17,852)	7,637	11,656
	\$ 33,989	\$ (5,807)	\$ (17,852)	\$ -	\$ 10,330

The accompanying notes are an integral part of these financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**Statement of Cash Flows****Year Ended March 31, 2020**

	2020	2019
OPERATING ACTIVITIES		
Excess (deficiency) of revenues	\$ 25,824	\$ (5,807)
Item not affecting cash:		
Excess of receipts over commitments (commitments over receipts)-(Equity Fund)	(23,384)	(17,852)
	2,440	(23,659)
Changes in non-cash working capital:		
Accounts receivable	(599)	(1,464)
Accounts payable	(11,671)	10,550
Atlantic Canada Opportunities Agency	-	52,122
Payables and accruals - Equity Investment Program	189,032	(486,948)
	176,762	(425,740)
INCREASE (DECREASE) IN CASH FLOW	179,202	(449,399)
Cash - beginning of year	435,690	885,089
CASH - END OF YEAR (Note 6)	\$ 614,892	\$ 435,690

The accompanying notes are an integral part of these financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2020

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 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.

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.

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.

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2020

3. SEVERANCE

During the year, a severance agreement was reached and paid out to government employees. The Corporation received funds from the Department of Industry, Trade and Rural Development in the amount of \$67,100, which was paid out to specific employees. The revenue associated with the funds received has been net with salaries and wages expense.

4. 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 Department of Tourism Culture, Industrial and Innovation (TCII) and local production companies.

Total funding received from ACOA during the year was \$176,128 (2019 - \$131,301). The amount of the funding has been credited against travel expenses.

The amount receivable from ACOA as at March 31, 2020 is nil (2019 - nil).

5. SHARE CAPITAL

Authorized:

600 Common voting shares

	2020	2019
Issued:		
600 Common shares	\$ 3	\$ 3

6. CASH

	2020	2019
Cash	\$ 614,892	\$ 435,690

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2020

7. OFFICE

Office expense consists of the following:

	2020	2019
<u>Office</u>		
Rent	\$ 33,599	\$ 33,599
Communications	10,681	10,684
Office Equipment purchases/leases	8,247	4,810
Board meeting expense	7,951	7,929
Couriers/Taxis	2,964	3,508
Office Supplies	2,306	2,367
Meeting Supplies/consumables	1,519	1,165
Bank fees	1,253	1,571
Computer maintenance/software	1,045	1,281
Website Hosting	599	599
Printing charges	403	1,349
Postage	234	320
Annual Returns	100	100
	\$ 70,901	\$ 69,282

8. 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.

	2020	2019
<u>Equity Investments</u>		
Equity Investment	\$ 56,803,361	\$ 52,965,188
Allowance against Equity Investment	(56,104,415)	(52,266,601)
Recoupment	(698,946)	(698,587)
	\$ -	\$ -

9. RECOUPMENT

	2020	2019
<u>Recoupment</u>		
Christmas Furey 2017 Inc. - A Christmas Furey	\$ 359	\$ 348
Small Shack Productions Inc. - Maudie	-	8,223
	\$ 359	\$ 8,571

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2020

10. 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.

	2020	2019
<u>Project Development Loans</u>		
Development Loans	\$ 6,257,984	\$ 6,059,514
Allowance against development loans	(6,257,984)	(6,059,514)
	\$ -	\$ -

11. 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, 2020, the Corporation was contractually committed to advance funds totaling \$8,544,401 - (2019 - \$7,848,384) 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 conditional as outlined in the funding agreements.

12. ECONOMIC DEPENDENCE

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

13. 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, 2020.

(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, long-term debt, obligations under capital leases, contributions to the pension plan, 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, 2020

14. 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.

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION
Schedule of Receipts and Commitments - Equity Investment Program
(Schedule 1)
Year Ended March 31, 2020

	2020	2019
RECEIPTS		
Province of Newfoundland and Labrador Funding	\$ 4,000,000	\$ 4,000,000
Recoupment	360	8,570
Interest Earned	12,900	16,381
	4,013,260	4,024,951

Current year commitments

	-	-
Small Fortune Productions Inc.	80,000	-
Adventures Unknown Season 1 Inc. - Adventures Unknown	-	35,000
Adventures Unknown Season 2 Inc. - Adventures Unknown Season 2	-	39,925
Away Films Inc. - Sweetland	6,864	-
Blue Pinion Films Inc. - SJWFF	23,702	-
Adventures Unknown Season 1 Inc. - Pimp My Shed	34,800	-
Butter Pictures Inc. - CBC Absolutely NL: Home	7,500	-
Christmas Furey 2017 Inc. - A Christmas Furey	-	250,000
Cold Season Films Inc. - A Fire in the Cold Season	-	90,000
Cranky Goad Entertainment Ltd. - Silicon Island	20,000	-
Cranky Goad Entertainment Ltd. - Of this Place Season 5	32,000	-
Cranky Goat Entertainment - Under the Weather	95,040	85,000
Eight Figure Film Inc. - Always Going Never Gone	-	20,375
Fire Crown Productions Inc. - Nunatsiavut Labrador Project	-	14,000
Fort James Season 2 (NL) Inc.	400,000	400,000
Fort James Season 3 (NL) Inc.	1,200,000	1,200,000
From Inside the Circle 2018 Co. Ltd. - Season 2	41,470	-
Harold Greenberg Projects	20,000	-
Imagine That Productions Inc. - Little Orphans	-	82,000
India Se Films Inc. - The Condom King of Newfoundland	23,304	-
Island Horse Productions Inc. - The Everyday Magin of Mary Pratt	-	29,085
Justin Foley Entertainment Inc. - Melody	-	19,800
LJH Documentaries Inc. - Labrador Documentary Project	-	31,845
F. James Consulting Ltd. - From Inside the Circle Children's Project	9,323	-
Little Dog Season 1 Inc. - Little Dog	-	250,000
Little Dog Season 2 Inc. - Little Dog (Season 2)	200,000	829,632
Little Heat Films Inc. - Ride Like Hell	-	105,274
Matchcut Productions Inc. - The Uncanny	-	21,287
Merb'ys Productions Inc. - Merb'ys	17,000	-
Media Connections Film Inc. - Yes My Dear...Joan Morrissey	-	35,000
Morag Loves Company Limited - The Lottery Winners	-	8,250
Morag Loves Copmany Limited - Goners	-	10,098
Black Conflux Productions NL Inc. - Black Conflux	76,664	-
Panoramic Pictures Inc. - Black Conflux	-	322,336
Polar Paw Films Inc. - Popak	-	4,447
Panoramic Pictures Inc. - The Last Rituals	11,880	-
Pope Productions Ltd. - BEAR	-	35,000
Pope Rex Season 1 Inc.	1,673,000	224,962
Rink Rat Productions Inc. - A Bay Story (Phase 2)	-	13,453
Rink Rat Productions Inc. - Brotherly Love	-	11,232
Rink Rat Productions Inc. - Cain's Quest 2020	-	6,116
Rink Rat Productions Inc. - Shimmer	-	18,976

(continues)

The accompanying notes are an integral part of these financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

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

Year Ended March 31, 2020

	2020	2019
Rock Island Productions Inc. - Game On	-	12,912
Rock Island Productions Inc. - The Science of Ice	-	12,200
Sara Fost Pictures Inc. - Firefighter	-	10,303
Sara Fost Pictures Inc. - Sweet Angel Baby	-	10,118
Scattered and Small Pictures Inc. - Scattered and Small	-	25,000
Sibelle Productions Inc. - Plantify	-	28,173
The Righteous Film NL Inc. - The Righteous	40,000	-
Visionary Hag Productions - The Existence of Magic	25,000	-
Wreckhouse Productions Inc. - Atlantic First Flight	-	18,928
Total committed	4,037,547	4,310,727
	(24,287)	(285,776)
Opening Balance	11,656	21,871
Adjustment to opening balance	-	217,536
Expired holdbacks	2,621	66,719
Legal fees	(1,718)	(8,694)
	12,559	297,432
EXCESS OF RECEIPTS OVER COMMITMENTS	\$ (11,728)	\$ 11,656

The accompanying notes are an integral part of these financial statements