

**NEWFOUNDLAND AND LABRADOR
FILM DEVELOPMENT CORPORATION**

Financial Statements

Year Ended March 31, 2019

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

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Year Ended March 31, 2019

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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, 2019 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.

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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, 2019 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
May 23, 2019

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Revenues and Expenditures

Year Ended March 31, 2019

	Budget	2019	2018
REVENUES	\$ 611,000	\$ 611,000	\$ 681,000
EXPENSES			
Salaries and wages	357,186	344,887	337,285
Travel	102,967	130,080	179,177
Office (Note 6)	68,668	69,282	71,094
Sponsorships	30,000	29,359	25,646
Training	26,500	21,283	18,903
Professional fees	16,229	13,289	22,360
Advertising and promotion	8,150	9,084	20,021
Miscellaneous	1,300	3,008	2,254
Amortization	-	-	956
	611,000	620,272	677,696
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	-	(9,272)	3,304
OTHER INCOME	-	3,465	8,895
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ -	\$ (5,807)	\$ 12,199

The accompanying notes are an integral part of these financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Financial Position

March 31, 2019

ASSETS

Cash	\$	435,690	\$	885,089
Accounts receivable		12,363		10,899
Prepaid expenses		6,101		6,101
Atlantic Canada Opportunities Agency (Note 4)		-		52,122
	\$	454,154	\$	954,211


LIABILITIES AND NET ASSETS

Accounts payable	\$	44,906	\$	34,355
Payables and accruals - Equity Investment Program		398,915		885,863
		443,821		920,218


NET ASSETS

Share capital (Note 5)		3		3
Net assets		10,330		33,989
		10,333		33,992
	\$	454,154	\$	954,210

ON BEHALF OF THE BOARD



Director



Director

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2019

	2018 Balance	Deficiency of revenues over expenses	Excess of receipts over commitments	Contributions (Withdrawals) (Note 14)	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

	2017 Balance	Deficiency of revenues over expenses	Excess of receipts over commitments	Withdrawals	2018 Balance
Operations Fund	\$ (81)	\$ 12,199	\$ -	\$ -	\$ 12,118
Equity Fund	64,396	-	(42,525)	-	21,871
	\$ 64,315	\$ 12,199	\$ (42,525)	\$ -	\$ 33,989

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended March 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess (deficiency) of revenues	\$ (5,807)	\$ 12,199
Items not affecting cash:		
Amortization of property, plant and equipment	-	956
Excess of receipts over commitments (commitments over receipts)-(Equity Fund)	(17,852)	(42,526)
	(23,659)	(29,371)
Changes in non-cash working capital:		
Accounts receivable	(1,464)	(3,752)
Accounts payable	10,550	(9,979)
Prepaid expenses	-	1,156
Atlantic Canada Opportunities Agency	52,122	(24,777)
Payables and accruals - Equity Investment Program	(486,948)	703,330
	(425,740)	665,978
INCREASE (DECREASE) IN CASH FLOW	(449,399)	636,607
Cash - beginning of year	885,089	248,481
CASH - END OF YEAR	435,690	885,088
CASH CONSISTS OF:		
Cash	\$ 435,690	\$ 885,089

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2019

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.

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NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2019

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

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization. Property, plant and equipment is amortized over its estimated useful life at the following rates and methods:

Computer equipment	45%	declining balance method
Furniture and fixtures	20%	declining balance method

The company regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Computer equipment	\$ 47,849	\$ 47,849	\$ -	\$ -
Furniture and fixtures	19,176	19,176	-	-
	\$ 67,025	\$ 67,025	\$ -	\$ -

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 \$131,301 (2018 - \$153,344). The amount of the funding has been credited against travel and marketing expenses.

The amount receivable from ACOA as at March 31, 2019 is nil (2018 - \$52,122).

5. SHARE CAPITAL

Authorized:

600 Common voting shares

	2019	2018
Issued:		
600 Common shares	\$ 3	\$ 3

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2019

6. OFFICE

Office expense consists of the following:

	2019	2018
<u>Office</u>		
Rent	\$ 33,600	\$ 33,600
Communications	10,684	11,586
Board meeting expense	7,929	7,566
Office Equipment purchases/leases	4,810	4,473
Couriers/Taxis	3,508	2,360
Office Supplies	2,367	1,720
Bank fees	1,571	1,086
Printing charges	1,349	647
Computer maintenance/software	1,281	905
Meeting Supplies/consumables	1,165	1,124
Website Hosting	599	699
Postage	320	174
Annual Returns	100	90
Mandate change facilitation	-	5,064
	\$ 69,283	\$ 71,094

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

	2019	2018
<u>Equity Investments</u>		
Equity Investment	\$ 52,965,188	\$ 49,419,272
Allowance against Equity Investment	(52,266,601)	(48,729,256)
Recoupment	(698,587)	(690,016)
	\$ -	\$ -

8. RECOUPMENT

	2019	2018
<u>Recoupment</u>		
Christmas Furey 2017 Inc. - A Christmas Furey	\$ 348	\$ -
Republic of Doyle Inc. - Republic of Doyle (Seasons 1-6)	-	26,496
Small Shack Productions Inc. - Maudie	8,223	47,468
	\$ 8,571	\$ 73,964

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2019

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.

	2019	2018
<u>Project Development Loans</u>		
Development Loans	\$ 6,059,514	\$ 5,562,627
Allowance against development loans	(6,059,514)	(5,562,627)
	\$ -	\$ -

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, 2019, the Corporation was contractually committed to advance funds totaling \$7,848,384 - (2018 - \$7,563,989) 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.

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, 2019.

(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, 2019

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. CONTRIBUTIONS (WITHDRAWALS)

Interest earned in 2018 on equity program money was reallocated to the equity fund from the operations fund.

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION
Schedule of Receipts and Commitments - Equity Investment Program
(Schedule 1)
Year Ended March 31, 2019

	2019	2018
RECEIPTS		
Province of Newfoundland and Labrador Funding	\$ 4,000,000	\$ 4,000,000
Province of Newfoundland and Labrador Funding - Frontier	-	-
Province of Newfoundland and Labrador Funding - Caught	-	1,400,000
Recoupment	8,570	73,964
Interest Earned	16,381	7,637
	4,024,951	5,481,601
Current year commitments		
	-	-
74065 NFLD&Lab inc. - Old Confidence	-	5,940
Adventures Unknown Season 1 Inc. - Adventures Unknown	35,000	-
Adventures Unknown Season 2 Inc. - Adventures Unknown Season 2	39,925	-
Away Films Inc. - Golden Bell	-	9,887
Away Films Inc. - Sweetland	-	19,400
Bar Haven Productions Inc. - Bar Haven	-	5,639
Blue Pinion Films Inc. - Snow Storm Roulette	-	20,085
Braven (NL) Inc.	-	-
Broadside Productions Inc. - The Junction	-	4,945
Broadside Productions Inc. - The Merry Widow	-	4,945
Butter Pictures Inc. - Asking for it	-	19,388
Carrie at Heart Productions Ltd.	-	-
Cats Eye Cinema Inc. - Casey - Picture Start	-	19,125
Cats Eye Cinema Inc. - Ride Like Hell - Big Sugar Documentary	-	19,800
Caught Season 1 Inc. - Caught	-	1,400,000
Christmas Furey 2017 Inc. - A Christmas Furey	250,000	233,315
Club One New Releases 3 Co. Ltd. - Club One Chef Roary Season 4	-	193,668
Cold Season Films Inc. - A Fire in the Cold Season	90,000	-
Cold Water (4) NL Inc. - Coldwater Season 4	-	220,165
Cranky Goad Entertainment Ltd. - Of this Place	-	39,994
Cranky Goad Entertainment Ltd. - Of this Place Season 4	-	39,994
Cranky Goat Entertainment - Under the Weather	85,000	-
Eight Figure Film Inc. - Always Going Never Gone	20,375	-
F. James TV Film Co. Ltd. - Club One International Series	-	149,940
Fire Crown Productions Inc. - Nunatsiavut Labrador Project	14,000	41,500
Fire Crown Productions Inc. - Sights Before Christmas	-	33,000
Fort James Season 2 (NL) Inc.	400,000	200,000
Fort James Season 3 (NL) Inc.	1,200,000	600,000
From Inside the Circle 2017 Co Ltd - From Inside the Circle	-	96,564
Frontier Season 1 (NL) Inc. - Frontier	-	532,104
Hors Circuit Saison 2 Inc. - Hors Circuit Season 2	-	28,776
Imagine That Productions Inc. - Little Orphans	82,000	-
Island Horse Productions Inc. - Gerald Squires on Creation and Death	-	20,901
Island Horse Productions Inc. - Immaculate Memories	-	29,085
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	-
LJH Films Inc. - East Coast Surf	-	6,190

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NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION
Schedule of Receipts and Commitments - Equity Investment Program (continued)
(Schedule 1)
Year Ended March 31, 2019

	2019	2018
LJH Films Inc. - Hopeless Hayley Harper	-	6,190
LJH Films Inc. - Hopeless Romantic	-	38,000
LJH Films Inc. - The Burning Sky	-	6,190
Lazybank Productions Inc. - Funk Island Web Series	-	15,540
Little Dog Season 1 Inc. - Little Dog	250,000	250,000
Little Dog Season 2 Inc. - Little Dog (Season 2)	829,632	-
Little Heat Films Inc. - Ride Like Hell	105,274	-
Matchcut Productions Inc. - The Uncanny	21,287	-
Media Connections Film Inc. - Avon Ladies Rural Style	-	-
Media Connections Film Inc. - Come home year	-	4,310
Media Connections Film Inc. - Limelight	-	14,850
Media Connections Film Inc. - Yes My Dear...Joan Morrissey	35,000	17,490
Morag Loves Company Limited - The Lottery Winners	8,250	-
Morag Loves Company Limited - The Storys	-	6,600
Morag Loves Company Limited - White Wolves	-	-
Morag Loves Copmany Limited - Goners	10,098	-
Nine Island Productions Inc. - Gemma	-	34,980
Panoramic Pictures Inc. - Black Conflux	322,336	-
Polar Paw Films Inc. - Popak	4,447	-
Pope Music Season 2 Ltd. - Heavy Weather 6&7	-	65,000
Pope Productions Ltd. - BEAR	35,000	-
Pope Productions Ltd. - East of West telefilm	-	-
Pope Productions Ltd. - MunChinese Club	-	-
Pope Productions Ltd. - Outside Voices	-	-
Pope Productions Ltd. - Rex	-	25,038
Pope Rex Season 1 Inc.	224,962	-
Pulp and Paper Entertainment Inc. - Dark Before Dawn	-	12,451
Pulp and Paper Entertainment Inc. - Matchstick - Picture Start	-	21,307
Pulp and Paper Entertainment Inc. - Picture Start	-	21,775
Rink Rat Productions Inc. - A Bay Story	-	11,945
Rink Rat Productions Inc. - A Bay Story (Phase 2)	13,453	-
Rink Rat Productions Inc. - Aunite Vigilantes (Phase 3)	-	3,913
Rink Rat Productions Inc. - Brotherly Love	11,232	10,559
Rink Rat Productions Inc. - Cain's Quest 2020	6,116	-
Rink Rat Productions Inc. - Dear Everybody	-	12,371
Rink Rat Productions Inc. - Robert Cordier Happening	-	20,256
Rink Rat Productions Inc. - Shimmer	18,976	-
Rink Rat Productions Inc. - The Highlander and the Caribou	-	2,700
Riverhead Films Inc.	-	-
Rock Island Productions Inc. - Cougar Annie	-	12,174
Rock Island Productions Inc. - Game On	12,912	-
Rock Island Productions Inc. - Portuguese Boy	-	8,500
Rock Island Productions Inc. - Portuguese Boy Ph 2	-	13,209
Rock Island Productions Inc. - The Science of Ice	12,200	-
Rose Van Driel - Frontier Season III	-	1,037
Sara Fost Pictures Inc. - Firefighter	10,303	-
Sara Fost Pictures Inc. - Hammer	-	201,190
Sara Fost Pictures Inc. - Sweet Angel Baby	10,118	-
Sara Fost Pictures Inc. - Untitled Social Work Project	-	9,933
Scattered and Small Pictures Inc. - Scattered and Small	25,000	50,000
Sibelle Productions Inc. - Hors Circuit Season 3	-	133,500

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NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION
Schedule of Receipts and Commitments - Equity Investment Program (continued)
(Schedule 1)
Year Ended March 31, 2019

	2019	2018
Sibelle Productions Inc. - Plantify	28,173	-
Sibelle Productions Inc. - Sous Le Joug	-	13,378
Small Shack Productions Inc. - Maudie	-	-
Springwater Productions Inc. - Arts Delight	-	18,960
The Good Change Picture Inc. - Picture Start	-	19,016
The Hunting Party Inc. - Incredible Violence aka Final Cut	-	65,864
Vango Productions Inc.	-	-
Wreckhouse Productions Inc. - Atlantic First Flight	18,928	-
Wreckhouse Productions Inc. - Audience of Chairs	-	303,947
Wreckhouse Productions Inc. - Shoot Me (Phase III)	-	13,072
Total committed	4,310,727	5,459,595
	(285,776)	22,006
Opening Balance	21,871	64,396
Adjustment to opening balance	217,536	(64,531)
Expired holdbacks	66,719	-
Legal fees	(8,694)	-
	297,432	(135)
EXCESS OF RECEIPTS OVER COMMITMENTS	\$ 11,656	\$ 21,871

The accompanying notes are an integral part of these financial statements