

**NEWFOUNDLAND AND LABRADOR  
FILM DEVELOPMENT CORPORATION**

**Financial Statements**

**Year Ended March 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

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To the Enter descriptions 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, 2016 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 the Canadian Public Sector Accounting Standards for not for profit organizations as issued by the Public Sector Accounting Board 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 generally accepted auditing standards. 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 Enter descriptions 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, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

St. John's, Newfoundland and Labrador  
August 1, 2016

  
CHARTERED PROFESSIONAL ACCOUNTANTS

**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**

**Statement of Revenues and Expenditures**

**Year Ended March 31, 2016**

	Budget 2016	2016	2015
<b>REVENUE</b>	\$ 740,900	\$ 740,900	\$ 707,100
<b>EXPENDITURES</b>			
Salaries and wages	445,000	444,825	409,221
Travel & marketing ( <i>Note 3</i> )	89,000	109,940	109,794
Office ( <i>Note 6</i> )	77,700	75,832	71,866
Sponsorships	75,100	74,771	90,702
Advertising and promotion	17,500	14,040	16,791
Training	21,000	12,349	14,849
Professional fees	10,000	10,063	8,995
Miscellaneous	1,500	2,316	532
Amortization	-	515	800
Promotional materials and publications	4,000	487	437
	740,800	745,138	723,987
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FROM OPERATIONS</b>	100	(4,238)	(16,887)
<b>OTHER INCOME</b>	-	2,748	2,345
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	\$ 100	\$ (1,490)	\$ (14,542)

See notes to financial statements

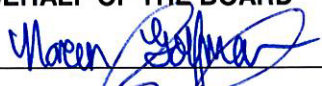
**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**


**Statement of Financial Position**

**March 31, 2016**

	2016	2015
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 201,485	\$ 631,813
Accounts receivable	2,415	2,990
Prepaid expenses	5,027	5,588
Atlantic Canada Opportunities Agency (Note 3)	114,838	62,163
	<b>323,765</b>	702,554
PROPERTY, PLANT AND EQUIPMENT (Note 4)	1,299	1,814
	<b>\$ 325,064</b>	<b>\$ 704,368</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 43,775	\$ 25,204
Payables and accruals - Equity Investment Program	284,972	696,830
	<b>328,747</b>	722,034
<b>NET ASSETS</b>		
Share capital (Note 5)	3	3
Operations fund	(22,196)	(20,706)
Equity fund	18,510	3,037
	<b>(3,683)</b>	(17,666)
	<b>\$ 325,064</b>	<b>\$ 704,368</b>

**ON BEHALF OF THE BOARD**

 Director

 Director

See notes to financial statements

**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**

**Statement of Changes in Net Assets**

**Year Ended March 31, 2016**

	Operations Fund	Equity Fund	2016	2015
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ (20,706)	\$ 3,037	\$ (17,669)	\$ (5,653)
Deficiency of revenue over expenditures	(1,490)	-	(1,490)	(14,542)
Excess of receipts over commitments (commitments over receipts) - Equity Investment Program (EIP) (Schedule 1)	-	15,473	15,473	2,526
<b>NET ASSETS - END OF YEAR</b>	\$ (22,196)	\$ 18,510	\$ (3,686)	\$ (17,669)

**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION****Statement of Cash Flows****Year Ended March 31, 2016**

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenue over expenditures	\$ (1,490)	\$ (14,542)
Items not affecting cash:		
Amortization of property, plant and equipment	515	800
Excess of receipts over commitments (commitments over receipts) - (Equity Fund)	15,473	2,526
	<b>14,498</b>	<b>(11,216)</b>
Changes in non-cash working capital:		
Accounts receivable	575	(11)
Accounts payable	18,571	(7,177)
Prepaid expenses	561	4,203
Atlantic Canada Opportunities Agency	(52,675)	2,837
Payables and accruals - Equity Investment Program	(411,858)	503,564
	<b>(444,826)</b>	<b>503,416</b>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(430,328)</b>	<b>492,200</b>
Cash - beginning of year	631,813	139,613
<b>CASH - END OF YEAR</b>	<b>\$ 201,485</b>	<b>\$ 631,813</b>

See notes to financial statements

# NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

## Notes to Financial Statements

Year Ended March 31, 2016

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### 1. DESCRIPTION OF BUSINESS

The Corporation is incorporated under the Newfoundland and Labrador Corporations Act. Its primary 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.

The Corporation is exempt from paying income taxes under Section 149 of the Canadian Income Tax Act.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements were prepared in accordance with Canadian Public Sector Accounting Standards (PSA) for not for profit organizations as issued by the Public Sector Accounting Board (PSAB).

#### Fund accounting

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

The Operations Fund accounts for the company's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Equity Investment Fund reports only restricted resources that are to be used for equity investment purposes.

#### 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.

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian Public Sector accounting standards for not for profit enterprises 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.

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**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**

**Notes to Financial Statements**

**Year Ended March 31, 2016**

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

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

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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. NL 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), Department of Business Tourism Culture and Rural Development (BTCRD) and the Producers Association of Newfoundland (PAN) for these events.

The amount receivable from ACOA as at March 31, 2016 is \$114,838. The amount of the funding has been credited against travel and marketing expenses.

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Computer equipment	\$ 47,849	\$ 47,514	\$ 335	\$ 609
Furniture and fixtures	19,176	18,212	964	1,205
	<b>\$ 67,025</b>	<b>\$ 65,726</b>	<b>\$ 1,299</b>	<b>\$ 1,814</b>

5. SHARE CAPITAL

Authorized:

600 Common voting shares of no par value

	2016	2015
Issued:		
600 Common shares	\$ 3	\$ 3

**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION****Notes to Financial Statements****Year Ended March 31, 2016****6. Office**

Office expense consists of the following:

	2016	2015
Rent and maintenance	\$ 38,946	\$ 41,249
Communications	11,476	11,633
Office Equipment	7,797	2,303
Travel	3,769	2,957
Board meeting expense	3,228	4,058
Meeting Supplies	3,043	2,170
Office Supplies	2,439	2,348
Printing	2,066	2,064
Banking fees Operating	1,210	641
Business tax	846	863
Postage	464	931
Computer maintenance	378	565
Banking fees	172	83
	<b>\$ 75,834</b>	<b>\$ 71,865</b>

**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.

	2016	2015
Equity Investment	\$ 42,234,291	\$ 37,310,590
Allowance against Equity Investment	(41,711,180)	(36,928,034)
Recoupment - Equity Investment	(523,111)	(382,556)
	<b>\$ -</b>	<b>\$ -</b>

**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION****Notes to Financial Statements****Year Ended March 31, 2016****8. RECOUPMENT**

During the year the Corporation received the following amounts as recoupment on the Equity Investment Funds.

	2016	2015
<b>Section heading</b>		
Take the Shot Productions Inc. - Republic of Doyle	\$ 124,240	\$ 23,626
Hold Fast Productions Inc. - Hold Fast	212	-
Morage Loves Love and Savagery Inc. - Love and Savagery	14,570	-
Ivy Cottage Inc. - Relative Happiness	1,526	-
Odd Sock Films Inc. - Don Jamieson	7	9
Morag Loves Seduction Inc. - The Grand Seduction	-	12,574
Lazybank Productions Inc. - Till we meet	-	1,319
Rock Island Productions Inc. - Holdfast	-	1,727
Shaftsbury Productions Inc. - Gossip	-	2,912
Shaftsbury Productions Inc. - LWD1	-	12,073
	-	-
	<b>\$ 140,555</b>	<b>\$ 54,240</b>

**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.

	2016	2015
Development Loans	\$ 4,753,697	\$ 4,336,033
Allowance against development loans	(4,753,697)	(4,336,033)
	<b>\$ -</b>	<b>\$ -</b>

**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, 2016, the Corporation was contractually committed to advance funds totaling \$1,086,960 (2015 - 4,158,437) 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.

**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**

**Notes to Financial Statements**

**Year Ended March 31, 2016**

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**11. ECONOMIC DEPENDENCE**

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

**12. COMPARATIVE FIGURES**

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

**13. FINANCIAL INSTRUMENTS**

The company is exposed to various risks through its financial instruments and management regularly monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of March 31, 2016.

**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 government and other related sources, and accounts payable.