

**NEWFOUNDLAND AND LABRADOR
FILM DEVELOPMENT CORPORATION**

Financial Statements

Year Ended March 31, 2017

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

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Year Ended March 31, 2017

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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, 2017 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 accounting standards for not-for-profit organizations, 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.

(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, 2017 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 14, 2017


CHARTERED PROFESSIONAL ACCOUNTANTS

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Revenues and Expenditures

Year Ended March 31, 2017

	Budget 2017	2017	2016
REVENUE	\$ 681,000	\$ 681,000	\$ 740,900
EXPENDITURES			
Salaries and wages	438,098	420,746	444,825
Travel & marketing (Note 3)	102,973	90,865	109,940
Office (Note 6)	75,586	72,478	75,832
Training	26,500	27,561	12,349
Sponsorships	16,000	22,853	74,771
Professional fees	14,611	15,766	10,063
Advertising and promotion	5,400	6,236	14,040
Miscellaneous	1,288	2,932	2,316
Promotional materials and publications	544	130	487
Amortization	-	344	515
	681,000	659,911	745,138
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FROM OPERATIONS	-	21,089	(4,238)
OTHER INCOME	-	1,026	2,748
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ -	\$ 22,115	\$ (1,490)

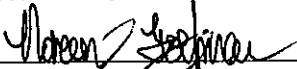

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Financial Position

March 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 248,481	\$ 201,485
Accounts receivable	7,147	2,415
Atlantic Canada Opportunities Agency Funding Receivable (Note 3)	27,345	114,838
Prepaid expenses	7,257	5,027
	290,230	323,765
PROPERTY, PLANT AND EQUIPMENT (Note 4)	955	1,299
	\$ 291,185	\$ 325,064
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 44,335	\$ 43,776
Payables and accruals - Equity Investment Program	182,533	284,972
	226,868	328,748
NET ASSETS		
Share capital (Note 5)	3	3
Net assets	64,314	(3,687)
	64,317	(3,684)
	\$ 291,185	\$ 325,064

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, 2017

	2016 Balance	Excess of revenue over expenditures	Excess of receipts over commitments	2017 Balance
Operations Fund	\$ (22,197)	\$ 22,115	\$ -	\$ (82)
Equity Fund	18,510	-	45,886	64,396
	\$ (3,687)	\$ 22,115	\$ 45,886	\$ 64,314

	2015 Balance	Excess of revenue over expenditures	Excess of receipts over commitments	2016 Balance
Operations Fund	\$ (20,706)	\$ (1,491)	\$ -	\$ (22,197)
Equity Fund	3,037	-	15,473	18,510
	\$ (17,669)	\$ (1,491)	\$ 15,473	\$ (3,687)

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**Statement of Cash Flows****Year Ended March 31, 2017**

	2017	2016
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	\$ 22,115	\$ (1,490)
Items not affecting cash:		
Amortization of property, plant and equipment	344	515
Excess of receipts over commitments (commitments over receipts) - (Equity Fund)	45,886	15,473
	68,345	14,498
Changes in non-cash working capital:		
Accounts receivable	(4,732)	575
Accounts payable	559	18,571
Prepaid expenses	(2,230)	561
Atlantic Canada Opportunities Agency	87,493	(52,675)
Payables and accruals - Equity Investment Program	(102,439)	(411,858)
	(21,349)	(444,826)
INCREASE (DECREASE) IN CASH FLOW	46,996	(430,328)
Cash - beginning of year	201,485	631,813
CASH - END OF YEAR	\$ 248,481	\$ 201,485

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2017

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, 2017

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.

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

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, 2017 is \$27,345 (2016 - \$114,838). The amount of the funding has been credited against travel and marketing expenses.

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Computer equipment	\$ 47,849	\$ 47,665	\$ 184	\$ 335
Furniture and fixtures	19,176	18,405	771	964
	\$ 67,025	\$ 66,070	\$ 955	\$ 1,299

5. SHARE CAPITAL

Authorized:

600 Common voting shares of no par value

	2017	2016
Issued:		
600 Common shares	\$ 3	\$ 3

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**Notes to Financial Statements****Year Ended March 31, 2017**

6. Office

Office expense consists of the following:

	2017	2016
Rent	\$ 33,858	\$ 38,946
Communications	12,327	11,476
Office Equipment purchases/leases	8,520	7,797
Computer maintenance/software	3,030	378
Travel	2,972	3,769
Other	2,922	3,228
Office Supplies	2,551	2,439
Meeting Supplies/consumables	1,759	3,043
Mandate change facilitation	1,721	-
Banking fees Operating	1,007	1,210
Printing charges	799	2,066
Website Hosting	599	-
Postage	202	464
Banking fees	143	172
Business tax	68	846
	\$ 72,478	\$ 75,834

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.

	2017	2016
Equity Investment	\$ 44,558,291	\$ 42,234,291
Allowance against Equity Investment	(43,942,239)	(41,711,180)
Recoupment - Equity Investment	(616,052)	(523,111)
	\$ -	\$ -

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**Notes to Financial Statements****Year Ended March 31, 2017****8. RECOUPMENT**

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

	2017	2016
Recoupment		
Hold Fast Productions Inc. - Hold Fast	\$ -	\$ 212
Ivy Cottage (NL) Productions Inc. - Relative Happiness	-	1,526
Morage Loves Love and Savagery Inc. - Love and Savagery	-	14,570
Movie Star Productions - GUMS	16,850	-
Odd Sock Films Inc. - Don Jamieson	-	7
Republic of Doyle - Republic of Doyle (Season 1 - 6)	63,503	-
Take the Shot Productions Inc. - Republic of Doyle	-	124,240
Rock Island Productions Inc. - Puffin Patrol	12,588	-
	\$ 92,941	\$ 140,555

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.

	2017	2016
Development Loans	\$ 4,955,307	\$ 4,753,697
Allowance against development loans	(4,955,307)	(4,753,697)
	\$ -	\$ -

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, 2017, the Corporation was contractually committed to advance funds totaling 2018 - \$3,527,280 (2017 - \$1,160,770) 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, 2017

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, 2017.

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.

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION
Schedule of Receipts and Commitments - Equity Investment Program
(Schedule 1)
Year Ended March 31, 2017

	2017	2016
Receipts		
Province of Newfoundland and Labrador Funding - Republic of Doyle	\$ -	\$ 2,340,000
Province of Newfoundland and Labrador Funding	2,000,000	1,955,000
Province of Newfoundland and Labrador Funding - Frontier	500,000	500,000
Recoupment (<i>Note 8.</i>)	92,941	140,555
Interest Earned	496	1,920
	\$ 2,593,437	\$ 4,937,475
Current year commitments		
Away Films Inc. - Hammer	\$ -	\$ 18,810
Bright White Productions - Romance and the Word	-	8,745
Carrie at Heart Productions Ltd.	20,955	4,925
Cranky Goat Entertainment Ltd. - Of this Place	40,000	35,000
Dream Shake Media Inc. - Perfect Family	-	10,461
F. James TV Film Co. Ltd. - Club One International Series	109,021	30,000
Get Set Films Inc. - 4 North A	-	11,800
Get Set Films Inc. - Almost Thirty	-	10,000
Island Horse Productions Ltd. - Bucky	-	17,974
Island Horse Productions Ltd. - Lore	-	17,602
Junction Productions Inc. - Malignant	-	19,470
Media Connections Film Inc. - Avon Ladies Rural Style	25,100	9,900
Media Connections Film Inc. - Bullet for the General	-	7,650
Morag Loves Armageddon Limited - Armageddon	-	222,500
Morag Loves Away Inc. - Away From Everywhere	-	71,269
Morag Loves Company Limited - Pays	425,000	-
Morag Loves Company Limited - Rebirth of the San Juan	-	9,583
Morag Loves Company Limited - White Wolves	100,000	-
Riverhead Films Inc.	16,200	-
Odd Sock Films Inc. - Franklin River Blockade	-	12,797
Odd Sock Films Inc. - Shoot Me (Phase II)	-	16,243
Panoramic Pictures Inc. - Touch - Picturestart	-	2,644
Pope Productions Ltd. - Amelia Curran Mental Health Project	-	31,200
Pope Productions Ltd. - Good Citizen	-	5,000
Pope Productions Ltd. - Hole in the Wall	-	20,175
Pope Productions Ltd. - Magic of Boxer Connors	-	9,940
Pope Productions Ltd. - East of West telefilm	20,185	-
Pope Productions Ltd. - MunChinese Club	7,260	-
Pope Productions Ltd. - Outside voices	7,260	-
Pope Productions Ltd. - Pignut	-	243,500
Pope Productions Ltd. - Trainwreck Theatre	7,260	-
Republic Season 5 Inc. - Republic of Doyle V	-	1,250,000
Republic Season 6 Inc. - Republic of Doyle VI	-	1,090,000
Media Connections Film Inc. - Come home year	14,850	-
Rink Rat Productions Inc. - When the Boys Came Home	-	6,734
Riverhead Films Inc. - Riverhead	-	34,180
Road de Luxe Productions Inc. - Moving on	-	1,782
Rock Island Productions Inc. - The Portuguese Boy	-	13,209
Rock Island Productions Inc. - Wild Thing	-	34,650
Sarah Fost Pictures Inc. - What Waits for Them in Darkness	-	35,000
Sexton and Son Productions Inc. - Social Work	-	7,732
Hors Circuit Saison 2 Inc. - Hors Circuit Season 2	184,000	44,252
Small Shack Productions Inc. - Maudie	50,000	637,500
Small Shack Productions Inc. - Maudie	-	29,164

See notes to financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Springwater Productions Inc. - The Past is Cast	-	23,000
Braven (NL) Inc.	500,000	-
Fort James Season 2 (NL) Inc.	1,000,000	830,000
Take the Shot Productions Inc. - The Black Strand PII	-	3,978
Take the Shot Productions Inc.- Chaos	-	18,500
Vango Productions Inc.	20,460	-
The Rightful Heir Productions Inc. - O'Brien's	-	6,930
Wreckhouse Productions Inc. - Atlantic	-	17,443
	\$ 2,547,551	\$ 4,931,242
Excess of receipts over commitments (commitments over receipts)	\$ 45,886	\$ 6,233
Opening Balance	18,510	3,037
Adjustment from prior year - When the Boys Came Home	-	9,240
	\$ 64,396	\$ 18,510