

**NEWFOUNDLAND AND LABRADOR
FILM DEVELOPMENT CORPORATION**

Financial Statements

Year Ended March 31, 2018

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

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Year Ended March 31, 2018

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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, 2018 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 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, 2018 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.

PINSENT BARTLETT

CHARTERED PROFESSIONAL ACCOUNTANTS

St. John's, Newfoundland and Labrador
July 31, 2018

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Revenues and Expenditures

Year Ended March 31, 2018

	2018	2018	2017
REVENUES	\$ 681,000	\$ 681,000	\$ 681,000
EXPENSES			
Salaries and wages	438,098	337,285	420,746
Travel	94,000	168,366	90,865
Office (Note 6)	67,977	71,094	72,478
Sponsorships	20,000	25,646	22,853
Professional fees	14,075	22,360	15,766
Advertising and promotion	19,050	20,021	6,366
Training	26,500	18,903	27,561
Miscellaneous	1,300	13,065	2,932
Amortization	-	956	344
	681,000	677,696	659,911
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	-	3,304	21,089
OTHER INCOME	-	8,895	1,026
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ 12,199	\$ 22,115

The accompanying notes are an integral part of these financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Financial Position

March 31, 2018

ASSETS

Cash	\$	885,089	\$	248,481
Accounts receivable		10,899		7,147
Prepaid expenses		6,101		7,257
Atlantic Canada Opportunities Agency (Note 4)		52,122		27,345
Property, plant and equipment (Note 3)		-		955
	\$	954,211	\$	291,185



LIABILITIES AND NET ASSETS

Accounts payable	\$	34,355	\$	44,334
Payables and accruals - Equity Investment Program		885,863		182,533
		920,218		226,867

NET ASSETS

Share capital (Note 5)		3		3
Net assets		33,989		64,315
		33,992		64,318
	\$	954,210	\$	291,185

ON BEHALF OF THE BOARD

 Director
 Director

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2018

	2017 Balance	Excess of revenues over expenses	Excess of receipts over commitments	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

	2016 Balance	Excess of revenues over expenses	Excess of receipts over commitments	Withdrawals	2017 Balance
Operations Fund	\$ (22,196)	\$ 22,115	\$ -	\$ -	\$ (81)
Equity Fund	18,510	-	45,886	-	64,396
	\$ (3,686)	\$ 22,115	\$ 45,886	\$ -	\$ 64,315

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess Of Revenues Over Expenses	\$ 12,199	\$ 22,115
Items not affecting cash:		
Amortization of property, plant and equipment	956	344
Excess of receipts over commitments (commitments over receipts)-(Equity Fund)	(42,526)	45,886
	(29,371)	68,345
Changes in non-cash working capital:		
Accounts receivable	(3,752)	(4,732)
Accounts payable	(9,979)	559
Prepaid expenses	1,156	(2,230)
Atlantic Canada Opportunities Agency	(24,777)	87,493
Payables and accruals - Equity Investment Program	703,330	(102,439)
	665,978	(21,349)
INCREASE IN CASH FLOW	636,607	46,996
Cash - beginning of year	248,481	201,485
CASH - END OF YEAR	885,088	248,481
CASH CONSISTS OF:		
Cash	\$ 885,089	\$ 248,481

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2018

1. PURPOSE OF THE CORPORATION

Newfoundland and Labrador Film Development Corporation (the "corporation") 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, 2018

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

Cash equivalents

Highly liquid investments with maturities of one year or less at date of purchase are classified as cash equivalents.

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 corporation 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	2018 Net book value	2017 Net book value
Computer equipment	\$ 47,849	\$ 47,849	\$ -	\$ 184
Furniture and fixtures	19,176	19,176	-	771
	\$ 67,025	\$ 67,025	\$ -	\$ 955

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

Total funding received from ACOA during the year was \$153,344 (2017 - \$86,574). The amount of the funding has been credited against travel and marketing expenses.

The amount receivable from ACOA as at March 31, 2018 is \$52,122 (2017 - \$27,345).

5. SHARE CAPITAL

Authorized:

600 Common voting shares

	2018	2017
Issued:		
600 Common shares	\$ 3	\$ 3

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2018

6. OFFICE

Office expense consists of the following:

	2018	2017
<u>Office</u>		
Rent	\$ 33,600	\$ 33,858
Communications	11,586	12,327
Office Equipment purchases/leases	4,473	8,520
Computer maintenance/software	905	3,030
Couriers/Taxis	2,360	2,972
Board meeting expense	7,566	2,922
Office Supplies	1,720	2,551
Meeting Supplies/consumables	1,124	1,759
Mandate change facilitation	5,064	1,721
Banking Fees -1110 Operating	952	1,007
Printing charges	647	799
Website Hosting	699	599
Postage	174	202
Banking Fees - 1111 Funding	134	143
Annual Returns	90	68
	\$ 71,094	\$ 72,478

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.

	2018	2017
<u>Equity Investments</u>		
Equity Investment	\$ 49,419,272	\$ 44,558,291
Allowance against Equity Investment	(48,729,256)	(43,942,239)
Recoupment - Equity Investment	(690,016)	(616,052)
	\$ -	\$ -

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2018

8. RECOUPMENT

	2018	2017
<u>Recoupment</u>		
Movie Star Productions Inc. - GUMS	\$ -	\$ 16,850
Republic of Doyle - Republic of Doyle (Season 1-6)	-	63,503
Rock Island Productions Inc. - Puffin Patrol	-	12,588
Small Shack Productions Inc. - Maudie	47,468	-
Republic of Doyle Inc. - Republic of Doyle (Seasons 1-6)	26,496	-
	\$ 73,964	\$ 92,941

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.

	2018	2017
<u>Project Development Loans</u>		
Development Loans	\$ 5,562,627	\$ 4,955,307
Allowance against development loans	(5,562,627)	(4,955,307)
	\$ -	\$ -

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, 2018, the Corporation was contractually committed to advance funds totaling \$7,563,989 - (2017 - \$3,527,280) from the Equity Investment Program as investments and loan 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. COMPARATIVE FIGURES

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

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2018

13. FINANCIAL INSTRUMENTS

The corporation 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 corporation's risk exposure and concentration as of March 31, 2018.

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The corporation 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 corporation is not exposed to significant other price risks arising from these financial instruments.

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION
Schedule of Receipts and Commitments - Equity Investment Program
(Schedule 1)
Year Ended March 31, 2018

	2018	2017
RECEIPTS		
Province of Newfoundland and Labrador Funding	\$ 4,000,000	\$ 2,000,000
Province of Newfoundland and Labrador Funding - Frontier	-	500,000
Province of Newfoundland and Labrador Funding - Caught	1,400,000	-
Recoupment	73,964	92,941
Interest Earned	7,637	496
	5,481,601	2,593,437
Current year commitments		
74065 NFLD&Lab Inc. - Old Confidence	5,940	-
Away Films Inc. - Sweetland	19,400	-
Away Films Inc. - Golden Bell	9,887	-
Bar Haven Productions Inc. - Bar Haven	5,639	-
Blue Pinion Films Inc. - Snow Storm Roulette	20,085	-
Braven (NL) Inc.	-	500,000
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.	-	20,955
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	233,315	-
Club One New Releases 3 Co. Ltd. - Club One Chef Roary Season 4	193,668	-
Cold Water (4) NL Inc. - Coldwater Season 4	220,165	-
Cranky Goad Entertainment Ltd. - Of this Place	39,994	40,000
Cranky Goad Entertainment Ltd. - Of this Place Season 4	39,994	-
F. James TV Film Co. Ltd. - Club One International Series	149,940	109,021
Fire Crown Productions Inc. - Nunatsiavut Labrador Project	41,500	-
Fire Crown Productions Inc. - Sights Before Christmas	33,000	-
Fort James Season 2 (NL) Inc.	200,000	1,000,000
Fort James Season 3 (NL) Inc. - Frontier Season 3	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	184,000
Island Horse Productions Inc. - Gerald Squires on Creation and Death	20,901	-
Island Horse Productions Inc. - Immaculate Memories	29,085	-
LJH Films Inc. - East Coast Surf	6,190	-
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	-
Media Connections Film Inc. - Avon Ladies Rural Style	-	25,100
Media Connections Film Inc. - Come home year	4,310	14,850
Media Connections Film Inc. - Limelight	14,850	-
Media Connections Film Inc. - Yes My Dear...Joan Morrissey	17,490	-
Morag Loves Company Limited - Pays	-	425,000
Morag Loves Company Limited - The Storys	6,600	-

(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, 2018

	2018	2017
Morag Loves Company Limited - White Wolves	-	100,000
Nine Island Productions Inc. - Gemma	34,980	-
Picutres Inc. - Scattered and Small	50,000	-
Pope Music Season 2 Ltd. - Heavy Weather 6&7	65,000	-
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. - Rex	25,038	-
Pope Productions Ltd. - Trainwreck Theatre	-	7,260
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. - Aunite Vigilantes (Phase 3)	3,913	-
Rink Rat Productions Inc. - Brotherly Love	10,559	-
Rink Rat Productions Inc. - Dear Everybody	12,371	-
Rink Rat Productions Inc. - Robert Cordier Happening	20,256	-
Rink Rat Productions Inc. - The Highlander and the Caribou	2,700	-
Riverhead Films Inc.	-	16,200
Rock Island Productions Inc. - Cougar Annie	12,174	-
Rock Island Productions Inc. - Portuguese Boy	8,500	-
Rock Island Productions Inc. - Portuguese Boy Ph 2	13,209	-
Rose Van Driel - Frontier Season III	1,037	-
Sara Fost Pictures Inc. - Hammer	201,190	-
Sara Fost Pictures Inc. - Untitled Social Work Project	9,933	-
Sibelle Productions Inc. - Hors Circuit Season 3	133,500	-
Sibelle Productions Inc. - Sous Le Joug	13,378	-
Small Shack Productions Inc. - Maudie	-	50,000
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.	-	20,460
Wreckhouse Productions Inc. - Audience of Chairs	303,947	-
Wreckhouse Productions Inc. - Shoot Me (Phase III)	13,072	-
Total committed	5,459,595	2,547,551
	22,006	45,886
Opening Balance	64,396	18,510
Adjustment to opening balance	(64,531)	-
	(135)	18,510
EXCESS OF RECEIPTS OVER COMMITMENTS	\$ 21,871	\$ 64,396

The accompanying notes are an integral part of these financial statements