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**FILM AND CREATIVE INDUSTRIES NOVA SCOTIA**

**FINANCIAL STATEMENTS**

**APRIL 9, 2015**

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# FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

MANAGEMENT'S REPORT  
APRIL 9, 2015

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## Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes and schedules to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors (the "Board") are responsible for ensuring that management fulfills its responsibility for financial reporting and internal control and exercises these responsibilities through the Board. The Board regularly reviews internal financial statements and reviews external audited financial statements yearly.

The external auditors, Levy Casey Carter MacLean Chartered Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to management of Film and Creative Industries Nova Scotia and meet when required.

On behalf of Film and Creative Industries Nova Scotia:



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Carolyn Hortoh, CA  
Director of Finance

June 5, 2015

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## INDEPENDENT AUDITOR'S REPORT

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### TO THE BOARD OF DIRECTORS OF FILM AND CREATIVE INDUSTRIES NOVA SCOTIA:

We have audited the accompanying financial statements, which comprise the statement of financial position of Film and Creative Industries Nova Scotia as at April 9, 2015 and the statement of operations and accumulated surplus, changes in net financial assets and cash flows for the period 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 the 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 of 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 organization'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 organization'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.

#### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Film and Creative Industries Nova Scotia as at April 9, 2015 and the results of its operations, changes in net financial assets and cash flows for the period then ended in accordance with Canadian public sector accounting standards.

#### Emphasis of Matter

Without modifying our opinion, we draw attention to note 2 to the financial statements which indicates that the Province of Nova Scotia has eliminated the Corporation's funding and the Corporation is in the process of being wound down.

Halifax, Nova Scotia  
June 5, 2015

  
LEVY CASEY CARTER MACLEAN  
Chartered Accountants

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**Levy  
Casey  
Carter  
MacLean**  
Chartered Accountants

Terry Carter Ltd.  
Stuart S. MacLean Inc.  
J.E. Melvin Inc.  
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# FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

## STATEMENT OF FINANCIAL POSITION APRIL 9, 2015

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	<u>April 9, 2015</u>	<u>March 31, 2015</u>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents - operating (note 3 a)	\$ 981,907	\$ 1,338,402
Cash and cash equivalents - IPF (note 3 a & 9)	729,371	728,777
Receivables, trade - operating	643,632	106,256
Receivables, trade - IPF	3,904	4,361
Due from the Province of Nova Scotia	<u>-</u>	<u>80,490</u>
	<u>2,358,814</u>	<u>2,258,286</u>
<b>LIABILITIES</b>		
Payables and accruals, trade - operating	639,698	374,329
Payables and accruals, trade - IPF	1,000	1,000
Deferred revenue - operating	32,237	32,237
Deferred revenue - IPF (note 9)	522,275	522,138
Commitments payable - operating (note 6, 7, 8)	940,204	1,019,424
Commitments payable - IPF (note 9)	210,000	210,000
Post-retirement health obligation	<u>-</u>	<u>80,490</u>
	<u>2,345,414</u>	<u>2,239,618</u>
<b>Net financial assets</b>	<b>13,400</b>	<b>18,668</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses - operating	<u>6,257</u>	<u>989</u>
<b>Accumulated surplus</b>	<b>\$ <u>19,657</u></b>	<b>\$ <u>19,657</u></b>

Contractual obligations (note 10)

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Approved by the Board

  
Chair

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Member

## FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

### STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS PERIOD ENDED APRIL 9, 2015 (WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MARCH 31, 2015)

	<u>April 9, 2015</u>	<u>March 31, 2015</u>
<b>Revenue</b>		
Operating fund:		
Contributions from the Department of Economic and Rural Development and Tourism	\$ 525,000	\$ 4,281,911
Contributions from the Department of Communities Culture and Heritage	-	100,000
Employee future benefits - Province of Nova Scotia	(80,490)	18,200
Recovery of equity investments	-	228,866
Recovery of development loans	-	54,300
Contributions from the Federal Government - Atlantic Canada Film Partners	-	-
- Atlantic Canada Opportunities Agency	-	59,596
Other income	-	45,446
Private investment	-	38,000
Interest income	252	21,191
Independent production fund:		
Independent production fund contributions (note 9)	-	376,543
Interest income	-	6,729
Recovery of equity investments	-	13,228
	<u>444,762</u>	<u>5,244,010</u>
<b>Expenditures</b>		
Operating fund:		
Equity investments (note 6)	-	1,577,560
Development loans (note 7)	-	206,442
Special projects (note 8)	770	260,092
Music programming	-	837,428
Publishing programming	-	164,700
Other creative sector expenses	-	274,209
Advertising and marketing (page 13)	7,849	495,255
Administrative expenses (page 13)	352,281	1,021,686
Grant to NSBI (note 2)	83,862	-
Independent production fund:		
Equity investments (note 9)	-	395,000
Administrative expenses	-	1,500
	<u>444,762</u>	<u>5,233,872</u>
<b>Operating surplus</b>	-	10,138
<b>Accumulated surplus, beginning of period</b>	<u>19,657</u>	<u>9,519</u>
<b>Accumulated surplus, end of period</b>	<u>\$ 19,657</u>	<u>\$ 19,657</u>

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## FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

### STATEMENT OF CHANGES IN NET FINANCIAL ASSETS PERIOD ENDED APRIL 9, 2015 (WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MARCH 31, 2015)

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	<u>April 9, 2015</u>	<u>March 31, 2015</u>
Operating surplus	\$ -	\$ 10,138
Change in other non-financial assets		
Use (acquisition) of prepaid expenses	<u>(5,268)</u>	<u>69,855</u>
Increase in net financial assets	(5,268)	79,993
Net financial assets (debt), beginning of the period	<u>18,668</u>	<u>(61,325)</u>
Net financial assets, end of the period	<u>\$ 13,400</u>	<u>\$ 18,668</u>

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**FILM AND CREATIVE INDUSTRIES NOVA SCOTIA****STATEMENT OF CASH FLOWS  
PERIOD ENDED APRIL 9, 2015****(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MARCH 31, 2015)**

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	<u>April 9, 2015</u>	<u>March 31, 2015</u>
<b>Operating Activities</b>		
Operating surplus	\$ -	\$ 10,138
Due from the Province of Nova Scotia	-	(18,200)
Employee future benefits	<u>-</u>	<u>18,200</u>
	-	10,138
Net change in non-cash working capital balances related to operations (note 5)	<u>(355,901)</u>	<u>140,988</u>
<b>Increase (decrease) in cash during the period</b>	<b>(355,901)</b>	<b>151,126</b>
<b>Cash and cash equivalents, beginning of period</b>	<b><u>2,067,179</u></b>	<b><u>1,916,053</u></b>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 1,711,278</u></b>	<b><u>\$ 2,067,179</u></b>

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**Represented by:**

Cash and cash equivalents - operating	\$ 981,907	\$ 1,338,402
Cash and cash equivalents - IPF	<u>729,371</u>	<u>728,777</u>
	<b><u>\$ 1,711,278</u></b>	<b><u>\$ 2,067,179</u></b>



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# FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

## NOTES TO FINANCIAL STATEMENTS

APRIL 9, 2015

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### 1. Purpose of organization

Film and Creative Industries Nova Scotia (the "Corporation") was originally incorporated through an act proclaimed by the Governor in Council on August 1, 1990 as the Nova Scotia Film Development Corporation. The chief purpose of the Corporation is to grow Nova Scotia's creative economy by stimulating investment and employment and by promoting Nova Scotia's creative enterprises in global markets.

The Corporation has been designated by the Minister of Finance to administer the Nova Scotia Film Industry Tax Credit Program, including the review of tax credit applications.

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### 2. Basis of presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for government agencies as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

On April 9, 2015, the provincial government tabled the March 31, 2016 budget in the House of Assembly, which included the elimination of the Corporation's funding and a plan to cease the Corporation's operations. Legislation introduced in the spring assigned all assets and liabilities of the Corporation to Nova Scotia Business Incorporated (NSBI) effective April 9, 2015. The majority of the Corporation's staff have been laid off, and any remaining staff have been transferred to Nova Scotia Business Incorporated. The Corporation will be wound down through the repeal of the Film and Creative Industries Nova Scotia Act, but the wind down will only be effective on a future date, following a determination as to the future administration of the Independent Production fund (note 9). The Province of Nova Scotia will be fully funding any associated costs.

These financial statements represent the Corporation's operations for the nine days ended April 9, 2015 and include an accrued liability of \$406,168 for employee severance, outplacement services and other associated employee termination costs. The liability for post retirement health obligations in the amount of \$80,490 has been reversed to administrative salaries and benefits expense. As the Province of Nova Scotia had previously assumed this liability, the receivable from the Province of Nova Scotia for an equal amount has also been reversed to revenue. Subsequent to April 9, 2015 the Corporation continued to incur pre-termination payroll, rent and other administrative expenses. These expenses are considered period costs and are not included in these financial statements. The Corporation has issued a grant to NSBI in the amount of \$83,862 to assist in funding these subsequent operating costs and has included this amount in accrued payables as of April 9, 2015.

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### 3. Significant accounting policies

The financial statements have been prepared using the following significant accounting policies:

(a) Cash and cash equivalents

Cash and cash equivalents include balances with banks and cash invested in short-term highly liquid investments.

(b) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current period and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the period together with the operating surplus or deficit provides the change in net financial assets (debt) for the period.

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## FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

### NOTES TO FINANCIAL STATEMENTS

APRIL 9, 2015

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#### 3. Significant accounting policies (continued)

(c) Tangible capital assets

Significant capital assets are capitalized and amortization is calculated using the declining balance method, at rates based on the estimated useful life of the assets. Capital assets with a cost less than \$10,000 are expensed in the period of acquisition. The Corporation's capital assets are fully amortized.

(d) Development loans and equity investments

Development loans and equity investments are recorded as a liability and charged to current expenditures when the funding is formally committed. Recoveries derived from equity investments and program loans are recorded as revenue when reported by producers. It is not feasible to accrue recoveries from equity investments since these recoveries remain uncertain until reported, as they are based upon the financial results of the recipients' activities. Recoveries from development loans are not accrued until received as repayment remains uncertain until the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party.

(e) Use of estimates

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Such uncertainty exists when there could be a material difference between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. The preparation of the financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. The post-retirement health obligation requires the use of significant estimates because actual results may differ significantly from the various assumptions about plan members and economic conditions in the marketplace.

Estimates are based upon the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements and actual results could differ from these estimates.

(f) Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease. Assets recorded under capital leases are amortized on a straight-line basis over the estimated useful lives of the respective assets on commencement of use of the related assets.

(g) Revenue recognition

Unrestricted contributions are recognized as revenue when received or receivable.

Recovery of equity investments and development loan revenue are recorded as reported by producers.

Funds received under the independent production fund ("IPF") are deferred and recognized into revenue when the funds have been committed to qualifying projects.

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# FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

## NOTES TO FINANCIAL STATEMENTS

APRIL 9, 2015

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### 3. Significant accounting policies (continued)

(g) Revenue recognition (continued)

Investment and other income is recorded in the period in which the related income is earned.

Government transfers are recognized as revenue in the period during which the transfer is authorized and any eligibility criteria are met, except when and to the extent, stipulations by the transferor gives rise to an obligation that meets the definition of a liability. Stipulations by the transferor may require that the funds only be used for providing specific services or the acquisition of tangible capital assets. For transfers with stipulations an equivalent amount of revenue is recognized as the liability is settled.

(h) Contributed services

The Corporation receives various contributed services from the Province of Nova Scotia in carrying out its operating activities. It is the policy of the Corporation not to recognize these services in the financial statements.

(i) Financial instruments

All financial instruments are measured using either the amortized cost method or the fair value method. Financial instruments included in the amortized cost category are recorded at either cost or amortized cost using the effective interest rate method. Transaction costs are included in the initial cost of financial instruments recognized using the cost method. Financial instruments included in the fair value category are initially recorded at fair value with each subsequent change in fair value recognized in the statement of remeasurement gains and losses. Transaction costs associated with financial instruments in the fair value category are expensed when incurred.

Accounts receivable, payables and accruals, commitments payable and post-retirement health obligations are recorded using the cost method. Cash and cash equivalents are recorded using the fair value method utilizing quoted prices in active markets to determine the fair value.

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### 4. Pensions

All full-time employees of the Corporation are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The defined benefit plan is funded by equal employee and employer contributions. The Public Service Superannuation Fund is administered by the Nova Scotia Pension Services Corporation. During the period the Corporation contributed \$2,725 (March 31, 2015 - \$71,182). The Corporation is not responsible for any unfunded liability.

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## FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

### NOTES TO FINANCIAL STATEMENTS

APRIL 9, 2015

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#### 5. Net change in non-cash working capital balances related to operations

	<u>April 9, 2015</u>	<u>March 31, 2015</u>
<b>Increase (decrease) in cash from changes in:</b>		
Receivables, trade	\$ (536,918)	\$ 389,442
Prepaid expenses	(5,268)	69,854
Payables and accruals, trade	265,368	(67,569)
Deferred revenue	137	515,582
Commitments payable - operating	(79,220)	(145,521)
Commitments payable - IPF	<u>-</u>	<u>(620,800)</u>
	<u>\$ (355,901)</u>	<u>\$ 140,988</u>

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#### 6. 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 benefit to Nova Scotians. Equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as reported by producers.

During the period the Corporation received \$Nil (2014 - \$228,866) in the recovery of equity investments. The cumulative total of equity investments of the Corporation to April 9, 2015 is \$46,974,786 (March 31, 2015 - \$46,974,786). As at April 9, 2015, \$4,227,360 has been recouped (March 31, 2015 - \$4,227,360) and \$793,750 (March 31, 2015 - \$870,090) remains undisbursed and is included in commitments payable.

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#### 7. Development loans

The Corporation provides loans to qualified applicants to support the essential process of development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. Development loans are interest free and are to be repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party.

During the period the Corporation recouped \$Nil (March 31, 2015 - \$54,300) in development loans. The cumulative total of development loans made by the Corporation as of April 9, 2015 is \$4,102,215 (March 31, 2015 - \$4,102,215). As at April 9, 2015, \$1,020,570 has been recouped (March 31, 2015 - \$1,020,570) and \$99,953 (March 31, 2015 - \$102,833) remains undisbursed and is included in commitments payable. Total development loans outstanding on April 9, 2015 were \$2,981,692 (March 31, 2015 - \$2,978,812).

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## FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

### NOTES TO FINANCIAL STATEMENTS

APRIL 9, 2015

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#### 8. Special projects

The Corporation provides non-repayable assistance in the form of grants to eligible parties for training, sponsorship, festivals and other marketing initiatives to promote the Nova Scotia film, television and creative industries.

As of April 9, 2015, \$46,501 (March 31, 2015 - \$46,501) has been committed but undisbursed, and is included in commitments payable.

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#### 9. Independent production fund ("IPF")

On August 24, 2011 the Corporation in partnership with Eastlink Television launched an Independent Production Fund ("IPF") in accordance with The Canadian Radio-Television and Telecommunications Commission Broadcasting Distribution Regulations. This fund will provide production assistance in the form of equity investment to eligible producers for the financing of productions that will support employment and economic benefit to Nova Scotians. Equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as reported by producers. Funds received under the IPF are externally restricted and included on the statement of financial position in cash and cash equivalents - IPF and are deferred until committed.

During the period, the Corporation received \$Nil (March 31, 2015 - \$885,391) from the funding partner to invest in qualifying projects and \$Nil (March 31, 2015 - \$13,228) in the recovery of equity investments. The cumulative total of equity investments made by the IPF to April 9, 2015 is \$3,396,000 (March 31, 2015 - \$3,396,000). As at April 9, 2015, \$31,723 (March 31, 2015 - \$31,723) has been recouped and \$210,000 (March 31, 2015 - \$210,000) remains undisbursed and is included in commitments payable - IPF.

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#### 10. Contractual obligations

The Corporation has entered into a lease agreement for premises. The approximate minimum payments required over the next four years are as follows:

2016	\$	37,453
2017	\$	38,400
2018	\$	38,400
2019	\$	12,800

In addition to the minimum rental payments the Corporation is required to pay additional fees to the lessor for operating costs, real estate taxes and electrical consumption. As described in 2, the Corporation is in the process of being wound down. No liability for these future rental obligations has been recorded as of April 9, 2015 as the Corporation and the Province of Nova Scotia believe another government organization will be able to take over the lease.

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#### 11. Economic dependence and related party transactions

The Province of Nova Scotia is a related party of the Corporation. The Corporation is dependent on the Department of Economic and Rural Development and Tourism for annual funding. Details of any transactions between these related parties are separately disclosed.

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**FILM AND CREATIVE INDUSTRIES NOVA SCOTIA**

**NOTES TO FINANCIAL STATEMENTS**

**APRIL 9, 2015**

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**12. Statement of remeasurement gains and losses**

The Corporation has no significant remeasurement gains or losses, therefore no statement of remeasurement gains or losses has been provided.

**FILM AND CREATIVE INDUSTRIES NOVA SCOTIA**  
**SCHEDULE OF ADVERTISING AND MARKETING EXPENSES**  
**AND SCHEDULE OF ADMINISTRATIVE EXPENSES**  
**PERIOD ENDED APRIL 9, 2015**  
**(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MARCH 31, 2015)**

	<u>April 9, 2015</u>	<u>March 31, 2015</u>
<b>Advertising and Marketing Expenses:</b>		
Advertising	\$ -	\$ 5,745
Business development	-	44,966
Locations library	-	5,703
Location services	-	6,826
Marketing	953	174,690
Salaries and benefits	6,896	186,394
Sponsorships	-	70,931
	<u>\$ 7,849</u>	<u>\$ 495,255</u>
<b>Administrative Expenses:</b>		
Bad debt expense	\$ -	\$ 19,054
Bank charges	59	2,184
Board honorarium and expenses	-	18,002
Conference and marketing	-	2,078
Consultants	30,000	1,000
Courier services	21	991
Dues, fees and subscriptions	1,320	5,685
Office supplies	481	15,293
Photocopier	11	2,359
Postage	-	653
Professional fees	8,598	21,861
Repairs, maintenance and equipment	-	1,227
Rent	2,258	87,626
Salaries and benefits	308,502	820,514
Staff training	827	4,707
Strategic planning	-	6,385
Telephone and fax	204	12,067
	<u>\$ 352,281</u>	<u>\$ 1,021,686</u>