

WINNIPEG FILM GROUP INC.

Financial Statements

Year Ended June 30, 2022

DRAFT

INDEPENDENT AUDITOR'S REPORT

To the Directors of Winnipeg Film Group Inc.

Qualified Opinion

We have audited the financial statements of Winnipeg Film Group Inc. (the Organization), which comprise the statement of financial position as at June 30, 2022, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2022, 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.

Basis for Qualified Opinion

The Organization derives revenue from cash transactions for their admissions and concessions revenue, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, and cash flows from operations for the year ended June 30, 2022, and current assets and net assets as at June 30, 2021. Our audit opinion on the financial statements for the year ended June 30, 2022 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Winnipeg, Manitoba
March 20, 2023



Chartered Professional Accountants Inc.

WINNIPEG FILM GROUP INC.

Statement of Financial Position

June 30, 2022

	Operating Fund	Capital Fund	Restricted Fund	Total 2022	Total 2021
ASSETS					
CURRENT					
Cash (Note 3)	\$ 552,293	\$ -	\$ -	\$ 552,293	\$ 251,812
Accounts receivable (Note 4)	223,147	-	-	223,147	218,648
Goods and services tax recoverable (Note 5)	1,064	-	-	1,064	-
Inventory	26,007	-	-	26,007	27,987
Prepaid expenses	27,717	-	-	27,717	19,732
	830,228	-	-	830,228	518,179
CAPITAL ASSETS (Note 6)	-	85,132	-	85,132	79,926
RESTRICTED CASH (Note 7)	-	-	87,815	87,815	65,000
	\$ 830,228	\$ 85,132	\$ 87,815	\$ 1,003,175	\$ 663,105

WINNIPEG FILM GROUP INC.

Statement of Financial Position

June 30, 2022

	Operating <i>Fund</i>	Capital <i>Fund</i>	Restricted <i>Fund</i>	Total 2022	Total 2021
LIABILITIES AND NET ASSETS					
CURRENT					
Accounts payable and accrued liabilities	\$ 148,581	\$ -	\$ -	\$ 148,581	\$ 118,178
Government remittances payable (Note 5)	-	-	-	-	21
Deferred revenue (Notes 5, 8)	233,906	-	-	233,906	130,452
LONG TERM DEBT (Note 9)	60,000	-	-	60,000	-
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 10)	-	85,132	-	85,132	98,437
	442,487	85,132	-	527,619	347,088
NET ASSETS					
Unrestricted	387,741	-	-	387,741	251,646
Externally Restricted (Note 7)	-	-	62,500	62,500	62,500
Internally Restricted (Note 7)	-	-	25,315	25,315	2,500
Invested in Capital Assets	-	-	-	-	(629)
	387,741	-	87,815	475,556	316,017
	\$ 830,228	\$ 85,132	\$ 87,815	\$ 1,003,175	\$ 663,105

ON BEHALF OF THE BOARD

Ryan Simmons

Director

J. Dalrymple

Director

See notes to financial statements

WINNIPEG FILM GROUP INC.
Statement of Revenues and Expenditures
Year Ended June 30, 2022

	Operating Fund	Capital Fund	2022	2021
REVENUE				
Cinematheque	\$ 473,334	\$ 18,686	\$ 492,020	\$ 360,088
Distribution	174,498	9,844	184,342	212,756
Production	365,681	13,835	379,516	390,191
	1,013,513	42,365	1,055,878	963,035
EXPENSES				
Cinematheque	479,885	15,658	495,543	407,594
Distribution	191,426	4,341	195,767	203,064
Production	361,374	19,127	380,501	345,208
	1,032,685	39,126	1,071,811	955,866
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS				
	(19,172)	3,239	(15,933)	7,169
OTHER INCOME				
Canada emergency wage subsidy	148,269	-	148,269	267,724
Canada emergency rent subsidy	27,203	-	27,203	49,748
	175,472	-	175,472	317,472
EXCESS OF REVENUE OVER EXPENSES				
	\$ 156,300	\$ 3,239	\$ 159,539	\$ 324,641

WINNIPEG FILM GROUP INC.
Statement of Changes in Net Assets
Year Ended June 30, 2022

	Unrestricted Fund	Restricted Fund	Invested in Fixed Assets	2022	2021
NET ASSETS -					
BEGINNING OF YEAR	\$ 251,646	\$ 65,000	\$ (629)	\$ 316,017	\$ (8,624)
Excess of revenue over expenses	133,485	22,815	3,239	159,539	324,641
Purchase of fixed assets	(44,332)	-	44,332	-	-
Deferred contributions received	29,060	-	(29,060)	-	-
Interfund transfer	17,882	-	(17,882)	-	-
NET ASSETS - END OF YEAR	\$ 387,741	\$ 87,815	\$ -	\$ 475,556	\$ 316,017

DRAFT

WINNIPEG FILM GROUP INC.**Statement of Cash Flows****Year Ended June 30, 2022**

	2022	2021
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 159,539	\$ 324,641
Items not affecting cash:		
Amortization of capital assets	39,126	45,672
Amortization of deferred contributions related to capital assets	(42,365)	(39,016)
	156,300	331,297
Changes in non-cash working capital:		
Accounts receivable	(4,499)	(9,136)
Prepaid expenses	(7,985)	(1,412)
Inventory	1,980	-
Accounts payable and accrued liabilities	30,403	30,765
Government remittances	(1,085)	(592)
Deferred revenue	103,454	(149,881)
	122,268	(130,256)
Cash flow from (used by) operating activities	278,568	201,041
INVESTING ACTIVITIES		
Purchase of capital assets	(44,332)	(37,992)
Grants received for capital assets	29,060	29,500
Cash flow used by investing activities	(15,272)	(8,492)
FINANCING ACTIVITY		
Proceeds from long term financing	60,000	-
Cash flow from financing activity	60,000	-
INCREASE IN CASH FLOW	323,296	192,549
CASH - BEGINNING OF YEAR	316,812	124,263
CASH - END OF YEAR	\$ 640,108	\$ 316,812
CASH CONSISTS OF:		
Cash	\$ 552,293	\$ 251,812
Restricted Cash	87,815	65,000
	\$ 640,108	\$ 316,812

WINNIPEG FILM GROUP INC.

Notes to Financial Statements

Year Ended June 30, 2022

1. PURPOSE OF THE ORGANIZATION

Winnipeg Film Group Inc. (the "Organization") is an artist run education, production, exhibition, and distribution centre committed to promoting the art of independent cinema. The Organization's vision is to be a world class film centre in Manitoba that supports filmmakers, engages the community and expands the appreciation of independent cinema.

The Organization is incorporated under the laws of the Province of Manitoba and is a registered charity under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

Fund accounting

These financial statements include the following funds:

- The Operating Fund reports the assets, liabilities, revenue and expenditures related to the Organization's operating activities.
- The Capital Fund reports the assets, liabilities, revenue and expenditures related to the Organization's capital assets.
- The Restricted Fund reports externally and internally restricted reserves as follows:
 - An externally restricted working capital reserve. The working capital reserve, originally provided by Arts Stabilization Manitoba Inc. on the basis that the reserve be maintained in perpetuity, is to act as an internal line of credit, to be borrowed and utilized in operations during periods of negative cash flow and be repaid within the annual fiscal period.
 - An internally restricted reserve to meet the deductible required by the Organization's insurance terms of coverage.

(continues)

WINNIPEG FILM GROUP INC.

Notes to Financial Statements

Year Ended June 30, 2022

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

Revenue recognition

Winnipeg Film Group Inc. follows the deferral method of accounting for contributions.

Unrestricted grant revenue for ongoing operations throughout the year are recognized at the time they are awarded.

Restricted grant revenue for projects and specific purposes are recognized in the period in which the related expenditures are incurred.

Ticket sales revenue is recognized in the period that the event occurs.

Rental revenue is recognized in the period of use of the rental asset.

Membership revenue is recognized over the membership period.

Investment revenue is recognized over the period earned.

Inventory

Inventory is comprised of film stock, DVD and books for sale and is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Furniture, fixtures and cinema renovations	10 years	straight-line method
Film and video equipment	5 years	straight-line method
Corporate identity, website, software, and office computers	3 years	straight-line method

Deferred contributions for capital assets

Contributions received relating to the acquisition of capital assets are recorded on the statement of financial position as a deferral, and recognized as revenue annually at the same rate as the amortization of the related capital assets acquired.

Financial instruments

The Organization recognizes its financial instruments when it becomes party to the contractual provisions of the financial instrument. Financial instruments, except for financial assets with actively traded markets, are initially recorded at fair value with subsequent reporting at amortized cost. In subsequent periods, financial assets with actively traded markets are reported at fair value with any unrealized gains and losses reported in the statement of operations.

(continues)

WINNIPEG FILM GROUP INC.

Notes to Financial Statements

Year Ended June 30, 2022

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

Allocation of expenditures

The Organization classifies its expenditures by program and allocates its administrative expenditures to a number of programs to which the expenditures relate. Administrative expenditures that are not directly connected to any one program have been allocated 40% to Cinematheque, 40% to Production and 20% to Distribution.

3. LINE OF CREDIT

A line of credit has been authorized by Assiniboine Credit Union to a maximum of \$20,000 (2021 - \$20,000) and bears interest at prime plus 3% per annum, currently 6.70% (2021 - 5.45%), of which \$20,000 (2021 - \$20,000) is secured by a General Security Agreement. The line of credit was not in use at June 30, 2022 nor at June 30, 2021.

4. ACCOUNTS RECEIVABLE

	2022	2021
Accounts receivable	\$ 77,164	\$ 1,989
Awards receivable	64,423	45,442
Canada emergency wage subsidy receivable	65,607	145,206
Canada emergency rent subsidy receivable	16,856	26,011
Subtotal	224,050	218,648
Allowance for doubtful accounts	(903)	-
	\$ 223,147	\$ 218,648

5. GOVERNMENT REMITTANCES RECOVERABLE (PAYABLE)

	2022	2021
Goods and services tax	\$ 1,185	\$ (21)
Provincial sales tax	(121)	-
	\$ 1,064	\$ (21)

WINNIPEG FILM GROUP INC.

Notes to Financial Statements

Year Ended June 30, 2022

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value
Administration equipment	\$ 91,669	\$ 86,310	\$ 5,359
Cinematheque renovations and equipment	589,932	566,720	23,212
Corporate identity	2,067	2,067	-
Distribution equipment	105,460	100,750	4,710
Production equipment	604,473	568,245	36,228
Website	91,339	75,716	15,623
	\$ 1,484,940	\$ 1,399,808	\$ 85,132

	Cost	Accumulated amortization	2021 Net book value
Administration equipment	\$ 89,847	\$ 84,005	\$ 5,842
Cinematheque renovations & equipment	581,143	553,511	27,632
Corporate identity	2,067	2,067	-
Distribution equipment	104,193	97,632	6,561
Production equipment	590,767	551,567	39,200
Website	72,591	71,900	691
	\$ 1,440,608	\$ 1,360,682	\$ 79,926

7. RESTRICTED CASH

The \$87,815 (2021 - \$65,000) of restricted cash consists of \$62,500 (2021 - \$62,500) externally restricted for the Working Capital reserve, \$22,815 (2021 - nil) internally restricted donations in the name of Dave Barber, and \$2,500 (2021 - \$2,500) internally restricted for insurance purposes. As there is an ongoing commitment that the reserves remain funded, the cash has been classified as a long-term asset.

8. DEFERRED REVENUE

	2021	Additions	Revenue recognized	2022
Advance revenues	\$ 13,902	\$ 105,278	\$ 49,660	\$ 69,520
Grants	92,550	714,606	655,756	151,400
Production awards	24,000	9,861	20,875	12,986
	\$ 130,452	\$ 829,745	\$ 726,291	\$ 233,906

WINNIPEG FILM GROUP INC.

Notes to Financial Statements

Year Ended June 30, 2022

9. LONG TERM DEBT

COVID-19 Relief Line of Credit as part of the Government-sponsored Canada Emergency Business Account. The line of credit bore 0% interest until December 31, 2020. On January 1, 2021 the loan was converted to a 3-year 0% interest term loan, to be repaid by December 31, 2023. \$20,000 of the loan will be forgiven if \$40,000 is repaid in full on or before December 31, 2023. If on December 31, 2023 the corporation opts to exercise the 2-year term extension, 5% interest during the term extension period will apply on any remaining balance.

10. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	2021	Additions	Amortization	2022
Administrative equipment	\$ 2,143	\$ -	\$ 1,763	\$ 380
Cinematheque renovations & equipment	49,639	8,802	17,981	40,460
Distribution equipment	11,138	4,304	9,491	5,951
Production equipment	35,517	15,954	13,130	38,341
	<u>\$ 98,437</u>	<u>\$ 29,060</u>	<u>\$ 42,365</u>	<u>\$ 85,132</u>

11. LEASE COMMITMENT

The Organization leases certain premises in the Artspace building under an agreement to January 31, 2051. Rental charges are adjusted each year on September 1st. The minimum annual rental charge over this period is \$56,846.

12. FINANCIAL INSTRUMENTS

It is management's opinion that the Organization is not exposed to significant credit, currency, interest rate, liquidity, market or other price risks arising from its financial instruments.

13. ECONOMIC DEPENDENCE

The volume of financial activity undertaken by the Organization with its funding bodies is of sufficient magnitude that the discontinuance of funding would endanger the ability of the Organization to continue as a going concern.

14. IMPACT OF COVID 19

In March 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world.

As at June 30, 2022, the organization is aware of the changes in its operations as a result of the COVID-19 pandemic, including the temporary closure of the cinema, which reopened in August 2021. During closures staff were laid off, and in August 2021 staff were subsequently hired to operate the cinema. During the current year, the organization received funding of \$148,269 through the Canada Emergency Wage Subsidy (CEWS) as well as \$27,203 of funding through the Canada Emergency Rent Subsidy (CERS). At this time the organization cannot reasonably estimate the impact, but does expect to be able to continue to operate as a going concern.