
FILM NOVA SCOTIA
FINANCIAL STATEMENTS
MARCH 31, 2011

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF FILM NOVA SCOTIA:

We have audited the accompanying financial statements, which comprise the statement of financial position of Film Nova Scotia as at March 31, 2011 and the statement of operations and changes in net assets 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 generally accepted accounting principles, 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.

Auditors' 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.

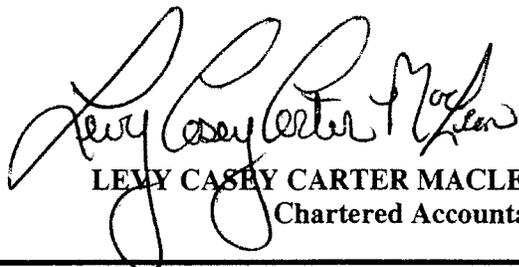
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 Nova Scotia as at March 31, 2011, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Nova Scotia
June 1, 2011



LEVY CASEY CARTER MACLEAN
Chartered Accountants

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FILM NOVA SCOTIA
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2011

ASSETS

	<u>2011</u>	<u>2010</u>
Current		
Cash and short term investments (note 2(i))	\$ 1,194,676	\$ 831,128
Other receivables	68,065	150,806
Prepaid expenses	<u>9,638</u>	<u>10,176</u>
	1,272,379	992,110
Due from Province of Nova Scotia (note 2(e))	<u>44,040</u>	<u>38,270</u>
	<u>\$ 1,316,419</u>	<u>\$ 1,030,380</u>

LIABILITIES

Current		
Payables and accruals, trade	\$ 386,627	\$ 99,738
Commitments payable (note 3)	811,465	868,873
Deferred revenue	<u>33,536</u>	<u>20,245</u>
	1,231,628	988,856
Employee future benefits (note 2(e))	<u>82,480</u>	<u>38,270</u>
	<u>1,314,108</u>	<u>1,027,126</u>

NET ASSETS

Net assets, unrestricted	<u>2,311</u>	<u>3,254</u>
	<u>\$ 1,316,419</u>	<u>\$ 1,030,380</u>

Approved on behalf of the Board

Chair

Member

FILM NOVA SCOTIA

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS YEAR ENDED MARCH 31, 2011

	<u>2011</u>	<u>2010</u>
Revenue		
Contributions from the Department of Economic and Rural Development	\$ 3,491,700	\$ 3,191,700
Employee future benefits grant - Province of Nova Scotia	5,770	15,950
Recovery of equity investments (note 5)	142,081	264,254
Recovery of development loans (note 6)	-	53,527
Contributions from Federal Government		
- Atlantic Canada Film Partners	-	2,781
- Atlantic Canada Opportunities Agency	30,000	51,425
Other income	27,014	49,367
Interest	<u>10,737</u>	<u>9,127</u>
	<u>3,707,302</u>	<u>3,638,131</u>
Expenditures		
Equity investments (note 5)	2,258,638	2,119,190
Development loans (note 6)	47,350	72,970
Special projects	156,339	267,357
Atlantic Canada Film Partners	-	1,029
Advertising and marketing (page 8)	435,642	438,440
Administrative expenses (page 8)	<u>810,276</u>	<u>736,773</u>
	<u>3,708,245</u>	<u>3,635,759</u>
Excess (deficiency) of revenues over expenditures	(943)	2,372
Net assets, beginning of year	<u>3,254</u>	<u>882</u>
Net assets, end of year	<u>\$ 2,311</u>	<u>\$ 3,254</u>

FILM NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2011

1. Authority

Film Nova Scotia was incorporated through an act proclaimed by the Governor in Council on August 1, 1990. The chief purpose of the Corporation is to promote the development of, and to create and stimulate employment and investment in, the Nova Scotia film and video industry by providing financial and other assistance.

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

2. Significant accounting policies

a) Statement of cash flows

A statement of cash flows is not provided since disclosure in the statement of operations and changes in net assets is considered adequate.

b) Development loans and equity investment

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.

c) Capital assets and amortization

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, except for leasehold improvements which are amortized straight line over the term of the lease. Capital assets with a cost less than \$10,000 are expensed in the year of acquisition. The Corporation's capital assets are fully amortized.

d) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

e) Employee future benefits

The Corporation records employee future benefits related to health insurance programs, in accordance with The Canadian Institute of Chartered Accountants' PSAB section 3250. This accounting policy requires that employee future benefits, other than pensions, be accrued over the years in which the employee renders services. At March 31, 2011, a liability for employee future benefits of \$82,480 (2010 - \$38,270) has been included in the financial statements. A portion of the liability as at March 31, 2011 has been assumed by the Province of Nova Scotia. Accordingly, a receivable for \$44,040 has been recorded from the Province of Nova Scotia. The current year's expense incurred for these future employee benefits is \$44,210 (2010- \$15,950).

FILM NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2011

2. Significant accounting policies (continued)

f) 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. A description of the services received is provided in note 4.

g) Comparative figures

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.

h) 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.

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

i) Financial instruments

Assets held-for trading

Financial instruments classified as assets or liabilities held for trading are reported at fair value at each balance sheet date, and any change in fair value is recognized on the statement of operations in the period during which the change occurs. Cash and short term investments have been classified as held-for-trading.

Loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Interest income or expense is included in the statement of operations over the expected life of the instrument. Accounts receivable and the receivable from the Province of Nova Scotia have been designated as loans and receivables. Payables and accruals, commitments payable, deferred revenue and employee future benefits have been designated as other financial liabilities.

3. Commitments payable

The Corporation approves applications for funding which may not be disbursed until subsequent fiscal periods due to the lead times required to obtain all the resources necessary to complete film and video productions.

4. Costs paid by the Province of Nova Scotia

During the year, services were provided to the Corporation by government departments and the estimated value of these services is as follows:

	<u>2011</u>	<u>2010</u>
Legal services	\$ <u>29,000</u>	\$ <u>31,500</u>

The value of these services is not reflected in these financial statements.

FILM NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2011

5. 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 year the Corporation received \$142,081 (2010 - \$264,254) in the recovery of equity investments. The cumulative total of equity investments of the Corporation to March 31, 2011 is \$39,427,825 (2010 - \$37,169,187). As at March 31, 2011, \$3,314,099 has been recouped (2010 - \$3,172,018) and \$706,720 (2010 - \$710,002) remains undisbursed and is included in commitments payable.

6. 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 year the Corporation recouped \$Nil (2010 - \$53,527) in development loans. The cumulative total of development loans made by the Corporation as of March 31, 2011 is \$3,500,163 (2010- \$3,452,813). As at March 31, 2011, \$898,690 has been recouped (2010 - \$898,690) and \$62,594 (2010 - \$84,258) remains undisbursed and is included in commitments payable. Total development loans outstanding on March 31, 2011 were \$2,538,879 (2010 - \$2,469,865).

7. 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 and television industry.

As of March 31, 2011 \$42,151 (2010 - \$74,613) has been committed but undisbursed, and is included in commitments payable.

8. Public service superannuation fund

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 Department of Finance. During the year, the Corporation contributed \$54,862 to the fund (2010 - \$57,549).

FILM NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2011

9. 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.

10. Interest rate risk

The corporation manages its temporary investments based on its cash flow needs and with a view to optimizing its interest income.

The annual effective interest rate on the temporary investments during the year varied from 0.12% to 0.84% (2010 - 0.12% to 1.32%). The interest rate at the end of the year was 0.84% (2010 - 0.12%) with investments held in money market funds.

11. Capital management

The Corporation considers its capital to be the balance held in cash and short term investments. The objective of the Corporation is to grow Nova Scotia's film, television, and new media industry with its partners by stimulating investment and employment and by promoting Nova Scotia's producers, productions, locations, skills, and creativity in global markets. Capital is managed by the Corporation's management under the guidance of the Board of Directors with the objective of providing a reasonable rate of return while ensuring there are adequate liquid investments on hand for current cash flow requirements.

12. Lease commitment

The Corporation has entered into operating leases for its premises and equipment with minimum annual rentals as follows:

2012	\$	34,330
2013	\$	34,330
2014	\$	10,667

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. These costs cannot be reasonably estimated.

FILM NOVA SCOTIA

SCHEDULE OF ADVERTISING AND MARKETING EXPENSES AND SCHEDULE OF ADMINISTRATIVE EXPENSES YEAR ENDED MARCH 31, 2011

	<u>2011</u>	<u>2010</u>
Advertising and Marketing Expenses:		
Advertising	\$ 19,657	\$ 48,446
Business development	44,355	46,201
Locations library	5,250	6,410
Location services	18,573	18,857
Marketing	123,751	93,768
Publications, net of receipts of \$nil (2010- \$1,949)	28,666	20,868
Salaries and benefits	148,693	172,327
Sponsorships	<u>46,697</u>	<u>31,563</u>
	<u>\$ 435,642</u>	<u>\$ 438,440</u>
Administrative Expenses:		
Bad debt expense	\$ -	\$ 2,103
Bank charges	1,830	2,274
Board honorarium and expenses	11,995	19,179
Conference and marketing	3,244	2,661
Consultants	14,427	3,400
Courier services	1,428	1,007
Dues, fees and subscriptions	10,127	10,722
Insurance	1,746	2,053
Office supplies	15,468	16,741
Photocopier	2,897	1,788
Postage	1,400	1,518
Professional fees	7,150	6,950
Repairs, maintenance and equipment	4,544	7,881
Rent	70,985	65,526
Salaries and benefits	639,562	571,949
Staff training	12,156	8,497
Telephone and fax	<u>11,317</u>	<u>12,524</u>
	<u>\$ 810,276</u>	<u>\$ 736,773</u>