

Financial Statements of

**WEENGUSHK FILM
INSTITUTE**

And Independent Auditors' Report thereon

Year ended October 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Members of Weengushk Film Institute

We have audited the accompanying financial statements of Weengushk Film Institute, which comprise the statement of financial position as at October 31, 2018, the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the basis of accounting as disclosed in Note 1(b).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting as described in Note 1(b), 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.

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 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 our 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, we consider 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 qualified opinion.



Opinion

In our opinion, except for the matter as described in basis for qualified opinion, the financial statements present fairly, in all material respects, the financial position of Weengushk Film Institute as at October 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with the basis of accounting as described in Note 1 (b) to the financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) in the financial statements which indicates that Weengushk Film Institute has a working capital deficiency, recurring operating losses and a net asset deficiency. These conditions, indicate the existence of a material uncertainty that may cast significant doubt about Weengushk Film Institute's ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

November 6, 2019

WEENGUSHK FILM INSTITUTE

Statement of Financial Position

October 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 170,156	\$ 44,262
Accounts receivable	12,281	4,392
	<u>182,437</u>	<u>48,654</u>
Property (note 2)	125,040	127,768
	<u>\$ 307,477</u>	<u>\$ 176,422</u>

Liabilities and Net Deficiency

Current liabilities:		
Accounts payable and accrued liabilities	\$ 61,737	\$ 37,646
Deferred revenue (note 3)	150,875	108,597
Current portion of loan payable (note 4)	9,218	9,060
	<u>221,830</u>	<u>155,303</u>
Loan payable (note 4)	89,016	93,665
	<u>310,846</u>	<u>248,968</u>
Net deficiency	(3,369)	(72,546)
Going concern (note 1(a))		
	<u>\$ 307,477</u>	<u>\$ 176,422</u>

See accompanying notes to financial statements.

On behalf of the Board:

Phyllis Ellis
Shuley Cheukow

WEENGUSHK FILM INSTITUTE

Statement of Operations

Year ended October 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Donations and bursaries	\$ 269,461	\$ 198,629
Grant	155,676	38,410
Program fees	112,666	69,664
Fundraising and other	1,742	10,478
	<u>539,545</u>	<u>317,181</u>
Expenses:		
Administration salaries and benefits	216,373	141,066
Production related	73,809	47,714
Office and general	34,704	13,085
Bad debts	33,988	-
Professional and consulting fees	27,560	22,676
Travel	26,222	10,289
Property taxes	16,449	3,606
Bursaries awarded	9,110	25,200
Repairs and maintenance	8,556	4,151
Telephone	5,261	1,833
Insurance	4,806	4,604
Utilities	3,945	8,872
Fundraising salaries and benefits	3,500	31,000
Interest on loan payable	3,025	3,108
Amortization of property	2,728	2,728
Interest and bank charges	332	180
Strategic planning	-	22,500
	<u>470,368</u>	<u>342,612</u>
Excess (deficiency) of revenue over expenses	\$ 69,177	\$ (25,431)

See accompanying notes to financial statements.

WEENGUSHK FILM INSTITUTE

Statement of Changes in Net Assets (Deficiency)

Year ended October 31, 2018, with comparative information for 2017

	Operating	Capital	2018	2017
Net assets (deficiency), beginning of year	\$ (97,589)	25,043	(72,546)	(47,115)
Excess (deficiency) of revenue over expenses	71,905	(2,728)	69,177	(25,431)
Change in loan payable	4,491	(4,491)	-	-
Net assets (deficiency), end of year	\$ (21,193)	17,824	(3,369)	(72,546)

See accompanying notes to financial statements.

WEENGUSHK FILM INSTITUTE

Statement of Cash Flows

Year ended October 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 69,177	\$ (25,431)
Item not involving cash:		
Amortization of property	2,728	2,728
	71,905	(22,703)
Changes in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(7,889)	6,776
Decrease in prepaid expenses	-	2,713
Increase (decrease) in accounts payable and accrued liabilities	24,091	(6,084)
Increase in deferred revenue	42,278	57,318
	130,385	38,020
Financing:		
Increase (decrease) in loan payable	(4,491)	743
Increase in cash	125,894	38,763
Cash, beginning of year	44,262	5,499
Cash, end of year	\$ 170,156	\$ 44,262

See accompanying notes to financial statements.

WEENGUSHK FILM INSTITUTE

Notes to Financial Statements

Year ended October 31, 2018

Nature of operations:

Weengushk Film Institute (the "Institute") is incorporated without share capital under the Ontario Business Corporations Act. The Institute is dedicated to the development, support and implementation of educational and training programs that promote cultural, ethnic and artistic vitality of the film industry. The Institute is a charitable organization registered under the Income Tax Act, and, accordingly, is exempt from income taxes.

1. Significant accounting policies:

(a) Going concern:

These financial statements have been prepared on the basis of accounting principles applicable to a going concern in accordance with the basis of accounting described in Note 1(b). The going concern basis of presentation assumes that the Institute will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. However, there is significant doubt about the appropriateness of the use of the going concern assumption because the Institute has a working capital deficiency and a net asset deficiency. The Institute is dependent on its ability to fund raise, obtain grant contributions and generate tuition revenue.

Management is of the opinion that sufficient fundraising, grant contributions and tuition revenue can be obtained to to meet the Institute's liabilities and commitments as they become payable. No assurance can be given that such revenue sources will be generated in the future or that, if available, the Institute can sustain operations.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying amount of assets, the reported revenue and expenses, and the statement of financial position classifications used.

(b) Basis of accounting:

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the policies as determined by funding agencies. The basis of accounting used materially differs from Canadian accounting standards for not-for-profit organizations because capital assets are expensed in the period in which they are purchased unless financed by long-term debt.

WEENGUSHK FILM INSTITUTE

Notes to Financial Statements (continued)

Year ended October 31, 2018

1. Significant accounting policies (continued):

(c) Property:

Property is stated at cost less accumulated amortization. Amortization is provided using the straight-line method and following annual rates:

Asset	Rate
Building	2.5%

Amortization is calculated at 50% of the above rates in the year of acquisition.

(d) Film and productions:

The Institute is pursuing the licensing of certain films and productions. Film and production costs are not recognized as assets until it is demonstrated that a future economic benefit can be generated from these items. During the year the cost of producing films and productions has been expensed as the future economic benefit for these items cannot be reasonably measured.

(e) Revenue recognition:

The financial statements are prepared according to the restricted fund method of accounting. Under this method, the following principles have been applied:

- i) Contributions including operating and capital grants are recorded as revenue in the period to which they relate. Grant amounts relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Grants approved but not received are accrued.
- ii) Contributions including fundraising and donations are recognized on a cash basis as revenue when received.
- iii) Contributions of materials and services are recognized when fair value can be reasonably estimated and when the materials and services are used in the normal course of operations.
- iv) Program fees are recognized as revenue over the teaching months which occur during the fiscal year. Fees received relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. Fees relating to teaching months which occur during the fiscal year but not received are accrued.

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Notes to Financial Statements (continued)

Year ended October 31, 2018

1. Significant accounting policies (continued):

(f) Prior year funding adjustments:

The Institute has entered into accountable contribution arrangements with several funders. All such programs are subject to audit by the various funders with audit adjustments repayable to the funders.

Adjustments made under funding arrangements relating to prior years are charged to operations in the year during which the adjustments are made.

(g) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of property and provisions for impairment of accounts receivable. Actual results could differ from those estimates.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Institute has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Institute determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Institute expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

WEENGUSHK FILM INSTITUTE

Notes to Financial Statements (continued)

Year ended October 31, 2018

4. Long-term debt:

	2018	2017
Loan payable in monthly instalments of \$1,038, including interest at 3.5%, due July 1, 2026. Secured by land and building with a net book value of \$125,040	\$ 98,234	\$ 102,725
Less: current portion of long-term debt	9,218	9,060
	<u>\$ 89,016</u>	<u>\$ 93,665</u>

Principal repayments are due as follows:

2019	\$ 9,218
2020	9,540
2021	9,874
2022	10,220
2023	10,577
Thereafter	48,805
	<u>\$ 98,234</u>

The loan agreement has been modified to extend the term of repayment by a period equal to the number of arrears payments. The Institute has arrears interest payments in the amount of \$4,981 (2017 - \$13,495). Under terms of the loan agreement should an event of default occur the Institute may be required to vacate the premises after all attempts at resolution have failed. The Institute has not received any such notification.

WEENGUSHK FILM INSTITUTE

Notes to Financial Statements (continued)

Year ended October 31, 2018

2. Property:

					2018
	Cost		Accumulated amortization		Net book value
Land	\$ 36,375	\$	-	\$	36,375
Building	109,125		20,460		88,665
	\$ 145,500	\$	20,460	\$	125,040

					2017
	Cost		Accumulated amortization		Net book value
Land	\$ 36,375	\$	-	\$	36,375
Building	109,125		17,732		91,393
	\$ 145,500	\$	17,732	\$	127,768

3. Deferred revenue:

	2018		2017	
Program fees	\$	42,314	\$	62,476
Grants		49,567		46,121
Bursaries		58,994		-
	\$	150,875	\$	108,597

WEENGUSHK FILM INSTITUTE

Notes to Financial Statements (continued)

Year ended October 31, 2018

5. Financial risks and concentration of risk:

(a) Credit risk:

The Institute is exposed to credit risk with respect to the grants receivable and accounts receivable. The grants were received soon after the fiscal year-end; the Institute assesses, on a continuous basis, accounts receivable on the basis of amounts it is virtually certain to receive.

(b) Liquidity risk:

Liquidity risk is the risk that the Institute will encounter difficulty in meeting obligations associated with financial liabilities. The Institute is exposed to this risk as it is currently in a deficiency position.