

# creative SASKATCHEWAN

*2014/2015 Fiscal Year  
Financial Statements*







## INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Creative Saskatchewan, which comprise the statement of financial position as at March 31, 2015 and the statement of operations and accumulated surplus, statement of change in net financial assets and the statement of 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 public sector accounting standards for Treasury Board's approval, 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*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of Creative Saskatchewan as at March 31, 2015 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson, FCPA, FCA  
Provincial Auditor

Regina, Saskatchewan  
July 21, 2015

Creative Saskatchewan Statement of Financial Position As At March 31 In '000s		
<b>Financial Assets</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Cash	\$ 4,054	4,079
Restricted Cash (Note 3 and 6)	1,104	-
Accounts Receivable	32	283
Investment (Note 4)	125	-
<b>Total Financial Assets</b>	<b>5,315</b>	<b>4,362</b>
<b>Liabilities</b>		
Accounts Payable	306	10
Grants Payable (Note 5)	2,361	1,995
Industry Association Payable	-	500
SaskFilm Payable	-	107
Vacation Payable	34	-
Deferred Revenue (Note 6)	60	-
<b>Total Liabilities</b>	<b>2,761</b>	<b>2,612</b>
<b>Net Financial Assets (Statement 3)</b>	<b>2,554</b>	<b>1,750</b>
<b>Non-Financial Assets</b>		
Tangible Capital Assets - (Note 7)	159	21
Prepaid Expenses	60	-
<b>Total Non-Financial Assets</b>	<b>219</b>	<b>21</b>
<b>Accumulated Surplus(Statement 2)</b>	<b>\$ 2,773</b>	<b>\$ 1,771</b>

(See accompanying Notes to the Financial Statements)

<b>Creative Saskatchewan</b> <b>Statement of Operations and Accumulated Surplus</b> <b>For the Year Ended March 31</b> <b>In '000s</b>			
		<u>2015</u>	<u>2014</u>
<b>Revenues</b>			
Transfer from General Revenue Fund	\$	7,124	\$ 7,398
SaskTel Max Equity Fund (Note 3)		1,044	
Sponsorships		45	-
Other Income		234	1
<b>Total Revenues</b>		<b>8,447</b>	<b>7,399</b>
<b>Expenses (Note 8)</b>			
Grants (Note 5)		4653	3740
Industry Associations (Note 9)		728	1358
Industry and Market Development		953	50
Program Delivery		421	140
Operations		690	340
<b>Total Expenses</b>		<b>7,445</b>	<b>5,628</b>
(Deficit)/Surplus- End of Year		1,002	1,771
Accumulated Surplus, Beginning of Year		1,771	-
<b>Accumulated Surplus, End of Year (Statement 1)</b>	<b>\$</b>	<b>2,773</b>	<b>\$ 1,771</b>

(See accompanying Notes to the Financial Statements)

<b>Creative Saskatchewan</b> <b>Statement of Change in Net Financial Assets</b> <b>For the Year Ended March 31</b> <b>In '000s</b>				
		<b><u>2015</u></b>		<b><u>2014</u></b>
Annual (Deficit)/Surplus ( Statement 2)	\$	1,002	\$	1,771
Tangible Capital Asset Additions (Note 7)		(149)		(22)
Tangible Capital Assets Disposal (Note 7)		1		-
Amortization (Note 7)		10		1
Changes in Prepaid Expenses		(60)		-
Decrease in Net Financial Assets		(198)		(21)
Changes in Net Financial Assets - End of Year		804		1,750
Net Financial Assets - Beginning of Year		1,750		-
<b>Net Financial Assets - End of Year (Statement 1)</b>	<b>\$</b>	<b>2,554</b>	<b>\$</b>	<b>1,750</b>

(See accompanying notes to the Financial Statements)

<b>Creative Saskatchewan Statement of Cash Flows For the Year Ended March 31 in '000s</b>			
<b>Operating Transactions</b>		<b><u>2015</u></b>	<b><u>2014</u></b>
Annual (Deficit)/Surplus (Statement 2)	\$	1,002	\$ 1,771
Non-Cash Item: Amortization		10	1
Prepaid Expense		(60)	-
Accounts Receivable		251	(283)
Grants Payable		366	1,995
Industry Association Commitment Payable		(500)	500
SaskFilm Grants Payable		(107)	107
Accounts Payable		296	10
Vacation Payable		34	-
Deferred Revenue		60	-
<b>Cash Provided by Operating Transactions</b>		<b>350</b>	<b>2,330</b>
<b>Capital Transactions</b>			
Proceeds Used to Acquire Tangible Capital Assets		(149)	(22)
Tangible Capital Asset Disposal		1	-
<b>Cash used in Capital Activities</b>		<b>(148)</b>	<b>(22)</b>
<b>Investing Transactions</b>			
GIC Investment		(125)	-
<b>Cash used in Investing Transactions</b>		<b>(125)</b>	<b>-</b>
<b>Increase in Cash</b>		<b>1,079</b>	<b>4,079</b>
<b>Cash - Beginning of Period</b>		<b>4,079</b>	<b>-</b>
<b>Cash - End of Period</b>	<b>\$</b>	<b>5,158</b>	<b>\$ 4,079</b>
<b>Cash Consist of:</b>			
Cash - Operations		4,054	4,079
Cash - Restricted		1,104	-
	<b>\$</b>	<b>5,158</b>	<b>\$ 4,079</b>

(See accompanying notes to the Financial Statements)



**CREATIVE SASKATCHEWAN  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2015  
(\$000s)**

**1. Status of Creative Saskatchewan**

Creative Saskatchewan was established on July 2, 2013 through the proclamation of *The Creative Saskatchewan Act S.S 2013, Ch 43.12*. Creative Saskatchewan is a Crown Agency of the Province of Saskatchewan. The mandate of Creative Saskatchewan is to facilitate the commercial development of producers, entrepreneurs, businesses and associations in the creative industry in realizing their economic potential within and outside the province through business product development and market access.

Effective March 27, 2014, pursuant to Order in Council 125/2014, Creative Saskatchewan assumed SaskFilm's equity investments and development agreement loans, net of provisions for doubtful accounts and agreed to fulfill SaskFilm's outstanding commitment to the industry. All balances were transferred to Creative Saskatchewan at book value of \$0. Creative Saskatchewan also assumed SaskFilm's grant program on March 27, 2014.

**2. Significant Accounting Policies**

**a. Basis of Accounting**

These financial statements are prepared by management in accordance with the Canadian Public Sector Accounting Standards as established by the Canadian Public Sector Accounting Board and published by the Chartered Professional Accountants of Canada. These statements do not include a Statement of Re-measurement Gains and Losses as there are no relevant transactions to report.

**b. Tangible Capital Assets**

Tangible capital assets are recorded at cost, less accumulated amortization. The net-book value of these assets is detailed on Note 7. Tangible capital assets are amortized over their estimated useful lives. Amortization is taken in the year the tangible capital asset is put into use. Amortization expense is calculated using the straight-line method at the following annual rates:

- Furniture and equipment 20%
- Computer equipment and systems 30%

When tangible capital assets no longer contribute to Creative Saskatchewan's ability to provide services, they are written down to residual value. Assets classified as work in progress are not amortized until they are operational and available for use, at which time they are transferred to tangible capital assets and amortization begins.

**c. Non-financial Assets**

Tangible capital assets and prepaid expenses are accounted for as assets by Creative Saskatchewan because they can be used to provide Creative Saskatchewan services in future periods. These assets do not normally provide resources to discharge the liabilities of Creative Saskatchewan unless they are sold.

**d. Revenue**

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues.

Government transfers are recognized as revenues when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made.

**e. Deferred revenue**

Deferred revenue represents amounts received pursuant to the agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the services or grants are provided.

**f. Expenses**

The cost of all goods consumed and services received during the year is expensed. Grants and transfers are recorded as expenses when the transfer is authorized, eligibility criteria have been met by the recipient and a reasonable estimate of the amount can be made.

**g. Measurement uncertainty**

The preparation of financial statements in conformity with the Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, at the date of the financial statements, and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include accounts receivable, accounts payable and amortization.

Estimates are based on 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. Actual results could differ from these estimates.

**h. Development Loans**

Development loans are advanced to qualifying Saskatchewan production companies and become repayable upon commencement of principal photography. Loans for those projects that do not reach principal photography may be forgiven at the discretion of the Board of



Directors. Due to the uncertainty regarding collections, these loans are recorded as a grant expense in the year advanced; any recoveries are recorded as revenue when received.

#### **i. Equity Investments**

Equity investments are made in film production of Saskatchewan companies to a maximum of 25% of production cost. However, due to the risk of recovery associated with these investments and the uncertainty of a return, equity investments are recorded as grant expenses in the year they are advanced; any recoveries are recorded as revenues when received.

### **3. Restricted Cash**

The Rogers and SaskTel funds of \$60 and \$1,044 respectively, are held in restrictive accounts for future use as stipulated in their funding agreements.

The SaskTel Equity fund agreement stipulates that these funds be administered to eligible Saskatchewan based television productions that hold a Canadian broadcast license and meet eligible production categories as defined by Canadian Radio-Television and Telecommunications Commission (CRTC). These productions must demonstrate significant economic, cultural and employment benefit to the Saskatchewan industry, and a high potential of recoupment and profit in the application.

The Rogers Digital Development fund agreement stipulates that these funds be administered to eligible Saskatchewan media producer applicants for digital media marketing, professional development, travel, and business advancement in the form of a travel grant.

### **4. Investments**

Investments consist of guaranteed investment certificates with maturity dates within the next fiscal year. The interest rate on the investment is 0.8%. The fair value of the investments approximates book value due to their short-term nature.

**5. Grant**

<b>Grant Programs</b>	<b>2014-15 Expense</b>	<b>2013-14 Expense</b>
Screen Based Media Production	\$ 1,476	\$ 1,104
Screen Based Media Development	446	267
Creative Industry Production Grant	354	241
Market & Export Development	1,332	1,116
Commercial Sound Recording Grant	113	-
Business Capacity Research	226	185
Tour Support Grant	80	-
Tour Support Grant funded by COGO	298	610
Market Travel Grant Funded by COGO	241	66
SaskFilm - Development Loans and Equity Investments	87	151
<b>Year Total</b>	<b>\$ 4,653</b>	<b>\$ 3,740</b>

During the year, 62% of Creative Saskatchewan grants was paid out with a balance of \$1,743 in addition to 2013/14 grant payable of \$618. Therefore, the total outstanding Creative Saskatchewan grants payable is \$2,361.

**6. Deferred Revenue**

The Rogers Digital Development fund of \$60, is also recorded as deferred revenue as it is an externally restricted fund and is yet to be administered to qualifying applicants.

**7. Tangible Capital Assets**

	<b>Computer Equipment and Systems</b>	<b>Furniture and Equipment</b>	<b>Work in Progress</b>	<b>Total 2015</b>	<b>Total 2014</b>
Opening Cost of Tangible Capital Assets	\$ 15	\$ 7	\$ -	\$ 22	\$ -
Additions during the Year	14	17	118	149	22
Disposal during the Year	(1)	-	-	(1)	-
Closing Cost of Tangible Assets	28	24	118	170	22
Opening Accumulated Amortization	(1)	-	-	(1)	-
Annual Amortization	(7)	(3)	-	(10)	(1)
Disposal during the Year	-	-	-	-	-
Closing Accumulated Amortization	(8)	(3)	-	(11)	(1)
<b>Net Book Value of Tangible Capital Assets</b>	<b>\$ 20</b>	<b>\$ 21</b>	<b>\$ 118</b>	<b>\$ 159</b>	<b>\$ 21</b>

## 8. Comparison of Budgeted and Actual Results by Object

	<u>Budget</u>	<u>2015</u>	<u>2014</u>
<b>Revenue</b>			
Transfer from General Revenue Fund	\$ 8,299	\$ 7,124	\$ 7,398
Sponsorships	41	45	-
SaskTel Max Equity Fund	-	1,044	-
Other Income	25	234	1
<b>Total Revenues</b>	<b>\$ 8,365</b>	<b>\$ 8,447</b>	<b>\$ 7,399</b>
<b>Expenses</b>			
<b>Grants</b>			
Creative Saskatchewan	5,055	4,566	3,589
SaskFilm	107	87	151
<b>Program Delivery</b>			
Jury	51	44	87
Salaries and Benefits	380	377	53
<b>Industry Association</b>	<b>1,500</b>	<b>728</b>	<b>1,358</b>
<b>Industry and Market Development</b>	<b>900</b>	<b>953</b>	<b>50</b>
<b>Operations</b>			
Salaries and Benefits	380	377	53
Office Administration	447	169	12
Professional Services	85	108	233
Board	57	36	42
<b>Total Expenses</b>	<b>\$ 8,962</b>	<b>\$ 7,445</b>	<b>\$ 5,628</b>
<b>Net Operating Results</b>	<b>\$ (597)</b>	<b>\$ 1,002</b>	<b>\$ 1,771</b>

The budget for this fiscal year was approved by the Board of Directors on March 25, 2014.

## 9. Creative Industries Association Funding

Creative Saskatchewan has a standing partnership agreement with Saskatchewan's Creative Industry Associations to provide funding to facilitate the commercial development of the creative industries to ensure they are ready for growth.



## 10. Related Party Transactions

The financial statements include transactions with various Saskatchewan agencies, boards, ministries and crown corporations. Below are revenues and expenses included in the financial statements.

Related Party	2015	2014
<b>Revenue</b>		
Ministry of Parks, Culture and Sport	\$ 7,124	\$ 7,398
SaskTel	1,044	-
<b>Total Revenue</b>	<b>8,168</b>	<b>7,398</b>
<b>Expenses</b>		
Public Employee Pension Plan	29	-
SaskTel	24	5
Minister of Finance		
Ministry of Parks, Culture and Sport	86	-
Central Services	23	-
Saskatchewan Trade and Export Partnership	3	12
Saskatchewan Arts Board – Juror Administration	-	71
<b>Total Expenses</b>	<b>165</b>	<b>88</b>

## 11. Financial Instruments

### a. Fair Value

Creative Saskatchewan's significant financial instruments consist of cash, accounts receivable, investments and accounts payable. The fair value of the financial instruments approximates their carrying value due to their short-term nature.

### b. Credit Risk

Credit risk is the risk a party owing money to Creative Saskatchewan will fail to discharge that responsibility. Creative Saskatchewan is exposed to credit risk from potential non-payment of accounts receivable. The majority of accounts receivable were collected shortly after year end, therefore the credit risk is minimal.

### c. Liquidity Risk

Liquidity risk is the risk that Creative Saskatchewan will not be able to meet all cash outflow obligations as they come due. Creative Saskatchewan mitigates this risk by monitoring cash activities and expected government transfers through extensive budgeting and forecasting.

**d. Interest Risk**

This is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changing market interest rates. Creative Saskatchewan minimizes this risk by investing in GICs' for short terms at fixed interest rates. Creative Saskatchewan's receivables and payables are non-interest bearing as well.

**12. Defined Contribution Pension Plan**

Creative Saskatchewan participates in the Public Employee Pension Plan (PEPP), a defined contribution plan. Creative Saskatchewan's obligations are limited to the amount stipulated in the employment contract. Pension cost of \$36 are included in salaries and comprise the employer's contribution for current service.

**13. Contractual Obligations**

The lease on the photocopier was transferred from SaskFilm which expires on June 30, 2015.

The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
Total Minimum Lease Payment (2015/16)	\$1

**14. Accommodation**

Creative Saskatchewan had no written agreement in place in regards to the rental and use of the office space. The office space is owned by the Ministry of Central Services. The Ministry of Parks, Culture and Sport has an agreement with the Ministry of Central Services for the use of the building, therefore there have been no accommodation expenses during the period.

**15. Commitments**

Creative Saskatchewan is committed to providing development loans of \$20 to fulfill SaskFilm's outstanding commitment to applicants.

**16. Comparative Figure Note**

Prior year figures have been reclassified to conform to current year presentation.