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Financial Statements

December 31, 2018

Contents

For the year ended December 31, 2018

Page

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Management's Responsibility

To the Board of Directors of Calgary Film Centre Ltd.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Centre. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Centre's external auditors.

MNP LLP is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

March 20, 2019

Luke Azevedo
Chief Operating Officer, Calgary Film Centre Ltd.

Sheila Will
Chief Financial Officer, Calgary Economic Development Ltd.

Independent Auditor's Report

To the Board of Calgary Film Centre Ltd.:

Opinion

We have audited the financial statements of Calgary Film Centre Ltd. (the "Centre"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations.

Basis for Opinion

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 Centre 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Public Sector 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 Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre'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 Centre'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 Centre’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 Centre 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.

MNP LLP

Chartered Professional Accountants

Calgary, Alberta

March 20, 2019

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Calgary Film Centre Ltd.
Statement of Financial Position
As at December 31, 2018

	2018	2017
Assets		
Current		
Cash and cash equivalents	**195,020**	185,591
Amounts receivable *(Note 4)*	**53,280**	38,429
Due from related parties *(Note 15)*	**1,674**	41,885
	249,974	265,905
Restricted cash *(Note 11)*	**142,448**	330,593
Property and equipment *(Note 5)*	**6,290**	26,649,272
Intangible assets *(Note 6)*	**16,811**	28,342
	415,523	27,274,112
Liabilities		
Current		
Accounts payable and accrued liabilities *(Note 10)*	**89,601**	154,265
Tenant deposits	**5,065**	51,200
Due to related party *(Note 15)*	**135,758**	172,795
Deferred contribution *(Note 11)*	**142,448**	330,593
Current portion of bank indebtedness *(Note 7)*	-	762,465
Note payable to related party *(Note 8 and 15)*	-	700,000
	372,872	2,171,318
Bank indebtedness *(Note 7)*	-	11,576,385
Deferred contributions related to property and equipment *(Note 12)*	-	10,049,868
	372,872	23,797,571
Commitments and contingencies *(Note 16)*		
Net Assets		
Invested in property, equipment and intangible assets	**23,101**	4,288,896
Unrestricted	**19,550**	(812,355)
	42,651	3,476,541
	415,523	27,274,112

Approved on Behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Calgary Film Centre Ltd.
Statement of Operations
For the year ended December 31, 2018

	2018	*2017*
Revenue		
Rental revenue	**1,031,314**	941,809
Amortization of deferred contributions *(Note 11)*	**503,145**	315,910
Amortization of deferred contributions related to property and equipment *(Note 12)*	**324,525**	429,580
Related party contributions *(Note 15)*	**11,264**	14,745
Other revenue	-	7,211
	1,870,248	1,709,255
Expenses		
Amortization *(Note 5 and Note 6)*	**783,832**	1,042,952
Operating and utility costs	**612,246**	565,120
Programming events	**369,159**	209,835
Interest expense	**258,010**	326,192
Corporate services *(Note 15)*	**199,423**	209,780
Employee costs	**180,354**	134,898
Legal services *(Note 15)*	**45,099**	2,681
Business travel, entertainment and events	**10,290**	42,706
Marketing and promotion	**188**	6,362
	2,458,601	2,540,526
Deficiency of revenue over expenses before other items	**(588,353)**	(831,271)
Loss on disposal of property *(Note 5)*	**(2,845,537)**	-
Deficiency of revenue over expenses	**(3,433,890)**	(831,271)

The accompanying notes are an integral part of these financial statements

Calgary Film Centre Ltd.
Statement of Changes in Net Assets
For the year ended December 31, 2018

	Invested in property, equipment and intangible assets	*Unrestricted*	*2018*	*2017*
Net assets, beginning of year	**4,288,896**	**(812,355)**	**3,476,541**	**4,307,812**
Deficiency of revenue over expenses (Note 9)	**(459,307)**	**(2,974,583)**	**(3,433,890)**	**(831,271)**
Invested in property and equipment	**5,637**	**(5,637)**	-	-
Construction loan repayments	**11,948,941**	**(11,948,941)**	-	-
Credit facility repayment	**389,909**	**(389,909)**	-	-
Sale of land	**(4,815,656)**	**4,815,656**	-	-
Sale of building	**(20,945,565)**	**20,945,565**	-	-
Sale of furniture, fixtures and equipment	**(115,096)**	**115,096**	-	-
Reduction of deferred revenue	**9,725,342**	**(9,725,342)**	-	-
Net assets, end of year	**23,101**	**19,550**	**42,651**	**3,476,541**

The accompanying notes are an integral part of these financial statements

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Calgary Film Centre Ltd.
Statement of Cash Flows
For the year ended December 31, 2018

	2018	2017
Cash provided by (used for) the following activities:		
Operating		
Deficiency of revenue over expenses	**(3,433,890)**	(831,271)
Adjustments for items not involving cash:		
Amortization	**783,832**	1,042,952
Recognition of deferred contributions related to programming funds	**(503,145)**	(315,910)
Recognition of deferred contributions related to property and equipment	**(324,525)**	(429,580)
Loss on disposal related to property	**2,845,537**	-
	(632,191)	(533,809)
Changes in working capital accounts		
Amounts receivable	**(14,851)**	21,988
Due from related parties	**40,211**	(41,210)
Accounts payable and accrued liabilities	**(64,664)**	9,218
Due to related party	**(37,037)**	(74,059)
Tenant deposits	**(46,135)**	(114,800)
Deferred contribution	**315,000**	-
Deferred rental revenue	-	(110,250)
	(439,667)	(842,922)
Investing		
Purchase of property and equipment *(Note 5)*	**(5,637)**	(106,187)
Purchase of intangible assets *(Note 6)*	-	(5,000)
Proceeds from sale of property and equipment *(Note 5 and 15)*	**12,679,332**	-
	12,673,695	(111,187)
Financing		
Repayment of bank indebtedness *(Note 7)*	**(11,948,941)**	(363,196)
Repayment of credit facility *(Note 7)*	**(389,909)**	-
Advance of note payable from related party *(Note 8)*	**200,000**	700,000
Repayment of note payable from related party *(Note 8)*	**(900,000)**	-
Proceeds from settlement of interest rate swap agreements *(Note 5 and 15)*	**626,106**	-
Increase in bank indebtedness *(Note 7)*	-	64,167
Cash contributions received for property and equipment *(Note 5)*	-	78,000
	(12,412,744)	478,971
Decrease in cash and cash equivalents	**(178,716)**	(475,138)
Cash and cash equivalents, beginning of year	**516,184**	991,322
Cash and cash equivalents, end of year	**337,468**	516,184
Cash and cash equivalents are composed of:		
Unrestricted cash	**195,020**	185,591
Restricted cash - external	**142,448**	330,593
	337,468	516,184

The accompanying notes are an integral part of these financial statements

1. Incorporation

Calgary Film Centre Ltd. (the "Centre") was incorporated under the authority of the Alberta Companies Act on December 17, 2009. The Centre is a wholly owned subsidiary of Calgary Economic Development Ltd. the ("Parent Company") and was granted para-municipal status retroactive to the incorporation date.

The Centre was formed with the primary purpose of supporting the growth and development of the film, television, media and other creative industries.

On June 23, 2014, the Centre changed its name from The Alberta Creative Hub to Calgary Film Centre Ltd.

2. Going concern

The accompanying financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes the Centre will continue operations for the foreseeable future and will be able to realize its assets and fulfill its liabilities and commitments in the normal course of business.

The Centre's continuation as a going concern is dependent upon the continuing support of its related parties, generating excess revenue over expenses through increased occupancy, and the ability to generate sufficient cash from operations. The Centre eliminated all debt in 2018 using the proceeds resulting from the sale of its assets to The City of Calgary ("The City").

Management is currently reviewing its options to increase revenue of the Centre with the support of its related parties and anticipates it will continue operating as a going concern. There can be, however, no assurance that the actions described above will be sufficient for the Centre to continue operating as a going concern.

These financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used that would be necessary if the going concern assumption were not appropriate should the Centre not be able to continue its normal course of business.

3. Significant accounting policies

Basis of accounting

The financial statements are expressed in Canadian dollars. The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations, with the optional 4200 series, as established by the Public Sector Accounting Board. The significant policies are described below.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions for the purchase of property and equipment are deferred and recognized on the same basis as amortization expense of the related asset. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rental revenue is recognized on a monthly basis pursuant to the terms of the lease agreement.

Contributions for program related activities include amounts recovered from events and projects undertaken by the Centre alone or with a number of economic partners.

Interest revenue is recognized on a pro rata basis over the term of the related deposit or investment.

3. Significant accounting policies *(Continued from previous page)*

Contributed materials and services

The Centre received various contributions in the form of materials or services that it uses to carry out its objectives. Because of the difficulty in determining the fair value of these materials and services, the Centre does not recognize the amounts in the financial statements.

Property and equipment and intangible assets

Purchased property, equipment and intangible assets are recorded at cost. Contributed property, equipment and intangible assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives. Amortization is calculated in the month the asset is put into use and ends in the month of disposal.

	Rate
Buildings	10 to 25 years
Furniture and fixtures	5 to 10 years
Equipment	2 to 5 years

Financial instruments

The Centre recognizes its financial instruments when the Centre becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with PSAS Section 4250 *Disclosure of Related Party Transactions By Not-For-Profit Organizations* (refer to Note 15). At initial recognition, the Centre may irrevocably elect to subsequently measure any financial instrument at fair value. The Centre has not made such an election during the year.

Transaction costs related to financial instruments remeasured at fair value at each reporting date are expensed in the period, whereas they are included in the carrying value of financial instruments for those measured at cost or amortized cost.

Derivative financial instruments and hedging activities

Derivative financial instruments are financial contracts whose value changes in response to a change in an underlying variable, such as specified interest rate, financial instrument or commodity price, or foreign exchange rate. The Centre held derivative financial instruments to hedge its interest rate risk exposure.

Derivative financial instruments may be designated for hedge accounting, provided that the Centre formally documents the hedging relationship at its inception by outlining the risks being hedged along with the details of both the hedged and hedging item. The documentation identifies the specific asset, liability, or anticipated transaction being hedged, the hedging item, the risk that is being hedged, and the intended term of the hedging relationship. The Centre must formally assess, at inception and over the term of the hedging relationship, whether the critical terms of the hedging and hedged item match.

Interest on the hedged item is recognized using the effective interest method. Net amounts receivable/payable on the hedging item adjust the interest on the hedged item in the period accrued.

3. Significant accounting policies (*Continued from previous page)*

Financial asset impairment

The Centre assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Centre determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Centre reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenue over expenses.

Use of estimates

The preparation of financial statements in conformity with Canadian Public Sector 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 over expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of property and equipment and intangibles.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue and expenses in the periods in which they become known.

4. Amounts receivable

Amounts receivable relates to the following:

	2018	*2017*
Rent and recovery of expenses receivable	**53,280**	38,429

5. Property and equipment

	Land	*Buildings*	*Furniture, fixtures and equipment*	***Total***
Cost:				
Balance at December 31, 2017	4,815,656	23,478,375	167,674	28,461,705
Additions	-	-	5,637	5,637
Disposals	(4,815,656)	(23,478,375)	(139,424)	(28,433,455)
Balance at December 31, 2018	-	-	**33,887**	**33,887**
Accumulated amortization:				
Balance at December 31, 2017	-	1,775,667	36,766	1,812,433
Amortization	-	757,142	15,159	772,301
Disposals	-	(2,532,809)	(24,328)	(2,557,137)
Balance at December 31, 2018	-	-	**27,597**	**27,597**
Net book value at December 31, 2017	4,815,656	21,702,708	130,908	26,649,272
Net book value at December 31, 2018	-	-	**6,290**	**6,290**

On October 19, 2018, the Centre sold the land, buildings and its related fixtures and equipment with a carrying value of $25,876,318 to The City for proceeds of $12,679,332. The balance of unamortized deferred contributions related to property and equipment was recognized in full resulting in a loss on disposal of $2,845,537.

Proceeds from sale of property and equipment	12,679,332
Proceeds from settlement of interest rate swap agreements *(Note 7)*	626,106
Unamortized deferred contributions related to property and equipment	9,725,343
Carrying value of assets disposed	(25,876,318)
Loss on disposal	(2,845,537)

The total proceeds from the sale of property and equipment and settlement of the interest rate swap agreements of $13,305,438 were used to settle debt of the Company.

Loans – 5 year and 10 year swap and outstanding interest	11,691,885
Demand loan and outstanding interest	390,976
Note payable from related party and outstanding interest	927,506
Due to related party	295,071
	13,305,438

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6. Intangible assets

	Website Development Costs	***Total***
Cost:		
Balance December 31, 2017	38,400	38,400
Additions	-	-
Balance at December 31, 2018	**38,400**	**38,400**
Accumulated amortization:		
Balance December 31, 2017	10,058	10,058
Amortization	11,531	11,531
Balance at December 31, 2018	**21,589**	**21,589**
Net book value, December 31, 2017	28,342	28,342
Net book value December 31, 2018	**16,811**	**16,811**

7. Bank indebtedness

	Interest Rate	***2018***	*2017*
Bank indebtedness:			
Loan – 5-year Swap *(a)*	2.30%	-	5,213,459
Loan – 10-year Swap *(b)*	2.75%	-	6,735,482
Demand Loan *(c)*	Prime	-	389,909
		-	12,338,850
Less: current portion of loans payable		-	(762,465)
Non-current portion of loans payable		-	11,576,385

In June 2015, the Centre entered into a credit facility for interim construction financing of up to $13,000,000, bearing interest at a rate of prime. On August 2, 2016, the Centre converted the $12,431,163 drawn on the interim construction loan to a term facility, in the form of one 5-year and one 10-year swap.

On October 1, 2018 the 5 year and 10 year loans were converted into a term loan and the interest rate swaps were closed. On October 19, 2018 the proceeds from the sale of the related assets were utilized to settle the balance of the term loans.

(a) *Loan – 5-year interest rate swap*

On August 2, 2016, the Centre converted $5,431,163 of its interim construction loan to a term facility with a 5-year interest rate swap which ends on August 1, 2021. The Centre used hedge accounting for the interest rate swap which was in place to fix the interest rate on the balance of the loan payable at 2.30% in order to reduce its exposure to fluctuation of interest rate on the loan. On October 19, 2018 the Centre repaid its principal portion of the debt of $5,088,038 with proceeds from the sale of assets and terminated the loan agreement.

7. Bank indebtedness *(Continued from previous page)*

On the notional amount of the above described loan, the Centre had entered into an interest rate swap agreement with a Canadian Chartered Bank, under which the Centre has swapped its floating bankers' acceptance rate for fixed interest payments at 2.30% per annum. The swap agreement was settled on October 1, 2018 resulting in a gain on proceeds of $184,160. The settlement was included in the proceeds of the sale with The City.

(b) ***Loan – 10-year interest rate swap***

On August 2, 2016 the Centre converted $7,000,000 of its interim construction loan to a term facility with a 10-year interest rate swap which ends on August 1, 2026. The Centre used hedge accounting for the interest rate swap which was in place to fix the interest rate on the balance of the loan payable at 2.75% in order to reduce its exposure to fluctuation of interest rate on the loan. On October 19, 2018 the Centre repaid its principal portion of the debt of $6,582,377 with proceeds from the sale of assets and terminated the loan agreement.

On the notional amount of the above described loan, the Centre had entered into an interest rate swap agreement with Canadian Chartered Bank, under which the Centre has swapped its floating bankers' acceptance rate for fixed interest payments at 2.75% per annum. The swap agreement was settled on October 1, 2018 resulting in a gain on proceeds of $441,946. The settlement was included in the proceeds of the sale with The City.

(c) ***Demand loan***

On October 19, 2016, the Centre entered into a credit facility with a Canadian Chartered Bank at an interest rate of prime and with a $550,000 limit, to fund additional capital requirements. Up to a maximum of four draws were permitted under this facility. On October 18, 2018 the Centre repaid the balance on the demand loan with proceeds from the sale of assets and terminated the loan agreement.

8. Note payable with related party

On June 29, 2017 the Centre and its Parent Company entered into an agreement which enabled the Centre to draw on a demand loan of up to $500,000, with an interest rate at prime. On September 29, 2017, the available funds on this loan were increased to $700,000 which were fully drawn in 2017. On December 12, 2017 the available funds were further increased to $900,000. Additional funds of $200,000 were drawn in 2018. On October 23, 2018 the Centre utilized the proceeds received from the sale of assets and repaid the note payable in full.

In 2018, the CED Board of Directors approved a reduction in the available demand loan to the Centre to $300,000. As of December 31, 2018, no draws had been made on the demand loan.

9. Net assets invested in property, equipment and intangible assets

	2018	*2017*
Property and equipment	**6,290**	26,649,272
Intangible assets	**16,811**	28,342
Invested in property, equipment and intangible assets	**23,101**	26,677,614
Amortization of intangible assets	**(11,532)**	(10,058)
Amortization of property and equipment	**(772,301)**	(1,032,893)
Amortization of deferred contributions related to property	**301,426**	29,580
Loss on disposal of property	**(2,845,537)**	-
Deficiency of revenue over expenses	**(3,304,843)**	(613,371)

Calgary Film Centre Ltd.
Notes to the Financial Statements
For the year ended December 31, 2018

10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities relate to the following:

	2018	*2017*
Trade accounts payable	**44,927**	88,996
Accrued liabilities	**43,540**	63,483
Goods and Services Tax payable	**1,134**	1,786
	89,601	154,265

11. Deferred contribution

Deferred contributions consist of grant funding from the Government of Alberta externally restricted for the development, operations and programming of the Calgary Film Studio. Recognition of this amount as revenue is deferred to periods when the specified expense occurs.

Changes in the deferred contribution balance are as follows:

	2018	*2017*
Balance, beginning of year	**330,593**	646,503
Amount received during the year	**315,000**	-
Amounts recognized as revenue during the year	**(503,145)**	(315,910)
Balance, end of year	**142,448**	330,593

12. Deferred contributions related to property and equipment

Deferred capital contributions related to property consist of the unamortized amount of contributions received for construction of the Centre. Recognition of these amounts as revenue is deferred to the periods in which the related capital assets are amortized.

	City of Calgary	*Government of Alberta*	*Business Community Funder*	***Total***
Balance at January 1, 2017	4,909,452	4,523,469	968,527	10,401,448
Additional contributions	78,000	-	-	78,000
Revenue recognized	(202,759)	(186,821)	(40,000)	(429,580)
Balance at December 31, 2017	4,784,693	4,336,648	928,527	10,049,868
Additional contributions	-	-	-	-
Revenue recognized	(154,410)	(140,115)	(30,000)	**(324,525)**
Disposal of property	(4,630,283)	(4,196,533)	(898,527)	**(9,725,343)**
Balance at December 31, 2018	-	-	-	-

13. Income taxes

The Centre is registered as a tax-exempt organization under the *Income Tax Act* (the “Act”) and as such is exempt from income taxes. In order to maintain its tax free status under the Act, the Centre must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

14. Financial instruments

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Centre's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Centre's senior management. The Board of Directors receives quarterly reports from the Centre's senior management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Credit risk

Credit risk is the risk that the Centre will incur a financial loss because a lessee, contributor or counterparty has failed to discharge an obligation. The Centre is exposed to credit risk on its amounts receivable. At December 31, 2018, $37,214 (2017 - $67,126) of the receivables were current.

	Current	*0-30 days*	*31-60 days*	*61-90 days*	*91 days and older*	***Total***
2018						
Accounts receivable	20,200	15,340	8,367	9,373	-	**53,280**
Due from related parties	-	1,674	-	-	-	**1,674**
Total	**20,200**	**17,014**	**8,367**	**9,373**	-	**54,954**
2017						
Accounts receivable	17,170	12,456	8,803	-	-	38,429
Due from related party	-	37,500	1,800	2,585	-	41,885
Total	17,170	49,956	10,603	2,585	-	80,314

The Centre is also exposed to credit risk as a significant portion of the Centre's cash and cash equivalents are held at one Canadian Chartered Bank. As such, the Centre is exposed to all the risks of that financial institution.

Credit Concentration

As at December 31, 2018, one vendor accounted for 91% of accounts receivable, of which the vendor has a history with the Centre of making payments. The Centre believes that there is no unusual exposure associated with the collection of these amounts.

Liquidity risk

Liquidity risk is the risk that the Centre will not be able to meet its financial obligations as they fall due. The Centre has a forecasting and budgeting process in place to help determine the funds required to support the Centre's normal operating requirements on an ongoing basis. The Centre ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

14. Financial instruments *(Continued from previous page)*

The following table sets out the contractual maturities of financial liabilities:

2018	*0-90 days*	*91 days and older*	***Total***
Due to related party	82,096	-	**82,096**
Trade accounts payable	44,927	-	**44,927**
Accrued liabilities	43,540	-	**43,540**
Total	**170,563**	-	**170,563**

2017	*0-90 days*	*91 days and older*	*Total*
Note payable to related party	700,000	-	700,000
Due to related party	60,387	112,408	172,795
Trade accounts payable	88,508	-	88,508
Accrued liabilities	63,483	-	63,483
Total	912,378	112,408	1,024,786

15. Related party transactions

The Centre is a wholly owned subsidiary of Calgary Economic Development Ltd. ("Parent Company"). The Centre has entered into a Management Services Agreement with the Parent Company and is required to pay $168,612 (2017 - $168,612) for management fees, this is recorded in corporate services. Additional expenses of $61,489 (2017 - $8,293) are expenses incurred by the Parent Company on the Centre's behalf including legal fees of $37,035 (2017- nil). Management fees for October to December 2018 are outstanding at December 31, 2018. The Centre received $9,058 (2017 - $25,245) from the Parent Company in 2018 to fund website development and other marketing activities, this is recorded in related party contributions.

In 2015 the Parent Company disbursed $5,000,000 to the Centre that had been received from the Government of Alberta for the construction of the Calgary film studio. $140,115 was recognized as deferred contributions in 2018 (2017 - $186,821). The remaining deferred balance of $4,196,533 was recognized upon the sale of assets with The City.

Calgary Economic Development Ltd.	***2018***	*2017*
Due from related party	-	4,385
Due to related party	**82,096**	172,795
Note payable to related party	-	700,000
Revenue recognized from Parent Company	**9,058**	25,245
Expenses paid to Parent Company	**230,101**	176,905

On October 19, 2018, The City purchased the land, buildings and a portion of furniture, fixtures, and equipment with a carrying value of $25,876,318 for proceeds of $12,679,332 and proceeds from settlement of swap agreements related to the construction loan of the related assets of the sale resulted in proceeds of $626,106. The remaining balance of deferred contributions related to property, equipment and intangibles were recognized resulting in a loss on disposal of $2,845,537.

15. Related party transactions *(Continued from previous page)*

The City of Calgary ("The City") and affiliates	***2018***	*2017*
Proceeds from sale of assets	**12,679,332**	-
Due from related party for artwork reimbursement	**1,674**	37,500
Due to related party	**53,662**	488
Utilities expense	**7,066**	6,224
Business tax reimbursement	**531**	-
Rental of leased facility	**10**	-
Deferred revenue recognized	**154,410**	202,760
Deferred revenue recognized on sale of assets	**4,630,283**	-
Property tax expense	**295,494**	263,597

All transactions are in the normal course of operations and have been recorded at the agreed exchange amounts that have been negotiated between the parties.

16. Commitments and contingencies

Commitments

Commitments payable for operations within the next two years are as follows:

2019	27,068
2020	10,068
	37,136

Contingencies

The Centre is party to disputes arising in the ordinary course of operations. While it is not feasible to predict the outcomes of these disputes, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the operations of the Centre.

17. Comparative figures

Certain comparative information has been reclassified to conform to the current year's presentation.