

Statement of Management Responsibility
National Film Board

Departmental management is responsible for these future-oriented financial statements, including responsibility for the appropriateness of the assumptions on which these statements are prepared. These statements are based on the best information available and assumptions adopted as at December 31, 2012 and reflect the plans described in the Report on Plans and Priorities.

The actual results achieved for the fiscal years covered in the accompanying financial information will vary from the information presented, and the variations may be material.

The future oriented financial statements for the National Film Board have not been audited.

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Montreal, Canada

March 18, 2013

March 18, 2013

Date

Date

NATIONAL FILM BOARD
Futur-Oriented Financial Statements (unaudited)
Statement of Financial Position
As at march 31

	<u>2014</u>	<u>2013</u>
	Budget	Forecast
Liabilities		
Accounts payable and accrued liabilities	\$ 6 162	\$ 5 362
Accrued salaries	328	328
Vacation pay and accrual for salary revision	226	276
Deferred revenue	358	358
Lease obligation for tangible capital assets	960	294
Employee future benefits (Note 6)	982	5 853
Total net liabilities	<u>9 016</u>	<u>12 471</u>
Financial assets		
Cash	10	63
Due from Consolidated Revenue Fund	1 895	1 895
Accounts receivable	3 225	3 225
Deposits	150	257
Total net financials assets	<u>5 280</u>	<u>5 440</u>
Departmental net debt	<u>3 736</u>	<u>7 031</u>
Non-financial assets		
Prepaid expenses	466	466
Inventory	153	191
Tangible capital assets (Note 7)	7 177	6 697
Total non-financial assets	<u>7 795</u>	<u>7 353</u>
Departmental net financial position	<u>\$ 4 059</u>	<u>\$ 322</u>

Contingent liabilities (Note 8)

The accompanying notes form an integral part of these financial statements.

NATIONAL FILM BOARD
Futur-Oriented Financial Statements (unaudited)
Statement of Operations and Departmental Net Financial Position
For the year ended March 31

	2014	2013
	Budget	Forecast
Expenses		
(Note 9a)		
English programming		
Production of films and other forms of visual presentations		
Board's program	\$ 21 132	\$ 22 788
Sponsored production and pre-sale	100	70
	<u>21 232</u>	<u>22 858</u>
French Programming		
Production of films and other forms of visual presentations		
Board's program	15 369	16 252
Sponsored production and pre-sale	284	456
	<u>15 653</u>	<u>16 708</u>
Distribution	5 761	5 109
Marketing, Accessibility and Outreach	12 791	15 096
Digital development and applications	4 687	4 303
Internal services	8 881	9 767
	<u>32 120</u>	<u>34 274</u>
Total Expenses	<u>69 005</u>	<u>73 841</u>
Revenues		
(Note 9b)		
Institutional and educational	2 600	2 075
Television	750	900
Sponsored production and pre-sale	384	526
Miscellaneous	78	166
Stock shots	500	500
Home video	700	605
Theatrical	100	425
Total Revenues	<u>5 112</u>	<u>5 197</u>
Net cost of operations before government funding	<u>63 893</u>	<u>68 644</u>
Government funding		
Net cash provided by Government of Canada	67 630	70 871
Change in due from Consolidated Revenue Fund	-	-
Net cost of operations after government funding	<u>(3 737)</u>	<u>(2 227)</u>
Departmental net financial position - Beginning of year	322	- 1,905
Departmental net financial position - End of year	<u>\$ 4 059</u>	<u>\$ 322</u>

The accompanying notes form an integral part of these financial statements.

NATIONAL FILM BOARD
Futur-Oriented Financial Statements (unaudited)
Statement of change in Departmental Net Debt
For the year ended March 31

	<u>2014</u>	<u>2013</u>
	Budget	Forecast
Net cost of operations after government funding	\$ (3 737)	\$ (2 227)
	-	-
Change due to tangible capital assets		
Acquisition of tangible capital assets	3 052	2 214
Amortization of tangible capital assets	(2 572)	(2 401)
Proceeds from disposal of tangible capital assets	-	-
Loss on disposal of tangible capital assets	-	(4)
Total change due to tangible capital assets	<u>480</u>	<u>(191)</u>
Change due to inventories	(38)	(50)
Change due to prepaid expenses	-	-
Net increase (decrease) in department net debt	<u>(3 295)</u>	<u>(2 468)</u>
Department net debt - Beginning of year	<u>7 031</u>	<u>9 500</u>
Department net debt - End of year	<u>\$ 3 737</u>	<u>\$ 7 031</u>

The accompanying notes form an integral part of these financial statements.

NATIONAL FILM BOARD
Futur-Oriented Financial Statements (unaudited)
Statement of Cash Flows
For the year ended March 31

	<u>2014</u>	<u>2013</u>
	Budget	Forecast
Operating activities		
Net cost of operations before government funding	\$ 63 893	\$ 68 644
Non-cash items:	-	-
Amortization of tangible capital assets	(2 572)	(2 401)
Loss on disposal of tangible capital assets	-	(4)
Variations in Statement of Financial Position		
Change in liability for vacation pay and accrual for salary revision	50	370
Net change in employee future benefits	4 871	71
Other changes in assets and liabilities	(999)	1 825
Cash used in operating activities	<u>65 244</u>	<u>68 504</u>
	-	-
Capital investing activities		
Acquisition of tangible capital assets	2 015	1 995
Proceeds from disposal of tangible capital assets	-	-
Cash used in capital investing activities	<u>2 015</u>	<u>1 995</u>
	-	-
Financing activities		
Lease payments for tangible capital assets	371	373
Cash used in financing activities	<u>371</u>	<u>373</u>
	-	-
Net cash provided by Government of Canada	<u>\$ 67 630</u>	<u>\$ 70 871</u>

The accompanying notes form an integral part of these financial statements.

NATIONAL FILM BOARD

Notes to the Future-Oriented Financial Statements (unaudited)

[in thousands of dollars]

1. AUTHORITY AND OBJECTIVES

The National Film Board was established in 1939 under the *National Film Act*, and is the agency responsible for administering the Act.

The National Film Board (the "Board") is a cultural agency named in Schedule 1.1 of the *Financial Administration Act* reporting to the Minister of Canadian Heritage and Official Languages. It is administered by a Board of Trustees appointed by the Governor in Council and chaired by the Government Film Commissioner.

The Board's legislative mandate is to initiate and promote the production and distribution of films in the national interest and, in particular:

- ◆ to produce and distribute and to promote the production and distribution of films designed to interpret Canada to Canadians and to other nations;
- ◆ to represent the Government of Canada in its relations with persons engaged in commercial motion picture film activity in connection with motion picture films for the Government or any department thereof;
- ◆ to engage in research in film activity and to make available the results thereof to persons engaged in the production of films;
- ◆ to advise the Governor in Council in connection with film activities;
- ◆ to discharge such other duties relating to film activity as the Governor in Council may direct it to undertake.

The Board is not subject to income taxes.

2. SIGNIFICANT ASSUMPTIONS

The future-oriented financial statements have been prepared on the basis of the government priorities and the plans of the department as described in the Report on Plans and Priorities.

The main assumptions are as follows:

- (a) The department's activities will remain substantially the same as for the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience as well as future orientations related to NFB's digital shift. The general historical pattern is expected to continue.
- (c) Allowances for uncollectibility are based on historical experience. The general historical pattern is expected to continue.
- (d) Estimated information for 2013-14 is based on the authority granted to the National Film Board in Budget 2013-14.

These assumptions are adopted as at December 31, 2012.

NATIONAL FILM BOARD

Notes to the Future-Oriented Financial Statements (unaudited)

[in thousands of dollars]

3. VARIATIONS AND CHANGES TO THE FORECAST FINANCIAL INFORMATION

While every attempt has been made to accurately forecast final results for the remainder of 2012-13 and for 2013-14, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these financial statements the Board has made estimates and assumptions concerning the future. These estimates and judgments may differ from the subsequent actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events related to NFB's digital shift that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented financial statements and the historical financial statements include:

- (a) The timing and amounts of acquisitions and disposals of property, plant and equipment may affect gains/losses and amortization expense.
- (b) Economic conditions, market trend and new business models may affect both the amount of revenue earned and the collectability of loan receivables.
- (c) Interest rates in effect at the time of issue will affect the net present value of capital leases.
- (d) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Once the Report on Plans and Priorities is presented, the Board will not be updating the forecasts for any changes to authorities or forecast financial information made in ensuing supplementary estimates.

NATIONAL FILM BOARD

Notes to the Future-Oriented Financial Statements (unaudited)

[in thousands of dollars]

4. SIGNIFICANT ACCOUNTING POLICIES

The future oriented financial statements have been prepared in accordance with accounting standards issued by the Treasury Board of Canada Secretariat which are consistent with Canadian generally accepted accounting principles for the public sector, except employee vacation and severance liabilities which are based on management's estimate of the liabilities rather than based on actuarial estimates.

The significant accounting policies are as follows:

Parliamentary authorities

Operations are funded through a permanent authority from Parliament (Revolving Fund) and Parliamentary authorities voted annually.

The Revolving Fund allows the Board to make payments out of the Consolidated Revenue Fund for working capital, interim financing of operating costs and capital assets acquisitions. This authority requires that the aggregate of admissible working capital and net book value of capital assets does not exceed \$15 million.

The Board is also financed in part by the Government of Canada through Parliamentary authorities. The authorities are voted annually to replenish the Revolving Fund for net acquisitions of capital assets and the admissible cost of operations. The basis of the authorities provided to the Board does not parallel the accounting principles applied in preparing the financial statements since authorities are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a reconciliation between the two bases of reporting.

Expenses

Expenses are presented on an accrual basis:

Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.

Production of films and other forms of visual presentations

All production costs are charged to operations in the year in which they are incurred and shown in the Statement of Operations as follows:

Board's program

All costs incurred for unsponsored productions and co-productions or other forms of visual presentations.

Sponsored production and pre-sale

Part of costs incurred for film productions and co-productions or other forms of visual presentations corresponding to sponsor's contribution. The excess of costs over the sponsor's contribution is charged to the Board's program.

NATIONAL FILM BOARD

Notes to the Future-Oriented Financial Statements (unaudited) [in thousands of dollars]

Revenues

Revenues are presented on an accrual basis:

- ◆ Revenues from the production of films and other forms of visual presentations are accounted for at an amount equal to the sponsored production and pre-sale costs during the year in which these costs are incurred. Any profit is recognized in the year the production is completed.
- ◆ Royalty revenues are recognized once all of the Board's obligations have been fulfilled and its expenses have been accounted for, regardless of when the acquirer actually uses the work.
- ◆ Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

Accounts receivable

Accounts receivable are stated at amounts expected to be ultimately realized. A provision is recorded for external parties' accounts receivable where recovery is considered uncertain.

Inventory

Materials and supplies are valued at cost.

Film prints and other forms of visual presentations held for sale are valued at the lower of cost or net realizable value. The cost of other prints is expensed on a current basis.

Tangible capital assets

All tangible capital assets having an initial cost of \$5,000 or more and leasehold improvements of \$10,000 or more are recorded at their acquisition cost.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the assets, as follows:

Asset class	Amortization period
Technical equipment	from 4 to 10 years
Software & data processing equipment	from 5 to 10 years
Office furniture, equipment & other	from 5 to 10 years
Leasehold improvements	terms of the leases

The Board has a collection of nearly twenty thousand audiovisual works produced since 1895. This inestimable collection is not intended for sale and does not have a measurable value. It has, however, been assigned a nominal value of \$1 in the financial statements, appearing on the Statement of Financial Position and in note 8 as tangible capital assets to ensure that the reader is aware of its existence.

The Board enters into operating lease agreements to acquire the exclusive use of certain tangible capital assets over the term of the lease. These rental fees are charged to operations in the year to which they apply. The Board also enters into capital lease agreements by which substantially all the benefits and risks inherent to ownership of the assets are transferred to the Board. The Board then records an asset and an obligation corresponding to the present value of the minimum lease payments, excluding the portion thereof relating to executory costs. The assets recorded from a capital lease agreement are amortized on the same basis as other assets owned by the Board and the obligations are amortized over the lease term.

NATIONAL FILM BOARD

Notes to the Future-Oriented Financial Statements (unaudited)

[in thousands of dollars]

Employee Future Benefits

Pension benefits

Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. The Board's contributions to the Plan are charged to expenses in the year incurred and represent the total Board's obligation to the Plan. The Board's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

Severance benefits

Employees are entitled to severance benefits as provided for under labour contracts or conditions of employment. The cost of these benefits is accumulated as employees render the services necessary to earn them and is charged to operations in the year in which they are earned. In 2013, the program for represented employees was eliminated and, consequently, the severance benefits ceased to accumulate. The Board assumes that the benefits will be paid primarily during the year.

Compensated absences

Employees are entitled to compensated absences as provided in their collective agreements or conditions of employment. This involves sick days that accumulate but do not vest, enabling the employees to be paid during their absence in recognition of prior service. As the employees render services, the value of the compensated absences attributed to those services is recorded as a liability and an expense. Management uses assumptions and its best estimates, such as the discount rate, utilization rate of days in excess of the leave granted annually, probability of departure and salary review rate, to calculate the present value of the sick pay benefits obligation. These assumptions are reviewed annually.

Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

5. PARLIAMENTARY AUTHORITIES

The Board receives most of its funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the Board has different net results of operations for the year on a government funding basis than on accrual accounting basis. The differences are reconciled in the following tables:

NATIONAL FILM BOARD

Notes to the Future-Oriented Financial Statements (unaudited) [in thousands of dollars]

a) Reconciliation of net cost of operations to current year authorities used:	Budget 2014	Forecast 2013
Net cost of operations before government funding	\$ 63 893	\$ 68 644
Adjustments for items affecting net cost of operations but not affecting authorities:		
Add (less):		
Loss on disposal of tangible capital assets	-	(4)
Change in liability for vacation pay, accrual for salary revision	50	370
Change in accrued liabilities not charged to authorities	-	-
Net change in employee future benefits	4 871	71
Amortization of tangible capital assets	(2 572)	(2 401)
	2 349	(1 965)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Add (less):		
Acquisition of tangible capital assets	2 015	1 995
Lease payments for tangible capital assets	371	373
Proceeds from disposal of tangible capital assets	-	-
	2 386	2 368
Current year authorities used	\$ 68 628	\$ 69 046
b) Authorities provided and used:	2014	2013
Authorities provided		
Vote 75 - Main Estimates	\$ 62 890	\$ 66 782
Supplementary Estimates authorities	7 238	3 264
Less:		
Authorities available for future years	(1 500)	(1 000)
Frozen allotment	-	-
	-	-
Current year authorities used	\$ 68 628	\$ 69 046

Table reflects revised planned spending for 2013-14 based on full authorities provided.

NATIONAL FILM BOARD

Notes to the Future-Oriented Financial Statements (unaudited) [in thousands of dollars]

6. EMPLOYEE SEVERANCE BENEFITS

Severance benefits

The Board provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

As part of collective agreement negotiations severance benefits ceased commencing in 2013. Employees subject to these changes have been given option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation in 2013 and the Board assumes that the benefits will be paid primarily during the year.

Compensated absences (sick days)

The Board provides its employees with sick days based on their salary and the entitlements accumulated over their years of service. These entitlements are accumulated but do not vest.

Information about the severance and sick pay benefits, measured as at March 31, 2014, is as follows:

Balance as at March 31, 2013	\$ 5,853
Expenses for the year	111
Benefits paid during the year	(4,982)
Balance as at March 31, 2014	<u>\$ 982</u>

7. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated amortization				Net Book Value	
	Opening balance	Acquisitions	Disposals and write-off	Closing balance	Opening balance	Amortization	Disposals and write-off	Closing balance	2013	2012
Technical Equipment	29,390	1,198	-	30,588	27,486	981	-	28,467	2,122	1,904
Software & data processing equipment	16,869	1,354	-	18,223	14,188	990	-	15,178	3,046	2,682
Office furniture, equipment & other	878	-	-	878	865	3	-	868	10	13
Collection	-	-	-	-	-	-	-	-	-	-
Leasehold improvements	6,825	500	-	7,325	4,727	598	-	5,325	2,000	2,098
	-	-	-	-	-	-	-	-	-	-
Total	53,963	3,052	-	57,015	47,266	2,572	-	49,837	7,177	6,697

8. CONTINGENT LIABILITIES

The Board is subject to various legal claims arising in the normal course of its operations. In management's view, the ultimate disposition of these claims is not expected to have a material impact on the financial statements.

NATIONAL FILM BOARD

Notes to the Future-Oriented Financial Statements (unaudited) [in thousands of dollars]

9. EXPENSES & REVENUES

Expenses by major object and types of revenues

	Budget 2014	Forecast 2013
a) Expenses		
Salaries and benefits	\$ 34 787	\$ 37 830
Professional and special services	11 367	12 069
Rentals	8 003	8 173
Transportation and communication	3 470	3 368
Amortization of tangible capital assets	2 572	2 401
Cash financing in co-productions	2 516	2 586
Materials and supplies	1 975	2 205
Contracted film production and laboratory processing	613	1 144
Information	1 152	1 197
Royalties	1 146	1 578
Repairs and upkeep	1 105	1 142
Loss on disposal of tangible capital assets	-	4
Miscellaneous	299	144
	\$ 69 005	\$ 73 841
b) Revenues		
Royalties	\$ 2 239	\$ 2 330
Film prints	1 911	1 675
Sponsored production and pre-sale	384	526
Stock shots	500	500
Miscellaneous	78	166
	\$ 5 112	\$ 5 197

10. RELATED PARTY TRANSACTIONS

The Board is related in terms of common ownership to all departments, agencies and Crown corporations created by the Government of Canada. The Board enters into transactions with these entities in the normal course of business in accordance with standard trade terms. During the year ending March 31, 2013, the Board leased accommodations from the Department of Public Works and Government Services Canada (PWGSC) for the amount of \$6,867 (2012 - \$7,001).

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada are not included as an expense in the Statement of Operations. The Board also receives audit services provided, free of charge, by the Office of the Auditor General.