

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

	<u>Budget</u> <u>2015-2016</u>	<u>Forecast</u> <u>2014-2015</u>
Expenses		
English programming		
Production of films and other forms of visual presentations		
Board's program	\$ 19,459	\$ 20,049
Sponsored production and pre-sale	0	40
	<u>19,459</u>	<u>20,089</u>
French Programming		
Production of films and other forms of visual presentations	0	0
Board's program	14,160	14,516
Sponsored production and pre-sale	178	162
	<u>14,338</u>	<u>14,678</u>
Distribution	6,560	6,764
Marketing, Accessibility and Outreach	12,922	12,897
Digital development and applications	4,549	4,773
Internal services	8,192	9,349
	<u>32,223</u>	<u>33,783</u>
Total Expenses	<u>66,020</u>	<u>68,550</u>
Revenues		
(Note 9b)		
Institutional and educational	1,765	1,911
Television	1,010	773
Home video	545	364
Stock shots	550	525
Sponsored production and pre-sale	228	202
Miscellaneous	50	42
Theatrical	75	25
Total des revenus	<u>4,223</u>	<u>3,842</u>
Net cost of operations before government funding	<u>\$ 61,797</u>	<u>\$ 64,708</u>

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

NATIONAL FILM BOARD

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

1. METHODOLOGY AND SIGNIFICANT ASSUMPTIONS

The future-oriented statement of operations 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 information in the estimated results for fiscal year 2014–15 is based on actual results as at September 30, 2014 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for the 2015-16 fiscal year.

The main assumptions underlying the forecasts 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 2015-16 is based on the authority granted to the National Film Board in Budget 2015-16.

These assumptions are adopted as at December 31, 2014.

2. VARIATIONS AND CHANGES TO THE FORECAST FINANCIAL INFORMATION

While every attempt has been made to accurately forecast final results for the remainder of 2014-15 and for 2015-16, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this future-oriented statement of operations the Board has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions 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 statement of operations and the historical statement of operations 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.

NATIONAL FILM BOARD

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[in thousands of dollars]

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The future-oriented statement of operations has been prepared using Government's accounting policies that came into effect for the 2014–15 fiscal year which are based on Canadian public sector accounting standards, except for 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:

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.

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.

NATIONAL FILM BOARD

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[in thousands of dollars]

4. PARLIAMENTARY AUTHORITIES

The Board is financed mostly by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to the Department do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Items recognized in the Future-Oriented Statement of Operations in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, the Board has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

	Budget	Forecast
Reconciliation of net cost of operations to current year authorities used:	2015-2016	64,708
Net cost of operations before government funding	\$ <u>61,797</u>	\$ <u>64,708</u>
Adjustments for items affecting net cost of operations but not affecting authorities:		
Add (less):		
Amortization of tangible capital assets	<u>2,185</u>	<u>2,207</u>
	<u>2,185</u>	<u>2,207</u>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Add (less):		
Acquisition of tangible capital assets	<u>861</u>	<u>512</u>
Lease payments for tangible capital assets	<u>0</u>	<u>0</u>
	<u>861</u>	<u>512</u>
Current year authorities used	\$ <u>60,473</u>	\$ <u>63,013</u>
Current year authorities used	2015-2016	2014-2015
Authorities provided		
Vote 75 - Main Estimates	\$ 59,652	\$ 59,912
Supplementatry Estimates authorities	2,065	4,533
Less:		
Authorities available for future years	<u>-1,244</u>	<u>-1,432</u>
Current year authorities used	\$ <u>60,473</u>	\$ <u>63,013</u>