

NATIONAL FILM BOARD
Future-Oriented Financial Statements (unaudited)
Statement of Operations
For the year ended March 31

	Planned Results <u>2016-2017</u>	Forecast Results <u>2015-2016</u>
Expenses		
English programming		
Production of films and other forms of visual presentations		
Board's program	\$ 19,993	\$ 20,530
Sponsored production and pre-sale	910	282
	<u>20,903</u>	<u>20,812</u>
French Programming		
Production of films and other forms of visual presentations	0	0
Board's program	12,049	12,564
Sponsored production and pre-sale	1,466	338
	<u>13,515</u>	<u>12,902</u>
Distribution	6,143	6,262
Marketing, Accessibility and Outreach	11,528	12,526
Digital development and applications	4,229	3,681
Internal services	8,426	8,609
	<u>30,326</u>	<u>31,078</u>
Total Expenses	<u>64,744</u>	<u>64,792</u>
Revenues		
(Note 9b)		
Institutional and educational	1,395	1,638
Television	760	660
Home video	350	350
Stock shots	500	500
Sponsored production and pre-sale	2,473	492
Theatrical	55	50
Miscellaneous	50	50
Total des revenus	<u>5,583</u>	<u>3,740</u>
Net cost of operations before government funding	<u>\$ 59,161</u>	<u>\$ 61,052</u>

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

NATIONAL FILM BOARD

Notes to the Future-Oriented Statement of Operations (unaudited)

[in thousands of dollars]

1. METHODOLOGY AND SIGNIFICANT ASSUMPTIONS

The future-oriented statement of operations has been prepared on the basis of government priorities and departmental plans as described in the Report on Plans and Priorities.

The information in the forecast results for fiscal year 2015-16 is based on actual results as at September 30, 2015 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for the 2016-17 fiscal year.

The main assumptions underlying the forecasts are as follows:

- (a) Forecast results for 2015-16 are based on the authority granted to the National Film Board in Budget 2015-16.
- (b) The department's activities will remain substantially the same as for the previous year.
- (c) Expenses and revenues, including the determination of amounts internal and external to the government, are based on experience. The general historical pattern is expected to continue.
- (d) Allowances for doubtful accounts are based on historical experience. The general historical pattern is expected to continue.

These assumptions are adopted as at December 31, 2015.

2. VARIATIONS AND CHANGES TO THE FORECAST FINANCIAL INFORMATION

While every attempt has been made to accurately forecast final results for the remainder of 2015-16 and for 2016-17, 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 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 the following:

- (a) The timing and amount of acquisitions and disposals of property, plant and equipment may affect gains/losses and amortization expense.
- (b) Implementation of new collective agreements.
- (c) Economic conditions, market trend and new business models may affect both the amount of revenue earned and the collectability of amount receivables.
- (d) Interest rates in effect at the time of issue will affect the net present value of capital leases.
- (e) 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 in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

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Notes to the Future-Oriented Statement of Operations (unaudited)

[in thousands of dollars]

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 2015-16 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 presentations and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

The significant accounting policies are as follows:

Expenses

Expenses are recorded on an accrual basis. Expenses are recorded when goods are received or services are rendered.

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

Expenses also include amortization of tangible capital assets, which are capitalized at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset.

Production of films and other forms of visual presentations

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

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 based on the services provided in the year:

- ◆ 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 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.

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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:

	Planned Results 2016-2017	Forecast Results 2015-2016
a) Reconciliation of net cost of operations to requested authorities		
Net cost of operations before government funding	\$ 59,161	\$ 61,052
Adjustments for items affecting net cost of operations but not affecting authorities:		
Add (less):		
Decrease in accrued liabilities not charged to authorities	81	429
Amortization of tangible capital assets	-2,474	-2,737
	<u>-2,393</u>	<u>-2,308</u>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Add (less):		
Acquisition of tangible capital assets	5,856	2,875
Lease payments for tangible capital assets	0	0
	<u>5,856</u>	<u>2,875</u>
Requested authorities	\$ 62,624	\$ 61,619
b) Requested authorities	2016-2017	2015-2016
Authorities provided		
Main Estimates	\$ 61,895	\$ 59,652
Supplementary Estimates authorities	1,516	2,981
Less:		
Authorities available for future years	-787	-1,014
Requested authorities	\$ 62,624	\$ 61,619