

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

	Forecast Results 2017-18	Planned Results 2018-19
Expenses		
Audiovisual Production	\$ 37,045	\$ 37,480
Accessibility and Audience Engagement	24,087	24,057
Internal Services	11,123	9,621
Total Expenses	72,255	71,158
Revenues		
Audiovisual Products	2,607	2,457
Sponsored Production and Pre-sale	3,333	2,920
Other Revenues	137	100
Total Revenues	6,077	5,477
Net cost of operations before government funding	\$ 66,178	\$ 65,681

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

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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 the National Film Board (NFB) plans as described in the Departmental Plan.

The information in the forecast results for fiscal year 2017-18 is based on actual results as at September 30, 2017 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for the 2018-19 fiscal year.

The main assumptions underlying the forecasts are as follows:

- (a) Forecast results for 2017-2018 are based on the authority granted to the National Film Board in the third quarter allotment report for 2017-2018.
- (b) The NFB is preparing for the relocation of its headquarters to the Quartier des Spectacles in Montreal. The move was originally planned for 2018, but is now scheduled for 2019. In view of this, the NFB was granted an advance of \$14.4 million, of which \$2.4 million have already been recorded and \$12 million will be received in 2018-2019. Parliamentary authority will then be reduced by \$1.2 million per year for 12 years starting in 2019-2020. It should be noted that these expenses will not be reflected in the statement of operations until the move is effective and depreciation is recorded. However, these amounts are shown in the net cost of operations for the year on the basis of parliamentary authorities.
- (c) The NFB is undertaking the renewal of several technological equipment which has begun during fiscal 2017-2018.
- (d) Apart from the relocation of its headquarters and technological systems upgrade, the department's activities will remain substantially the same as for the previous year.
- (e) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.
- (f) 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, 2017.

2. VARIATIONS AND CHANGES TO THE FORECAST FINANCIAL INFORMATION

While every attempt has been made to accurately forecast final results for the remainder of 2017-18 and for 2018-19, 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 NFB 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 capital assets 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 amounts receivable;
- (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.

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Once the Departmental Plan is presented, the NFB 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 Results Report.

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 2017-18 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.

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 recognized at the time of invoicing which is generally related to either the shipping of a product or the advancement of the work under the terms of the contract.
- ◆ Royalty revenues are recognized once the NFB'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 NFB is financed mostly by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to the NFB 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 NFB 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:

a) Reconciliation of net cost of operations to requested authorities

	Forecast Results 2017-18	Planned Results 2018-19
Net cost of operations before government funding and transfers	66,178 \$	65,681 \$
Adjustments for items affecting net cost of operations but not affecting authorities:		
Add (less):		
Change in vacation pay and provision for salary adjustments not charged to authorities	(1,306)	-
Change in accrued liabilities not charged to authorities	139	199
Amortization of tangible capital assets	(1,800)	(2,633)
	<u>(2,967)</u>	<u>(2,434)</u>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Add (less):		
Acquisition of tangible capital assets	3,349	15,334
Lease payments for tangible capital assets	(43)	(43)
	<u>3,306</u>	<u>15,291</u>
Requested authorities	66,517 \$	78,538 \$

b) Authorities requested:

	Forecast Results 2017-18	Planned Results 2018-19
Authorities requested:		
Main Estimates	74,375 \$	74,568 \$
Supplementary Estimates authorities	6,647	3,970
Less:		
Authorities available for future years	(2,505)	-
Frozen allotment	(12,000)	-
Requested authorities	66,517 \$	78,538 \$