

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

	2019-20 Forecast Results	2020-21 Planned Results
Expenses		
Audiovisual Production	\$ 36,964	\$ 37,813
Accessibility and Audience Engagement	24,944	26,072
Internal Services	10,020	10,425
Total Expenses	71,928	74,310
Revenues		
Audiovisual Products	2,705	2,705
Partnerships and Presales	2,367	2,299
Other Revenues	100	100
Total Revenues	5,172	5,104
Net cost of operations before government funding	\$ 66,756	\$ 69,206

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 based on government priorities and the National Film Board (NFB) plans as described in the Departmental Plan.

The information in the forecast results for fiscal year 2019-20 is based on 2019-20 Main Estimates as well as forecasted items. Planned results for the 2020-21 fiscal year are based on the anticipated utilization of funds for the NFB's activities.

The main assumptions underlying the forecasts are as follows:

- (a) Forecast results for 2019-20 are based on the authority granted to the National Film Board in the second quarter allotment report, expressed in terms of accrual accounting.
- (b) Planned results for 2020-21 are based on the activities and initiatives included in the planned spending amounts that are presented in the Departmental Plan, expressed in terms of accrual accounting.
- (c) The NFB has completed the relocation of its headquarters to the Quartier des Spectacles in Montreal during the Fall of 2019. In view of this, the NFB was granted an advance of \$14.4 million, of which \$9.8 million have already been recorded and \$4.6 million have been received in 2019-20. Parliamentary authority will then be reduced by \$1.2 million per year for 12 years starting in 2020-21. It should be noted that expenses incurred for the move are part of the requested authorities in 2019-20 but are recorded as tangible capital assets in the Statement of financial position. Therefore, net cost of operations before government funding only includes amounts for the amortization of these assets as recorded annually.
- (d) The NFB is undertaking the renewal of several technological equipment which has begun during fiscal 2017-18.
- (e) As far as fulfilling its mission, the department's activities will remain substantially the same as for the previous year.
- (f) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience and expected events for 2020-21.
- (g) 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, 2019.

2. VARIATIONS AND CHANGES TO THE FORECAST FINANCIAL INFORMATION

While every attempt has been made to accurately forecast future results, 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 2019-20 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 or the lease term for fit-up costs.

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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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

	2019-20 Forecast Results	2020-21 Planned Results
Net cost of operations before government funding and transfers	\$ 66,756	\$ 69,206
Adjustments for items affecting net cost of operations but not affecting authorities:		
Add (less):		
Net change in employee future benefits	269	28
Amortization of tangible capital assets	(2,887)	(3,585)
	<u>(2,618)</u>	<u>(3,557)</u>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Add (less):		
Acquisition of tangible capital assets	11,347	571
Lease payments for tangible capital assets	378	426
	<u>11,725</u>	<u>997</u>
Requested authorities	\$ 75,863	\$ 66,646

b) Authorities requested:

	2019-20 Forecast Results	2020-21 Planned Results
Authorities requested:		
Main Estimates	\$ 68,371	\$ 64,891
Supplementary Estimates authorities	3,471	1,636
Less:		
Authorities available for future years	(1,250)	-
	<u>70,592</u>	<u>66,527</u>
Plus		
Revolving fund used	5,271	120
Requested authorities	\$ 75,863	\$ 66,647