

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

	2020-21 Forecast Results	2021-22 Planned Results
Expenses		
Audiovisual Production	\$ 39,402	\$ 38,044
Accessibility and Audience Engagement	26,908	24,913
Internal Services	10,788	9,860
Total Expenses	77,098	72,817
Revenues		
Audiovisual Products	2,000	2,225
Partnerships and Presales	2,060	1,425
Other Revenues	100	100
Total Revenues	4,160	3,750
Net cost of operations before government funding	\$ 72,938	\$ 69,067

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 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 2020-21 is based on 2020-21 Main Estimates as well as forecasted items. Planned results for the 2021-22 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 2020-21 are based on the authority granted to the National Film Board including funding for critical operating requirements, expressed in terms of accrual accounting.
- (b) Planned results for 2021-22 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. In order to reimburse this advance Parliamentary authority has been 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 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 advancing with the renewal of its technological equipment which began during fiscal 2017-18.
- (e) As far as fulfilling its mission, the department's activities have been adjusted to conform to health and safety regulations as a result of the COVID-19 pandemic. The expectation is that these preventative measures will continue in 2021-22.
- (f) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience, and expected events for 2021-22.
- (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, 2020.

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.

Once the Departmental Plan is presented, the NFB does not generally update 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.

NATIONAL FILM BOARD

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[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 2020-21 fiscal year, which are based on Canadian public sector accounting standards. Management uses assumptions and its best estimates to calculate liabilities for employee severance benefits and compensated absence. 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.

NATIONAL FILM BOARD

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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	2020-21 Forecast Results	2021-22 Planned Results
Net cost of operations before government funding and transfers	\$ 72,938	\$ 69,067
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	(386)	(467)
Net change in employee future benefits	28	32
Amortization of tangible capital assets	(3,585)	(3,701)
	<u>(3,943)</u>	<u>(4,136)</u>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Add (less):		
Acquisition of tangible capital assets	1,029	984
Lease payments for tangible capital assets	747	117
	<u>1,776</u>	<u>1,101</u>
Requested authorities	\$ 70,771	\$ 66,032
b) Authorities requested:	2020-21 Forecast Results	2021-22 Planned Results
Authorities requested:		
Main Estimates	\$ 64,891	\$ 65,582
Supplementary Estimates authorities	5,990	230
Less:		
Authorities available for future years	(230)	-
	<u>70,651</u>	<u>65,812</u>
Plus		
Revolving fund used	120	220
Requested authorities	\$ 70,771	\$ 66,032