Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2013, and all information contained in these statements rests with the management of the National Film Board (the "Board"). These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Board's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the Board's *Departmental Performance Report,* is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Board and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

The Board will be subject to periodic Core Control Audits performed by the Office of the Comptroller General and will use the results of such audits to adhere to the Treasury Board Policy on Internal Control.

In the interim, the Board has undertaken a risk-based assessment of the system of ICFR for the year ended March 31, 2013, in accordance with the Treasury Board Policy on Internal Control, and the results and action plan are summarized in the annex.

The Office of the Auditor General, the independent auditor for the Government of Canada, has expressed an opinion on the fair presentation of the financial statements of the Board which does not include an audit opinion on the annual assessment of the effectiveness of the Board's internal controls over financial reporting.

Tom Perlmutter
Government Film Commissioner

Montreal, Canada
July 9, 2013

Luisa Frate, CPA, CA
Director General, Finance, Operations and Technology
CFO, COO & CTO

Montreal, Canada
July 9, 2013

INDEPENDENT AUDITOR'S REPORT

To the Minister of Canadian Heritage and Official Languages

Report on the Financial Statements

I have audited the accompanying financial statements of the National Film Board, which comprise the statement of financial position as at 31 March 2013, and the statement of operations and departmental net financial position, statement of change in departmental net debt and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Film Board as at 31 March 2013, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

In my opinion, the transactions of the National Film Board that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *National Film Act* and the by-laws of the National Film Board.

René Béliveau, CPA auditor, CA
Principal
for the Auditor General of Canada

9 July 2013
Montréal, Canada

NATIONAL FILM BOARD
Statement of Financial Position
As at march 31

		2013		2012
Liabilities				
Accounts payable and accrued liabilities (Note 4)	$	6,299,925	$	7,140,115
Accrued salaries		405,372		327,809
Vacation pay and accrual for salary revision		320,275		645,510
Deferred revenue		476,028		358,431
Lease obligation for tangible capital assets (Note 5)		65,114		447,092
Employee future benefits (Note 6)		5,838,253		5,923,133
Total net liabilities		13,404,967		14,842,090
Financial assets				
Cash		3,504		133,705
Due from Consolidated Revenue Fund		2,506,995		1,894,479
Accounts receivable (Note 7)		2,693,678		3,224,801
Deposits		254,994		89,356
Total net financial assets		5,459,171		5,342,341
Departmental net debt		7,945,796		9,499,749
Non-financial assets				
Prepaid expenses		472,061		465,842
Inventory		155,958		240,477
Tangible capital assets (Note 8)		6,543,964		6,887,992
Total non-financial assets		7,171,983		7,594,311
Departmental net financial position	$	(773,813)	$	(1,905,438)

Contractual obligations (Note 9)
Contingent liabilities (Note 10)

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

Approved by Board of Trustees:

Member

Member

NATIONAL FILM BOARD

Statement of Operations and Departmental Net Financial Position

For the year ended March 31

	2013 Planned results	2013	2012
Expenses			
(Note 11a)			
English Programming			
Production of films and other forms of visual presentation			
Board's program	$ 22,709,613	$ 21,265,909	$ 23,303,716
Sponsored production and pre-sale	400,000	15,299	28,115
	23,109,613	21,281,208	23,331,831
French Programming			
Production of films and other forms of visual presentation			
Board's program	16,816,470	14,858,113	16,986,484
Sponsored production and pre-sale	476,000	282,093	792,970
	17,292,470	15,140,206	17,779,454
Distribution	6,662,308	5,444,737	6,224,146
Marketing, Accessibiliity and Outreach	14,092,836	14,454,588	16,481,701
Digital development and applications	5,272,413	5,933,332	4,426,410
Internal services	9,434,680	9,069,189	9,664,424
	35,462,237	34,901,846	36,796,681
Total Expenses	75,864,320	71,323,260	77,907,966
Revenues			
(Note 11b)			
Institutional and educational	3,145,000	1,636,340	2,286,321
Television	750,000	809,072	1,395,995
Stock shots	500,000	551,769	506,714
Home video	730,000	538,944	459,599
Theatrical	120,000	364,933	102,298
Sponsored production and pre-sale	876,000	297,392	821,085
Miscellaneous	227,000	93,087	366,169
Total Revenues	6,348,000	4,291,537	5,938,181
Net cost of operations before government funding	69,516,320	67,031,723	71,969,785
Government funding			
Net cash provided by Government of Canada		67,550,832	67,900,109
Change in due from Consolidated Revenue Fund		612,516	(996,052)
Net cost of operations after government funding		(1,131,625)	5,065,728
Departmental net financial position - Beginning of year		(1,905,438)	3,160,290
Departmental net financial position - End of year		$ (773,813)	$ (1,905,438)

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

NATIONAL FILM BOARD

Statement of Change in Departmental Net Debt

For the year ended March 31

		2013		2012
Net cost of operations after government funding	$	(1,131,625)	$	5,065,728
Change due to tangible capital assets				
Acquisition of tangible capital assets		2,132,286		1,948,701
Amortization of tangible capital assets		(2,466,051)		(3,065,851)
Proceeds from disposal of tangible capital assets		-		(13,338)
Loss on disposal of tangible capital assets		(10,263)		(53,723)
Total change due to tangible capital assets		(344,028)		(1,184,211)
Change due to inventories		(84,519)		(46,142)
Change due to prepaid expenses		6,219		(13,430)
Net increase (decrease) in department net debt		(1,553,953)		3,821,945
Department net debt - Beginning of year		9,499,749		5,677,804
Department net debt - End of year	$	7,945,796	$	9,499,749

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

NATIONAL FILM BOARD

Statement of Cash Flows

For the year ended March 31

		2013		2012
Operating activities				
Net cost of operations before government funding	$	67,031,723	$	71,969,785
Non-cash items:				
Amortization of tangible capital assets		(2,466,051)		(3,065,851)
Loss on disposal of tangible capital assets		(10,263)		(53,723)
Variations in Statement of Financial Position				
Change in liability for vacation pay and accrual for salary revision		325,235		(376,460)
Net change in employee future benefits		84,880		(2,069,838)
Other changes in assets and liabilities		71,044		(781,643)
Cash used in operating activities		65,036,568		65,622,270
Capital investing activities				
Acquisition of tangible capital assets		2,132,286		1,678,728
Proceeds from disposal of tangible capital assets		-		(13,338)
Cash used in capital investing activities		2,132,286		1,665,390
Financing activities				
Lease payments for tangible capital assets		381,978		612,449
Cash used in financing activities		381,978		612,449
Net cash provided by Government of Canada	$	67,550,832	$	67,900,109

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

1) Authority and purposes

The National Film Board was established in 1939 under the *National Film Act* and is the agency responsible for administering the Act.

The National Film Board (the "Board") is a cultural agency named in Schedule I.1 of the *Financial Administration Act* reporting to the Minister of Canadian Heritage and Official Languages. It is administered by a Board of Trustees appointed by the Governor in Council and chaired by the Government Film Commissioner.

The Board's legislative mandate is to initiate and promote the production and distribution of films in the national interest and, in particular:

- to produce and distribute and to promote the production and distribution of films designed to interpret Canada to Canadians and to other nations;
- to represent the Government of Canada in its relations with persons engaged in commercial motion picture film activity in connection with motion picture films for the Government or any department thereof;
- to engage in research in film activity and to make available the results thereof to persons engaged in the production of films;
- to advise the Governor in Council in connection with film activities;
- to discharge such other duties relating to film activity as the Governor in Council may direct it to undertake.

The Board is not subject to income taxes.

2) Significant accounting policies

These financial statements have been prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian Public sector accounting standards.

Significant accounting policies are as follows:

Parliamentary authorities

Operations are funded through a permanent authority from Parliament (Revolving Fund) and Parliamentary authorities voted annually.

The Revolving Fund allows the Board to make payments out of the Consolidated Revenue Fund for working capital, interim financing of operating costs and capital assets acquisitions. This authority requires that the aggregate of admissible working capital and net book value of capital assets does not exceed $15 million.

The Board is also financed in part by the Government of Canada through Parliamentary authorities. The authorities are voted annually to replenish the Revolving Fund for net acquisitions of capital assets and the admissible cost of operations. Financial reporting of authorities provided to the Board does not parallel financial reporting according to generally accepted accounting principles, since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides reconciliation between the two bases of reporting. The planned results amounts presented in the Statement of Operations and Departmental Net Financial Position are the amounts reported in the future-oriented financial statements included in the *2012-2013 Report on Plans and Priorities*.

Each year, the Board presents information on planned expenditures to Parliament through the tabling of Estimates publications. These estimates result in the introduction of supply bills (which, once passed into legislation, become appropriation acts) in accordance with the reporting cycle for government expenditures. The Board exercises expenditure initiation processes such that unencumbered balances of budget allotments and appropriations are monitored and reported on a regular basis to help ensure sufficient authority remains for the entire period and appropriations are not exceeded.

Liquidity risk is the risk that the Department will encounter difficulty in meeting its obligations associated with financial liabilities. The Board's objective for managing liquidity risk is to manage operations and cash expenditures within the appropriation authorized by Parliament or allotment limits approved by the Treasury Board.

Consistent with Section 32 of the *Financial Administration Act*, the Board's policy to manage liquidity risk is that no contract or other arrangement providing for a payment shall be entered into with respect to any program for which there is an appropriation by Parliament or an item included in estimates then before the House of Commons to which the payment will be charged, unless there is a sufficient unencumbered balance available out of the appropriation or item to discharge any debt that, under the contract or other arrangement, will be incurred during the fiscal year in which the contract or other arrangement is entered into.

The Board's risk of exposure and its objectives, policies and processes to manage and measure this risk did not change significantly from the prior year.

Net cash provided by Government of Canada

The Board operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Board is deposited to the CRF and all cash disbursements made by the Board are paid from the CRF. The net cash provided by the Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal Government.

Due from or to the Consolidated Revenue Fund

Amounts due from or to the Consolidated Revenue Fund (CRF) are the result of timing differences between when a transaction affects the Board's authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Board is entitled to draw from the CRF without further authorities to discharge its liabilities. This amount is not considered to be a financial instrument.

Expense recognition

All expenses are recorded on an accrual basis.

Vacation pay is expensed as the benefits are earned by employees under their respective terms of employment.

Production of films and other forms of visual presentation

All production costs are charged to operations in the year in which they are incurred and are shown in the Statement of Operations and Departmental Net Financial Position as follows:

Board's program

All costs incurred for unsponsored productions and co-productions or other forms of visual presentation.

Sponsored production and pre-sale

Part of costs incurred for film productions and co-productions or other forms of visual presentation corresponding to sponsor's contribution. The excess of costs over the sponsor's contribution is charged to the Board's program.

Revenues

Revenues from the production of films and other forms of visual presentation 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 that gave rise to the revenue takes place.

Accounts receivable

Accounts receivable are stated at amounts expected to be ultimately realized. A provision is recorded for external parties' accounts receivable where recovery is considered uncertain.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Board is not exposed to significant credit risk. The Board provides services to other government departments and agencies and to external parties in the normal course of business. Accounts receivable are due on demand. The Board's maximum exposure to credit risk is equal to the carrying value of its accounts receivable.

Inventory

Materials and supplies are valued at cost.

Film prints and other forms of visual presentation held for sale are valued at the lower of cost or net realizable value. The cost of other prints is expensed on a current basis.

Tangible capital assets

All tangible capital assets having an initial cost of $5,000 or more and leasehold improvements of $10,000 or more are recorded at their acquisition cost.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the assets, as follows:

Asset class	**Amortization period**
Technical equipment	from 4 to 10 years
Software & data processing equipment	from 5 to 10 years
Office furniture, equipment & other	from 5 to 10 years
Leasehold improvements	terms of the leases

The Board has a collection of nearly twenty thousand audiovisual works produced since 1895. This inestimable collection is not intended for sale and does not have a measurable value. It has, however, been assigned a nominal value of $1 in the financial statements, appearing on the Statement of Financial Position and in note 8 as tangible capital assets to ensure that the reader is aware of its existence.

The Board enters into operating lease agreements to acquire the exclusive use of certain tangible capital assets over the term of the lease. These rental fees are charged to operations in the year to which they apply. The Board also enters into capital lease agreements by which substantially all the benefits and risks inherent to ownership of the assets are transferred to the Board. The Board then records an asset and an obligation corresponding to the present value of the minimum lease payments, excluding the portion thereof relating to executory costs. The assets recorded from a capital lease agreement are amortized on the same basis as other assets owned by the Board and the obligations are amortized over the lease term.

Other financial assets and financial liabilities

Financial instruments of the Board are stated at cost or amortized cost. Financial assets consist of assets that could be used to reimburse existing liabilities or finance future operations.

The Board has the following financial assets:

- Cash
- Accounts receivable related to the sale of audiovisual products to external parties or other departments and agencies (net of allowances for doubtful accounts)
- Deposits related to production abroad
- Deferred revenue

Financial liabilities consist of accounts payable and accrued liabilities and accrued salaries.

Employee Future Benefits

<u>Pension benefits</u>

Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. The Board's contributions to the Plan are charged to expenses in the year incurred and represent the Board's total obligation to the Plan. The Board's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

Severance benefits

Employees are entitled to severance benefits as provided under collective agreements or conditions of employment. In 2012, the program for all employees was eliminated and, consequently, the severance benefits ceased to accumulate. The cost of severance was recorded in the periods in which the benefits were earned by employees. The obligation under severance benefits is calculated at present value using the most probable management assumptions regarding wage, the discount rate and the timing of retirement. These assumptions are reviewed annually.

Compensated absences

Employees are entitled to compensated absences as provided in their collective agreements or conditions of employment. This involves sick days that accumulate but do not vest, enabling the employees to be paid during their absence in recognition of prior service. As the employees render services, the value of the compensated absences attributed to those services is recorded as a liability and an expense. Management uses assumptions and its best estimates, such as the discount rate, the age of retirement, utilization rate of days in excess of the leave granted annually, probability of departure and salary review rate, to calculate the present value of the sick pay benefits obligation. These assumptions are reviewed annually.

Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the allowance for doubtful accounts, contingent liabilities, the liability related to employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3) **Parliamentary authorities**

The Board receives most of its funding through annual Parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, the Board has different net results 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 current year authorities used:

	2013	2012
Net cost of operations before government funding	$ 67,031,723	$ 71,969,785
Adjustments for items affecting net cost of operations but not affecting authorities:		
Add (less):		
Loss on disposal of tangible capital assets	(10,263)	(53,723)
Change in liability for vacation pay, accrual for salary revision	325,235	(376,460)
Change in accrued liabilities not charged to authorities	683,560	(1,777,695)
Net change in employee future benefits	84,880	(2,069,838)
Amortization of tangible capital assets	(2,466,051)	(3,065,851)
	(1,382,639)	(7,343,567)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Add (less):		
Acquisition of tangible capital assets	2,132,286	1,678,728
Lease payments for tangible capital assets	381,978	612,449
Proceeds from disposal of tangible capital assets	-	(13,338)
	2,514,264	2,277,839
Current year authorities used	$ 68,163,348	$ 66,904,057

b) Authorities provided and used:

	2013	2012
Authorities provided		
Vote 75 - Main Estimates	$ 66,782,204	$ 66,782,204
Supplementary Estimates authorities	3,594,654	2,003,870
Less:		
Authorities available for future years	(2,103,510)	(1,882,017)
Frozen allotment	(110,000)	-
Current year authorities used	$ 68,163,348	$ 66,904,057

4) **Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities are measured at cost and are due, mainly, within six months following the closing date.

The following table presents details of the Board's accounts payable and accrued liabilities.

		2013		2012
Accounts payable - Other government departments and agencies	$	1,085,450	$	933,726
Accounts payable - External parties		3,876,285		4,428,694
Total accounts payable		4,961,735		5,362,420
Accrued liabilities		1,338,190		1,777,695
Total accounts payable and accrued liabilities	$	6,299,925	$	7,140,115

In *Canada's Economic Action Plan 2012*, the Government announced savings measures to be implemented by departments over the next three fiscal years, starting in 2012-2013. As a result, the Board has recorded as at March 31, 2013, an obligation for termination benefits in the amount of $584,852 (2012 – $1,777,695) as part of accrued liabilities to reflect the estimated workforce adjustment costs. Also, a provision for onerous contracts of $753,338 was recorded in accrued liabilities at March 31, 2013, following the closure of viewing posts and cinema facilities in Montreal.

5) **Lease obligation for tangible capital assets**

The Board has entered into agreements to lease technical, data processing and office equipment under capital leases. The assets have been capitalized using imputed interest rates varying from 6% to 8%. The related obligations are paid over a 3- to 5-year lease term. Payments totalled $381,978 for the year ended March 31, 2013 (2012 – payments of $612,449). Interest of $20,336 (2012 – $59,904) was charged to operations.

The obligation related to the upcoming years includes the following:

		2013		2012
2013	$	-	$	358,967
2014		45,353		62,930
2015		23,014		43,157
Total future minimum lease payments		68,367		465,054
Less: Imputed interest		3,253		17,962
Balance of lease obligation for tangible capital assets	$	65,114	$	447,092

6) **Employee future benefits**

Pension benefits

The Board's eligible employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plans benefits and are indexed to inflation.

Both the employees and the Board contribute to the cost of the Plan. The 2013 expense amounts to $3,805,736 (2012 – $3,629,990), which represents approximately 1.9 times (2012 – 2.0 times) the contributions by employees.

The Board's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

Severance benefits and compensated absences

Severance benefits

The Board provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

As part of collective agreement negotiations and conditions of employment, the accumulation of severance benefits under the employees' severance pay program ceased commencing in 2012. Employees subject to these changes have the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. All these changes have been reflected in the calculation of the outstanding severance benefit obligation, and the Board assumes that 75% of the benefits will be paid during the next year. To calculate the obligation of the remaining portion, the Board uses a rate of compensation increase of 3.17%, an estimated discount rate of 2.13% and a horizon of retirement estimated at 15 -years.

In 2012, the Board assumed that the severance benefits would be mostly paid in fiscal 2013.

Compensated absences (sick leave)

The Board provides its employees with sick leave benefits based on their salary and the entitlements accumulated over their years of service. These entitlements are accumulated but do not vest.

To calculate the obligation of sick leave, the Board uses an average daily wage of $273 (2012 – $266), a rate of salary increase of 3.17% (2012 – 1.75%), an average annual utilization rate of 2.13% (2012 – 2.37%), a discount rate of 2.13% (2.12%), a 5.20% (2012 – 5.01%) probability of employee departure and a retirement age assumption of 60 (2012 – age of 55).

Information about the severance and sick leave benefits, measured as at March 31, 2013, is as follows:

	Severance Benefits	Sick leave	Total
Balance as at March 31, 2011	$ 3,853,295	$ -	$ 3,853,295
Expense for the year	2,239,277	941,045	3,180,322
Benefits paid during the year	(1,110,484)	-	(1,110,484)
Balance as at March 31, 2012	4,982,088	941,045	5,923,133
Expense for the year	439,298	355,054	794,352
Benefits paid during the year	(879,232)	-	(879,232)
Balance as at March 31, 2013	$ 4,542,154	$ 1,296,099	$ 5,838,253

7) **Accounts receivable**

The following table presents details of the Board's accounts receivable:

	2013	2012
Receivables - Other government departments and agencies	$ 159,641	$ 146,158
Receivables - External parties	2,732,513	3,251,441
Subtotal	2,892,154	3,397,599
Allowance for doubtful accounts on receivables from external parties	(198,476)	(172,798)
Total accounts receivable	$ 2,693,678	$ 3,224,801

8) Tangible capital assets

	Cost				Accumulated amortization				Net book value	
	Opening balance	**Acquisitions**	**Disposals and write-offs**	**Closing balance**	**Opening balance**	**Amortization**	**Disposals and write-offs**	**Closing balance**	**2013**	**2012**
Technical equipment	$28,946,622	$831,952	$1,681,366	$28,097,208	$26,230,724	$1,285,936	$1,676,972	$25,839,688	$2,257,520	$2,715,898
Software & data processing equip.	$15,827,252	$924,646	$2,134,910	$14,616,988	$13,379,030	$812,896	$2,129,041	$12,062,885	$2,554,103	$2,448,222
Office furniture, equipment & other	$877,761	-	$115,328	$762,433	$853,429	$11,482	$115,328	$749,583	$12,850	$24,332
Collection	$1	-	-	$1	-	-	-	-	$1	$1
Leasehold improvements	$6,111,351	$375,688	$73,805	$6,413,234	$4,411,812	$355,737	73,805.00	$4,693,744	$1,719,490	$1,699,539
Total	$51,762,987	$2,132,286	$4,005,409	$49,889,864	$44,874,995	$2,466,051	$3,995,146	$43,345,900	$6,543,964	$6,887,992

The above assets include equipment under capital leases for a total cost of $97,324 (2012 – $1,746,861) less accumulated amortization of $32,812 (2012 – $825,518). Current year amortization expense relating to property under capital leases amounts to $276,696 (2012 – $332,060). No tangible capital acquisition under capital leases has occurred in 2013 (2012 – $269,973).

Disposals and write-offs of $4,005,409 for the year are mainly related to reorganization and relocation of several regional offices and the closure of viewing posts and cinema facilities in Montreal and Toronto.

The 2013 planned acquisitions of tangible capital assets amounted to $1,166,265 and the planned amortization expense amounted to $2,661,026.

9) Contractual obligations

The nature of the Board's activities can result in multi-year contracts and obligations whereby the Board will be obligated to make future payments for the acquisition of goods or services. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	Premises	Equipment	Total
2014	$ 6,237,000	$ 908,000	$ 7,145,000
2015	5,461,000	350,000	5,811,000
2016	1,166,000	248,000	1,414,000
2017	941,000	97,000	1,038,000
2018-2021	980,000	-	980,000
	$ 14,785,000	$ 1,603,000	$ 16,388,000

Of the amount of $14,785,000 for leased premises, agreements totalling $102,000 have been signed with external parties and $14,683,000 with Public Works and Government Services Canada (PWGSC).

10) Contingent liabilities

The Board is subject to various legal claims arising in the normal course of its operations. In management's view, the ultimate disposition of these claims is not expected to have a material impact on the financial statements.

11) Expenses by major object and types of revenues

		2013	2012
a)	**Expenses**		
	Salaries and benefits	$ 39,936,954	$ 43,329,363
	Professional and special services	10,833,693	11,056,225
	Rentals	8,819,000	7,919,235
	Transportation and communication	3,203,382	3,106,074
	Amortization of tangible capital assets	2,466,051	3,065,851
	Materials and supplies	1,593,419	2,295,100
	Cash financing in co-productions	1,085,629	2,339,238
	Repairs and upkeep	997,289	962,337
	Contracted film production and laboratory processing	833,164	1,070,923
	Information	625,291	1,090,795
	Royalties	704,086	1,066,536
	Loss on disposal of tangible capital assets	10,263	53,723
	Miscellaneous	215,039	552,566
		$ 71,323,260	$ 77,907,966
b)	**Revenues**		
	Royalties	$ 2,100,187	$ 2,470,710
	Film prints	1,249,102	1,773,503
	Stock shots	551,769	506,714
	Sponsored production and pre-sale	297,392	821,085
	Miscellaneous	93,087	366,169
		$ 4,291,537	$ 5,938,181

12) Related party transactions

The Board is related as a result of common ownership to all government departments, agencies and Crown corporations. The Board enters into transactions with these entities in the normal course of business and on normal trade terms. During the year ending March 31, 2013, the Board leased premises from PWGSC for the amount of $6,759,685 (2012 – $6,822,647).

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by PWGSC and audit services provided by the Office of the Auditor General, are not included in the Board's Statement of Operations and Departmental Net Financial Position.

13) **Accounting changes**

In March 2011, the Public Sector Accounting Board (PSAB) approved new Section PS 3450, Financial Instruments, and Section PS 1201 to replace the current Section PS 1200, Financial Statement Presentation.

Section PS 3450 states, among others, that all financial instruments must be measured either at fair value, historical cost or amortized cost. Variations in fair value, if any, must be reported in the new statement of remeasurement gains and losses.

The two sections are effective on April 1, 2012, for government organizations and are required to be adopted in the same year. The Board has adopted these sections for the year ended March 31, 2013, which had no significant impact on its financial statements.

14) **Comparative information**

Comparative figures have been reclassified to conform to the current year's presentation.