



National Film Board of Canada

2017-2018

Quarterly Financial Report for the quarter ending December 31, 2017

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1. Introduction

The National Film Board (NFB) was created by an act of Parliament in 1939. A federal cultural agency within the Canadian Heritage portfolio, the NFB exists to produce and distribute original, innovative audiovisual works that raise awareness of Canadian values and viewpoints and of the issues of interest to Canadians – across the country and around the world. The NFB serves Canadians by producing and making accessible, in all regions of the country and on all available platforms, rich and diverse cultural content that would not be produced otherwise and that reflects Canada's rapidly shifting demographic profile. A brief description of the agency's activities for the current year can be found in [Part II of the Main Estimates](#).

This quarterly report has been prepared by management as required by Section 65.1 of the [Financial Administration Act](#) and in the form and manner prescribed by the Treasury Board. This quarterly report should be read together with the Main Estimates.

This quarterly report has not been subject to an external audit or review.

2. Basis of Presentation

This quarterly report has been prepared by management using expenditure accounting. The accompanying Statement of Authorities includes the agency's spending authorities granted by Parliament and those used by the agency consistent with the Main Estimates and Supplementary Estimates for the 2017-2018 fiscal year. The report has been prepared using a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government of Canada. Approvals are given in the form of annually approved limits through the Appropriation Act or through legislation in the form of statutory spending authority for specific purposes.

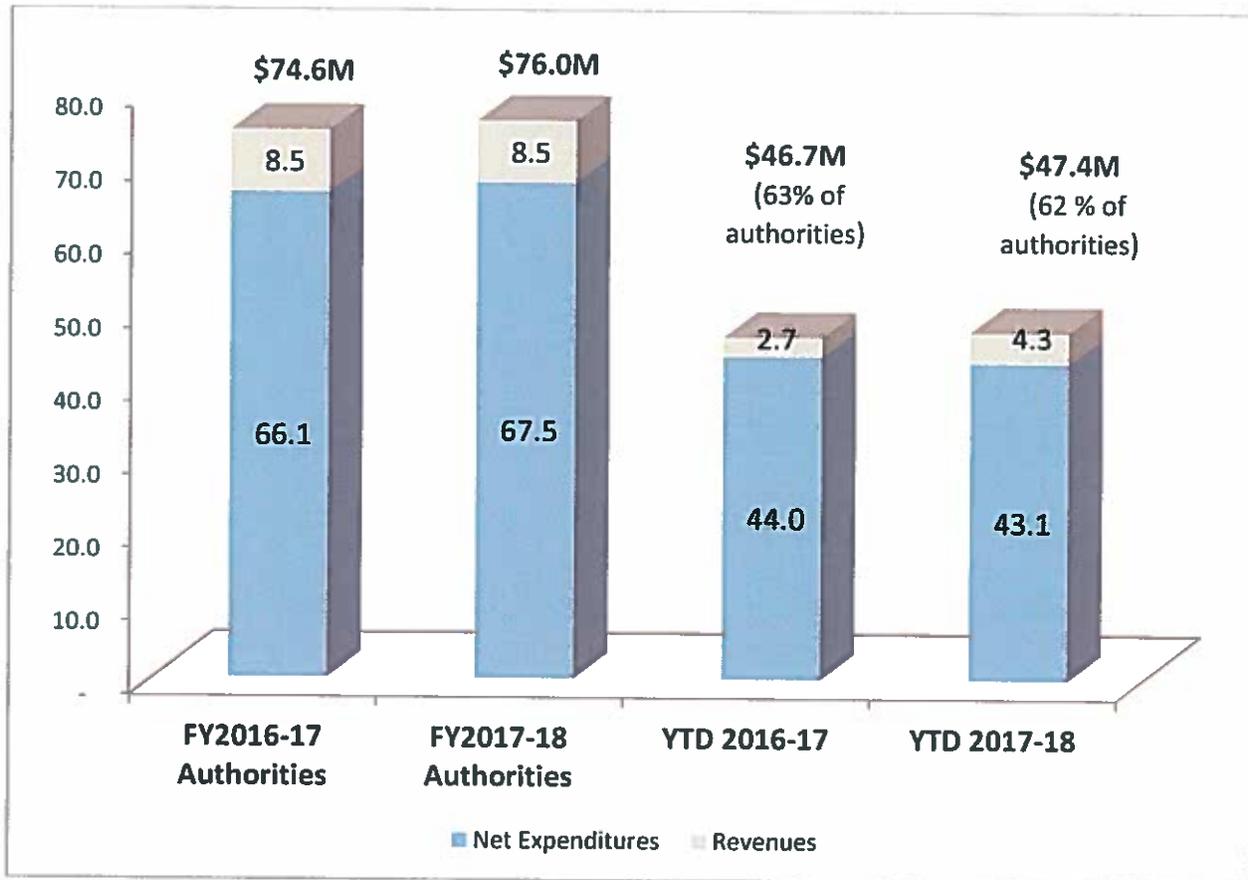
When Parliament is dissolved for the purpose of a general election, Section 30 of the Financial Administration Act authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The NFB uses the full accrual method of accounting to prepare and present its annual departmental financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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3. Highlights of Fiscal Quarter and Fiscal Year-to-Date (YTD) Results

This section highlights the principal factors that contributed to the variances between projected and actual expenditures and expected and earned revenues for the period ended December 31, 2017.



The graphic above shows total budgetary authorities granted to the NFB for fiscal 2017-2018. Projected gross expenditures total \$76.0 million, representing an increase of \$1.4 million over the preceding fiscal year. The increase is due primarily to the SAP project and the relocation of the NFB's Montreal headquarters.

The additional authorization of \$12 million for the costs of the relocation of the NFB headquarters planned for 2018 has been carried over to next year.

Table 2, on page 7, shows expenditures and revenues for the third quarter of 2017-2018. Here is an overview of the main items to be noted:

Variance in Revenues

Third quarter actual revenues were \$1.2 million – an increase of \$0.2 million over the third quarter of the 2016-2017 fiscal year. This increase is mainly due to an increase in partnership revenues including the Expo 67 anniversary event.

Variation in Expenditures

Gross expenditures for the third quarter of 2017-2018 increased by \$0.6 million compared to the third quarter of the 2016-2017 fiscal year, and total \$17.3 million. The variances are mainly attributed to personnel, transportation and communications, professional and special services, rentals, repair and maintenance, and acquisition of machinery and equipment.

The increase in personnel expenditures is the result of step and merit increases and new hiring.

Transportation and communications expenses increased slightly due to greater filming activity.

Higher professional and special services costs are the result of expenses related to the SAP project, an increase in productions this quarter and a decrease in moving expenses following the finalization of the Toronto office relocation.

The increase in rental costs is due primarily to the rental of technical equipment for the Expo 67 project.

Maintenance and repair costs are lower than for the corresponding quarter in 2016-2017.

The other types of expenditures followed historical trends.

4. Risks and Uncertainties

The need to innovate and continue the digital shift

In order to remain conducive to technological and cinematographic innovation, both on a national and international level, the NFB has invested operating funds in several digital shift initiatives, including the digitization plan, the NFB.ca Online Screening Room, the Media Asset Management system, interactive productions, and digital workflows.

Nonetheless, the multiplication of digital distribution platforms over the last several years, along with increasing access to audiovisual content, continues to disrupt business models and profoundly affect the NFB's activities. The NFB must continuously adapt and innovate when it comes to producing, promoting, and making audiovisual works available to a wide range of audiences. To keep pace with this constantly changing environment the NFB has developed

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solid expertise and a robust technological plan, in addition to initiating fundamental changes in the way it produces, preserves, and distributes its content. The need to innovate requires flexible infrastructure, that uses the latest technology and is able to support emerging production and distribution formats. The digital age has seen a highly accelerated rate of technological change, and we run the risk of not being able to remain at the cutting edge of technology unless major investments are made in a timely manner.

Financial and operational pressures

Over the past several years, the NFB has seen the ongoing erosion of its financial resources and purchasing power. Considerable investment to support the digital transformation strategy, additional expenditures related to relocation of offices, and a drop in traditional revenue resulting from changing business models have led to significant financial and operational pressures. These factors continue to have an impact on the organization's financial capacity.

Organizational capacity inadequate to handle the volume of work

This has remained a constant risk at the NFB for some time. It flows from the number of large-scale projects undertaken, including the relocation of NFB headquarters, along with reductions in human resources over the last number of years.

5. Significant Changes Related to Operations, Personnel and Programs

The NFB has undertaken the migration of its financial and material resource management system to the SAP platform and will join 11 other departments and agencies using the Central Agency Cluster – Shared Systems (CAC-SS). To ensure the success of the project, a review of administrative procedures is underway, and involves a number of employees from several areas. The project is being deployed over two fiscal years.

The relocation of NFB headquarters, which is slated to be completed by 2019, represents a major operational shift for most of the NFB's employees. During the second quarter, 14 projects were set up under the aegis of the transition committee, in order to ensure sound management of the anticipated changes. The mandate of the working groups will continue until the relocation is complete.

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Approved by:



Claude Joli-Cœur
Government Film Commissioner
and Chairperson of the National Film
Board of Canada

Montreal, Canada

March 1, 2018



Luisa Frate CPA, CA
Director General, Finance,
Operations and Technology
(Chief Financial Officer)

Montreal, Canada

March 1, 2018

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Table 1 : Statement of Authorities (unaudited)

	Fiscal Year 2017-2018			Fiscal Year 2016-2017		
	Total available for use for the year ending March 31, 2018 *	Used during the quarter ended December 31, 2017	Year-to-date used at the quarter-end	Total available for use for the year ending March 31, 2017 *	Used during the quarter ended December 31, 2016	Year-to-date used at the quarter-end
(dollars)						
Vote 70 - Operating expenditures	67,595,732	16,104,257	43,142,288	66,084,997	15,696,867	43,969,131
Total Budgetary authorities	67,595,732	16,104,257	43,142,288	66,084,997	15,696,867	43,969,131
Total authorities	67,595,732	16,104,257	43,142,288	66,084,997	15,696,867	43,969,131

* Includes only Authorities available for use and granted by Parliament at quarter-end.

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Table 2 : Departmental budgetary expenditures by Standard Object (unaudited)

	Fiscal Year 2017-2018			Fiscal Year 2016-2017		
	Planned expenditures for the year ending March 31, 2018*	Expended during the quarter ended December 31, 2017	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2017 *	Used during the quarter ended December 31, 2016	Year-to-date used at quarter-end
Expenditures:						
Personnel	38,276,001	9,524,154	28,010,106	37,904,588	9,105,964	27,612,611
Transportation and communications	4,520,922	879,781	2,034,512	3,241,234	735,633	2,058,918
Information	613,067	139,722	340,191	527,143	158,850	451,869
Professional and special services	15,501,542	3,936,239	9,268,224	15,940,442	3,774,588	8,294,112
Rentals	6,513,836	1,709,282	4,475,699	7,990,131	1,426,766	4,439,431
Repair and maintenance	2,064,773	250,901	1,221,769	1,549,976	543,603	1,549,592
Utilities, materials and supplies	1,857,607	140,181	410,816	1,105,481	165,213	395,408
Acquisition of land, buildings and works	2,334,000	-	-	2,014,187	-	-
Acquisition of machinery and equipment	3,317,907	442,731	1,071,168	3,401,516	666,269	1,310,639
Other subsidies and payments	1,048,523	271,619	572,047	862,745	155,889	523,023
Total gross budgetary expenditures	76,048,178	17,294,610	47,404,532	74,537,443	16,732,775	46,635,603
Less Revenues netted against expenditures:						
Revenues credited to the vote	8,452,446	1,190,353	4,262,244	8,452,446	1,035,908	2,666,472
Total Revenues netted against expenditures	8,452,446	1,190,353	4,262,244	8,452,446	1,035,908	2,666,472
Total net budgetary expenditures	67,595,732	16,104,257	43,142,288	66,084,997	15,696,867	43,969,131

* Includes only Authorities available for use and granted by Parliament at quarter-end.