



National Film Board of Canada

2013-14

Quarterly Financial Report for the quarter ended December 31, 2013

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1. Introduction

The National Film Board of Canada (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 add to our understanding of the issues facing Canadians and raise awareness of Canadian values and viewpoints 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 reflects Canada's rapidly shifting demographic profile—content that would otherwise not be produced. 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 Treasury Board. This quarterly report should be read in conjunction with the Main Estimates, as well as with *Canada's Economic Action Plan 2012 (Budget 2012)*.

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 2013-14 fiscal year. This quarterly 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.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1, preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, 2012 after the tabling of the Main Estimates on February 28, 2012. As a result, the measures announced in Budget 2012 could not be reflected in the 2012-13 Main Estimates.

In fiscal year 2012-13, frozen allotments were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In 2013-14, the changes to departmental authorities were implemented through the Annual Reference Level Update, as approved by Treasury Board, and reflected in the 2013-14 Main Estimates tabled in Parliament.

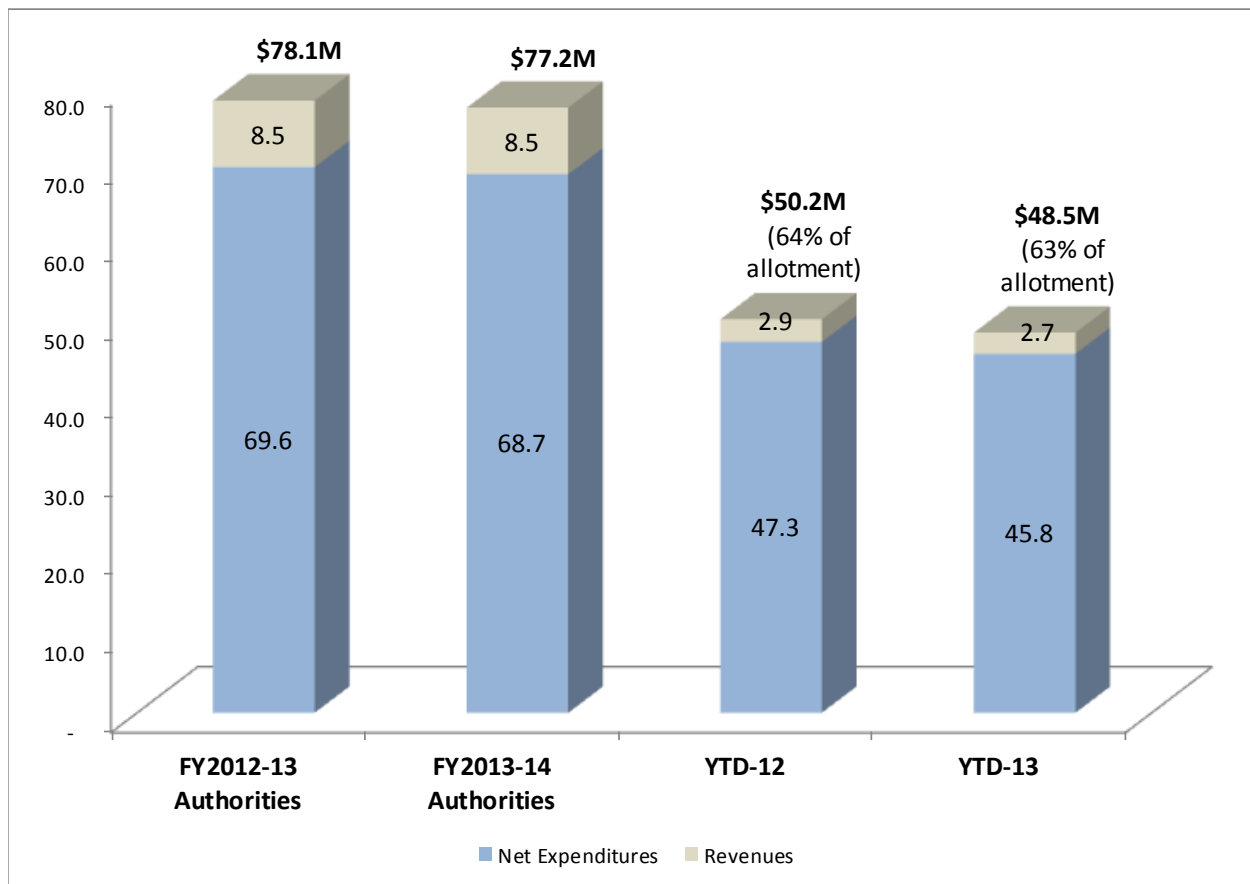
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The NFB uses the full accrual method of accounting to prepare its annual financial statements in accordance with Treasury Board accounting principles, which are consistent with generally accepted Canadian accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

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

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

This section highlights the principal factors that contributed to the variances in projected and real expenditures and expected and earned revenues for the period ended December 31, 2013.



The preceding graph shows the total budgetary authorities granted to the NFB for fiscal 2013-14, with projected gross expenditures totalling \$77.2 million. This is nearly \$1 million lower than last year's figure. The savings measures announced in Budget 2012 (see the Budget 2012 Implementation section) is contributed to the \$3.3 million decrease in expenditures, while one-

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time payments in lieu of severance following the elimination of the program is temporarily increased expenses by \$2 million.

Table 2 shows expenditures and revenues for the third quarter of 2013-14. Here is an overview of the main items to be noted.

Variance in Revenues

Actual revenues in the third quarter were slightly higher than last year's figure, totalling \$1.2 million. CAMPUS subscription revenues increased with the signing of major contracts, including those with Ministry of Education of Ontario and the Montreal School Board. The service offering DigiCamps (training session provided on all aspects of interactive production) has been growing and several sessions have been already held during the year to France Télévision, ARTE France, Aboriginal Peoples Television Network and the University of Alberta.

Variance in Expenditures

Gross expenditures for the third quarter of 2013-14 totalled \$15.7 million, which was \$1.2 million less than in the third quarter of the preceding fiscal year.

Personnel expenditures (excluding the temporary increase due to the payments in lieu of severance following the elimination of the program) were 6% lower than in the third quarter of the preceding fiscal year. This reduction can be attributed to the cost savings initiatives implemented as part of the Deficit Reduction Action Plan.

Transportation and communications expenditures decreased because of a general effort to achieve savings throughout the NFB. This is also due to various cost savings initiatives of the Deficit Reduction Action Plan.

The decline in rental expenditures is due to the savings on rent following the closure of viewing posts and cinema facilities in Montreal. Also, in 2012, the agency had to rent technical equipment for several large-scale film projects, including *Autoportrait sans moi* and *Absences*.

In 2012, repair and maintenance expenditures comprised the costs for building rooms for educational workshops at headquarters in Montreal following the closing of the CineRobotheque.

The other types of expenses by standard object followed historical trends.

4. Risks and Uncertainties

Digital technologies continue to revolutionize the audiovisual industry here in Canada and around the world. This revolution naturally provides varied business opportunities of which the NFB has already and intends to take advantage of by developing new digital viewing platforms, by producing interactive works, and by offering products and services for purchase and

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distribution online. In all markets, converting users to a digital economy will require the use of digital products and services to ensure revenue growth to the NFB. Digital technologies are already a large presence in users' lives, but not yet large enough to ensure the new wave of growth needed to offset the erosion of traditional markets.

The following is an overview of the main risks that the NFB faces in 2013-14.

External Risks

Consumers' transition from a paying model for physical products to a paying model for digital products has been slower than expected, which is having an impact on the expected revenue growth. The educational market is also being affected by changes related to the use of audiovisual material in educational settings. To counter these impacts, the NFB has already adjusted its approach to developing the CAMPUS educational web site, presenting it as a rich, full-featured, bilingual, value-added education portal, rather than just a collection of films to be used in class. The NFB has worked closely with teachers to identify the tools and functionalities needed to turn CAMPUS into an essential service in the educational market. Following the success of CAMPUS in Canada, we are now focussing on penetrating the U.S. and international markets.

5. Significant Changes Related to Operations, Personnel and Programs

Other than the implementation of Budget 2012, no significant changes relating to operations, personnel and programs and having an impact on financial reporting occurred during the quarter ended December 31, 2013.

6. Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will refocus government and programs, make it easier for Canadians and business to deal with their government, and modernize and reduce the back office.

The NFB is continuing with its original plan to achieve Budget 2012 savings of \$6.7 million (10% of its budget) by fiscal year 2014-15. Through reductions and restraint, it will streamline and focus its operations while ensuring that it continues to deliver quality to Canadians as it fulfils its important mandate.

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The principal savings measures are as follows.

- On September 1, 2012, closure of individual screening booths and screening rooms at the Toronto Mediatheque and Montreal CineRobotheque. Educational workshops will continue to be offered at headquarters in Montreal and in Toronto on the usual premises, where a public exhibition space will also be available.
- On April 1, 2012, elimination of the “Festivals and Events” component of the Grants and Contributions Program.
- A slight reduction of the NFB’s total budget—in the amounts allocated for the production of audiovisual works.
- Consolidation of administrative services in regional offices.
- Implementation of new work processes in all NFB divisions, particularly in linguistic services management, rights management, and general administration. The NFB will continue to rationalize its space utilization and expects to save additional amounts.

The NFB has received no additional funding to implement the above measures.

The \$110,000 savings projected for 2012-13 from reducing office space at headquarters have been realized in full as at December 31, 2012, and this initiative will continue as planned in the coming years.

In 2013-14, the NFB forecasts cumulative savings of \$3.3 million, and has already implemented all the measures needed to achieve that target in accordance with the timetable established, with the exception of IT support through shared government services, and the savings anticipated by making the switch from selling physical products to selling virtual products. The NFB is awaiting a decision regarding the takeover of its corporate IT services by Shared Services Canada (SSC), slated for January 2014. As yet, the organization has been given no confirmation, and any delay in integration will cause a delay in savings as projected. The transition to digital products in the educational sector is also slightly behind schedule, because a number of institutions do not yet have the technological infrastructure for digital delivery that makes online viewing possible. There could thus be some delay in generating the related savings.

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Approved by:

Claude Joli-Coeur
Acting Government Film Commissioner

Montreal, Canada

February 28, 2014

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

Montreal, Canada

February 28, 2014

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Table 1 : Statement of Authorities (unaudited)

	Fiscal Year 2013-2014		
	Total available for use for the year ending March 31, 2014*	Used during the quarter ended December 31, 2013	Year to date used at the quarter-end
Vote 70 - Operating expenditures	68,752,596	14,580,848	45,770,050
Total Budgetary authorities	68,752,596	14,580,848	45,770,050
Total authorities	68,752,596	14,580,848	45,770,050

	Fiscal Year 2012-2013		
	Total available for use for the year ending March 31, 2013	Used during the quarter ended December 31, 2012	Year to date used at the quarter-end
	69,641,560	15,838,039	47,319,717
	69,641,560	15,838,039	47,319,717
	69,641,560	15,838,039	47,319,717

*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 2013-2014			Fiscal Year 2012-2013		
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended December 31, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended December 31, 2012	Year to date used at quarter-end
Expenditures:						
Personnel ⁽¹⁾	43,324,346	9,691,898	31,027,268	42,433,865	9,899,350	30,311,547
Transportation and communications	3,364,163	676,719	1,884,424	3,447,753	919,615	2,263,255
Information	573,755	107,264	254,844	588,012	158,411	338,872
Professional and special services	14,310,606	2,857,577	6,381,091	14,666,182	2,926,342	7,561,378
Rentals	8,501,388	1,762,651	6,233,914	8,602,622	1,982,319	6,267,541
Repair and maintenance	1,415,447	85,720	969,922	2,332,633	224,525	1,030,471
Utilities, materials and supplies	1,183,292	134,719	484,301	1,212,693	221,311	621,303
Acquisition of machinery and equipment	3,574,516	225,410	602,265	3,663,332	305,417	1,147,585
Transfer payments	82,359	10,500	87,000	250,000	26,250	158,190
Other subsidies and payments	875,170	196,485	539,821	896,914	294,917	560,133
Total gross budgetary expenditures	77,205,042	15,748,943	48,464,850	78,094,006	16,958,457	50,260,275
Less Revenues netted against expenditures:						
Revenues credited to the vote	8,452,446	1,168,095	2,694,800	8,452,446	1,120,418	2,940,558
Total Revenues netted against expenditures	8,452,446	1,168,095	2,694,800	8,452,446	1,120,418	2,940,558
Total net budgetary expenditures	68,752,596	14,580,848	45,770,050	69,641,560	15,838,039	47,319,717

(1) The year-to-date expenses include an amount of \$2,648,184 related to payments in lieu of severance following the elimination of the program compared with \$ 565,878 for the same period of the previous year.