



National Film Board of Canada

2015-2016

Quarterly Financial Report for the quarter ended September 30, 2015

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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 reflects Canada's rapidly shifting demographic profile and that would not be produced otherwise. A brief description of the agency's activities for the current year can be found in [Part II of the Main Estimates](#).

The present 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 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 2015-16 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.

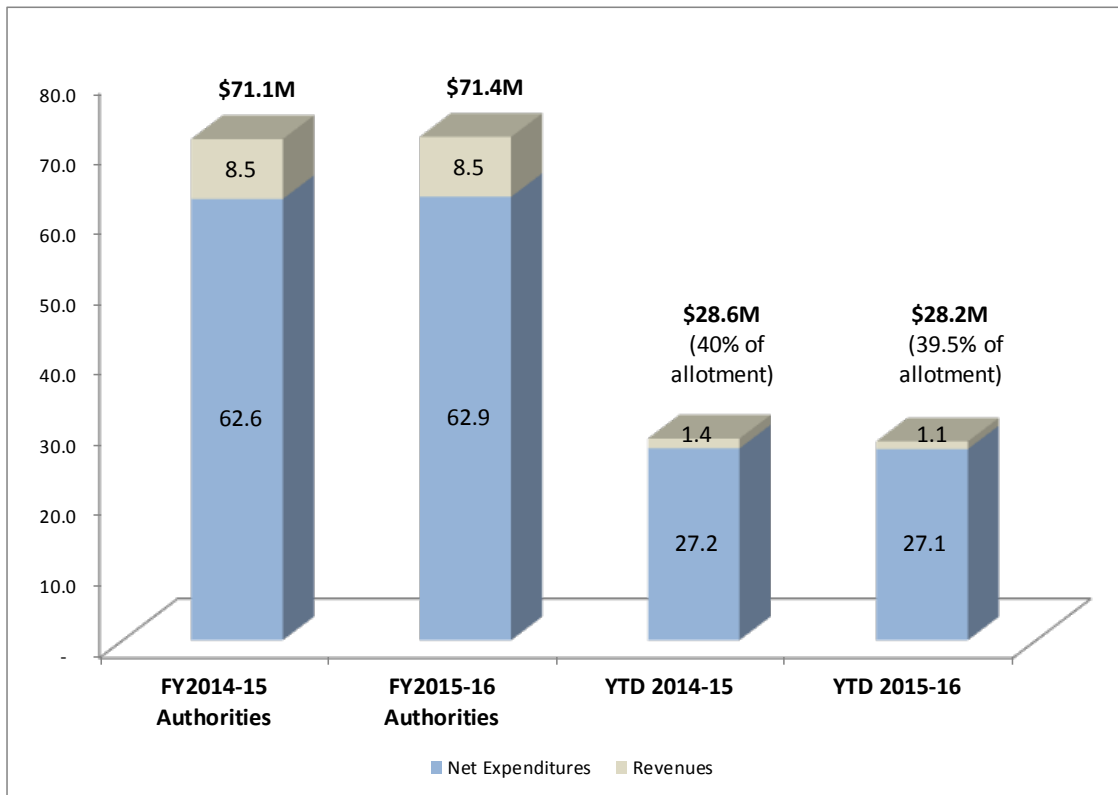
When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant 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 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.

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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 September 30, 2015.



The preceding graph shows the total budgetary authorities granted to the NFB for fiscal 2015-16, with projected gross expenditures totalling \$71.4 million. This is \$0.3 million more than in the preceding fiscal year. Total projected expenditures include a 3.3 million carry-over in 2015-2016. In 2014-2015, available authorities included a 2.7 million carry-over and 0.4 million for the financing of costs related to the relocation of NFB headquarters slated for 2018.

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Table 2 shows expenditures and revenues for the first quarter of 2015-16. Here is an overview of the main items to be noted:

Variance in Revenues

Second quarter actual revenues are \$0.6 million compared to \$0.8 million the preceding year, a \$0.2 million decrease.

The decrease is mainly due to a reduction in revenue from the television sector during the quarter caused by a decline in niches devoted to unique documentaries.

Variance in Expenditures

Gross expenditures for the second quarter of 2015-2016 slightly decreased compared to the same quarter last year and stand at \$14.6 million. This decrease is mostly attributed to the rental expenditures and salaries.

The reduction in salary expenditures is due to the restructuring announced in March 2015.

The decline in rental expenditures is mainly due to space reduction in conjunction with a new occupancy agreement at the Montreal head office.

The increase in utilities, materials and supplies is due to the purchase of data storage tape for the migration of digital film files to LT06 storage technology.

The increase in the acquisition of machinery and equipment expenditures is justified by the purchase of hardware instead of renting, as it was done in the previous years.

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

4. Risks and Uncertainties

The external risks that the NFB faces remain unchanged. Foremost among them in its organizational risk profile is a decline in its revenues and in its spending authorities from Parliament. The NFB and the other cultural agencies in the audiovisual sector are underscoring the decline in revenues due to the transition from the traditional to digital distribution models.

That is why, in this environment, the NFB is working actively to develop new modes of financing and to take advantage of new distribution platforms to ensure its financial independence and secure the resources that it needs to fully accomplish its mandate. Furthermore, the NFB seeks to develop partnerships in order to increase its production capacity.

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As a public agency, the NFB demonstrates a strong, sustained commitment to the education sector. The Agency continues to develop and enhance content for education professionals and its base of CAMPUS subscribers in Canada. Efforts are also undertaken to increase its presence in the U.S. education market.

The current year will be marked by the transition of the agency's digital platform "nfb.ca" toward e-commerce with the launch of a renewed collection of documentaries for digital rental by Canadian Consumers.

5. Significant Changes Related to Operations, Personnel and Programs

In order to overcome financial pressures due to the lack of compensation of the anticipated salary revisions as well as the relocation of several of its offices, the NFB put forth a 4-year strategic financial plan. In March 2015, the NFB announced a restructuring of its activities in order to ensure its financial stability. Educational workshops offered in Montreal and Toronto ceased at the end of the 1st quarter. Moreover, several positions, including 5 Director positions, have been abolished and the organizational structure was simplified.

Approved by:



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

Montreal, Canada

November 30, 2015



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

Montreal, Canada

November 30, 2015

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Table 1 : Statement of Authorities (unaudited)

	Fiscal Year 2015-2016		
	Total available for use for the year ending March 31, 2016 *	Used during the quarter ended September 30, 2015	Year-to-date used at the quarter-end
<i>(dollars)</i>			
Vote 70 - Operating expenditures	62,955,237	14,014,437	27,072,066
Total Budgetary authorities	62,955,237	14,014,437	27,072,066
Total authorities	62,955,237	14,014,437	27,072,066

Fiscal Year 2014-2015		
Total available for use for the year ending March 31, 2015 *	Used during the quarter ended September 30, 2014	Year-to-date used at the quarter-end **
62,603,652	13,819,091	27,219,979
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Table 2 : Departmental budgetary expenditures by Standard Object (unaudited)

	Fiscal Year 2015-2016			Fiscal Year 2014-2015		
	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended September 30, 2015	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2015	Used during the quarter ended September 30, 2014	Year-to-date used at quarter-end *
<i>(dollars)</i>						
Expenditures:						
Personnel	38,561,600	9,423,178	18,394,628	37,987,994	9,522,004	18,662,524
Transportation and communications	3,274,494	641,459	1,173,684	3,284,196	560,235	922,897
Information	498,207	73,963	149,496	550,117	72,248	119,025
Professional and special services	13,929,168	2,050,281	3,063,164	13,970,439	2,043,280	3,455,035
Rentals	8,274,790	1,498,903	3,208,341	8,299,308	1,659,073	3,428,792
Repair and maintenance	1,377,719	172,287	961,094	1,381,801	232,192	1,033,596
Utilities, materials and supplies	1,151,752	247,226	387,081	1,155,165	140,857	297,175
Acquisition of machinery and equipment	3,479,241	314,728	577,423	3,489,549	194,606	396,163
Transfer payments	-	0	-	83,161	34,375	39,375
Other subsidies and payments	860,713	154,673	239,902	854,367	156,945	288,719
Total gross budgetary expenditures	71,407,683	14,576,700	28,154,814	71,056,098	14,615,815	28,643,301
Less Revenues netted against expenditures:						
Revenues credited to the vote	8,452,446	562,263	1,082,748	8,452,446	796,724	1,423,322
Total Revenues netted against expenditures	8,452,446	562,263	1,082,748	8,452,446	796,724	1,423,322
Total net budgetary expenditures	62,955,237	14,014,437	27,072,066	62,603,652	13,819,091	27,219,979