



# **National Film Board of Canada**

**2016-2017**

**Quarterly Financial Report for the quarter ended September 30, 2016**

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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](#).

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 2016–2017 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.

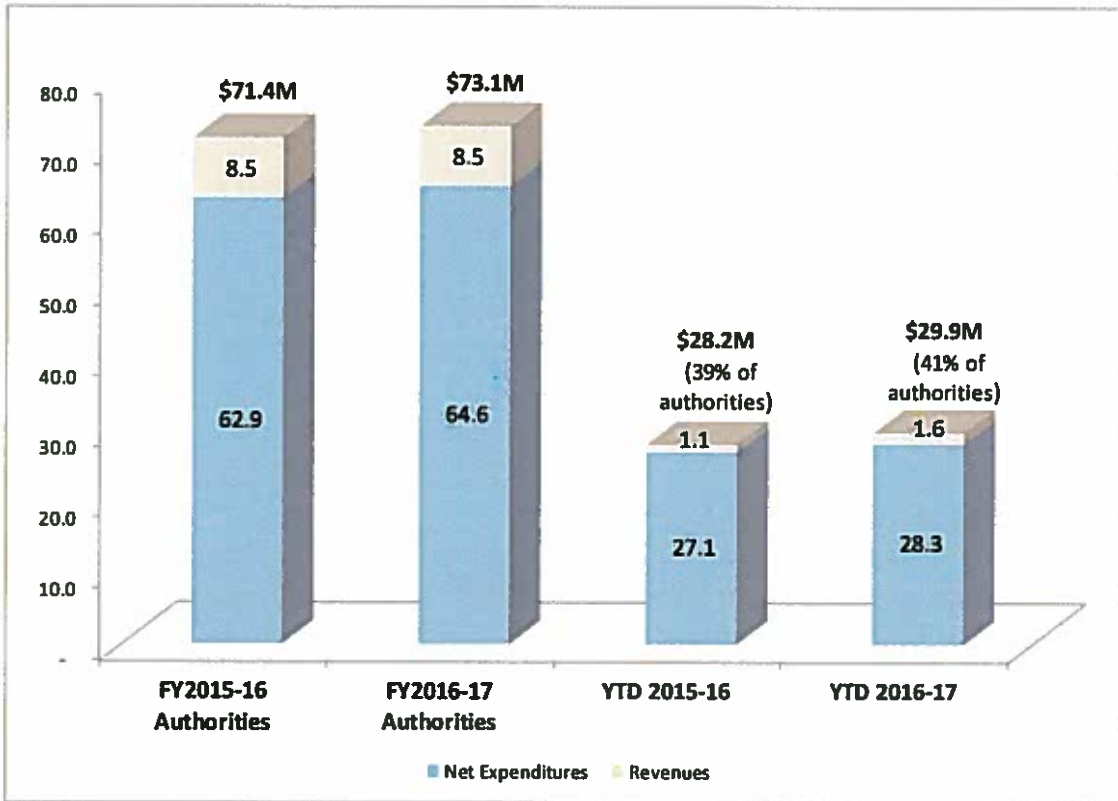
When Parliament is dissolved for the purposes of a general election, section 30 of the Financial Administration Act authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant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

## **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, 2016.

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The preceding graph shows the total budgetary authorities granted to the NFB for fiscal 2016-2017, with projected gross expenditures totalling \$73.1 million, an increase of \$1.7 million over the previous fiscal year. This increase is due to an authorization of \$2.0 million for the NFB headquarters relocation planned for 2018. Part of this amount will be spent only in 2017-2018 and the funds will be carried to that fiscal year.

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Table 2 shows expenditures and revenues for the second quarter of 2016-2017. Here is an overview of the main items to be noted:

**Variance in Revenues**

Actual revenues for the second quarter were \$1.1 million, an increase of \$0.6 million from the second quarter last year. This change is mainly due to higher pre-sales and partnership revenues, including an agreement with the City of Montreal Planetarium for the *Kyma* project and with Dalhousie University for the *Ocean school* project.

**Variance in Expenditures**

Gross expenditures for the second quarter of 2015-16 were \$0.4 million higher than in the second quarter of the preceding year, totalling \$15.0 million. This increase is mainly attributed to *information expenditures, professional and special services, rentals and utilities, materials and supplies*.

The increase in *information* expenditures comes mainly from non-monetary transactions surrounding the NFB experience (#GIFoMATON), across Canada..

During the second quarter of this fiscal year, we saw an punctual increase in volume of production activities compared to the same quarter last year. This explains the increased *professional and special services* that are mainly paid to artists and filmmakers working on NFB's productions. This variance does not represent an annual trend.

The decrease in *rental* expenses comes from rental savings, following the decrease in space occupied by the NFB.

The decrease in *utilities, materials and supplies* is due to the acquisition of storage tapes as part of the implementation of the digitization plan in the second quarter of fiscal year 2015-2016.

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

#### **4. Risks and Uncertainties**

The key risks that the NFB faces are: a decline in its revenues, a discrepancy between capacity and workload, and technological obsolescence.

The NFB is working to strengthen its financial capability in response to the risk of decreasing revenue. For several years, it has been managing financial challenges such as a decline in revenue. An example of the television broadcasting market's transformation: television audiences for NFB productions increased in 2015–2016 compared to 2013–2014, while revenue from the same market decreased. This demonstrates that there is still a demand for NFB-produced content but the content's sale price continues to decline.

The entire audiovisual industry is confronted with the same problem: a greater audiovisual content offer does not necessarily translate into increased revenue, especially since the sale price of audiovisual works is decreasing. In fact, an analysis of industry trends shows that consumers are more willing to pay for content providers, than for content. Year after year, the NFB's mitigation strategy continues to focus on actively developing new financing options.

Strong pressure on NFB resources is currently being felt as a result not only of numerous largescale projects undertaken over the past several years and upcoming projects such as the Toronto, Edmonton and Montreal moves, but also due to downsizing in recent years. In order to better understand the reasons for this pressure, an analysis is underway that will help us in identifying excess workflows and to rapidly find appropriate solutions.

The NFB is also facing challenges in regard to the Web traffic generated by the NFB.ca online Screening Room. In contrast to viewing trends on partner sites, the number of views on the online Screening Room has decreased, leading us to conclude that the way our content is marketed in the online Screening Room needs to be examined and possibly revamped. The risk that the viewing platform created during the NFB's digital shift in 2008–2009 may be obsolete calls for substantive reflection on its technological infrastructure, commercial vocation and content. Therefore, the NFB will respond by revitalizing its Web and digital marketing strategy, one of the organization's priorities for 2017–2018. The NFB maintains its technology watch and has developed a strategic technology plan to ensure that its infrastructure and services remain technologically leading edge.

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**5. Significant Changes Related to Operations, Personnel and Programs**

The NFB's Toronto and Edmonton offices will be moving in the next few months. The NFB headquarters will relocate in 2018. These projects represent major changes for the organization and involve significant expenditures. The NFB put in place various initiatives to manage these changes and developed a financing plan to minimize the impact on its operations.

The federal budget presented in March 2016 included the announcement of new investments in arts and culture. The announcement included \$1.5 million for the NFB in 2016-2017. This amount will be reflected in the financial report once the authorizations are confirmed by Treasury Board. Therefore, it is not included in the authorizations and expenditures in this report.

Approved by:



Original signed by :  
Claude Joli-Coeur  
Government Film Commissioner  
and Chairperson of the National Film  
Board of Canada

Montreal, Canada

November 29, 2016



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

Montreal, Canada

November 29, 2016

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**Table 1 : Statement of Authorities (unaudited)**

	Fiscal Year 2016-2017		
	Total available for use for the year ending March 31, 2017 *	Used during the quarter ended September 30, 2016	Year-to-date used at the quarter-end
Vote 70 - Operating expenditures	64,627,997	13,842,111	28,272,264
<b>Total Budgetary authorities</b>	<b>64,627,997</b>	<b>13,842,111</b>	<b>28,272,264</b>
<b>Total authorities</b>	<b>64,627,997</b>	<b>13,842,111</b>	<b>28,272,264</b>

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

	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
	62,955,238	14,014,435	27,072,065
<b>Total Budgetary authorities</b>	<b>62,955,238</b>	<b>14,014,435</b>	<b>27,072,065</b>
<b>Total authorities</b>	<b>62,955,238</b>	<b>14,014,435</b>	<b>27,072,065</b>

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

	Fiscal Year 2016-2017			Fiscal Year 2015-2016		
	Planned expenditures for the year ending March 31, 2017 *	Expended during the quarter ended September 30, 2016	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2016 *	Used during the quarter ended September 30, 2015	Year-to-date used at quarter-end
<b>Expenditures:</b>						
Personnel	37,581,354	9,443,295	18,506,647	38,561,600	9,423,178	18,394,628
Transportation and communications	3,152,528	596,345	1,323,285	3,274,494	641,459	1,173,684
Information	527,143	171,031	293,019	498,207	73,963	149,496
Professional and special services	15,008,425	2,657,700	4,519,524	13,929,168	2,050,281	3,063,164
Rentals	7,942,360	1,314,127	3,012,665	8,274,790	1,498,903	3,208,341
Repair and maintenance	1,549,976	118,906	1,005,989	1,377,719	172,287	961,094
Utilities, materials and supplies	1,105,481	146,873	230,195	1,151,752	247,226	387,081
Acquisition of land, buildings and works	2,014,187	-	-	-	-	-
Acquisition of machinery and equipment	3,372,854	362,434	644,370	3,479,241	314,728	577,423
Other subsidies and payments	826,135	146,251	367,134	860,713	154,673	239,902
<b>Total gross budgetary expenditures</b>	<b>73,080,443</b>	<b>14,956,962</b>	<b>29,902,828</b>	<b>71,407,684</b>	<b>14,576,698</b>	<b>28,154,813</b>
<b>Less Revenues netted against expenditures:</b>						
Revenues credited to the vote	8,452,446	1,114,851	1,630,564	8,452,446	562,263	1,082,748
<b>Total Revenues netted against expenditures</b>	<b>8,452,446</b>	<b>1,114,851</b>	<b>1,630,564</b>	<b>8,452,446</b>	<b>562,263</b>	<b>1,082,748</b>
<b>Total net budgetary expenditures</b>	<b>64,627,997</b>	<b>13,842,111</b>	<b>28,272,264</b>	<b>62,955,238</b>	<b>14,014,435</b>	<b>27,072,065</b>

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