



# **National Film Board of Canada**

**2016-2017**

**Quarterly Financial Report for the quarter ended December 31, 2016**

**National Film Board of Canada  
Quarterly Financial Report  
for the quarter ended December 31, 2016**

## **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.

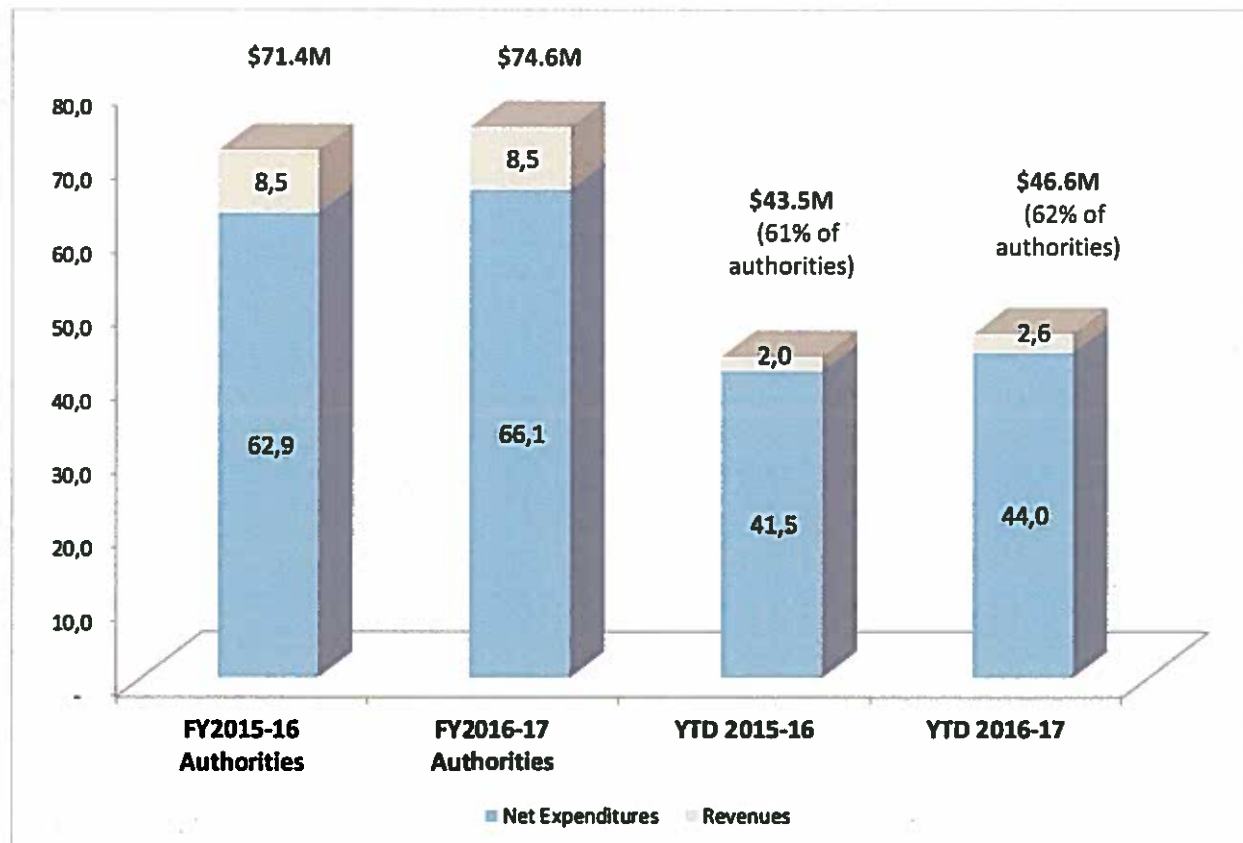
When Parliament is dissolved for the purposes of a general election, section 30 of the Financial Administration Act authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant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

**National Film Board of Canada  
Quarterly Financial Report  
for the quarter ended December 31, 2016**

**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, 2016.



The preceding graph shows the total budgetary authorities granted to the NFB for fiscal 2016-2017, with projected gross expenditures totalling \$74.6 million, an increase of \$3.2 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 and new investments of 1.5 million in arts and culture presented in the federal budget in March 2016. Some of the funds allocated for the move will be carried over to 2017-2018.

**National Film Board of Canada  
Quarterly Financial Report  
for the quarter ended December 31, 2016**

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

**Variance in Revenues**

Actual revenues for the third quarter were \$1 million, an increase of \$0.1 million from the third quarter last year. This change is mainly due to higher pre-sales and partnership revenues, including an agreement with the Montreal Planetarium for the *Kyma* project and another with Dalhousie University for the *Ocean School* project.

**Variance in Expenditures**

Gross expenditures for the third quarter of 2016-17 are totalling \$16.7 million which represent an increase of \$1.4 million higher than in the third quarter of the preceding year. This increase is mainly attributed to *Professional and special services, Repairs and maintenance and Acquisition of machinery and equipment*.

The increase in *Professional and special services* (\$1.06M) is due to the punctual increase in production activities compared to the same quarter last year. These expenses are mainly payments made to artists and filmmakers working on NFB productions.

The increase in *Repairs and maintenance* (\$0.3M) is due to the fit-up costs linked with the relocation of the different offices.

The increase of \$0.2 million in *Acquisition of machinery and equipment* expenses represents upgrades to our storage area network equipment.

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

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

##### **Organizational capacity inadequate to handle volume of work**

This has been a real and constant risk for the NFB for some time, partly because of the many ambitious projects that we have undertaken and partly due to the downsizing imposed in recent years. The likelihood that this risk will materialize in 2017–18 is especially strong, in view of the headquarters relocation.

To mitigate this risk, the NFB will identify excess workflows and implement the recommendations made following the NFB employee-experience survey conducted in 2016–17. In addition, the \$3 million of additional funding that we were allocated for the 2017–18 fiscal year, and which will recur in the coming years, will give us some breathing room.

##### **Technological obsolescence**

The NFB has developed an elaborate information technology architecture and specific work processes to manage the workflows for the production, post-production, distribution and digitization of its films, as well as for all of the administrative activities associated with audiovisual production. But given the rapid changes in both technology and its role in the post-production, distribution and preservation of the NFB's works, the organization faces the risk that some of its information systems, apps and interactive works will become obsolete.

For example, the technologies used to create our NFB.ca | ONF.ca Online Screening Room and CAMPUS websites as part of our digital shift in 2008–09 are becoming more and more obsolete. This obsolescence could have an impact on the NFB's ability to distribute and promote its works. This risk will be mitigated by the actions set out in the NFB's 2016–2020 Technological Plan, as well as by the Digital Offering Renewal Strategy.

##### **Inadequate internal systems and processes to support NFB activities**

Because the film industry is constantly evolving, the NFB must in turn, constantly adapt to ensure it can continue to innovate in producing and distributing its audiovisual works. In order to adapt, the NFB must integrate new work approaches and new technologies. In doing so, it must also make adjustments to its internal systems and processes for financial, material and project management, all of which are becoming progressively inadequate. These inadequacies represent a growing administrative burden. And because technologies are changing so rapidly, the NFB must constantly review its systems and its way of doing things.

To avoid production delays and generating inaccurate project information, the NFB plans to reduce this risk by implementing the 2016–2020 Technology Plan, which sets out guidelines for the use of internal systems and processes, as well as through the Eureka project to improve

**National Film Board of Canada  
Quarterly Financial Report  
for the quarter ended December 31, 2016**

recordkeeping, which provides the details for all of the NFB's internal processes and the documentary resources associated with them.

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

The NFB's Toronto offices moved in last December while the Edmonton offices will be moving during the next quarter. 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 NFB will be migrating its ERP system to an SAP platform for April 1, 2018. This migration will be preceded by a review of NFB's financial and material services management processes impacting the whole organisation.

Approved by:



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

Montreal, Canada

February 27, 2017



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

Montreal, Canada

February 27, 2017

**National Film Board of Canada  
Quarterly Financial Report  
for the quarter ended December 31, 2016**

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

	Fiscal Year 2016-2017			Fiscal Year 2015-2016		
	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	Total available for use for the year ending March 31, 2016 *	Used during the quarter ended December 31, 2016	Year-to-date used at the quarter-end
(dollars)						
Vote 70 - Operating expenditures	66 084 997	15 696 867	43 969 131	62 955 238	14 454 744	41 526 810
Total Budgetary authorities	66 084 997	15 696 867	43 969 131	62 955 238	14 454 744	41 526 810
<b>Total authorities</b>	<b>66 084 997</b>	<b>15 696 867</b>	<b>43 969 131</b>	<b>62 955 238</b>	<b>14 454 744</b>	<b>41 526 810</b>

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

**National Film Board of Canada  
Quarterly Financial Report  
for the quarter ended December 31, 2016**

**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 December 31, 2016	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2016 *	Used during the quarter ended December 31, 2015	Year-to-date used at quarter-end
<b>Expenditures:</b>						
Personnel	37 904 588	9 105 964	27 612 611	38 561 600	9 191 765	27 586 394
Transportation and communications	3 241 234	735 633	2 058 918	3 274 494	798 924	1 972 608
Information	527 143	158 850	451 869	498 207	207 348	356 845
Professional and special services	15 940 442	3 774 588	8 294 112	13 929 168	2 698 752	5 761 916
Rentals	7 990 131	1 426 766	4 439 431	8 274 790	1 478 078	4 686 419
Repair and maintenance	1 549 976	543 603	1 549 592	1 377 719	260 704	1 221 797
Utilities, materials and supplies	1 105 481	165 213	395 408	1 151 752	155 286	542 367
Acquisition of land, buildings and works	2 014 187	-	-	-	-	-
Acquisition of machinery and equipment	3 401 516	666 269	1 310 639	3 479 241	421 028	998 451
Other subsidies and payments	862 745	155 889	523 023	860 713	139 557	379 459
<b>Total gross budgetary expenditures</b>	<b>74 537 443</b>	<b>16 732 775</b>	<b>46 635 603</b>	<b>71 407 684</b>	<b>15 351 442</b>	<b>43 506 256</b>
<b>Less Revenues netted against expenditures:</b>						
Revenues credited to the vote	8 452 446	1 035 908	2 666 472	8 452 446	896 698	1 979 446
<b>Total Revenues netted against expenditures</b>	<b>8 452 446</b>	<b>1 035 908</b>	<b>2 666 472</b>	<b>8 452 446</b>	<b>896 698</b>	<b>1 979 446</b>
<b>Total net budgetary expenditures</b>	<b>66 084 997</b>	<b>15 696 867</b>	<b>43 969 131</b>	<b>62 955 238</b>	<b>14 454 744</b>	<b>41 526 810</b>

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