



National Film Board of Canada

2017-2018

Quarterly Financial Report for the quarter ended June 30, 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 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 2017-2018 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.

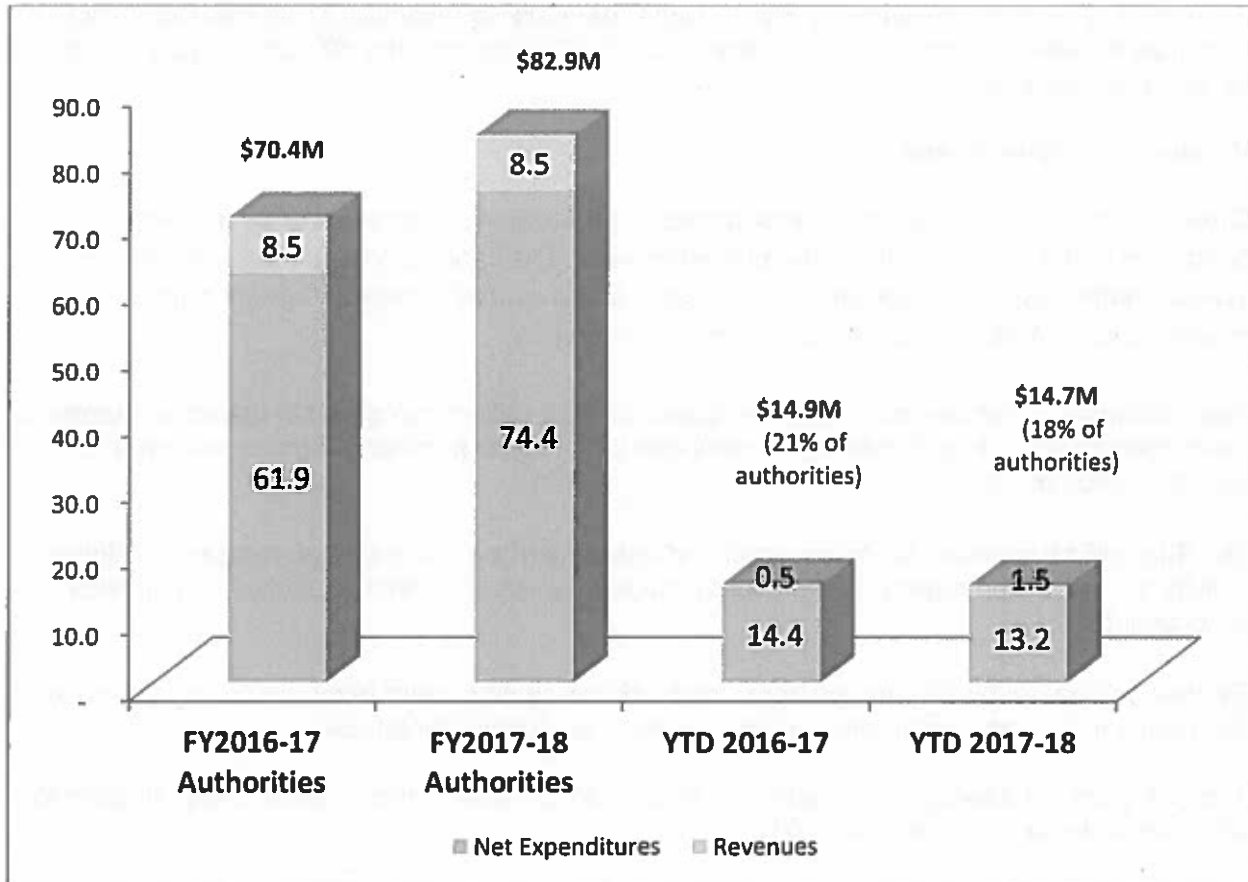
When Parliament is dissolved for the purposes of a general election, section 30 of the Financial Administration Act authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant 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 and present its annual departmental financial statements that 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 June 30, 2017.



The preceding graph shows the total budgetary authorities granted to the NFB for fiscal 2017-2018, with projected gross expenditures totalling \$82.9 million, representing an increase of \$12.5 million over the preceding fiscal year. This increase is mainly due to an additional authorization of \$10 million for the NFB headquarters relocation planned for 2019 as well as new investments of \$3 million in the arts and culture.

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

Variance in Revenues

First quarter actual revenues were \$1.5 million, \$0.9 million higher than in the first quarter of 2016-2017. The increase is mainly due to higher partnership revenues as well as stock shots revenues in relation of major anniversaries in 2017 (Canada 150, the 50th anniversary of Expo 67 and Montreal's 375th).

Variance in Expenditures

Gross expenditures for the first quarter totalled \$14.7 million, a decrease of \$0.3 million compared to the same quarter of the preceding year. The variances were mainly attributed to *Transportation and communications, Professional and special services, Repairs and maintenance, Rental and Other Subsidies and Payments*.

Transportation and communications decreased by \$0.2 million compared to the same quarter in the preceding year. The decrease is mainly due to the lower number of trips in relation to film shoots outside of Canada.

The \$0.4 million increase to *Professional and special services* indicates an increase to filming activity this year. The payments are usually made to artists and filmmakers working on NFB productions.

Rentals decreased by \$0.3 million compared with the same quarter in the preceding year due to reductions in Toronto rental rates and in computer equipment rental costs.

The reduction in *Other subsidies and payments* is attributable to the renewal of digital rights for films available on nfb.ca in 2016–2017.

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

4. Risks and Uncertainties

The need to innovate and continue the digital shift

The NFB must remain an environment conducive to technological and cinematographic innovation, both nationally and internationally. The NFB invested regular operating funds in key initiatives like the digitization plan, the NFB.ca Online Screening Room, the Media Asset Management (MAM) system, interactive productions and digital workflows.

Nonetheless, for a number of years now, the proliferation of digital broadcasting platforms along with ever-increasing access to audiovisual content has been disrupting business models, profoundly affecting NFB operations. To keep pace with this constantly changing environment, the NFB has developed a solid technological plan and solid expertise in addition to fundamentally restructuring how it delivers content. The life cycle of today's digital technologies is significantly reduced and we run a risk of not being able to catch up on the technological obsolescence if major investments are not incurred in a timely manner.

Financial and operational pressures

Recent years have seen the ongoing erosion of the NFB's financial resources and purchasing power. Considerable investment in the digital transformation strategy, additional expenditures tied in with the major office relocations, the reduction of traditional revenue sources and changing business models, have brought about significant financial and operational pressures. These continue to affect the organization's financial capacity.

Organizational capacity inadequate to handle the volume of work

This risk has remained constant within the NFB for some time. It stems from the many ambitious projects undertaken, including the headquarters relocation and the staff cuts that have been made in recent years.

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5. Significant Changes Related to Operations, Personnel and Programs

The NFB will also be migrating its financial and material resources management system to the SAP platform. The NFB will join 11 other departments and agencies using the Central Agency Cluster – Shared Systems (CAC–SS). An administrative procedural review is underway. The ongoing involvement of employees from a range of areas will ensure the success of the project, which is to be deployed over two fiscal years.

The headquarters relocation, which will conclude in 2019, will represent a major operational shift for most of the NFB's staff. During the quarter, 14 projects under the transition committee have been set up to ensure sound management of the anticipated changes. The task forces will continue their work until the relocation is complete.

Approved by:



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

Montreal, Canada

August 29, 2017



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

Montreal, Canada

August 29, 2017

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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 June 30, 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 June 30, 2016	Year-to-date used at the quarter-end
(dollars)						
Vote 70 - Operating expenditures	74,375,345	13,192,372	13,192,372	61,894,820	14,430,152	14,430,152
Total Budgetary authorities	74,375,345	13,192,372	13,192,372	61,894,820	14,430,152	14,430,152
Total authorities	74,375,345	13,192,372	13,192,372	61,894,820	14,430,152	14,430,152

* 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 June 30, 2017	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2017 *	Used during the quarter ended June 30, 2016 (Note)	Year-to-date used at quarter-end (Note)
Expenditures:						
Personnel	37,194,795	9,116,061	9,116,061	37,044,583	9,063,352	9,063,352
Transportation and communications	4,520,922	520,716	520,716	3,120,808	726,940	726,940
Information	613,067	68,856	68,856	523,430	121,988	121,988
Professional and special services	13,700,141	2,250,114	2,250,114	13,225,013	1,861,824	1,861,824
Rentals	6,513,836	1,439,216	1,439,216	7,886,419	1,698,538	1,698,538
Repair and maintenance	2,064,773	806,096	806,096	1,313,057	887,083	887,083
Utilities, materials and supplies	1,857,607	126,822	126,822	1,097,695	83,322	83,322
Acquisition of land, buildings and works	12,000,000	-	-	2,000,000	-	-
Acquisition of machinery and equipment	3,314,127	236,344	236,344	3,315,945	281,936	281,936
Other subsidies and payments	1,048,523	87,574	87,574	820,316	220,883	220,883
Total gross budgetary expenditures	82,827,791	14,651,799	14,651,799	70,347,266	14,945,866	14,945,866
Less Revenues netted against expenditures:						
Revenues credited to the vote	8,452,446	1,459,427	1,459,427	8,452,446	515,713	515,713
Total Revenues netted against expenditures	8,452,446	1,459,427	1,459,427	8,452,446	515,713	515,713
Total net budgetary expenditures	74,375,345	13,192,372	13,192,372	61,894,820	14,430,152	14,430,152

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

Note: Some differences are due to rounding