



# **National Film Board of Canada**

**2017-2018**

**Quarterly Financial Report for the quarter ended September 30, 2017**

**National Film Board of Canada  
Quarterly Financial Report  
for the quarter ended September 30, 2017**

## **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.

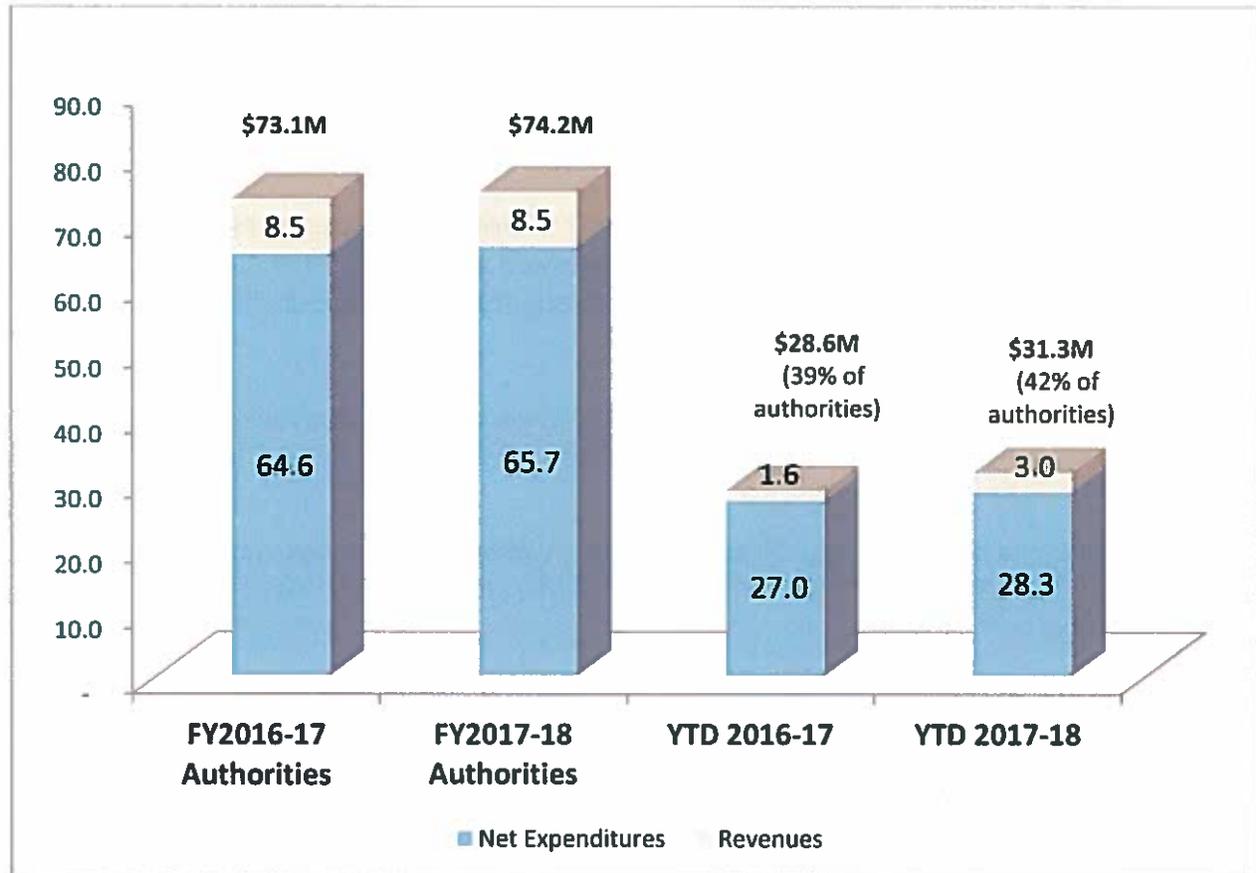
When Parliament is dissolved for the purposes of a general election, section 30 of the Financial Administration Act authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant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

**National Film Board of Canada  
Quarterly Financial Report  
for the quarter ended September 30, 2017**

**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, 2017.



The preceding graph shows the total budgetary authorities granted to the NFB for fiscal 2017-2018, with projected gross expenditures totaling \$74.2 million, representing an increase of \$1.1 million over the preceding fiscal year. This increase is mainly due to new investments of \$1.5 million in the arts and culture.

The additional authorization of \$ 12 million for the costs of the relocation of the NFB headquarters planned for 2018 has been reprofiled to next year.

**National Film Board of Canada  
Quarterly Financial Report  
for the quarter ended September 30, 2017**

Table 2, on page 8, shows expenditures and revenues for the second quarter of 2017-2018. Here is an overview of the main items to be noted:

**Variance in Revenues**

Second quarter actual revenues were \$1.6 million, \$0.5 million higher than in the second 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 such as Canada 150, the 50<sup>th</sup> anniversary of Expo 67 and Montreal's 375<sup>th</sup>, as well as the Red Bull project True North.

**Variance in Expenditures**

Gross expenditures for the 2<sup>nd</sup> quarter increased by \$0.4 million compared to the same quarter of the previous year and amount to \$15.4M. The variances were mainly attributed to *Professional and special services, Repairs and maintenance and Other Subsidies and Payments*.

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.

Other subsidies and payments, as well as repair and maintenance services, increased slightly during the quarter due to the timing of when expenditures were incurred in 2016-17 as compared to 2017-18.

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 changing how it delivers content. The evolution of today's digital technologies has significantly increased and we run a risk of not being able to remain at the cutting edge of technology 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.

**National Film Board of Canada  
Quarterly Financial Report  
for the quarter ended September 30, 2017**

**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.

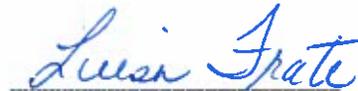
Approved by:



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

Montreal, Canada

November 29, 2017



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

Montreal, Canada

November 29, 2017

**National Film Board of Canada  
Quarterly Financial Report  
for the quarter ended September 30, 2017**

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

	Fiscal Year 2017-2018			Fiscal Year 2016-2017		
	Total available for use for the year ending September 30, 2018*	Used during the quarter ended September 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 September 30, 2016	Year-to-date used at the quarter-end
(dollars)						
Vote 70 - Operating expenditures	65,727,131	13,779,203	27,004,806	64,627,997	13,842,111	28,272,264
Total Budgetary authorities	65,727,131	13,779,203	27,004,806	64,627,997	13,842,111	28,272,264
<b>Total authorities</b>	<b>65,727,131</b>	<b>13,779,203</b>	<b>27,004,806</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.

**National Film Board of Canada  
Quarterly Financial Report  
for the quarter ended September 30, 2017**

**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 September 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 September 30, 2016	Year-to-date used at quarter-end
<b>Expenditures:</b>						
Personnel	37,878,104	9,369,890	18,485,951	37,581,354	9,443,295	18,506,647
Transportation and communications	4,520,922	594,016	1,154,731	3,152,528	596,345	1,323,285
Information	613,067	131,614	200,470	527,143	171,031	293,019
Professional and special services	14,034,618	3,081,871	5,331,985	15,008,425	2,657,700	4,519,524
Rentals	6,513,836	1,300,720	2,700,040	7,942,360	1,314,127	3,012,665
Repair and maintenance	2,064,773	164,772	970,868	1,549,976	118,906	1,005,989
Utilities, materials and supplies	1,857,607	143,813	270,635	1,105,481	146,873	230,195
Acquisition of land, buildings and works	2,334,000	-	-	2,014,187	-	-
Acquisition of machinery and equipment	3,314,127	392,093	628,437	3,372,854	362,434	644,370
Other subsidies and payments	1,048,523	212,853	300,428	826,135	146,251	367,134
<b>Total gross budgetary expenditures</b>	<b>74,179,577</b>	<b>15,391,642</b>	<b>30,043,545</b>	<b>73,080,443</b>	<b>14,956,962</b>	<b>29,902,828</b>
Less Revenues netted against expenditures:	-	0	-	-	0	-
Revenues credited to the vote	8,452,446	1,612,439	3,038,739	8,452,446	1,114,851	1,630,564
<b>Total Revenues netted against expenditures</b>	<b>8,452,446</b>	<b>1,612,439</b>	<b>3,038,739</b>	<b>8,452,446</b>	<b>1,114,851</b>	<b>1,630,564</b>
<b>Total net budgetary expenditures</b>	<b>65,727,131</b>	<b>13,779,203</b>	<b>27,004,806</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.