



National Film Board of Canada

2018-2019

Quarterly Financial Report for the quarter ending June 30, 2018

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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 would not be produced otherwise and that reflects Canada's rapidly shifting demographic profile. 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 2018-2019 fiscal year. The 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.

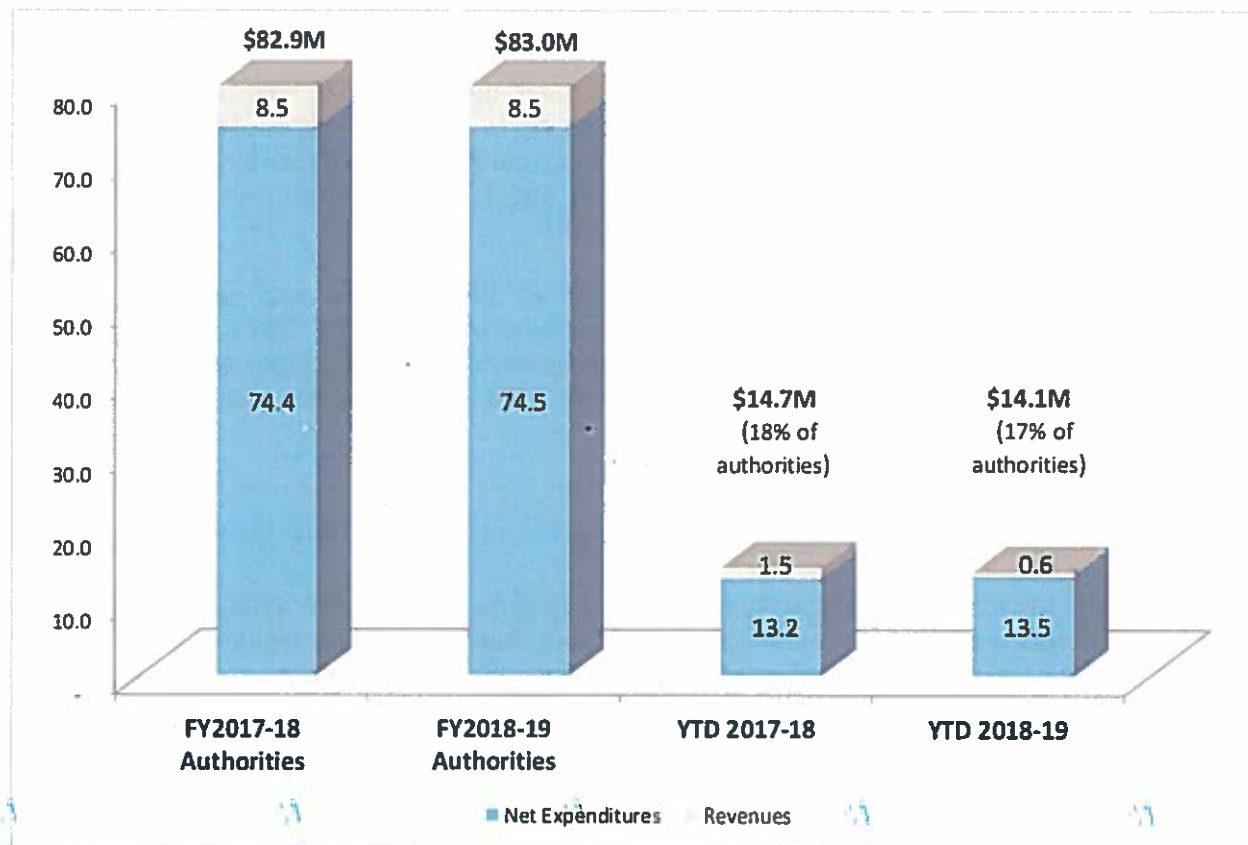
When Parliament is dissolved for the purpose of a general election, Section 30 of the Financial Administration Act authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant is 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, which 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, 2018.



The graphic above shows the total budgetary authorities granted to the NFB for fiscal year 2018-2019. Projected gross expenditures total \$83.0 million, which includes \$12.0 million to finance the cost of relocating NFB headquarters.

Table 2, on page 7, shows expenditures and revenues for the first quarter of 2018-2019. Here is an overview of the key items to be noted:

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Variance in Revenues

Revenues for the first quarter of 2018-2019 were \$0.6 million, lower than for the same period last year. The difference is due to the decrease in partnership revenues in the first quarter compared to the same period last year. Also, the implementation of the SAP system caused some recording delays; this will be corrected in the 2nd quarter.

Variation in Expenditures

During the first quarter of 2018-2019, we implemented the new SAP financial system, we proceeded to stabilize the system and we provided training to all users. This caused some delays in recording of expenditures in the new system, which will be fully rectified by the end of the second quarter. Gross expenditures in the first quarter, totalling \$14.1 million, were down by \$0.6 million compared to the first quarter of fiscal 2017-2018.

The variances are mainly in expenditures on personnel, transportation and communications, professional and special services, rentals, and repair and maintenance. The increase in staff expenditures compared to the same quarter last year is explained by statutory salary increases following the signing of collective agreements in March 2018, step increases and new hiring.

4. Risks and Uncertainties

The need to innovate and continue the digital shift

In order to continue to be technologically and artistically innovative on both a national and global level, the NFB has made investments from its operating funds in several digital-shift initiatives, including the digitization plan, the NFB.ca Online Screening Room, the Media Asset Management system, interactive productions and digital workflows.

However, the proliferation of digital distribution platforms over the last several years, along with increasing access to audiovisual content, continue to disrupt business models and profoundly affect the NFB's activities. The NFB must constantly adapt and innovate when it comes to producing and promoting audiovisual works and making them available to a wide range of audiences. To keep pace with this constantly changing environment, the NFB has developed solid expertise and a robust technology plan, and has instituted fundamental changes in the way it produces, preserves and distributes its content. For innovation, a flexible infrastructure is required, one which uses the latest technology and is able to support emerging production and distribution formats. The digital age has seen a highly accelerated rate of technological change, and we run the risk of losing our place at the cutting edge of technology unless major investments are made in a timely manner.

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Financial and operational pressures

Over the past few years, the NFB has seen a continual erosion of its financial resources and purchasing power. Considerable investment to support the digital transformation strategy, additional expenditures related to office relocations, and the costs of adjustment to new business models have led to significant financial and operational pressures and continue to impact the organization's financial capacity.

Organizational capacity inadequate to handle the volume of work

This has remained a constant risk at the NFB for some time. It stems from the number of large-scale projects undertaken, including the relocation of NFB headquarters, as well as reductions in human resources over the last number of years.

5. Significant Changes Related to Operations, Personnel and Programs

The implementation of the SAP system at the NFB in April 2018 affected the recording of financial transactions during the first quarter of 2018-19. It caused some delays in data recording in the new system, which will be completely rectified by the end of the 2nd quarter.

The relocation of NFB headquarters, expected to be completed by 2019, represents a major operational shift for most NFB employees. Several initiatives were launched last year under the oversight of the transition committee, to ensure sound management of the anticipated changes. The working groups will continue their mandates until the relocation is complete.

Approved by:



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

Montreal, Canada

August 29th, 2018



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

Montreal, Canada

August 29th, 2018

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Table 1 : Statement of Authorities (unaudited)

	Fiscal Year 2018-2019			Fiscal Year 2017-2018		
	Total available for use for the year ending March 31, 2019 *	Used during the quarter ended June 30, 2018	Year-to-date used at the quarter-end	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
(dollars)						
Vote 70 - Operating expenditures	74,568,078	13,472,643	13,472,643	74,375,345	13,192,372	13,192,372
Total Budgetary authorities	74,568,078	13,472,643	13,472,643	74,375,345	13,192,372	13,192,372
Total authorities	74,568,078	13,472,643	13,472,643	74,375,345	13,192,372	13,192,372

* 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 2018-2019			Fiscal Year 2017-2018		
	Planned expenditures for the year ending March 31, 2019*	Expended during the quarter ended June 30, 2018	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2018 *	Used during the quarter ended June 30, 2017	Year-to-date used at quarter-end
Expenditures:						
Personnel	37,151,332	9,517,709	9,517,709	37,194,795	9,116,061	9,116,061
Transportation and communications	4,425,929	411,416	411,416	4,520,922	560,716	560,716
Information	627,550	53,408	53,408	613,067	68,856	68,856
Professional and special services	13,408,106	1,754,530	1,754,530	13,700,141	2,250,114	2,250,114
Rentals	6,960,580	1,362,889	1,362,889	6,513,836	1,399,216	1,399,216
Repair and maintenance	1,899,280	525,327	525,327	2,064,773	806,096	806,096
Utilities, materials and supplies	1,984,901	113,354	113,354	1,857,607	126,822	126,822
Acquisition of land, buildings and works	12,755,000	-	-	12,000,000	-	-
Acquisition of machinery and equipment	2,788,133	278,840	278,840	3,314,127	236,344	236,344
Other subsidies and payments	1,019,713	103,598	103,598	1,048,523	87,574	87,574
Total gross budgetary expenditures	83,020,524	14,121,071	14,121,071	82,827,791	14,651,799	14,651,799
Less Revenues netted against expenditures:						
Revenues credited to the vote	8,452,446	648,428	648,428	8,452,446	1,459,427	1,459,427
Total Revenues netted against expenditures	8,452,446	648,428	648,428	8,452,446	1,459,427	1,459,427
Total net budgetary expenditures	74,568,078	13,472,643	13,472,643	74,375,345	13,192,372	13,192,372

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

