



National Film Board of Canada

2018-2019

Quarterly Financial Report for the quarter ending December 31, 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.

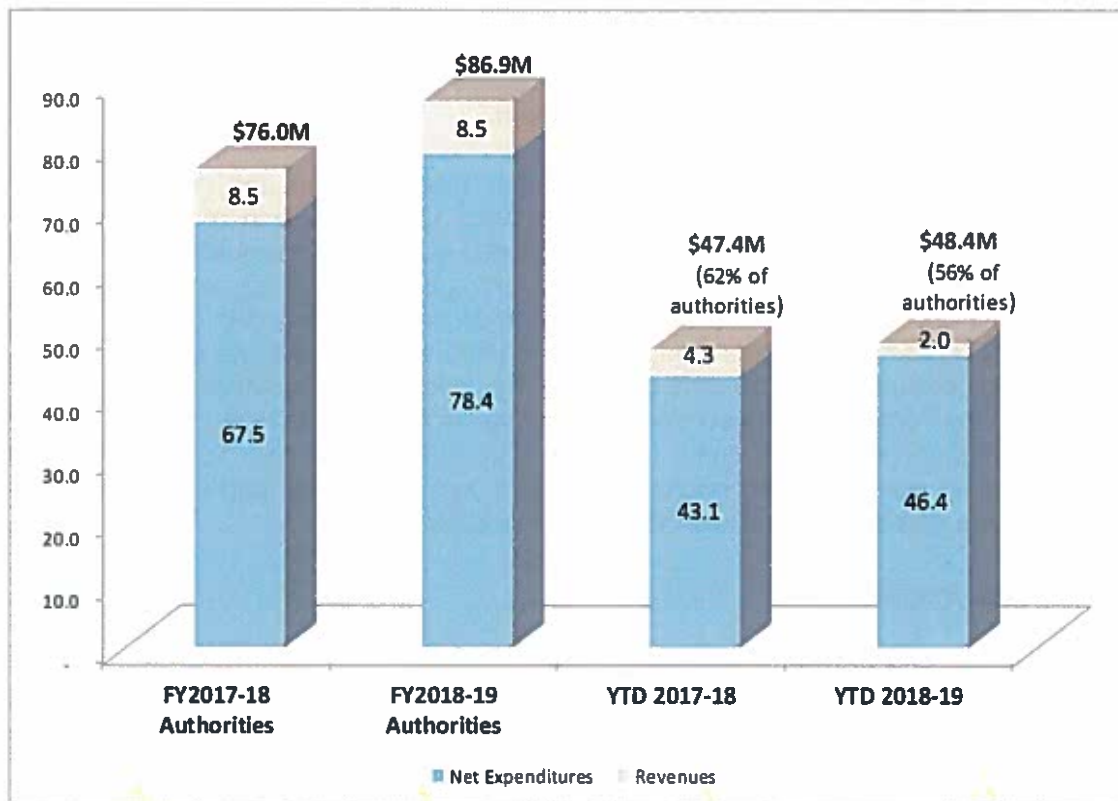
When Parliament is dissolved for the purpose of a general election, Section 30 of the Financial Administration Act authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant is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

**National Film Board of Canada
 Quarterly Financial Report
 For the quarter ended December 31, 2018**

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, 2018.



The graphic above shows the total budgetary authorities granted to the NFB for fiscal year 2018-2019. Projected gross expenditures total \$86.9 million, which includes \$12.8 million to finance the cost of relocating NFB headquarters. A \$ 4.6 million reprofile request has been submitted for funding in relation to the relocation costs of the NFB headquarters.

During the implementation process of our SAP financial system, we reviewed the expense categories and identified adjustments. These are reflected for the 2017-2018 actual spending in order to have comparative results.

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

**National Film Board of Canada
Quarterly Financial Report
For the quarter ended December 31, 2018**

Variance in Revenues

Revenues for the third quarter of 2018-2019 were \$1.3 million, comparable to the same period last year. Cumulative amounts show a decrease by \$2.3 millions, mainly due to lower partnership revenue compared to last year. Also, the implementation of the SAP system caused some recording delays that will be addressed before the end of fiscal.

Variation in Expenditures

During the 3rd quarter of 2018-2019, the gross expenditures decreased by \$454K compared to the third quarter of fiscal 2017-2018 totalling \$16.8 million.

The variances are mainly in expenditures on personnel, transportation and communications, professional and special services, repair and maintenance and acquisition of machinery and equipment. 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. The lower spending on transportation and communications is explained by a decrease in expenses compared to the first two quarters, the cumulative as at December 31 being comparable to the previous year. The decrease in professional and special services comes mainly from consulting services for the large-scale Expo 67 Live project last year. Lower repair and maintenance costs come from the fit-up costs of the new Toronto office last year. The acquisition of machinery and equipment slowed down, the major part of the equipment will be received at the new premises of the NFB in spring 2019.

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 technological 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.

**National Film Board of Canada
Quarterly Financial Report
For the quarter ended December 31, 2018**

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 NFB's SAP system in April 2018 also had significant impact on all the NFB operations during the third quarter of 2018-19. The organization continues to adapt to the new SAP financial system.

The relocation of NFB headquarters, expected to be completed in 2019, represents a major operational shift for most NFB employees. Several initiatives were launched last year under the aegis 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

February 28th, 2019



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

Montreal, Canada

February 28th, 2019

**National Film Board of Canada
Quarterly Financial Report
For the quarter ended December 31, 2018**

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 December 31, 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 December 31, 2017	Year-to-date used at the quarter-end
Vote 1 - Operating expenditures	78,431,673	15,555,253	46,436,071	67,595,732	16,104,257	43,142,288
Total Budgetary authorities	78,431,673	15,555,253	46,436,071	67,595,732	16,104,257	43,142,288
Total authorities	78,431,673	15,555,253	46,436,071	67,595,732	16,104,257	43,142,288

* 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, 2018

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

(dollars)	Fiscal Year 2018-2019			Fiscal Year 2017-2018		
	Planned expenditures for the year ending March 31, 2019*	Expended during the quarter ended December 31, 2018	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2018 *	Used during the quarter ended December 31, 2017	Year-to-date used at quarter-end
Expenditures:						
Personnel	39,976,279	10,116,463	30,099,629	38,276,001	9,524,154	28,010,106
Transportation and communications	4,564,751	708,850	1,995,695	4,520,922	879,781	2,034,512
Information	647,233	420,862	968,586	613,067	474,828	1,121,514
Professional and special services	13,828,660	3,518,620	8,326,443	15,501,542	3,896,406	9,130,749
Rentals	7,178,903	1,761,491	4,349,316	6,513,836	1,827,728	5,022,758
Repair and maintenance	1,958,852	16,505	452,208	2,064,773	132,455	674,710
Utilities, materials and supplies	2,047,159	73,764	233,300	1,857,607	115,532	324,488
Acquisition of land, buildings and works	12,755,000	36,611	1,113,232	2,334,000	-	-
Acquisition of machinery and equipment	2,875,585	176,258	849,420	3,317,907	442,731	1,071,168
Other subsidies and payments	1,051,697	11,204	14,177	1,048,523	995	14,527
Total gross budgetary expenditures	86,984,119	16,840,628	48,402,006	76,048,178	17,294,610	47,404,532
Less Revenues netted against expenditures:						
Revenues credited to the vote	8,452,446	1,285,375	1,965,935	8,452,446	1,190,353	4,262,244
Total Revenues netted against expenditures	8,452,446	1,285,375	1,965,935	8,452,446	1,190,353	4,262,244
Total net budgetary expenditures	78,431,673	15,555,253	46,436,071	67,595,732	16,104,257	43,142,288

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