



National Film Board of Canada

2019-2020

Quarterly Financial Report for the quarter ending June 30, 2019

**National Film Board of Canada
Quarterly Financial Report
For the quarter ended June 30, 2019**

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 2019-2020 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.

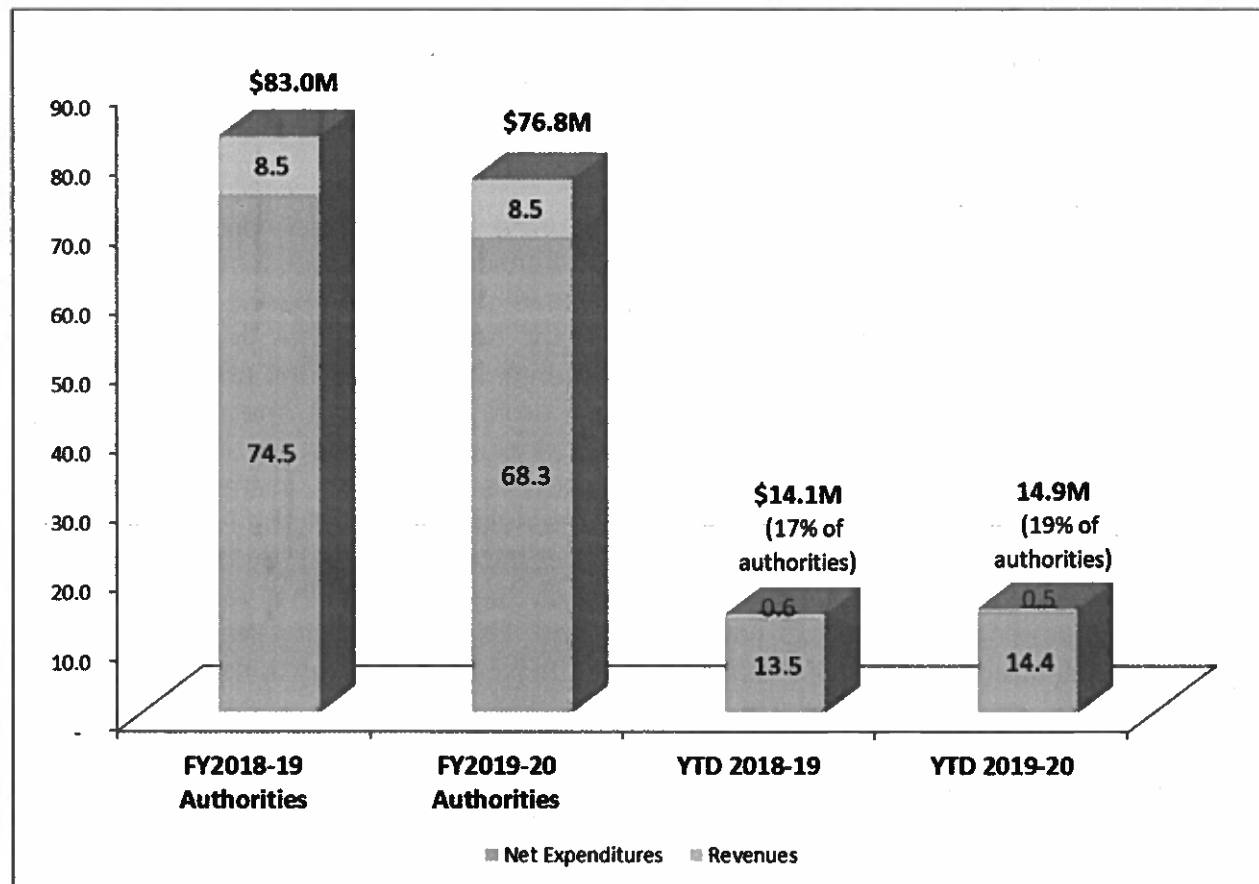
When Parliament is dissolved for the purpose of a general election, Section 30 of the Financial Administration Act authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant is 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 June 30, 2019**

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, 2019.



The graphic above shows the total budgetary authorities granted to the NFB for fiscal year 2019-2020. Projected gross expenditures total \$76.8 million, which includes \$5.3 million to finance the cost of relocating NFB headquarters.

During the implementation process of our SAP financial system, we reviewed the expense categories and identified adjustments. These are reflected for the 2018-2019 actual spending in order to have comparative results.

**National Film Board of Canada
Quarterly Financial Report
For the quarter ended June 30, 2019**

Table 2, on page 7, shows expenditures and revenues for the first quarter of 2019-2020. Here is an overview of the key items to be noted:

Variance in Revenues

The revenues recorded during this first 2019-2020 quarter total \$0.5M, comparable to those of the same period last year.

Variation in Expenditures

Gross expenditures increased \$784K in the first quarter 2019-2020 compared with the same quarter in fiscal 2018-2019, to \$14.9 million.

The variations are due mainly to expenses incurred for personnel, professional and special services, rentals, repair and maintenance services, and acquisition of machinery and equipment. Personnel expenditures, which have gone up compared with the same quarter last year, are explained by statutory salary increases further to the signing of collective agreements in March 2018, pay increments, salary revisions further to the job equity review, and new hires. The increase in professional and special services is explained mainly by the increase in the volume of productions underway, including major coproduction projects such as *Sovereign Soil and Life and Death on the Prairies*. The decrease in rental expenditures is explained by the delay in invoicing by Public Services and Procurement Canada (PSPC) of certain premises occupied by the NFB. The decrease in repair and maintenance expenditures is due to the fact that various technical equipment maintenance contracts came to an end. Expenditures for the acquisition of machinery and equipment have increased due to the NFB's relocation to its new premises in fall of 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

**National Film Board of Canada
Quarterly Financial Report
For the quarter ended June 30, 2019**

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.

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 relocation of NFB headquarters will be completed at the end of 2019, represents a major operational shift for most NFB employees. Several initiatives were launched during the last two years 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

August 29th, 2019



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

Montreal, Canada

August 29th, 2019

**National Film Board of Canada
Quarterly Financial Report
For the quarter ended June 30, 2019**

Table 1 : Statement of Authorities (unaudited)

	Fiscal Year 2019-2020			Fiscal Year 2018-2019		
	Total available for use for the year ending March 31, 2020 *	Used during the quarter ended June 30, 2019	Year-to-date used at the quarter-end	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
(dollars)						
Vote 1 - Operating expenditures	68,370,782	14,412,101	14,412,101	74,568,078	13,472,643	13,472,643
Total Budgetary authorities	68,370,782	14,412,101	14,412,101	74,568,078	13,472,643	13,472,643
Total authorities	68,370,782	14,412,101	14,412,101	74,568,078	13,472,643	13,472,643

* 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 June 30, 2019**

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

	Fiscal Year 2019-2020			Fiscal Year 2018-2019		
	Planned expenditures for the year ending March 31, 2019*	Expended during the quarter ended June 30, 2019	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, 2018	Year-to-date used at quarter-end
Expenditures:						
Personnel	40,695,410	10,478,049	10,478,049	37,151,332	9,517,709	9,517,709
Transportation and communications	3,122,226	505,164	505,164	4,425,929	411,416	411,416
Information	1,694,799	265,414	265,414	627,550	187,239	187,239
Professional and special services	13,384,036	1,840,278	1,840,278	13,408,106	1,700,940	1,700,940
Rentals	8,922,595	1,090,710	1,090,710	6,960,580	1,465,180	1,465,180
Repair and maintenance	1,321,585	208,427	208,427	1,899,280	423,036	423,036
Utilities, materials and supplies	1,512,149	123,178	123,178	1,984,901	107,317	107,317
Acquisition of land, buildings and works	5,265,000	-	-	12,755,000	28,750	28,750
Acquisition of machinery and equipment	778,000	391,011	391,011	2,788,133	278,840	278,840
Other subsidies and payments	127,428	3,222	3,222	1,019,713	644	644
Total gross budgetary expenditures	76,823,228	14,905,453	14,905,453	83,020,524	14,121,071	14,121,071
Less Revenues netted against expenditures:						
Revenues credited to the vote	8,452,446	493,352	493,352	8,452,446	648,428	648,428
Total Revenues netted against expenditures	8,452,446	493,352	493,352	8,452,446	648,428	648,428
Total net budgetary expenditures	68,370,782	14,412,101	14,412,101	74,568,078	13,472,643	13,472,643

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

