



National Film Board of Canada

2020-2021

Quarterly Financial Report for the quarter ending September 30, 2020

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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 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 2020-2021 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.

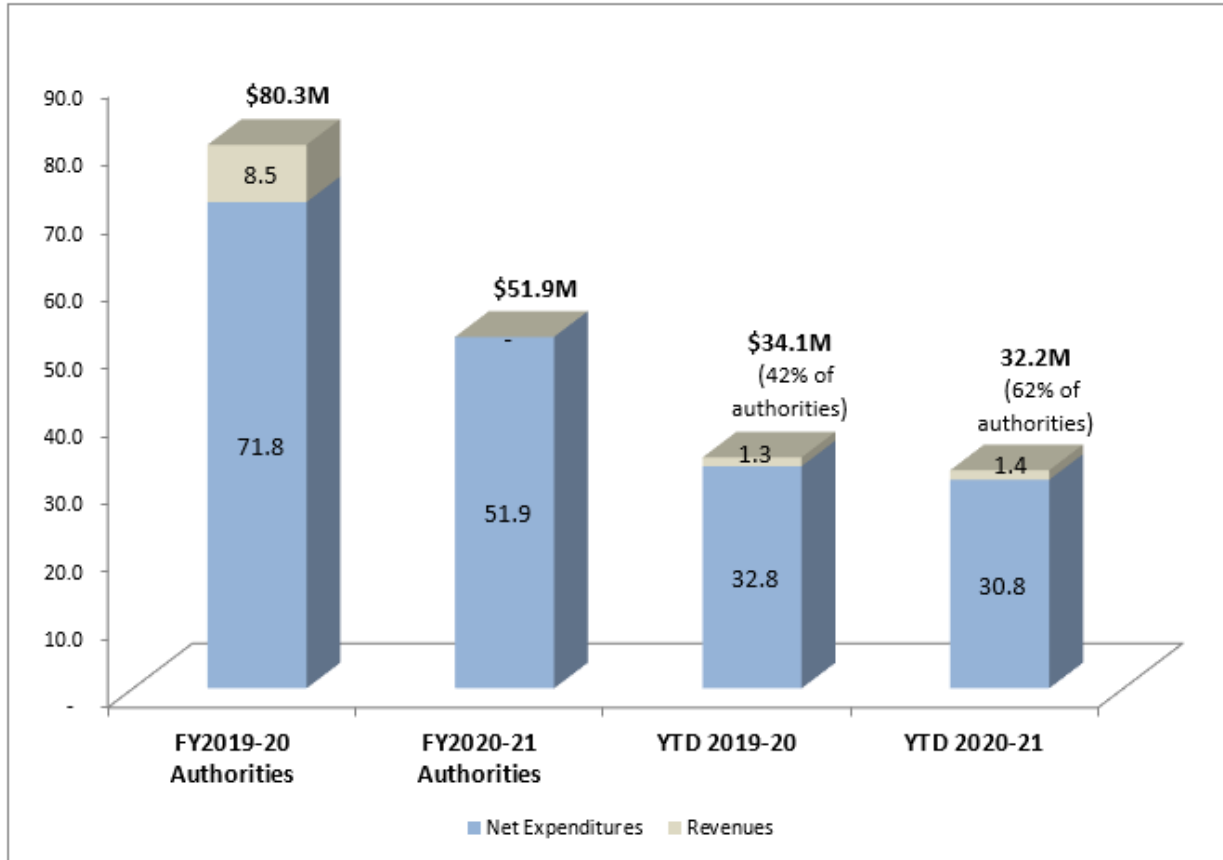
When Parliament is dissolved for the purpose of a general election, Section 30 of the Financial Administration Act authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant is 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 September 30, 2020.



The graphic above shows the total budgetary authorities granted to the NFB for fiscal year 2020-2021. Projected gross expenditures total \$ 51.9 million. The decrease of \$28.4 million in the authorities available for use is mainly due to the reduced supply of the Main Estimates. Due to the COVID-19 pandemic and limited sessions in the spring for Parliament to study supply, the Standing Orders of the House of Commons were amended to extend the study period into the Fall. The NFB is expected to receive full supply for the 2020-21 Main Estimates in December 2020. The decrease is also due to the authorities provided for leasehold improvements for the NFB headquarters office (Balmoral) and the conservation room last year, in the amount of 6.4 million.

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Table 2, on page 8, shows expenditures and revenues for the second quarter of 2020-2021. Here is an overview of the key items to be noted:

Variance in Revenues

The revenues recorded during this second quarter of 2020-2021 total \$0.9M, up \$0.1 million from the previous year mainly due to major partnership projects.

Variation in Expenditures

Gross expenditures decreased by \$2.1M, to \$17 million, in the second quarter of 2020-2021, compared with the same quarter in fiscal 2019-2020.

The variations are due mainly to expenses incurred for personnel, transport and communications, professional and special services, rentals, repair and maintenance, acquisition of land, buildings and works and acquisition of machinery and equipment. Personnel expenses, which show an increase of 2% compared to the cumulative on the same date last year, is explained by statutory salary increases following the signing of collective agreements in August 2019, step increases, salary revisions following the pay equity exercise and new hires. The decrease in transport and communications and professional and special services is explained by the decrease in production volume and travel due to the COVID-19 pandemic in order to comply with health recommendations. The NFB has gradually resumed its activities during the second quarter, always in accordance with public health authorities' directives. The increase in rental expenses is due to the rental charge for the new premises of the NFB headquarters office and the conservation room. The decrease in repair and maintenance services spending stems from equipment maintenance contracts last year that were not renewed in 2020-21. In 2020-21 there was no invoicing for any work related to the leasehold improvements to the NFB headquarters, which is generally nearing completion. Machinery and equipment acquisition expenses decreased due to the purchase of technical equipment as part of the move last year.

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

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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 can 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, workforce reductions in recent years which create capacity shortfalls to maintain and improve operational and administrative processes within the organization. A team has been put in place to review, optimize and document the main organizational processes in order to minimize the impact of this lack of resources.


5. Significant Changes Related to Operations, Personnel and Programs

The current health situation resulting from the COVID-19 pandemic has caused a certain slowdown in operations due to initial need for self isolation and subsequent restriction related to physical distancing with the inability to travel abroad. However, thanks to teleworking and the digital shift undertaken several years ago, the NFB has been able to continue most of its operations and has not detected any additional financial risks. The NFB has also implemented some initiatives related to remote collaboration for the production of works ahead of planned in its new 2021-2025 technological plan.

The final phases of the relocation of NFB headquarters and the new conservation facility, which will end during the 2020-2021 fiscal year, represents a major operational shift for most NFB employees. The initiatives launched during the last two years under the aegis of the transition committee, proved effective in the transition of staff to the new locations.

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Approved by:



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

Montreal, Canada
November 30th, 2020



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

Montreal, Canada
November 30th, 2020

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Table 1 : Statement of Authorities (unaudited)

	Fiscal Year 2020-2021		
	Total available for use for the year ending March 31, 2021 *	Used during the quarter ended September 30, 2020	Year-to-date used at the quarter-end
<i>(dollars)</i>			
Vote 1 - Operating expenditures	51,920,549	16,135,117	30,773,865
Total Budgetary authorities	51,920,549	16,135,117	30,773,865
Total authorities	51,920,549	16,135,117	30,773,865

Fiscal Year 2019-2020		
Total available for use for the year ending March 31, 2020 *	Used during the quarter ended September 30, 2019	Year-to-date used at the quarter-end
71,842,040	18,361,106	32,773,207
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* 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)

(dollars)	Fiscal Year 2020-2021			Fiscal Year 2019-2020		
	Planned expenditures for the year ending	Expended during the quarter ended	Year-to-date used at quarter-end	Total available for use for the year ending	Used during the quarter ended	Year-to-date used at quarter-end
	March 31, 2021 *	September 30, 2020		March 31, 2020 *	September 30, 2019	
Expenditures:						
Personnel	30,824,384	10,615,337	21,068,566	42,092,351	10,108,939	20,586,988
Transportation and communications	2,210,242	415,566	503,047	3,212,902	655,569	1,160,733
Information	1,199,759	298,652	461,069	1,744,019	297,507	562,921
Professional and special services	8,072,266	2,656,511	3,941,565	13,772,735	2,433,276	4,273,554
Rentals	6,966,923	2,380,043	4,613,690	9,181,725	1,850,586	2,941,296
Repair and maintenance	935,558	15,064	134,095	1,359,966	197,721	406,148
Utilities, materials and supplies	1,070,459	94,552	136,650	1,556,065	101,316	224,494
Acquisition of land, buildings and works	-	-	-	6,443,000	2,217,509	2,217,509
Acquisition of machinery and equipment	550,751	547,674	1,321,207	800,595	1,280,944	1,671,955
Other subsidies and payments	90,207	10,409	15,732	131,128	405	3,627
Total gross budgetary expenditures	51,920,549	17,033,808	32,195,621	80,294,486	19,143,772	34,049,225
Less Revenues netted against expenditures:						
Revenues credited to the vote	-	898,691	1,421,756	8,452,446	782,666	1,276,018
Total Revenues netted against expenditures	-	898,691	1,421,756	8,452,446	782,666	1,276,018
Total net budgetary expenditures	51,920,549	16,135,117	30,773,865	71,842,040	18,361,106	32,773,207

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