



National Film Board of Canada

2021-2022

Quarterly Financial Report for the quarter ending June 30, 2021

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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 2021-2022 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.

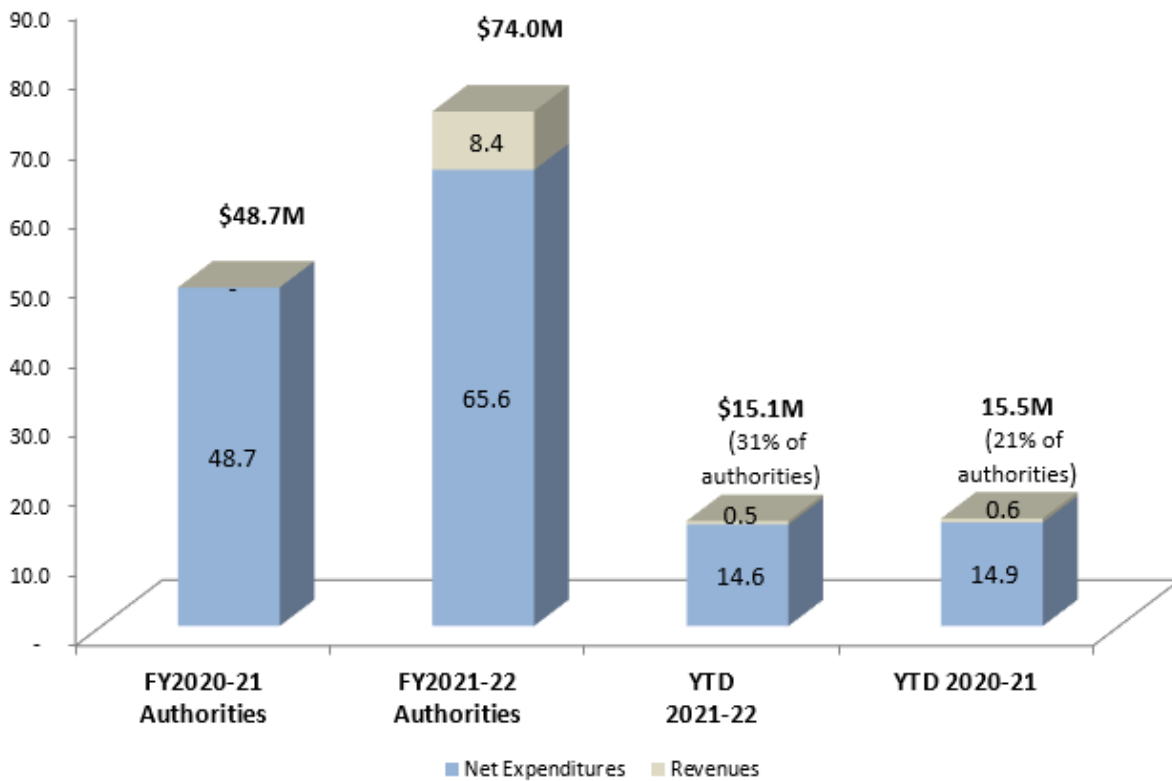
When Parliament is dissolved for the purpose of a general election, Section 30 of the Financial Administration Act authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant is 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, 2021.



The graphic above shows the total budgetary authorities granted to the NFB for fiscal year 2021-2022. Projected gross expenditures total \$ 74.0 million. The increase of \$25.3 million in the authorities available for use is mainly due to the reception by the parliament of full supply for the 2021-2022 Main Estimates. Due to the COVID-19 pandemic and limited sessions in the spring 2020 for Parliament to study supply, the Standing Orders of the House of Commons were amended to extend the study period into the Fall 2020. The NFB received full supply for the 2020-2021 Main Estimates in December 2020.

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Table 2, on page 7, shows expenditures and revenues for the first quarter of 2021-2022. Here is an overview of the key items to be noted:

Variance in Revenues

The revenues recorded during this first quarter of 2021-2022 total \$0.6 M, comparable to the same period last year.

Variation in Expenditures

Gross expenditures increased by \$0.4 M, to \$15.5 million, in the first quarter of 2021-2022, compared with the same quarter in fiscal 2020-2021.

The variations are due mainly to expenses incurred for personnel costs, professional and special services, rentals and acquisition of machinery and equipment. Personnel costs which show an increase of 1.3% compared to the cumulative on the same date last year, is explained by statutory salary, step level increases and new hires. The increase in professional and special services is explained by the gradual resumption of activities following the pandemic (COVID-19). The increase in rental expenses is mainly due to technical equipment maintenance contracts billed earlier than last year as well as some additional contracts for new equipment. Machinery and equipment acquisition expenses decreased following the buyout of several IT and technical equipment leases in the last quarter of 2020-2021.

4. Risks and Uncertainties

The need to innovate, create and collaborate remotely

The NFB must put in place innovative technologies to facilitate collaboration and open up new possibilities for remote creation and collaboration from coast to coast and internationally. At a time when opportunities and technological innovations are multiplying exponentially, the National Film Board of Canada must be vigilant and maintain coherent technological development, in terms of creation and engagement with its audiences, in order to meet the challenges of a constantly evolving environment to respond to the realities generated by external turbulence factors such as the Covid-19 pandemic.

The 2021-2025 technological plan focuses on the integration of processes and innovative solutions that will meet the growing technological needs of the organization and support the actions and commitments of the 2020-2023 strategic plan. When it comes to creation, these technologies bring together the creative community and studios across Canada into a single virtual work ecosystem, regardless of their geographic location. It is in this reality of remote collaboration requiring flexibility, fluidity, synchronicity and openness to new creative horizons that the NFB's technological vision is inscribed. The new remote work processes and tools are adaptable to the needs of production teams and facilitate the fluidity of collaboration between NFB teams and creators.

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The organization benefits from increased flexibility in its infrastructure that allows it to democratize and standardize secure access to its services. The centralized management of audiovisual works via our MAM facilitates publication on digital platforms thus promoting discoverability for audience. Funding for continuous investments in these technologies is crucial.

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. The NFB also received additional funding during the previous quarter allowing it to balance its 2020-2021 budget.

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 as well as reductions in human resources over the last number of years.

5. Significant Changes Related to Operations, Personnel and Programs

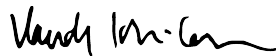
In 2021-2022, the health situation resulting from the COVID-19 pandemic has caused a certain slowdown in operations due to initial need for self isolation and subsequent restriction related to physical distancing with the inability to travel abroad. During the first quarter of 2021-2022, the resumption of operations is complete according to current health standards, with the exception of trips abroad. Thanks to teleworking and the digital shift undertaken several years ago, the NFB has been able to continue most of its operations and have not detected any additional financial risks. In 2020-2021, the NFB also implemented some initiatives related to remote collaboration for the production of works that we had planned in our new 2020-2025 technological plan. In 2021-2022, the NFB will continue these advances in order to expand the initiatives launched in March 2020 on a larger scale, mainly in implementing the technology necessary to virtually connect all of its studios, and providing creators with the tools and technology they need to produce feature films remotely.

The retirement of the Director General of the Distribution, Communications and Marketing division has left the position vacant during the quarter. The hiring process is underway.

The NFB launched its Diversity and Inclusion Plan on February 24, 2021. This plan sets out the goals that will make the NFB an egalitarian, open and diverse organization. In 2021-2022, these measures include the creation of two new positions whose incumbents will be responsible for, on the one hand, equity and anti-racist practices, and on the other hand, Indigenous relations and engagement with communities.

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Approved by:



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

Montreal, Canada
August 29th, 2021



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

Montreal, Canada
August 29th, 2021

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Table 1 : Statement of Authorities (unaudited)

(dollars)	Fiscal Year 2021-2022		
	Total available for use for the year ending March 31, 2022 *	Used during the quarter ended June 30, 2021	Year-to-date used at the quarter-end
Vote 1 - Operating expenditures	65,581,512	14,963,014	14,963,014
Total Budgetary authorities	65,581,512	14,963,014	14,963,014
Total authorities	65,581,512	14,963,014	14,963,014

Fiscal Year 2020-2021		
Total available for use for the year ending March 31, 2021 *	Used during the quarter ended June 30, 2020	Year-to-date used at the quarter-end
48,668,557	14,638,748	14,638,748
48,668,557	14,638,748	14,638,748
48,668,557	14,638,748	14,638,748

* 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 2021-2022			Fiscal Year 2020-2021		
	Planned expenditures for the year ending March 31, 2022 *	Expended during the quarter ended June 30, 2021	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2021 *	Used during the quarter ended June 30, 2020	Year-to-date used at quarter-end
<i>(dollars)</i>						
Expenditures:						
Personnel	42,812,805	10,592,700	10,592,700	28,893,729	10,453,229	10,453,229
Transportation and communications	2,822,000	47,118	47,118	2,071,806	87,481	87,481
Information	2,495,000	193,332	193,332	1,124,613	162,417	162,417
Professional and special services	12,396,000	1,415,107	1,415,107	7,566,668	1,285,054	1,285,054
Rentals	9,969,000	2,658,340	2,658,340	6,530,557	2,233,647	2,233,647
Repair and maintenance	337,000	146,338	146,338	876,960	119,031	119,031
Utilities, materials and supplies	532,000	53,517	53,517	1,003,412	42,098	42,098
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	2,643,000	417,493	417,493	516,255	773,533	773,533
Other subsidies and payments	27,153	14,591	14,591	84,557	5,323	5,323
Total gross budgetary expenditures	74,033,958	15,538,536	15,538,536	48,668,557	15,161,813	15,161,813
Less Revenues netted against expenditures:						
Revenues credited to the vote	8,452,446	575,522	575,522	-	523,065	523,065
Total Revenues netted against expenditures	8,452,446	575,522	575,522	-	523,065	523,065
Total net budgetary expenditures	65,581,512	14,963,014	14,963,014	48,668,557	14,638,748	14,638,748

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