

National Film Board of Canada

2019-2020

Quarterly Financial Report for the quarter ending December 31, 2019

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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 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.

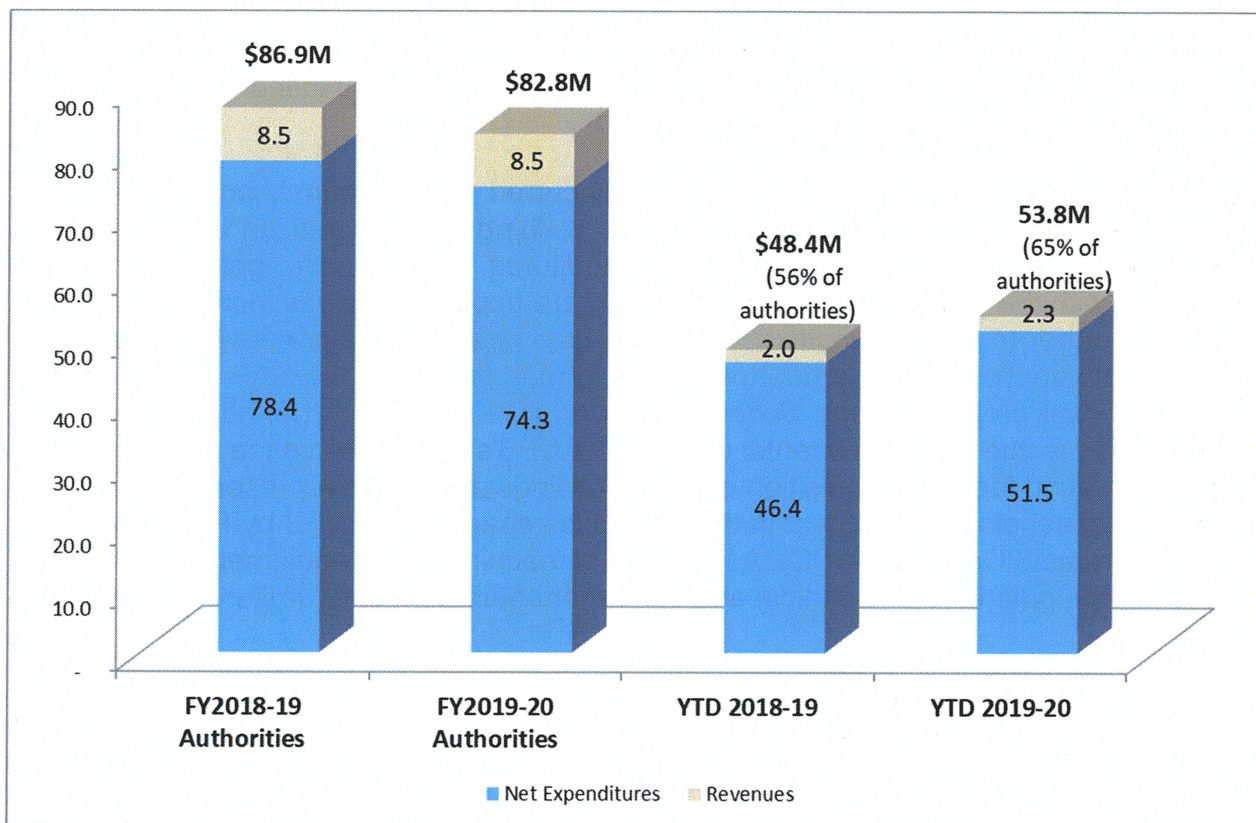
When Parliament is dissolved for the purpose of a general election, Section 30 of the Financial Administration Act authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant is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

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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 December 31, 2019.



The graphic above shows the total budgetary authorities granted to the NFB for fiscal year 2019-2020. Projected gross expenditures total \$82.8 million, which includes \$6.4 million to finance the cost of relocating NFB headquarters.

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

Variance in Revenues

The revenues recorded during this third quarter of 2019-2020 total \$1.0M, representing a cumulative increase of \$0.3M compared to the same period last year.

Variation in Expenditures

Gross expenditures increased by \$2.9M, to \$19.7 million, in the third quarter of 2019-2020, compared with the same quarter in fiscal 2018-2019.

The variations are due mainly to expenses incurred for personnel, professional and special services, rentals, acquisition of land, buildings and works and acquisition of machinery and equipment. Personnel expenditures, which have gone up by 5% compared with the year-to-date figure last year, are explained by pay increments, salary revisions further to the job equity review, and new hires. The decrease in professional and special services is mainly due to consulting fees related to the SAP project as well as a significant project (*Ocean School*) deployed in 2018-2019. The increase in rental expenditures is due to the new rental costs of the NFB's new office space (Balmoral) and the conservation facility. Acquisition of land, buildings and works represent the invoicing to date of leasehold improvement in the new office space of the NFB by Public Services and Procurement Canada (PSPC). Acquisition of machinery and equipment increased as a result of the purchase of technical and computer equipment and furniture as part of the move.

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

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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

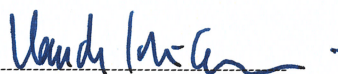
This has remained a constant risk at the NFB for some time. It stems from the number of large-scale projects undertaken, including the relocation of NFB headquarters, as well as reductions in human resources over the last number of years.

5. Significant Changes Related to Operations, Personnel and Programs

The relocation of NFB headquarters and the new conservation facility, which will continue until April 2020, 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.

The departure of the Director General, Creation and Innovation as well as 3 executive directors required several adjustments within the organization. A reorganization is underway to position the organization to deliver its mandate in the context of its 2020-2023 Strategic Plan, which is currently under development.

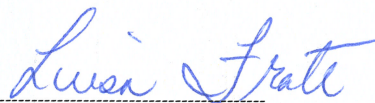
Approved by:



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

Montreal, Canada

February 28th, 2020



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

Montreal, Canada

February 28th, 2020

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Table 1 : Statement of Authorities (unaudited)

	Fiscal Year 2019-2020		
(dollars)	Total available for use for the year ending March 31, 2020 *	Used during the quarter ended December 31, 2019	Year-to-date used at the quarter-end
Vote 1 - Operating expenditures	74,321,100	18,686,886	51,460,093
Total Budgetary authorities	74,321,100	18,686,886	51,460,093
Total authorities	74,321,100	18,686,886	51,460,093

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

	Fiscal Year 2018-2019		
	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
	78,431,673	15,555,253	46,436,071
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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, 2020*	Expended during the quarter ended December 31, 2019	Year-to-date used at quarter-end		Total available for use for the year ending March 31, 2019 *	Used during the quarter ended December 31, 2018	Year-to-date used at quarter-end
Expenditures:							
Personnel	44,571,411	11,084,732	31,671,720		39,976,279	10,116,463	30,099,629
Transportation and communications	3,212,902	785,281	1,946,014		4,564,751	708,850	1,995,695
Information	1,744,019	385,102	948,023		647,233	420,862	968,586
Professional and special services	13,772,735	2,905,961	7,179,515		13,828,660	3,518,620	8,326,443
Rentals	9,181,725	2,307,064	5,248,360		7,178,903	1,761,491	4,349,316
Repair and maintenance	1,359,966	227	406,375		1,958,852	16,505	452,208
Utilities, materials and supplies	1,556,065	130,466	354,960		2,047,159	73,764	233,300
Acquisition of land, buildings and works	6,443,000	1,223,658	3,441,167		12,755,000	36,611	1,113,232
Acquisition of machinery and equipment	800,595	863,477	2,535,432		2,875,585	176,258	849,420
Other subsidies and payments	131,128	6,735	10,362		1,051,697	11,204	14,177
Total gross budgetary expenditures	82,773,546	19,692,703	53,741,928		86,884,119	16,840,628	48,402,006
Less Revenues netted against expenditures:							
Revenues credited to the vote	8,452,446	1,005,817	2,281,835		8,452,446	1,285,375	1,965,935
Total Revenues netted against expenditures	8,452,446	1,005,817	2,281,835		8,452,446	1,285,375	1,965,935
Total net budgetary expenditures	74,321,100	18,686,886	51,460,093		78,431,673	15,555,253	46,436,071

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