



# **National Film Board of Canada**

**2021-2022**

**Quarterly Financial Report for the quarter ending September 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.

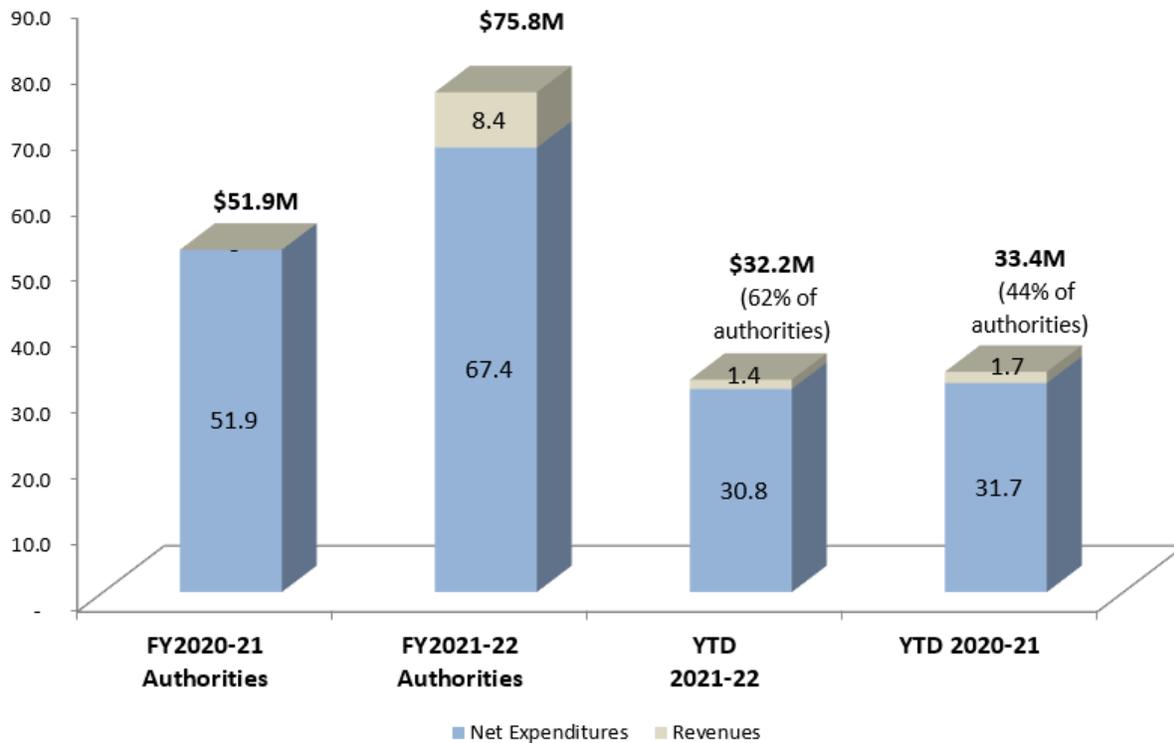
When Parliament is dissolved for the purpose of a general election, Section 30 of the Financial Administration Act authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant is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



The graphic above shows the total budgetary authorities granted to the NFB for fiscal year 2021-2022. Projected gross expenditures total \$ 75.8 million. The increase of \$23.9 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 compared to the 75% supply for the 2020-2021 Main Estimates due to the COVID-19 pandemic and limited sessions in the spring 2020 for Parliament to study supply. The NFB received full supply for the 2020-2021 Main Estimates in December 2020.

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Table 2, on page 8, shows expenditures and revenues for the second quarter of 2021-2022. Here is an overview of the key items to be noted:

**Variance in Revenues**

The revenues recorded during this second quarter of 2021-2022 total \$1.1 M, up \$ 0.2 million from the previous year mainly due to major partnership projects as well as increased sales of stock shots.

**Variation in Expenditures**

Gross expenditures increased by \$0.8 M, to \$17.9 million, in the second quarter of 2021-2022, compared with the same quarter in fiscal 2020-2021.

The variations are due mainly to expenses incurred for personnel costs, transport and communications, professional and special services, rentals and acquisition of machinery and equipment. Personnel costs which show an increase compared to the cumulative on the same date last year, is explained by statutory salary, step level increases and new hires as well as the payment of compensation under collective agreements for damage caused by the Phoenix pay system. The increase in professional and special services is explained by the implementation of a major partnership project. The increase in rental expenses is mainly due to 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 new 2020-2023 strategic plan published in December 2020. 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 last quarter of 2020-2021 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, which resumed in the second quarter. 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 NFB published in April 2021 its Action Plan which details the priorities for 2021-22 to meet the 2020–2023 Strategic Plan, entitled “New Ways of Storytelling for New Ways of Seeing”. This is the NFB's road map for the next three years. The plan explains how the NFB intends to renew its approach to programming, enrich the experience of creating at the NFB, and reinvent its marketing, presentation and distribution methods, in addition to outlining the organization's strategic commitments.

The retirement of the Director General of the Distribution, Communications and Marketing division has left the position vacant in the first 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

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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. These two positions were filled during the second quarter.

Approved by:



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

Montreal, Canada  
November 29<sup>th</sup>, 2021



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

Montreal, Canada  
November 29<sup>th</sup>, 2021

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**Table 1 : Statement of Authorities (unaudited)**

|                                    | Fiscal Year 2021-2022  |  |                                      |
|------------------------------------|--|--|--------------------------------------|
|                                    | Total available for use for the year ending March 31, 2022 * | Used during the quarter ended September 30, 2021 | Year-to-date used at the quarter-end |
| <i>(dollars)</i>                   |  |  |                                      |
| Vote 1 - Operating expenditures    | 67,370,932   | 16,766,240                                       | 31,729,254                           |
| <b>Total Budgetary authorities</b> | 67,370,932   | 16,766,240                                       | 31,729,254                           |
| <b>Total authorities</b>           | <b>67,370,932</b>  | <b>16,766,240</b>                                | <b>31,729,254</b>                    |

| 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 |
| 51,920,549   | 16,135,117                                       | 30,773,865                           |
| 51,920,549   | 16,135,117                                       | 30,773,865                           |
| <b>51,920,549</b>  | <b>16,135,117</b>                                | <b>30,773,865</b>                    |

\* 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 2021-2022                    |                                   |                                  | Fiscal Year 2020-2021                       |                               |                                  |
|---|--|-----------------------------------|----------------------------------|---|-------------------------------|----------------------------------|
|   | 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, 2022 *                         | September 30, 2021                |                                  | March 31, 2021 *                            | September 30, 2020            |                                  |
| <b>Expenditures:</b>                              |  |                                   |                                  |   |                               |                                  |
| Personnel   | 42,872,225                               | 11,459,439                        | 22,052,139                       | 30,824,384                                  | 10,615,337                    | 21,068,566                       |
| Transportation and communications                 | 2,822,000                                | 171,285                           | 218,403                          | 2,210,242                                   | 415,566                       | 503,047                          |
| Information                                       | 2,695,000                                | 244,598                           | 437,930                          | 1,199,759                                   | 298,652                       | 461,069                          |
| Professional and special services                 | 13,926,000                               | 2,988,714                         | 4,403,821                        | 8,072,266                                   | 2,656,511                     | 3,941,565                        |
| Rentals   | 9,969,000                                | 2,461,837                         | 5,120,177                        | 6,966,923                                   | 2,380,043                     | 4,613,690                        |
| Repair and maintenance                            | 337,000                                  | 259                               | 146,597                          | 935,558                                     | 15,064                        | 134,095                          |
| Utilities, materials and supplies                 | 532,000                                  | 63,023                            | 116,540                          | 1,070,459                                   | 94,552                        | 136,650                          |
| Acquisition of land, buildings and works          | -  | -                                 | -                                | -   | -                             | -                                |
| Acquisition of machinery and equipment            | 2,643,000                                | 453,173                           | 870,666                          | 550,751                                     | 547,674                       | 1,321,207                        |
| Other subsidies and payments                      | 27,153                                   | 14,867                            | 29,458                           | 90,207                                      | 10,409                        | 15,732                           |
| <b>Total gross budgetary expenditures</b>         | <b>75,823,378</b>                        | <b>17,857,195</b>                 | <b>33,395,731</b>                | <b>51,920,549</b>                           | <b>17,033,808</b>             | <b>32,195,621</b>                |
| <b>Less Revenues netted against expenditures:</b> |  |                                   |                                  |   |                               |                                  |
| Revenues credited to the vote                     | 8,452,446                                | 1,090,955                         | 1,666,477                        | -   | 898,691                       | 1,421,756                        |
| <b>Total Revenues netted against expenditures</b> | <b>8,452,446</b>                         | <b>1,090,955</b>                  | <b>1,666,477</b>                 | <b>-</b>                                    | <b>898,691</b>                | <b>1,421,756</b>                 |
| <b>Total net budgetary expenditures</b>           | <b>67,370,932</b>                        | <b>16,766,240</b>                 | <b>31,729,254</b>                | <b>51,920,549</b>                           | <b>16,135,117</b>             | <b>30,773,865</b>                |

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