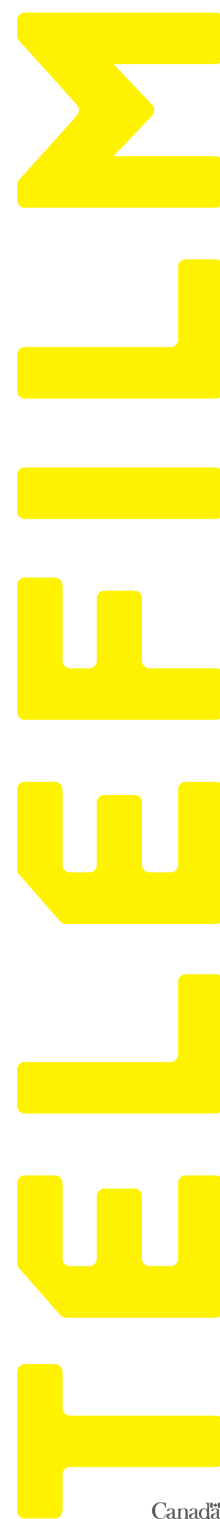


Quarterly Financial Report
Period ended June 30, 2020

First quarter of fiscal 2020-2021
Published August 28, 2020

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1. TELEFILM

Telefilm Canada is a federal Crown corporation reporting to Parliament through the Department of Canadian Heritage. Telefilm's vision is: Telefilm and Canada, *Partners of choice*.

Our mission

Telefilm's mission is to finance, foster and promote the development of the Canadian audiovisual industry by playing a leadership role through financial support and initiatives that contribute to the industry's commercial, cultural and industrial success.

What we do

First and foremost, we are a team of some 190 enthusiasts of Canadian media content dedicated to the commercial, cultural and industrial success of Canada's audiovisual industry. Our priority is to support dynamic companies and creators by providing financial support to Canadian film projects and by promoting and exporting Canadian content at festivals, markets and events - regionally, nationally and around the world.

Furthermore, we are responsible for making recommendations to the Minister of Canadian Heritage on whether projects can be recognized as audiovisual treaty coproductions. We also administer the funding programs of the Canada Media Fund (CMF). Our headquarter is located in Montréal and we serve our clients throughout four offices located in Vancouver, Toronto, Montréal and Halifax.

Telefilm defined its future orientations with the launch of its new corporate plan, *Partner of choice*¹, which will guide the organization over the next few fiscal years. The new vision put forward lies on four pillars:

- Attract additional funding and investment;
- Evolve our funding allocation approach;
- Optimize our operational capacity;
- Enhance the values of the "Canada" and "Telefilm" brands;

2. QUARTERLY FINANCIAL REPORT

This quarterly financial report complies with all requirements of the Standard on *Quarterly Financial Reports for Crown Corporations*² established by the Treasury Board Secretariat and with the *Canadian Public Sector Accounting Standards (CPSAS)*. There is no requirement for an audit or review of the financial statements included in this quarterly financial report and as such the report has not been reviewed or audited by external auditors.

1 : <https://telefilm.ca/wp-content/uploads/corporateplan2020en.pdf>
2 : <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18789>

3. IMPORTANT CHANGES

Programs

During the quarter, the Corporation issued updated guidelines for the **Marketing** and **Promotion** programs, without major changes. In the case of the **Promotion Program**, the Corporation considered the impacts of COVID-19 by, among other things, removing the requirement that the Canadian film festival be held at least three times in its current format.

Activities

Last May, the Government of Canada announced measures to mitigate the impact of the pandemic on the audiovisual industry and asked the Corporation to administer a \$27 million Emergency Support Fund in response to COVID-19. This amount was set aside to allow companies and organisations to continue their commercial activities. Moreover, it comprises assistance to clients from under-represented groups and communities, regional companies, and clients whose film projects were negatively affected by COVID-19.

During the quarter, the Corporation once again renewed its support for the Canadian Screen Awards, which took place in the form of a series of digital presentations via the Academy's social media channels. Writer-director Sophie Deraspe's *Antigone* garnered top honours by winning Best Film and four other awards. Five prizes were awarded to François Girard for *The Song of Names*. Heather Young won the John Dunning Best First Feature Award for *Murmur*, a project funded by the Talent to Watch Program.

As one can imagine, COVID-19 required the Corporation to make several changes with respect to international festivals and the Canada Pavilion. This year, we combined our efforts in a single online promotional campaign focused on three markets: Cannes Film Market, Marché international du film d'animation (MIFA) and Sunny Side of the Doc. At the Cannes Online Film Market, Canada held several webinars and networking sessions for Canadian producers. Highlights of the programming included Nicolas Lévesque winning the Cineli Digital Award for *Les Libres*. In addition, Pascal Plante's *Nadia, Butterfly* and Viggo Mortensen's Canada-UK co-production *Falling* were selected by the Festival du Film and received the Label Cannes 2020.

Similarly, the Canada Now series event was also affected by COVID-19. First, seven films from the 2019 edition of Canada Now Mexico – Semana de Cine Canadiense were made available on Mexico's streaming platform, Cinépolis Klic, for a one-year period. This was made possible through a partnership with Nueva Era Films and Cinépolis and with the promotional support of the Embassy of Canada to Mexico. Second, in the United Kingdom, this year's edition of Canada Now presented seven feature films exclusively on the Curzon Home Cinema streaming platform during the summer supported by a marketing and media outreach initiative with the support of the High Commission of Canada to the United Kingdom. Finally, in the United States, Canada Now adopted a platform to deliver Virtual Cinema Screenings and offered four films to art houses that programmed and promoted some 40 screenings from May onwards.

In mid-April, the annual National Canadian Film Day was held entirely online. As part of this event, the Corporation announced several digital initiatives to help audiences across Canada discover our stories, including the launch of the MADE| NOUS collection on the Apple TV app.

Finally, the Corporation launched the *See It All* campaign to foster the promotion and discoverability of Canadian films that can be watched at home via streaming services such as Crave, Illico and CBC Gem. In addition, the Corporation recently partnered with Air Canada to showcase an array of the best Canadian film productions on its new home streaming service offered to Aeroplan members.

Personnel

During the month of April, the Corporation welcomed two new members to its management team: Jean Morin, as Director, Information Technology, and Marie-Eve Mainville, as Director, Human Resources.



4. GOVERNANCE AND MEMBERS OF THE BOARD

Governance of the Corporation is carried out through activities of the Board and its three subcommittees:

- Audit and Finance Committee;
- Nominating, Evaluation and Governance Committee;
- Communications and Public and Governmental Affairs Committee.

(This committee was previously known as the Strategic Planning and Communications Committee. The Corporation's strategic planning and corporate plan are reviewed by the Board of Directors.)

Governance is also ensured by the Executive Leadership Team, chaired by the Executive Director, and its subcommittees:

- Operational Committee;
- Human Resources Committee;
- Risk Management Committee;
- Information Security Committee;
- Appeal Committee.

During the quarter, the Audit and Finance Committee and the Nominating, Evaluation and Governance Committee met twice. The Communications and Public and Governmental Affairs Committee and the Board of Directors met once and four times, respectively. Meanwhile, given the exceptional circumstances related to COVID-19, the senior management team met 47 times.

During the quarter, the Minister of Canadian Heritage announced the appointment of Emmanuelle Létourneau as a member of the Board. Her five-year term began in June. The Corporation would like to thank Grant Machum, who held various positions on the Board of Directors since May 2008, including Chair of the Nominating, Evaluation and Governance Committee, Vice-Chair and Interim Chair of the Board and Interim Chair of the Audit and Finance Committee. The Corporation also wishes to thank Marie-Linda Lord, who served as Chair of the Strategic Planning and Communications Committee from March 2016 to June 2020, whose mandate ended on June 18.

5. RISK MANAGEMENT

The Corporation manages risk through two committees: the Audit and Finance Committee and the Risk Management Committee. An assessment of risks as well as risk components, impacts and mitigation measures is conducted twice a year.

6. UNADJUSTED DIFFERENCES

Management strives to produce relevant financial information in compliance with CPSAS and within the deadline established by the Receiver General for Canada, namely five business days after the end of the quarter. Accordingly, certain cut-off procedures applicable to the accounts payable and receivable cycles as well as certain adjustments concerning employee future benefits liability, were not carried out at June 30, 2020. Management deems the importance of these adjustments to be immaterial.

7. ANALYSIS OF QUARTERLY RESULTS AND FINANCIAL POSITION

Please note that all the amounts shown in the analysis tables are in thousands of dollars. Variances requiring an explanation are based on thresholds set by the Audit and Finance Committee.

After the first quarter of fiscal 2020-2021 ended, the Government of Canada announced an additional amount for the COVID-19 Emergency relief fund to help alleviate the financial pressures faced by cultural, heritage and sport organizations and asked the Corporation to administer \$2,755,000 in additional funds. The budget will be adjusted accordingly in the September 30, 2020 quarterly report.

Assistance Expenses

Overall, COVID-19 has had significant impacts on support expenditures, which, if the COVID-19 Emergency Relief fund is excluded, are below budget and below the comparative period, mainly for production programs.

For the three-month period ended June 30, 2020

	Budget		Actual		Variance				
	Annual	Period	2020-2021	2019-2020	Budget \$	%	Actual \$	%	
Indigenous Screen Office	90	90	90	-	-	-	90	-	1
Administration of recommendations for audiovisual coproduction	350	93	79	130	14	15	(51)	(39)	2
Development program	5,481	-	-	15	-	-	(15)	(100)	3
Production programs	55,730	1,500	-	3,696	1,500	100	(3,696)	(100)	3
Talent to Watch program	2,400	-	-	-	-	-	-	-	
Theatrical documentary program	2,100	100	-	300	100	100	(300)	(100)	4
Contribution to the Council of Europe's cultural fund, Eurimages	1,700	-	-	-	-	-	-	-	
	67,851	1,783	169	4,141	1,614	91	(3,972)	(96)	
Promotion program and national and international promotional activities	10,469	875	889	2,621	(14)	(2)	(1,732)	(66)	5
Marketing program	7,590	50	120	299	(70)	(140)	(179)	(60)	6
Theatrical exhibition program	500	-	7	-	(7)	-	7	-	
Participation to international festivals and events support program	300	5	5	55	-	-	(50)	(91)	7
Export assistance program	50	5	-	115	5	100	(115)	(100)	8
	18,909	935	1,021	3,090	(86)	(9)	(2,069)	(67)	
	86,760	2,718	1,190	7,231	1,528	56	(6,041)	(84)	
Contingencies	647	-	-	-	-	-	-	-	
COVID-19 Emergency Relief Fund	27,000	27,000	25,306	-	1,694	6	25,306	-	9
	114,407	29,718	26,496	7,231	3,222	11	19,265	266	

- 1 Indigenous Screen Office** Current period \nearrow than previous \$90 Temporary variance since the payment was made in the third quarter during the previous fiscal year.
- 2 Administration of recommendations for audiovisual coproduction** Current period \searrow than previous \$51 Process efficiencies gained with Dialogue.



7. ANALYSIS OF QUARTERLY RESULTS AND FINANCIAL POSITION (CONT.)

Assistance expenses (Cont.)

3	Production programs	Current period ↘ than budget	\$1,500	Budget for the production and feature-length documentary programs underestimated the impacts of COVID-19. In the end, no contracts were signed during the first quarter for both these programs.
		Current period ↘ than previous	\$3,696	
4	Theatrical documentary program	Current period ↘ than budget	\$100	
		Current period ↘ than previous	\$300	
5	Promotion program and national and international promotional activities	Current period ↘ than previous	\$1,732	COVID-19 forced the cancellation of MIPTV as well as the holding of virtual activities for many international markets and events.
6	Marketing program	Current period ↗ than budget	\$70	Lower expenses due to COVID-19.
		Current period ↘ than previous	\$179	
7	Participation to international festivals and events support program	Current period ↘ than previous	\$50	Significant drop in the number of signed contracts due to COVID-19.
8	Export assistance program	Current period ↘ than previous	\$115	Due to COVID-19, no contracts were signed during the quarter.
9	COVID-19 Emergency Relief Fund	Current period ↗ than previous	\$25,306	The Government of Canada announced the COVID-19 Emergency Support Fund and asked the Corporation to administer the funds to support the Canadian audiovisual sector.

7. ANALYSIS OF QUARTERLY RESULTS AND FINANCIAL POSITION (CONT.)

Operating and Administrative Expenses

Operating and administrative costs were below budget and lower than in the comparative period.

For the three-month period ended June 30, 2020

	Budget		Actual		Variance			
	Annual	Period	2020- 2021	2019- 2020	Budget		Actual	
					\$	%	\$	%
Salaries and employee benefits	19,565	4,845	4,619	5,195	226	5	(576)	(11) 1
Information technology	1,403	919	978	1,099	(59)	(6)	(121)	(11) 2
Rent, taxes, heating and electricity	2,030	505	481	505	24	5	(24)	(5)
Professional services	1,760	318	245	299	73	23	(54)	(18) 3
Amortization of tangible capital assets	845	211	205	209	6	3	(4)	(2)
Office expenses	675	165	119	109	46	28	10	9 4
Publications	221	61	32	39	29	48	(7)	(18) 5
Travel	631	42	6	108	36	86	(102)	(94) 6
	27,130	7,066	6,685	7,563	381	5	(878)	(12)

1	Salaries and employee benefits	Current period ↘ than previous	\$576 Non-recurring salary expenses recorded during the first quarter of the previous fiscal year.
2	Information technology	Current period ↘ than previous	\$121 Mainly due to a change in the frequency of billing and a cost reduction for cloud-computing services.
3	Professional services	Current period ↘ than budget	\$73 COVID-19 resulted in delays in the execution of professional services planned for the first quarter.
		Current period ↘ than previous	\$54 The decrease is mainly due to a reduction in IT consultant costs for systems maintenance and optimization.
4	Office expenses	Current period ↘ than budget	\$46 Temporary gap related to training fees and reduction of room rental expenses following a work reorganization in the context of COVID-19.
5	Publications	Current period ↘ than budget	\$29 No graphic design expenses because of the cancellation and postponement of events due to COVID-19.
6	Travel	Current period ↘ than budget	\$36 Substantial reduction in travel expenses due to COVID-19.
		Current period ↘ than previous	\$102

7. ANALYSIS OF QUARTERLY RESULTS AND FINANCIAL POSITION (CONT.)

Government Funding and Revenues

For the three-month period ended June 30, 2020

	Budget		Actual		Variance				
	Annual	Period	2020- 2021	2019- 2020	Budget		Actual		
					\$	%	\$	%	
Parliamentary appropriation	128,879	37,229	37,177	26,785	(52)	-	10,392	39	1
Management fees from the Canada Media Fund	10,137	2,534	2,443	2,512	(91)	(4)	(69)	(3)	
Investment revenues and recoveries	-	-	400	1,029	400	-	(629)	(61)	2
Talent Fund	1,951	-	75	260	75	-	(185)	(71)	3
Contributions to promotional support activities	230	-	-	305	-	-	(305)	(100)	4
Interest	40	10	-	46	(10)	(100)	(46)	(100)	5
	141,237	39,773	40,095	30,937	322	1	9,158	30	

1	Parliamentary appropriation	Current period ↗ than previous	\$10,392 Higher use resulting from payments for the COVID-19 Emergency Support Fund, which offset the significant decrease in payments on support expenditure contracts for the Corporation's regular programs.
2	Investment revenues and recoveries	Current period ↗ than budget	\$400
		Current period ↘ than previous	\$629
3	Talent Fund	Current period ↗ than budget	\$75 Donations were not expected to be received until the second quarter.
		Current period ↘ than previous	\$185 Reduction in the number of donors for the current quarter.
4	Contributions to promotional support activities	Current period ↘ than previous	\$305 No partnership revenue was recorded in the current quarter due to the cancellation of events because of COVID-19.
5	Interest	Current period ↘ than previous	\$46 To support the Canadian audiovisual industry, the Corporation stopped recording interest during the first quarter.

7. ANALYSIS OF QUARTERLY RESULTS AND FINANCIAL POSITION (CONT.)

Financial position

	Actual		Variance	
	June 30, 2020	June 30, 2019	\$	%
Financial assets				
Due from Consolidated Revenue Fund	59,797	58,137	1,660	3
Cash - Talent Fund	893	1,730	(837)	(48) ¹
Accounts receivable	2,906	3,420	(514)	(15) ²
Receivable from the Canada Media Fund	-	2,527	(2,527)	(100) ³
	63,596	65,814	(2,218)	(3)
Liabilities				
Accounts payable and accrued liabilities	2,802	2,828	(26)	(1)
Deferred revenues - Talent Fund	-	714	(714)	(100) ⁴
Financial assistance program obligations	40,858	37,663	3,195	8
Liabilities for employee future benefits	775	767	8	1
	19,161	23,842	(4,681)	(20)
Net financial assets				
	19,161	23,842	(4,681)	(20)
Non-financial assets				
Tangible capital assets	5,243	5,816	(573)	(10) ⁵
Prepaid expenses	165	296	(131)	(44)
	24,569	29,954	(5,385)	(18)

- ¹ **Cash - Talent Fund** ↘ \$837 At June 30, 2020, the Corporation had not received one of the partner's contribution, unlike the comparative quarter.
- ² **Accounts receivable** ↘ \$514 High level of investment and recovery revenues receivables for the previous fiscal year.
- ³ **Receivable from the Canada Media Fund** ↘ \$2,527 Management fees are now billed and collected monthly.
- ⁴ **Deferred revenues - Talent Fund** ↘ \$714 At June 30, 2020, the Corporation had not received one of the partner's contribution, unlike the comparative quarter.
- ⁵ **Tangible capital assets** ↘ \$573 Annual amortization of the Dialogue platform.



8. RECONCILIATION OF COST OF OPERATIONS AND PARLIAMENTARY APPROPRIATION

The Corporation receives most of its funding through an annual Parliamentary appropriation. Items recognized in the Statement of Operations and the Statement of Financial Position may have been funded through a Parliamentary appropriation approved in either a previous or the current fiscal year. Some of the items in the reconciliation calculation cannot be linked directly to the financial statements, since the Parliamentary appropriation is calculated using a modified cash basis accounting method.

<i>In thousands of Canadian dollars</i>	June 30, 2020	June 30, 2019
Cost of operations	33,181	14,794
Adjustment affecting the use of Parliamentary appropriation :		
Assistance expenses adjustment where Parliamentary appropriation eligibility criteria have been met	6,845	16,035
Assistance expenses funded by the Talent Fund	(78)	(159)
Contributions to promotional support activities	-	(305)
Prepaid expenses	(338)	(858)
Operating expenses funded by the CMF	(2,443)	(2,512)
Other administrative adjustments	142	-
Acquisitions of property and equipment	96	-
Salary recovery for payment in arrears transition	(15)	(27)
Amortization	(205)	(209)
Employee future benefits	(8)	26
Use of Parliamentary appropriation at June 30	37,177	26,785
Parliamentary appropriation available for subsequent quarters	91,702	82,594
Parliamentary appropriation expected	128,879	109,379

The Parliamentary appropriation for the fiscal year is derived from the 2020-2021 Main Estimates and a statutory appropriation included in the Supplementary Estimates (A) of \$27 million for the creation of the COVID-19 Emergency Support Fund for cultural organizations in the context of COVID-19 following the *Public Health Events of National Concern Payments Act*.



9. QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2020

Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the *Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations* and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations, change in net financial assets and cash flows of the Corporation, as at the date of and for the periods presented in the quarterly financial statements.

A handwritten signature in blue ink that reads "Christa Dickenson".

Christa Dickenson
Executive Director

A handwritten signature in blue ink that reads "Patrick Bédard".

Patrick Bédard, CPA, CA, MBA
Director of Finance

Montréal, Canada
August 28, 2020



Statement of Operations

For the three-month period ended June 30, 2020

<i>In thousands of Canadian dollars</i>	Schedule	June 30, Budget	June 30, 2020	June 30, 2019
Assistance expenses				
Development of the Canadian audiovisual industry				
Indigenous Screen Office		90	90	-
Administration of recommendations for audiovisual treaty coproduction		93	79	130
Development program		-	-	15
Production programs		1,500	-	3,696
Theatrical documentary program		100	-	300
		1,783	169	4,141
Promotional support in Canada and abroad				
Promotion program and national and international promotional activities		875	889	2,621
Marketing program		50	120	299
Theatrical exhibition program		-	7	-
Participation to international festivals and events support program		5	5	55
Export assistance program		5	-	115
		935	1,021	3,090
COVID-19 Emergency Relief Fund		27,000	25,306	-
		29,718	26,496	7,231
Operating and administrative expenses	A	7,066	6,685	7,563
Cost of operations		36,784	33,181	14,794
Revenues				
Management fees from the Canada Media Fund		2,534	2,443	2,512
Investment revenues and recoveries		-	400	1,029
Talent Fund		-	75	260
Contributions to promotional support activities		-	-	305
Interest		10	-	46
		2,544	2,918	4,152
Net cost of operations before government funding		34,240	30,263	10,642
Government funding				
Parliamentary appropriation		37,229	37,177	26,785
Surplus		2,989	6,914	16,143
Accumulated surplus, beginning of period		17,655	17,655	13,811
Accumulated surplus, end of period		20,644	24,569	29,954

The accompanying note and the schedule are an integral part of these financial statements.


Statement of Financial Position

<i>In thousands of Canadian dollars</i>	June 30, 2020	March 31, 2020
Financial assets		
Due from Consolidated Revenue Fund	59,797	56,974
Cash - Talent Fund	893	896
Accounts receivable	2,906	2,744
Receivable from the Canada Media Fund	-	2,792
	63,596	63,406
Liabilities		
Accounts payable and accrued liabilities	2,802	3,022
Financial assistance program obligations	40,858	47,817
Liabilities for employee future benefits	775	767
	44,435	51,606
Net financial assets	19,161	11,800
Non-financial assets		
Tangible capital assets	5,243	5,352
Prepaid expenses	165	503
	5,408	5,855
Accumulated surplus	24,569	17,655

The accompanying note and the schedule are an integral part of these financial statements.


Statement of Changes in Net Financial Assets

For the three-month period ended June 30, 2020

<i>In thousands of Canadian dollars</i>	June 30, Budget	June 30, 2020	March 31, 2020
Surplus	2,989	6,914	3,844
Tangible capital asset transactions			
Amortization	211	205	828
Acquisitions	(100)	(96)	(201)
Write-down of tangible capital assets	-	-	46
Other transactions			
Acquisitions of prepaid expenses	-	(165)	(503)
Use of prepaid expenses	656	503	1,154
Increase in net financial assets	3,756	7,361	5,168
Net financial assets, beginning of year	11,800	11,800	6,632
Net financial assets, end of period	15,556	19,161	11,800

The accompanying note and the schedule are an integral part of these financial statements.



Statement of Cash Flows

For the three-month period ended June 30, 2020

<i>In thousands of Canadian dollars</i>	June 30, 2020	June 30, 2019
Operating activities		
Surplus	6,914	16,143
Items not affecting cash:		
Increase (decrease) in liabilities for employee future benefits	8	(26)
Amortization of tangible capital assets	205	209
	7,127	16,326
Changes in non-cash financial items:		
Decrease (increase) in accounts receivable	(162)	320
Decrease in receivable from the Canada Media Fund	2,792	501
Increase (decrease) in accounts payable and accrued liabilities	(223)	171
Increase in deferred revenues - Talent Fund	-	714
Decrease of financial assistance program obligations	(6,959)	(16,219)
Decrease in prepaid expenses	338	858
	2,913	2,671
Capital activities		
Cash outflows to acquire tangible capital assets	(93)	(123)
Increase in due from Consolidated Revenue Fund and cash - Talent Fund	2,820	2,548
Due from Consolidated Revenue Fund and cash - Talent Fund, beginning of year	57,870	57,319
Due from Consolidated Revenue Fund and cash - Talent Fund, end of period	60,690	59,867
Additional information presented in operating activities		
Variance in accounts payable and accrued liabilities for capital projects	(3)	123

The accompanying note and the schedule are an integral part of these financial statements.

The variance in accounts payable and accrued liabilities for capital projects, the increase in accounts payable and accrued liabilities and the cash outflows to acquire tangible capital assets of June 30, 2019 have been restated by \$128,000.



Note to the Quarterly Financial Statements

1. Basis of financial statements presentation

These unaudited quarterly financial statements have been prepared by the Corporation's Management in accordance with *Canadian Public Sector Accounting Standards* (CPSAS) pursuant to the Standard on *Quarterly Financial Reports for Crown Corporations* issued by the Treasury Board of Canada. They must be read in conjunction with the most recent annual audited financial statements as at March 31, 2020. The significant accounting policies used in these quarterly financial statements are similar to those used in the annual financial statements of March 31, 2020.

Schedule A - Other Information

A - Operating and administrative expenses

<i>In thousands of Canadian dollars</i>	June 30, Budget	June 30, 2020	June 30, 2019
Salaries and employee benefits	4,845	4,619	5,195
Information technology	919	978	1,099
Rent, taxes, heating and electricity	505	481	505
Professional services	318	245	299
Amortization of tangible capital assets	211	205	209
Office expenses	165	119	109
Publications	61	32	39
Travel	42	6	108
	7,066	6,685	7,563