

Quarterly Financial Report
Period ended June 30, 2019

First quarter of fiscal 2019-2020
Published August 29, 2019

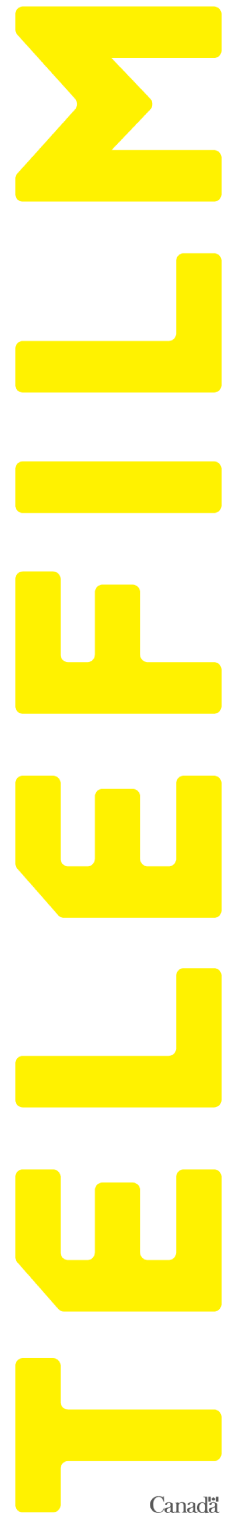




TABLE OF CONTENTS

1.	TELEFILM	2
	OUR MISSION	2
	WHAT WE DO	2
2.	QUARTERLY FINANCIAL REPORT	2
3.	IMPORTANT CHANGES	3
	PROGRAMS	3
	ACTIVITIES	3
	PERSONNEL	3
4.	GOVERNANCE AND MEMBERS OF THE BOARD	4
5.	RISK MANAGEMENT	4
6.	UNADJUSTED DIFFERENCES	4
7.	ANALYSIS OF QUARTERLY RESULTS AND FINANCIAL POSITION	5
	ASSISTANCE EXPENSES	5
	OPERATING AND ADMINISTRATIVE EXPENSES	6
	GOVERNMENT FUNDING AND REVENUES	7
	FINANCIAL POSITION	8
8.	RECONCILIATION OF COST OF OPERATIONS AND PARLIAMENTARY APPROPRIATION	9
9.	QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019	10
	STATEMENT OF MANAGEMENT RESPONSIBILITY	10
	QUARTERLY STATEMENT OF OPERATIONS	11
	STATEMENT OF FINANCIAL POSITION	12
	STATEMENT OF CHANGES IN NET FINANCIAL ASSETS	13
	STATEMENT OF CASH FLOWS	14
	NOTES TO THE QUARTERLY FINANCIAL STATEMENTS	15
	SCHEDULE A - OTHER INFORMATION	15



1. TELEFILM

Telefilm Canada is a Crown corporation reporting to Parliament through the Department of Canadian Heritage and Multiculturalism. Telefilm's vision is Canadian productions, on all consumption platforms, in Canada and abroad.

Our mission

Telefilm's mission is to 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. As a Government of Canada Crown corporation, in the Canadian Heritage portfolio, we support dynamic companies and creators by providing financial support to Canadian film projects as well as 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.

2. QUARTERLY FINANCIAL REPORT

This quarterly financial report complies with all requirements of the Standard on Quarterly Financial Reports for Crown Corporations¹ 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 : <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18789>

3. IMPORTANT CHANGES

Programs

The Alliance des producteurs francophones du Canada and Netflix join forces with the Corporation and the Canada Media Fund to launch the first-ever **Professional Development Program in Film and Television** intended for francophone producers and creators in minority communities across Canada.

Activities

Over the quarter, the Corporation financed 12 productions. In April, two Canadian films were selected for the 9th edition of the Beijing International Film Festival: *Carmine Street Guitars*, *Better Angels*. Furthermore, the Academy Award-winning film *Life of Pi* was shown during a special presentation. In London, the Corporation once again presented two of its major springtime events: First Look and Canada Now.

During the Cannes Festival, three Canadian films were in competition and they all won awards. *La femme de mon frère*, a first feature film by Monia Chokri won the jury's Coup de cœur in the Un Certain Regard category. Quebec composer Jean-Michel Blais was awarded the disque d'or d'honneur for his music in the film *Mathias et Maxime*. The film *It Must Be Heaven* won the FIPRESCI critic's award and received a special mention during the closing ceremony. Still in Cannes, the Corporation, in partnership with Hot Docs and the Rencontres internationales du documentaire de Montréal, supported four projects directed by Canadians as part of Doc Corner at the Cannes Film Market. The four documentaries directed and produced by women are: *Eulogy for the Dead Sea* by Polina Teif, *Damascus Dreams* by Emilie Serrie, *La mer entre nous* by Marlene Edoyan and *Finding Sally* by Tamara Dawit. In addition, for the second consecutive year, the Montreal production company St Laurent Web was in competition at Canneseries, a web series festival, for *La Maison des Folles*, which had its world premiere. Finally, the Corporation and the Canada Media Fund organized a conference on blockchain.

In Canada, it's in front of a packed house that Minister of Canadian Heritage, Pablo Rodriguez, presented in Ottawa, the premiere of the film *SQaawaay K'uuna* (Edge of the Knife), the first feature filmed in Haida, a language on the verge of extinction. In celebration of National Canadian Film Day, held on April 17, Canadian films were presented in theatres, libraries and other public venues from one end of Canada to the other, in addition to be available on web platforms Crave from Bell, Gem from CBC and Netflix. Furthermore, many projects that the Corporation funded were among the big winners at Gala Québec Cinéma: *1991*, *La Bolduc* and *Une colonie*.

Finally, with the support of the Corporation, the Alliance of Canadian Cinema, Television and Radio Artists (ACTRA) and the Directors Guild of Canada have launched a harassment helpline. HAVEN is a new resource to offer support to people undergoing harassment or who witness it.

Personnel

During the quarter, employees holding the positions of Director, Project Financing, Director, Business Affairs and Coproduction, Director, Administration and Corporate Services and Director, Public and Government Affairs have left the corporation. These positions are currently filled on an interim basis.



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;
- Strategic Planning and Communications Committee.

Governance is also ensured by the Management Committee, chaired by the Executive Director, and its subcommittees:

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

During this quarter, the Board held five meetings. The Strategic Planning and Communications Committee, the Audit and Finance Committee and the Nominating, Evaluation and Governance Committee met once. For its part the Management Committee met fourteen times.

During this quarter, the Minister of Canadian Heritage announced the nomination of Robert Spickler as Chair of the Board of Directors and Karen Horcher as member of the Board. Their mandates began in May, for a five-year term. Ms. Horcher was appointed Chair of the Audit and Finance Committee in June 2019. The Corporation wishes to thank G. Grant Machum who served as Acting Chair of the Board of Directors starting in October 2017 and Acting Chair of the Audit and Finance Committee starting in December 2018.

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, 2019. 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.

Assistance Expenses

Overall, the support expenditures are lower than the budget and the previous fiscal year, mainly as a result of production programs.

For the three-month period ended June 30, 2019

	Budget		Actual		Variance			
	Annual	Period	2019- 2020	2018- 2019	Budget		Actual	
					\$	%	\$	%
Production programs	68,465	5,000	3,696	4,625	1,304	26	(929)	(20) ①
Theatrical documentary program	1,100	300	300	472	-	-	(172)	(36) ②
Administration of recommendations for audiovisual coproduction	522	130	130	99	-	-	31	31
Development program	6,329	-	15	-	(15)	-	15	-
Indigenous Screen Office	90	-	-	1	-	-	(1)	(100)
Talent to Watch program	4,000	-	-	-	-	-	-	-
Contribution to the Council of Europe's cultural fund, Eurimages	1,500	-	-	-	-	-	-	-
Innovation program - Production	200	-	-	-	-	-	-	-
	<u>82,206</u>	<u>5,430</u>	<u>4,141</u>	<u>5,197</u>	<u>1,289</u>	<u>24</u>	<u>(1,056)</u>	<u>(20)</u>
Promotion program and national and international promotional activities	13,631	3,200	2,621	3,573	579	18	(952)	(27) ③
Marketing program	8,043	300	299	353	1	-	(54)	(15) ④
Export assistance program	800	120	115	-	5	4	115	- ⑤
Participation to international festivals and events support program	1,000	50	55	14	(5)	(10)	41	293
Theatrical exhibition program	500	-	-	-	-	-	-	-
Innovation program - Promotion	150	-	-	-	-	-	-	-
	<u>24,124</u>	<u>3,670</u>	<u>3,090</u>	<u>3,940</u>	<u>580</u>	<u>16</u>	<u>(850)</u>	<u>(22)</u>
	<u>106,330</u>	<u>9,100</u>	<u>7,231</u>	<u>9,137</u>	<u>1,869</u>	<u>21</u>	<u>(1,906)</u>	<u>(21)</u>

①	Production programs	Current period	\$1,304	During this quarter, the Corporation reduced its participation in a production by 1.5 million of dollars.
		↳ than budget		
②	Theatrical documentary program	Current period	\$929	Some financing contracts were signed at the end of the previous fiscal year whereas in the normal cycle of activities they would have been signed during the quarter.
		↳ than previous		

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

Assistance Expenses (Cont.)

3	Promotion program and national and international promotional activities	Current period ↘ than budget	\$579	Temporary gap resulting from a new process for granting funds for the Promotion program and timing difference for costs related to international events.
		Current period ↘ than previous	\$952	
4	Marketing program	Current period ↘ than previous	\$54	The number of funded projects halved compared to the comparative quarter. This gap should be resolved as the number of applications submitted are comparable to the usual volume.
5	Export assistance program	Current period ↗ than previous	\$115	In order to better support the export of Canadian feature films, the Corporation expanded the eligibility criteria and promotion of this program, resulting in a greater number of projects supported.

Operating and Administrative Expenses

Overall, the operating and administrative costs correspond to the amounts budgeted and to those of the comparative quarter.

For the three-month period ended June 30, 2019

	Budget		Actual		Variance			
	Annual	Period	2019- 2020	2018- 2019	Budget		Actual	
					\$	%	\$	%
Salaries and employee benefits	18,693	5,446	5,195	4,826	251	5	369	8
Information technology	1,460	1,090	1,099	1,185	(9)	(1)	(86)	(7)
Rent, taxes, heating and electricity	1,929	507	505	523	2	-	(18)	(3)
Professional services	1,866	295	299	595	(4)	(1)	(296)	(50) 1
Amortization of tangible capital assets	850	213	209	199	4	2	10	5
Office expenses	642	92	109	176	(17)	(18)	(67)	(38) 2
Travel and hospitality	766	112	108	150	4	4	(42)	(28) 3
Advertising and publications	208	33	39	61	(6)	(18)	(22)	(36)
	26,414	7,788	7,563	7,715	225	3	(152)	(2)

1	Professional services	Current period ↘ than previous	\$296	Explained mainly by a reduction in the costs of IT consultants for systems maintenance and optimization of systems and punctual needs of the previous fiscal year.
2	Office expenses	Current period ↘ than previous	\$67	The training schedule for this fiscal starts later than in the previous fiscal year, where several trainings were held during the first quarter.
3	Travel and hospitality	Current period ↘ than previous	\$42	Some travels within Canada, mostly related to industry consultations, will take place in subsequent quarters whereas they had taken place in the first quarter of the comparative year.



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

Government Funding and Revenues

For the three-month period ended June 30, 2019

	Budget		Actual		Variance				
	Annual	Period	2019- 2020	2018- 2019	Budget		Actual		
					\$	%	\$	%	
Parliamentary appropriation	109,379	24,758	26,785	21,386	2,027	8	5,399	25	1
Management fees from the Canada Media Fund	9,972	2,493	2,512	2,603	19	1	(91)	(3)	
Investment revenues and recoveries	10,000	542	1,029	557	487	90	472	85	2
Contributions to promotional support activities	750	260	305	287	45	17	18	6	
Talent Fund	2,160	256	260	126	4	2	134	106	3
Interest	100	25	46	17	21	84	29	171	
	132,361	28,334	30,937	24,976	2,603	9	5,961	24	

- 1 Parliamentary appropriation** Current period \nearrow than previous \$5,399 Higher use resulting from an increase in payments on obligations relative to prior year commitments, primarily in the Production program.
- 2 Investment revenues and recoveries** Current period \nearrow than budget \$487
 Current period \nearrow than previous \$472 Revenues for the current quarter were pushed upward by two projects that brought in significant remittances and accounted for more than one third of total revenues.
- 3 Talent Fund** Current period \nearrow than previous \$134 The number of donors has doubled during the current quarter.

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

Financial position

	Actual		Variance	
	June 30, 2019	June 30, 2018	\$	%
Financial assets				
Due from Consolidated Revenue Fund	58,137	67,522	(9,385)	(14) 1
Cash - Talent Fund	1,730	2,572	(842)	(33) 2
Accounts receivable	3,420	1,930	1,490	77 3
Receivable from the Canada Media Fund	2,527	2,647	(120)	(5)
Loan	-	240	(240)	(100)
	65,814	74,911	(9,097)	(12)
Liabilities				
Accounts payable and accrued liabilities	2,828	2,207	621	28 4
Deferred revenues - Talent Fund	714	1,365	(651)	(48) 5
Deferred revenues - Indigenous Screen Office	-	195	(195)	(100)
Financial assistance program obligations	37,663	46,379	(8,716)	(19) 6
Liabilities for employee future benefits	767	749	18	2
Net financial assets	23,842	24,016	(174)	(1)
Non-financial assets				
Tangible capital assets	5,816	5,923	(107)	(2)
Prepaid expenses	296	275	21	8
Accumulated surplus	29,954	30,214	(260)	(1)

- 1 Due from Consolidated Revenue Fund** ↘ \$9,385 The reduction stems mainly from the planned utilization of the cash flow for fiscal year ended March 31, 2019.
- 2 Cash - Talent Fund** ↘ \$842 Mainly due to a decrease in the contribution of Bell Media in 2019-2020, as planned in the financing agreement.
- 3 Accounts receivable** ↗ \$1,490 The increase in accounts receivable is attributable mainly to investment revenues and recoveries of this fiscal first quarter for which the deposits have not been received yet.
- 4 Accounts payable and accrued liabilities** ↗ \$621 An account payable for a non-recurring expense has been recorded as at June 30, 2019.
- 5 Deferred revenues - Talent Fund** ↘ \$651 Reduction of the amount of Bell Media's contribution as provided in the financing agreement.
- 6 Financial assistance program obligations** ↘ \$8,716 The Corporation put emphasis on the payments of contracts signed during previous fiscal years.



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, 2019	June 30, 2018
Cost of operations	14,794	16,852
Adjustment affecting the use of Parliamentary appropriation :		
Assistance expenses adjustment where Parliamentary appropriation eligibility criteria have been met	16,035	9,134
Assistance expenses funded by the Talent Fund	(159)	(349)
Contributions to promotional support activities	(305)	(287)
Prepaid expenses	(858)	(1,314)
Operating expenses funded by the CMF	(2,512)	(2,603)
Acquisitions of property and equipment	-	154
Salary recovery for payment in arrears transition	(27)	(16)
Amortization	(209)	(199)
Indigenous Screen Office	-	(1)
Employee future benefits	26	15
Use of Parliamentary appropriation at June 30	26,785	21,386
Parliamentary appropriation available for subsequent quarters	82,594	80,481
Parliamentary appropriation authorized	109,379	101,867

The amount of the Parliamentary appropriation comes from the 2019-2020 Main Estimates and includes a non-recurring amount of 7.5 million of dollars, that is subject to approval.



9. QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2019

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 black 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 29, 2019



Statement of Operations

For the three-month period ended June 30, 2019

<i>In thousands of Canadian dollars</i>	Schedule	June 30, Budget	June 30, 2019	June 30, 2018
Assistance expenses				
Development of the Canadian audiovisual industry				
Production programs		5,000	3,696	4,625
Theatrical documentary program		300	300	472
Administration of recommendations for audiovisual treaty coproduction		130	130	99
Development program		-	15	-
Indigenous Screen Office		-	-	1
		5,430	4,141	5,197
Promotional support in Canada and abroad				
Promotion program and national and international promotional activities		3,200	2,621	3,573
Marketing program		300	299	353
Export assistance program		120	115	-
Participation to international festivals and events support program		50	55	14
		3,670	3,090	3,940
		9,100	7,231	9,137
Operating and administrative expenses	A	7,788	7,563	7,715
Cost of operations		16,888	14,794	16,852
Revenues				
Management fees from the Canada Media Fund		2,493	2,512	2,603
Investment revenues and recoveries		542	1,029	557
Contributions to promotional support activities		260	305	287
Talent Fund		256	260	126
Interest		25	46	17
		3,576	4,152	3,590
Net cost of operations before government funding		13,312	10,642	13,262
Government funding				
Parliamentary appropriation		24,758	26,785	21,386
Surplus		11,446	16,143	8,124
Accumulated surplus, beginning of period		13,811	13,811	22,090
Accumulated surplus, end of period		25,257	29,954	30,214

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


Statement of Financial Position

<i>In thousands of Canadian dollars</i>	June 30, 2019	March 31, 2019
Financial assets		
Due from Consolidated Revenue Fund	58,137	56,587
Cash - Talent Fund	1,730	732
Accounts receivable	3,420	3,740
Receivable from the Canada Media Fund	2,527	3,028
	65,814	64,087
Liabilities		
Accounts payable and accrued liabilities	2,828	2,780
Deferred revenues - Talent Fund	714	-
Financial assistance program obligations	37,663	53,882
Liabilities for employee future benefits	767	793
	41,972	57,455
Net financial assets	23,842	6,632
Non-financial assets		
Tangible capital assets	5,816	6,025
Prepaid expenses	296	1,154
	6,112	7,179
Accumulated surplus	29,954	13,811

The accompanying notes 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, 2019

<i>In thousands of Canadian dollars</i>	June 30, Budget	June 30, 2019	March 31, 2019
Surplus (deficit)	11,446	16,143	(8,279)
Tangible capital asset transactions			
Amortization	213	209	768
Acquisitions	(50)	-	(825)
Other transactions			
Acquisitions of prepaid expenses	-	(158)	(1,154)
Use of prepaid expenses	1,154	1,016	1,589
Increase (decrease) in net financial assets	12,763	17,210	(7,901)
Net financial assets, beginning of year	6,632	6,632	14,533
Net financial assets, end of period	19,395	23,842	6,632

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



Statement of Cash Flows

For the three-month period ended June 30, 2019

<i>In thousands of Canadian dollars</i>	June 30, 2019	June 30, 2018
Operating activities		
Surplus	16,143	8,124
Items not affecting cash:		
Decrease in liabilities for employee future benefits	(26)	(15)
Amortization of tangible capital assets	209	199
	16,326	8,308
Changes in non-cash financial items:		
Decrease in accounts receivable	320	539
Decrease in receivable from the Canada Media Fund	501	305
Increase (decrease) in accounts payable and accrued liabilities	299	(616)
Increase in deferred revenues - Talent Fund	714	1,356
Increase in deferred revenues - Indigenous Screen Office	-	195
Decrease of financial assistance program obligations	(16,219)	(8,913)
Decrease in prepaid expenses	858	1,314
	2,799	2,488
Capital activities		
Cash outflows to acquire tangible capital assets	(251)	(280)
Increase in due from Consolidated Revenue Fund and cash - Talent Fund	2,548	2,208
Due from Consolidated Revenue Fund and cash - Talent Fund, beginning of year	57,319	67,886
Due from Consolidated Revenue Fund and cash - Talent Fund, end of period	59,867	70,094
Additional information presented in operating activities		
Decrease in accounts payable and accrued liabilities for capital projects	251	126

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



Notes 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, 2019. The significant accounting policies used in these quarterly financial statements are similar to those used in the annual financial statements of March 31, 2019.

2. Comparative figures

Certain 2018-2019 figures have been reclassified to conform to the presentation adopted for 2019-2020.

Schedule A - Other Information

A - Operating and administrative expenses

<i>In thousands of Canadian dollars</i>	June 30, Budget	June 30, 2019	June 30, 2018
Salaries and employee benefits	5,446	5,195	4,826
Information technology	1,090	1,099	1,185
Rent, taxes, heating and electricity	507	505	523
Professional services	295	299	595
Amortization of tangible capital assets	213	209	199
Office expenses	92	109	176
Travel and hospitality	112	108	150
Advertising and publications	33	39	61
	7,788	7,563	7,715