

**Economic Development Agency of Canada
for the Regions of Quebec**

**Financial Statements
*(Unaudited)***

As at March 31, 2012

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2012, and all information contained in these statements rests with the management of the Economic Development Agency of Canada for the Regions of Quebec. These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information contained in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Agency's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the *Economic Development Agency of Canada for the Regions of Quebec Departmental Performance Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the Agency and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.


A risk-based assessment of the system of ICFR for the year ended March 31, 2012, was completed in accordance with the *Treasury Board Policy on Internal Control* and the results and action plan are summarized in the appendix.

The effectiveness and adequacy of the Agency's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the Agency's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and ensuring the quality of financial reports, and which recommends the financial statements to the President.

The financial statements of the Agency have not been audited.



Suzanne Vinet, President



Pierre Bordeleau, Chief Financial Officer

Montreal, Canada

21 AOÛT 2012

Date

Economic Development Agency of Canada for the Regions of Quebec

Statement of Financial Position (*Unaudited*)

As at March 31

(in thousands of dollars)

	<u>2012</u>	<u>2011</u>
		Restated (note 13)
Liabilities		
Accounts payable and accrued liabilities (note 4)	\$ 158,691	\$ 219,296
Vacation pay and compensatory leave	1,815	1,942
Employee future benefits (note 5)	5,685	7,803
Total gross liabilities	166,191	229,041
Liabilities held on behalf of Government		
Accounts payable and accrued liabilities (note 4)	(68,800)	(122,642)
Total liabilities held on behalf of Government	(68,800)	(122,642)
Total net liabilities	97,391	106,399
Financial assets		
Due from Consolidated Revenue Fund	89,815	96,531
Accounts receivable and advances (note 6)	664	390
Loans receivable (note 7)	245,033	214,472
Total gross financial assets	335,512	311,393
Financial assets held on behalf of Government		
Accounts receivable and advances (note 6)	(481)	(177)
Loans receivable (note 7)	(245,033)	(214,472)
Total financial assets held on behalf of Government	(245,514)	(214,649)
Total net financial assets	89,998	96,744
Departmental net debt	7,393	9,655
Non-financial assets		
Prepaid expenses	260	812
Tangible capital assets (note 8)	1,333	2,829
Total non-financial assets	1,593	3,641
Departmental net financial position	\$ (5,800)	\$ (6,014)

Contractual obligations (note 9)

Economic Development Agency of Canada for the Regions of Quebec

The accompanying notes form an integral part of the financial statements.



Suzanne Vinet, President

Montreal, Canada



Pierre Bordeleau, Chief Financial Officer

21 AOÛT 2012

Date

Economic Development Agency of Canada for the Regions of Quebec

Statement of Operations and Departmental Net Financial Position (*Unaudited*)

For the Year Ended March 31

(in thousands of dollars)

	2012	2012	2011
	Planned Results		Restated (note 13)
Expenses			
Development of communities	\$ 25,012	\$ 127,668	\$ 126,672
Competitive positioning of sectors and regions	23,797	42,138	38,209
Competitiveness of enterprises	38,321	29,902	34,568
Internal services	25,270	23,571	24,592
Infrastructure	362	13,124	79,375
Policies, programs and initiatives	6,048	6,420	6,536
Special intervention measures	0	(1,919)	92,253
Expenses incurred on behalf of Government	(18,629)	(14,499)	(30,430)
Total expenses	200,181	226,405	371,775
Revenues			
Interest revenues	588	682	541
Miscellaneous revenues	270	181	159
Revenues earned on behalf of Government	(858)	(863)	(700)
Total revenues	0	0	0
Net cost from continuing operations	200,181	226,405	371,775
Transferred operations (note 11)			
Expenses	945	933	1,609
Net cost of transferred operations	945	933	1,609
Net cost of operations before government funding and transfers	201,126	227,338	373,384
Government funding and transfers			
Net cash provided by Government		228,783	302,745
Change in due from Consolidated Revenue Fund		(6,716)	63,979
Services provided without charge by other government departments (note 10a)		6,282	6,267

Economic Development Agency of Canada for the Regions of Quebec

Transfer of assets and liabilities to other government departments (note 11)	(797)	0
Net cost of operations after government funding and transfers	(214)	393
Departmental net financial position – Beginning of year	(6,014)	(5,621)
Departmental net financial position – End of year	\$ (5,800)	\$ (6,014)

Segmented information (note 12)

The accompanying notes form an integral part of the financial statements.

Economic Development Agency of Canada for the Regions of Quebec

Statement of Change in Departmental Net Debt (*Unaudited*) For the Year Ended March 31

(in thousands of dollars)

	<u>2012</u>	<u>2011</u>
Net cost of operations after government funding and transfers	\$ (214)	\$ 393
Change due to tangible capital assets		
Acquisition of tangible capital assets	326	1,151
Amortization of tangible capital assets (note 8)	(852)	(707)
Proceeds from disposal of tangible capital assets	(5)	(4)
Net (loss) or gain on disposal of tangible capital assets including adjustments	(2)	(2)
Transfer to other government departments (note 11)	(963)	0
Total change due to tangible capital assets	(1,496)	438
Change due to prepaid expenses	(552)	318
Net increase (decrease) in departmental net debt	(2,262)	1,149
Departmental net debt – Beginning of year	9,655	8,506
Departmental net debt – End of year	<u>\$ 7,393</u>	<u>\$ 9,655</u>

The accompanying notes form an integral part of the financial statements.

Economic Development Agency of Canada for the Regions of Quebec

Statement of Cash Flow (*Unaudited*)

For the Year Ended March 31

(in thousands of dollars)

	<u>2012</u>	<u>2011</u>
		Restated (note 13)
Operating activities		
Net cost of operations before government funding and transfers	\$ 227,338	\$ 373,384
Non-cash items:		
Amortization of tangible capital assets (note 8)	(852)	(707)
Loss on disposal and write-down of tangible capital assets	(2)	(2)
Services provided without charge by other government departments (note 10a)	(6,282)	(6,267)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	(30)	120
Increase (decrease) in prepaid expenses	(552)	318
Decrease (increase) in accounts payable and accrued liabilities	6,763	(64,009)
Decrease (increase) in vacation pay and compensatory leave	127	(12)
Decrease (increase) in future employee benefits	2,118	(1,227)
Transfers of liabilities/assets to other government departments (note 11)	(166)	0
Cash used in operating activities	228,462	301,598
Capital investing activities		
Acquisition of tangible capital assets (note 8)	326	1,151
Proceeds from disposal of tangible capital assets	(5)	(4)
Cash used in capital investing activities	321	1,147
Net cash provided by Government of Canada	<u>228,783 \$</u>	<u>302,745 \$</u>

The accompanying notes form an integral part of the financial statements.

Economic Development Agency of Canada for the Regions of Quebec

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

1. Authorities and objectives

Under the *Economic Development Agency of Canada for the Regions of Quebec Act*, which came into force on October 5, 2005, the object of the Agency is to promote the long-term economic development of the regions of Quebec by giving special attention to those where slow economic growth is prevalent or where opportunities for productive employment are inadequate. In carrying out its mission, the Agency shall take such measures as will promote co-operation and complementarity with Quebec and the communities in Quebec.

Thus, the Agency aims to build stronger communities and strengthen the competitiveness of enterprises and regions of Quebec and is reflected in a single strategic result: *A competitive and diversified economy for the regions of Quebec*. To achieve this strategic outcome, the Agency has seven program activities:

- **Competitiveness of enterprises** to stimulate the growth and competitiveness of SMEs so as to increase productivity, earned income and the number of jobs in the regions;
- **Competitive positioning of sectors and regions** to improve the international competitiveness of the regions by enhancing their knowledge and competitive advantages on the international stage;
- **Development of communities** to help communities develop with regard to their capabilities in terms of socio-economic adjustment, support for emergence of new entrepreneurs and creation of small enterprises, attraction of tourists and retention of skilled individuals;
- **Special intervention measures** to facilitate the definition and implementation of development and diversification opportunities in communities affected by significant job losses or natural disasters;
- **Infrastructure** to renew and build quality public infrastructure in Quebec's rural and urban communities;
- **Policies, programs and initiatives** to enhance the Agency's ability to draw up or help formulate policies, programs and initiatives that better meet the needs of Quebec's regions and reinforce the timeliness of federal action pertaining to regional development in Quebec; and
- **Internal services** are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations. For the Agency, these groups are: Governance and Management Support, Resource Management Services, and Asset Management Services.

2. Summary of significant accounting policies

These financial statements have been prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting principles do not result in any significant differences from Canadian public sector accounting standards.

Economic Development Agency of Canada for the Regions of Quebec

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

Significant accounting policies are as follows:

- a) **Parliamentary authorities** - The Agency is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided for the Agency do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the Statement of Operations and Departmental Net Financial Position are the amounts reported in the future-oriented financial statements included in the *2011-2012 Report on Plans and Priorities*. The future-oriented financial statements for 2011-2012 have been restated to reflect the revenue net of non-responsible amounts. This restatement resulted in a \$858 thousand increase in net costs of operations before government funding and transfers. In addition, the future-oriented financial statements have also been reclassified to conform to the current year presentation.
- b) **Net Cash Provided by Government** – The Agency operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Agency is deposited to the CRF and all cash disbursements made by the Agency are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.
- c) **Amounts due from the CRF** are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Agency is entitled to draw from the CRF without further authorities to discharge its liabilities.
- d) **Revenues** - Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues, except for the item listed below. Loans are non-interest bearing and, due to the uncertainty as to ultimate collection, interest income is only charged on overdue amounts when received. Other revenues consist of other fees and gains on the disposal of capital and non-capital assets.

Revenues that are non-responsible are not available to discharge the Agency's liabilities. While the Deputy Head is expected to maintain accounting control, he has no authority regarding the disposition of non-responsible revenues. As a result, non-responsible revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the entity's gross revenues.

- e) **Expenses** - Expenses are recorded on the accrual basis:
 - o Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met all eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements. Transfer payments that become repayable as a result of conditions specified in the contribution agreement that have come into being are recorded as a reduction to transfer payment expense and as a receivable.

Economic Development Agency of Canada for the Regions of Quebec

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

- Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
 - Services provided without charge by other government departments for accommodation, employer contributions to the health and dental insurance plans, and legal services are recorded as operating expenses at their estimated cost.
- f) Employee future benefits
- (i) Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. The Agency's contributions to the Plan are charged to expenses in the year incurred and represent the Agency's total obligation to the Plan. The Agency's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, the Plan's sponsor.
 - (ii) Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.
- g) Accounts and loans receivable are stated at the lower of cost and net recoverable value. The present value of these contributions is not estimated, since insufficient conditions of a concessionary nature are attached to them. Transfer payments that are unconditionally repayable are recognized as loans receivable. A valuation allowance is recorded for accounts and loans receivable where recovery is considered uncertain.
- h) Tangible capital assets - All tangible capital assets and leasehold improvements having an initial cost of \$5,000 or more are recorded at their acquisition cost. The Agency does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves and museum collections.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset, as follows:

Economic Development Agency of Canada for the Regions of Quebec

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

Asset class	Amortization period
Computer hardware	3 to 7 years
Computer software	3 to 6 years
Other equipment	5 to 10 years
Motor vehicles	6 to 8 years
Leasehold improvements	The remainder of the term of the lease.

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

- i) Measurement uncertainty – The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are allowances for doubtful accounts, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

Economic Development Agency of Canada for the Regions of Quebec

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

Asset class	Amortization period
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Economic Development Agency of Canada for the Regions of Quebec

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

3. Parliamentary authorities

The Agency receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the Agency has different net results of operations for the year on a government funding basis than on an accrual accounting basis. These differences are reconciled in the following tables:

a) Reconciliation of net cost of operations to current year authorities used

	<u>2012</u>	<u>2011</u>
		Restated (note 13)
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	\$ 227,338	\$ 373,384
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge (note 10a)	(6,282)	(6,267)
Amortization of tangible capital assets (note 8)	(852)	(707)
Adjustments to prepaid expenses	(224)	49
Loss on disposal and write-down of tangible capital assets	(2)	(2)
Vacation pay and compensatory leave	81	(12)
Employee future benefits (note 5)	1,976	(1,227)
Repayment of contributions and previous years' expenses	7,750	4,951
Other	(642)	632
Total items affecting net cost of operations but not affecting authorities:	229,143	370,801

Economic Development Agency of Canada for the Regions of Quebec

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

Adjustments for items not affecting net cost of operations but affecting authorities:

Acquisition of tangible capital assets (note 8)	326	1,151
New loans (note 7)	76,442	108,054
Other	10	0
	<hr/>	<hr/>
Total items not affecting net cost of operations but affecting authorities	76,778	109,205
	<hr/>	<hr/>
Current year authorities used	\$ 305,921	\$ 480,006

b) Authorities provided and used

	2012	2011
	(in thousands of dollars)	
Authorities provided:		
Vote 1—Operating expenditures	\$ 50,757	\$ 52,596
Vote 5—Grants and contributions	266,924	472,602
Statutory amounts	5,804	12,131
	<hr/>	<hr/>
	323,485	537,329
Less:		
Authorities available for use in future years	(12)	(6)
Lapsed: Operating and Grants and contributions	(17,552)	(57,317)
	<hr/>	<hr/>
Current year authorities used	\$ 305,921	\$ 480,006

Economic Development Agency of Canada for the Regions of Quebec

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

4. Accounts payable and accrued liabilities

The following table presents details on accounts payable and accrued liabilities by category:

	<u>2012</u>	<u>2011</u>
	(in thousands of dollars)	
Accounts payable – Other government departments and agencies	\$ 58,201	\$ 635
Accounts payable – External parties	3,049	2,464
Total accounts payable	<u>61,250</u>	<u>3,099</u>
Accrued liabilities	97,441	216,197
Gross accounts payable	<u>158,691</u>	<u>219,296</u>
Accounts payable on behalf of Government	(68,800)	(122,642)
Net accounts payable	<u>\$ 89,891</u>	<u>\$ 96,654</u>

In *Canada's Economic Action Plan 2012*, the Government announced savings measures to be implemented by departments over the next three fiscal years starting in 2012-2013. As a result, the Department has recorded at March 31, 2012 an obligation for termination benefits for an amount of \$668 thousand as part of accrued liabilities to reflect the estimated workforce adjustment costs.

5. Employee future benefits

- a) **Pension benefits:** The Agency's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plans benefits and are indexed to inflation.

Both employees and the Agency contribute to the cost of the Plan. The 2011-2012 expense amounts to \$4,160 thousand (\$4,219 thousand in 2010-2011), which represents approximately 1.8 times (1.9 times in 2010-2011) the contributions by the employee.

The Agency's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

- b) **Severance benefits:** The Agency provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about the severance benefits, measured as at March 31, is as follows:

Economic Development Agency of Canada for the Regions of Quebec

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

	<u>2012</u>	<u>2011</u>
	(in thousands of dollars)	
Accrued benefit obligation - Beginning of year	\$ 7,803	\$ 6,576
Transferred to other government departments, effective November 15, 2011 (note 11)	(142)	0
Subtotal	<u>7,661</u>	<u>6,576</u>
Expense for the year	(321)	1,852
Benefits paid during the year	(1,655)	(625)
Accrued benefit obligation - End of year	<u>\$ 5,685</u>	<u>\$ 7,803</u>

6. Accounts receivable and advances

The following table presents details of accounts receivable and advances balances:

	<u>2012</u>	<u>2011</u>
		Restated (note 13)
	(in thousands of dollars)	
Receivables – Other government departments and agencies	\$ 67	\$ 101
Receivables – External parties	10,524	9,050
Employee advances	14	22
Subtotal	<u>10,605</u>	<u>9,173</u>
Allowance for doubtful accounts on receivables from external parties	(9,941)	(8,783)
Gross accounts receivable	<u>664</u>	<u>390</u>
Accounts receivable held on behalf of Government	(481)	(177)
Net accounts receivable	<u>\$ 183</u>	<u>\$ 213</u>

Economic Development Agency of Canada for the Regions of Quebec

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

Amounts collected in respect to conditionally repayable contributions totalled \$5,695 thousand for the 2011-2012 fiscal year (\$3,285 thousand in 2010-2011). The Agency wrote off a total of \$1,770 thousand in the 2011-2012 fiscal year for accounts deemed uncollectible (\$2,482 thousand in 2010-2011).

7. Loans receivable

Loans (unconditionally repayable contributions) are transfer payments made to eligible recipients to carry out a project. The contribution agreement sets out strict conditions for repayment which determine the dates and amounts of payments. In general, the repayment schedule does not exceed five years, beginning no later than 24 to 48 months after the project completion date. The amounts collected in respect to unconditionally repayable contributions totalled \$29,705 thousand for the 2011-2012 fiscal year (\$34,480 thousand in 2010-2011). The Agency wrote off a total of \$11,450 thousand in 2011-2012 for accounts deemed uncollectible (\$4,493 thousand in 2010-2011). All loans are held on behalf of Government, since the Deputy Head has no authority with regard to their disposal.

The following table presents the details of the Agency's loans and transfer payment recoverable balances:

	<u>2012</u>	<u>2011</u>
		Restated (note 13)
	(in thousands of dollars)	
Repayable contributions at the beginning of the year	\$ 352,651	\$ 283,324
New contributions paid	76,442	108,054
Repayments received and other credits	(45,710)	(38,727)
	<hr/>	<hr/>
Subtotal: Repayable contributions at year end	383,383	352,651
Less: Allowance for uncollectibility	(138,350)	(138,179)
	<hr/>	<hr/>
Total loans receivable	\$ 245,033	\$ 214,472

Economic Development Agency of Canada for the Regions of Quebec

Notes to the Financial Statements (Unaudited) For the Year Ended March 31

8. Tangible capital assets (in thousands of dollars)

Capital Asset Class	Cost						Accumulated Amortization				Net Book Value	
	Opening Balance	Acquisitions	Adjustments (1)	Disposals	Closing Balance	Opening Balance	Acquisitions	Adjustments (1)	Disposals	Closing Balance	2012	2011
Computer hardware	\$ 2,430	\$ 39	\$ 2,205	\$ 0	\$ 264	\$ 1,177	\$ 233	\$ 1,314	\$ 0	\$ 96	\$ 168	\$ 1,253
Computer software	4,536	224	42	0	4,718	3,542	535	146	0	3,931	787	994
Other equipment	104	6	49	0	61	52	12	32	0	32	29	52
Motor vehicles	507	41	0	45	503	280	51	0	38	293	210	227
Leasehold improvements	168	0	0	0	168	24	21	0	0	45	123	144
Assets under construction	159	16	159	0	16	0	0	0	0	0	16	159
TOTAL	\$ 7,904	\$ 326	\$ 2,455	\$ 45	\$ 5,730	\$ 5,076	\$ 852	\$ 1,492	\$ 38	\$ 4,397	\$ 1,333	\$ 2,829

(1) Adjustments include assets under construction of \$159 thousand that were transferred to other categories upon completion of the assets.

Effective November 15, 2011, the Agency transferred computer hardware, software and other equipment, with a net book value of \$963 thousand, to Shared Services Canada. This transfer is included in the adjustment column (see note 11 for further details on the transfer).

Economic Development Agency of Canada for the Regions of Quebec

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

9. Contractual obligations

The nature of the Agency's activities result in some large multi-year contracts and obligations whereby the Agency will be obligated to make future payments in order to carry out its transfer payment programs. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2013	2014	2015	2016	2017 and thereafter	Total
Transfer payments	\$ 133,760	\$ 75,723	\$ 60,539	\$ 42,505	\$ 12,829	\$ 325,356
Loans and advances	35,417	5,490	0	0	0	40,907
Total	\$ 169,177	\$ 81,213	\$ 60,539	\$ 42,505	\$ 12,829	\$ 366,263

10. Related party transactions

The Agency is related as a result of common ownership to all government departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, the Agency received services which were obtained without charge from other government departments as disclosed below.

a) Common services provided without charge by other government departments

During the year, the Agency received services without charge from certain common service organizations, related to accommodation, legal services and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in the Agency's Statement of Operations and Departmental Net Financial Position as follows:

	2012	2011
	(in thousands of dollars)	
Employer's contribution to the health and dental insurance plans	\$ 3,148	\$ 3,177
Accommodation	2,815	2,799
Legal Services	319	291
Total	\$ 6,282	\$ 6,267

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General are not included in the Statement of Operations and Departmental Net Financial Position.

Economic Development Agency of Canada for the Regions of Quebec

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

b) Administration of programs on behalf of other government departments

Under memorandums of understanding with Infrastructure Canada (INFC), the Agency administers and delivers infrastructure programs through federal-provincial agreements with the province of Quebec. Expenses related to federal contributions for these agreements are reflected in the financial statements of INFC and not those of the Agency.

Among the agreements covered by these memorandums of understanding are those of the Municipal Rural Infrastructure Fund (MRIF). During the year, the Agency incurred expenses of \$35,055 thousand (\$28,302 thousand in 2010-2011). Under the Canada Strategic Infrastructure Fund (CSIF), the Agency incurred expenses of \$794 thousand (\$19,324 thousand in 2010-2011). Under the Building Canada Fund agreement, the Agency incurred expenses of \$40,704 thousand (\$90,000 thousand in 2010-2011). To administer these agreements, the Agency receives additional operating funds in its own authorities through budget processes, and these expenses are included in these financial statements.

Under a memorandum of understanding signed on June 27, 2011 with the Department of Foreign Affairs and International Trade Canada for the North American Platform Program (NAPP), the Agency manages a portion of the funds for projects which are under its governance as a partner. Over the course of the year, the Agency incurred expenses of \$100 thousand (\$190 thousand in 2010-2011). These expenses are recorded in the financial statements of the Department of Foreign Affairs and International Trade Canada.

c) Other transactions with related parties

	<u>2012</u>	<u>2011</u>
	(in thousands of dollars)	
Expenses – Other government departments and agencies	\$ 1,660	\$ 2,607

The expenses disclosed in section (c) do not include common services provided free of charge, which are disclosed in section (a).

Economic Development Agency of Canada for the Regions of Quebec

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

11. Transfers to other government departments

Effective November 15, 2011, the Agency transferred responsibility for network services, data centres and electronic mail services to Shared Services Canada, in accordance with the Order-in-Council, including the stewardship responsibility for the assets and liabilities related to the program. Accordingly, the Agency transferred the following assets and liabilities related to network services, data centres and electronic mail services to Shared Services Canada:

Assets:

Accounts receivable and advances	\$ 1
Prepaid expenses	21
Tangible capital assets (net book value) (note 8)	963
Total assets transferred	<u>985</u>

Liabilities

Vacation pay and compensatory leave	46
Employee future benefits (note 5)	142
Total liabilities transferred	<u>188</u>

Adjustment to the departmental net financial position

\$ 797

In addition, the 2011 comparative figures have been reclassified on the Statement of Operations and Departmental Net Financial Position to present the expenses of the transferred operations.

During the transition period, the Agency continued to administer these activities on behalf of Shared Services Canada. The administered expenses amounted to \$778 thousand for the year. These expenses are not included in these financial statements.

Economic Development Agency of Canada for the Regions of Quebec

Notes to the financial statements (unaudited) for the year ended March 31

12. Segmented information (in thousands of dollars)

Presentation by segment is based on the Agency's Program Activity Architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for the main program activities, by major object of expense and by major type of revenue. The segment results for the period are as follows:

Expenses	Competitiveness of enterprises	Competitive positioning of sectors and regions	Development of communities	Infrastructure	Policies, programs and initiatives	Special intervention measures	Internal services	2012 Total	2011 Total Restated (note 13)
Transfer payments									
Non-repayable payments									
Non-profit organizations	\$ 9,557	\$ 40,098	\$ 84,525	\$ 248	\$ 192	\$ (40)	\$ 0	\$ 134,580	\$ 163,479
Other levels of government	0	0	12,756	11,888	0	(379)	0	24,265	132,026
Industry	2,694	600	667	0	0	(281)	0	3,680	7,340
Conditional repayments									
Industry	4,452	(76)	17,882	0	0	(1,013)	0	21,245	38,155
Subtotal	16,703	40,622	115,830	12,136	192	(1,713)	0	183,770	341,000
Expenses incurred on behalf of Government	(10,564)	2,366	(7,163)	0	0	862	0	(14,499)	(30,430)
Total – Transfer payments	6,139	42,988	108,667	12,136	192	(851)	0	169,271	310,570
Operating expenses									
Salaries and employee benefits	10,109	1,318	10,548	863	5,506	(193)	17,434	45,585	47,610
Professional and special services	2,019	71	280	46	276	(3)	2,535	5,224	6,573
Accommodation	675	75	597	49	315	(10)	1,669	3,370	3,591
Travel and communications	304	40	317	26	122	0	244	1,053	1,557
Purchases of equipment and furniture	9	1	9	0	6	0	528	553	369
Amortization	20	3	22	0	2	0	586	633	454
Information	16	2	16	0	1	0	371	406	611
Supplies and procurement	36	5	38	2	12	0	118	211	377
Repairs and maintenance	9	1	9	0	1	0	17	37	73
Loss on disposal of tangible capital assets	1	0	1	0	0	0	0	2	2
Other	1	0	1	2	(13)	0	69	60	(12)
Total – Operating expenses	13,199	1,516	11,838	988	6,228	(206)	23,571	57,134	61,205
Total - Expenses	19,338	44,504	120,505	13,124	6,420	(1,057)	23,571	226,405	371,775

Economic Development Agency of Canada for the Regions of Quebec

Revenues									
Interest revenues	592	26	52	0	0	12	0	682	541
Miscellaneous revenues	174	0	3	0	0	0	4	181	159
Revenues earned on behalf of Government	(766)	(26)	(55)	0	0	(12)	(4)	(863)	(700)
Total - Revenues	0	0	0	0	0	0	0	0	0
Net cost from continuing operations	\$. 19,338	\$ 44,504	\$ 120,505	\$ 13,124	\$ 6,420	\$ (1,057)	\$ 23,571	\$ 226,405	\$ 371,775

Economic Development Agency of Canada for the Regions of Quebec

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

13. Accounting changes

During 2011, amendments were made to *Treasury Board Accounting Standard 1.2 - Departmental and Agency Financial Statements* to improve financial reporting by government departments and agencies. The amendments are effective for financial reporting of fiscal years ending March 31, 2012, and later. The significant changes to the Agency's financial statements are described below. These changes have been applied retroactively, and comparative information for 2010-2011 has been restated.

Net debt (calculated as liabilities less financial assets) is now presented in the Statement of Financial Position. Accompanying this change, the Agency now presents a Statement of Change in Net Debt and no longer presents a Statement of Equity.

Revenue and related receivables are now presented net of non-respendable amounts in the Agency's Statement of Operations and Departmental Net Financial Position and Statement of Financial Position. The effect of this change was to increase the net cost of operations before government funding and transfers by \$863 thousand for 2012 (\$700 thousand for 2011) and decrease total financial assets by \$245,514 thousand for 2012 (\$214,649 thousand for 2011).

Government funding and transfers, as well as the credit related to services provided without charge by other government departments, are now recognized in the Agency's Statement of Operations and Departmental Net Financial Position under "Net cost of operations before government funding and transfers." In previous years, the Agency recognized these transactions directly in the Statement of Equity of Canada. The effect of this change was to decrease the net cost of operations after government funding and transfers, which totalled \$280,965 thousand in 2012 (\$298,786 thousand in 2011).

	2011 As previously stated	Effect of change	2011 Restated
Statement of Financial Position			
Liabilities held on behalf of Government	\$ 0	\$ (122,642)	\$ (122,642)
Assets held on behalf of Government	0	(214,649)	(214,649)
Departmental financial position	208,635	(214,649)	(6,014)
Statement of Operations and Departmental Net Financial Position:			
Revenues	700	(700)	0
Expenses	403,814	(32,039)	371,775
Government funding and transfers			
Net cash provided by government	0	302,745	302,745
Change in due from Consolidated Revenue Fund	0	63,979	63,979
Services provided without charge by other government departments	0	6,267	6,267
Transfer of assets and liabilities between departments	\$ 0	0	\$ 0

Economic Development Agency of Canada for the Regions of Quebec

**Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31**

14. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.