

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

**Financial Statements
*(Unaudited)***

As at March 31, 2013

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, 2013, 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.

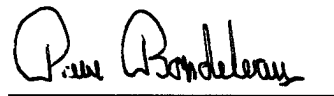
The Agency is subject to periodic Core Control Audits performed by the Office of the Comptroller General and uses the results of such audits to comply with the Treasury Board *Policy on Internal Control*.

A Core Control Audit was performed in 2012-2013 by the Office of the Comptroller General of Canada (OCG). The Audit Report and related Management Action Plan are posted on the departmental web site at: <http://www.dec-ced.gc.ca/eng/publications/agency/audit/288/index.html>.

The financial statements of the Agency have not been audited.



Guy Mc Kenzie,
Deputy Minister
Montréal, Canada



Pierre Bordeleau,
Chief Financial Officer

- 1 AOUT 2013

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>2013</u>	<u>2012</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	\$ 128,444	\$ 158,691
Vacation pay and compensatory leave	1,636	1,815
Employee future benefits (note 5)	2,210	5,685
Total gross liabilities	<u>132,290</u>	<u>166,191</u>
Liabilities held on behalf of Government		
Accounts payable and accrued liabilities (note 4)	(74,912)	(68,800)
Total liabilities held on behalf of Government	<u>(74,912)</u>	<u>(68,800)</u>
Total net liabilities	<u>57,378</u>	<u>97,391</u>
Financial assets		
Due from Consolidated Revenue Fund	53,456	89,815
Accounts receivable and advances (note 6)	486	664
Loans receivable (note 7)	257,571	245,033
Total gross financial assets	<u>311,513</u>	<u>335,512</u>
Financial assets held on behalf of Government		
Accounts receivable and advances (note 6)	(361)	(481)
Loans receivable (note 7)	(257,571)	(245,033)
Total financial assets held on behalf of Government	<u>(257,932)</u>	<u>(245,514)</u>
Total net financial assets	<u>53,581</u>	<u>89,998</u>
Departmental net debt	<u>3,797</u>	<u>7,393</u>
Non-financial assets		
Prepaid expenses	130	260
Tangible capital assets (note 8)	917	1,333
Total non-financial assets	<u>1,047</u>	<u>1,593</u>
Departmental net financial position	<u>\$ (2,750)</u>	<u>\$ (5,800)</u>

Contractual obligations (note 9)

Contingent liabilities (note 10)

Economic Development Agency of Canada for the Regions of Quebec

Statement of Financial Position (*Unaudited*)

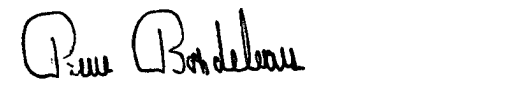
As at March 31

(in thousands of dollars)

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



Guy Mc Kenzie,
Deputy Minister
Montréal, Canada



Pierre Bordeleau,
Chief Financial Officer

- 1 AOUT 2013

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)

	2013	2013	2012
	Planned Results		
Expenses			
Business Development	\$ 96,971	\$ 87,486	\$ 109,889
Regional Economic Development	37,484	44,299	26,980
Strengthening Community Economies	89,593	87,725	80,464
Internal services	21,787	20,097	23,571
Expenses incurred on behalf of Government	(12,066)	(15,387)	(14,499)
Total expenses	233,769	224,220	226,405
Revenues			
Interest revenues	602	486	682
Miscellaneous revenues	203	120	181
Revenues earned on behalf of Government	(805)	(606)	(863)
Total revenues	0	0	0
Net cost from continuing operations	233,769	224,220	226,405
Transferred operations (note 12)			
Expenses	0	0	933
Net cost of transferred operations	0	0	933
Net cost of operations before government funding and transfers	233,769	224,220	227,338
Government funding and transfers			
Net cash provided by Government		257,323	228,783
Change in due from Consolidated Revenue Fund		(36,359)	(6,716)
Services provided without charge by other government departments (note 11a)		6,326	6,282
Transfer of assets and liabilities to other government departments (note 8 and 12)		(20)	(797)
Net cost of operations after government funding and transfers		(3,050)	(214)

Economic Development Agency of Canada for the Regions of Quebec

Departmental net financial position – Beginning of year	(5,800)	(6,014)
	<hr/>	<hr/>
Departmental net financial position – End of year	\$ (2,750)	\$ (5,800)
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Segmented information (note 13)

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

Economic Development Agency of Canada for the Regions of Quebec

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

(in thousands of dollars)

	<u>2013</u>	<u>2012</u>
Net cost of operations after government funding and transfers	\$ (3,050)	\$ (214)
Change due to tangible capital assets		
Acquisition of tangible capital assets	207	326
Amortization of tangible capital assets (note 8)	(583)	(852)
Proceeds from disposal of tangible capital assets	(14)	(5)
Net (loss) or gain on disposal of tangible capital assets including adjustments	(6)	(2)
Transfer to other government departments (note 8)	(20)	(963)
Total change due to tangible capital assets	(416)	(1,496)
Change due to prepaid expenses	(130)	(552)
Net decrease in departmental net debt	(3,596)	(2,262)
Departmental net debt – Beginning of year	7,393	9,655
Departmental net debt – End of year	<u>\$ 3,797</u>	<u>\$ 7,393</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>2013</u>	<u>2012</u>
Operating activities		
Net cost of operations before government funding and transfers	\$ 224,220	\$ 227,338
Non-cash items:		
Amortization of tangible capital assets (note 8)	(583)	(852)
Loss on disposal and write-down of tangible capital assets	(6)	(2)
Services provided without charge by other government departments (note 11a)	(6,326)	(6,282)
Variations in Statement of Financial Position:		
Decrease in accounts receivable and advances	(58)	(30)
Decrease in prepaid expenses	(130)	(552)
Decrease in accounts payable and accrued liabilities	36,359	6,763
Decrease in vacation pay and compensatory leave	179	127
Decrease in future employee benefits	3,475	2,118
Transfers of liabilities/assets to other government departments (note 12)	0	(166)
Cash used in operating activities	257,130	228,462
Capital investing activities		
Acquisition of tangible capital assets (note 8)	207	326
Proceeds from disposal of tangible capital assets	(14)	(5)
Cash used in capital investing activities	193	321
Net cash provided by Government of Canada	<u>257,323 \$</u>	<u>228,783 \$</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 four program activities:

- **Business Development:** This program activity (PA) is designed to support development of enterprises throughout their life cycle so as to enhance Quebec's economic growth. Enterprises are recognized as generating a major share of economic activity and job creation. The Agency aim is to foster the emergence of new businesses and the next generation of entrepreneurs. Its aim is also to enhance the competitiveness of existing businesses and help to ensure survival by improving their performance through development of production, innovation, commercialization and export capacities.
- **Regional Economic Development:** The purpose of this program activity is to support the economic development of the various regions in order to increase Quebec's economic growth. The regions of Quebec are not homogeneous and have different circumstances, with issues, challenges and strengths particular to their region. The regions generate prosperity, and their participation in the economy is essential for Quebec's economic growth. The Agency supports the strengthening of their economic base by encouraging stakeholder engagement in economic development and stimulating investment in all regions of Quebec.
- **Strengthening Community Economies:** In addition to its regular programs, the Agency is called upon to develop, administer and implement national programs or temporary, targeted initiatives intended to strengthen community economies and increase Quebec's economic growth. It supports the economic development of rural communities and ensures the sound and effective management of infrastructure programs in Quebec. The Agency also supports economic activity in Quebec communities experiencing economic shocks or where there are major economic development issues or promising opportunities for development.
- **Internal Services:** *Internal Services* are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically for a program. They ensure greater efficiency in program delivery and thus contribute to providing high quality services for Canadians.

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 *2012-2013 Report on Plans and Priorities*. The future-oriented financial statements for 2012-2013 have been restated to exclude transactions incurred on behalf of Government. This restatement resulted in \$11,261 thousand decrease 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-respendable 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-respendable revenues. As a result, non-respendable 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) Contingent liabilities: Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.
- i) 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	Lesser of the remaining term of lease or useful life of the improvement.

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.

- j) 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

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	2013	2012
	<hr/>	<hr/>
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	\$ 224,220	\$ 227,338
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge	(6,326)	(6,282)
Amortization of tangible capital assets	(583)	(852)
Adjustments to prepaid expenses	(130)	(224)
Loss on disposal and write-down of tangible capital assets	(6)	(2)
Decrease in vacation pay and compensatory leave	179	81
Decrease in employee future benefits	3,475	1,976
Repayment of contributions and previous years' expenses	9,689	7,750
Other	886	(642)
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Total items affecting net cost of operations but not affecting authorities	231,404	229,143

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)	207	326
New loans (note 7)	64,820	76,442
Other	(2)	10
	<hr/>	<hr/>
Total items not affecting net cost of operations but affecting authorities	65,025	76,778
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Current year authorities used	\$ 296,429	\$ 305,921

b) Authorities provided and used

	<u>2013</u>	<u>2012</u>
	(in thousands of dollars)	
Authorities provided:		
Vote 1—Operating expenditures	\$ 47,188	\$ 50,757
Vote 5—Grants and contributions	261,637	266,924
Statutory amounts	5,754	5,804
	<hr/>	<hr/>
	314,579	323,485
Less:		
Authorities available for use in future years	(16)	(12)
Lapsed: Operating and Grants and contributions	(18,134)	(17,552)
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Current year authorities used	\$ 296,429	\$ 305,921

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>2013</u>	<u>2012</u>
	(in thousands of dollars)	
Accounts payable – Other government departments and agencies	\$ 8,742	\$ 58,201
Accounts payable – External parties	1,892	3,049
Total accounts payable	<u>10,634</u>	<u>61,250</u>
Accrued liabilities	117,810	97,441
Gross accounts payable	<u>128,444</u>	<u>158,691</u>
Accounts payable on behalf of Government	(74,912)	(68,800)
Net accounts payable	<u>\$ 53,532</u>	<u>\$ 89,891</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.

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 2012-2013 expense amounts to \$4,088 thousand (\$4,160 thousand in 2011-2012), which represents approximately 1.7 times (1.8 times in 2011-2012) 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 2013. 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>2013</u>	<u>2012</u>
	(in thousands of dollars)	
Accrued benefit obligation - Beginning of year	\$ 5,685	\$ 7,803
Transferred to other government departments, effective November 15, 2011 (note 12)	0	(142)
Subtotal	5,685	7,661
Expense for the year	(762)	(321)
Benefits paid during the year	(2,713)	(1,655)
Accrued benefit obligation - End of year	\$ 2,210	\$ 5,685

6. Accounts receivable and advances

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

	<u>2013</u>	<u>2012</u>
	(in thousands of dollars)	
Receivables – Other government departments and agencies	\$ 70	\$ 67
Receivables – External parties	7,513	10,524
Employee advances	14	14
Subtotal	7,597	10,605
Allowance for doubtful accounts on receivables from external parties	(7,111)	(9,941)
Gross accounts receivable	486	664
Accounts receivable held on behalf of Government	(361)	(481)
Net accounts receivable	\$ 125	\$ 183

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 \$10,477 thousand for the 2012-2013 fiscal year (\$5,695 thousand in 2011-2012). The Agency wrote off a total of \$4,323 thousand in the 2012-2013 fiscal year for accounts deemed uncollectible (\$1,770 thousand in 2011-2012).

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 \$34,276 thousand for the 2012-2013 fiscal year (\$29,705 thousand in 2011-2012). The Agency wrote off a total of \$14,856 thousand in 2012-2013 for accounts deemed uncollectible (\$11,450 thousand in 2011-2012). 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>2013</u>	<u>2012</u>
	(in thousands of dollars)	
Repayable contributions at the beginning of the year	\$ 383,383	\$ 352,651
New contributions paid	64,820	76,442
Repayments received and other credits	(53,278)	(45,710)
Subtotal: Repayable contributions at year end	394,925	383,383
Less: Allowance for uncollectibility	(137,354)	(138,350)
Total loans receivable	<u>\$ 257,571</u>	<u>\$ 245,033</u>

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	Amortization	Adjustments (1)	Disposals	Closing Balance	2013	2012	
Computer hardware	\$ 264	\$ 6	\$ 10	\$ 0	\$ 280	\$ 96	\$ 51	\$ (6)	\$ 0	\$ 141	\$ 139	\$ 168	
Computer software	4,718	89	6	0	4,813	3,931	459	6	0	4,396	417	787	
Other equipment	61	7	0	0	68	32	11	0	0	43	25	29	
Motor vehicles	503	67	(32)	(79)	459	293	42	(12)	(59)	264	195	210	
Leasehold improvements	168	0	0	0	168	45	20	0	0	65	103	123	
Assets under construction	16	38	16	0	38	0	0	0	0	0	38	16	
TOTAL	\$ 5,730	\$ 207	\$ (32)	\$ (79)	\$ 5,826	\$ 4,397	\$ 583	\$ (12)	\$ (59)	\$ 4,909	\$ 917	\$ 1,333	

(1) Adjustments include assets under construction of \$16 thousand that were transferred to other categories upon completion of the assets and a reclassification of Capital Asset Class of \$6 thousand.

Effective September 17, 2012, the Agency transferred a motor vehicle, with a net book value of \$20 thousand, to Agriculture and Agri-Food Canada. This transfer is included in the adjustment column.

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)	2014	2015	2016	2017	2018 and thereafter	Total
Transfer payments	\$ 106,075	\$ 68,241	\$ 44,400	\$ 2,562	\$ 10,294	\$ 231,572
Loans and advances	44,430	10,109	0	0	0	54,539
Total	\$ 150,505	\$ 78,350	\$ 44,400	\$ 2,562	\$ 10,294	\$ 286,111

10. Contingent liabilities

a) Claims and litigation

As of March 31, 2013, two claims remain that have been made against the Agency in the normal course of operations, but an estimate of the loss could not be established. Therefore, no expenses are recorded in the financial statements. Some of these potential obligations may become actual liabilities when one or more future events occur or not. The liabilities existence and amount depends on the future outcome of these claims.

11. 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:

	2013	2012
	(in thousands of dollars)	
Employer's contribution to the health and dental insurance plans	\$ 3,196	\$ 3,148
Accommodation	2,778	2,815
Legal Services	352	319
Total	\$ 6,326	\$ 6,282

Economic Development Agency of Canada for the Regions of Quebec

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

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.

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 \$14,923 thousand (\$35,055 thousand in 2011-2012). Under the Building Canada Fund agreement, the Agency incurred expenses of \$46,864 thousand (\$40,704 thousand in 2011-2012). 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 26, 2012 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 \$126 thousand (\$100 thousand in 2011-2012). 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>2013</u>	<u>2012</u>
	(in thousands of dollars)	
Expenses – Other government departments and agencies	\$ 1,518	\$ 1,660

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

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12. 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)	<u>963</u>
Total assets transferred	985

Liabilities

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

Adjustment to the departmental net financial position

\$ 797

During the transition period, the Agency continued to administer these activities on behalf of Shared Services Canada. The administered expenses amounted to \$0 in 2013 (\$778 thousand in 2012). These expenses are not included in these financial statements.

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13. 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:

	Business Development	Regional Economic Development	Strengthening Community Economies	Internal services	Total	2012 Total
Expenses						
Transfer payments						
Non-repayable payments						
Non-profit organizations	\$ 51,397	\$ 29,992	\$ 52,194	\$ 0	\$ 133,583	\$ 134,580
Other levels of government	0	3,843	34,206	0	38,049	24,265
Industry	4,406	282	308	0	4,996	3,680
Conditional repayments						
Industry	9,372	4,997	(3,238)	0	11,131	21,245
Subtotal	65,175	39,114	83,470	0	187,759	183,770
Expenses incurred on behalf of Government	(14,856)	4	(535)	0	(15,387)	(14,499)
Total – Transfer payments	50,319	39,118	82,935	0	172,372	169,271
Operating expenses						
Salaries and employee benefits	18,296	4,638	3,763	14,663	41,360	45,585
Professional and special services	2,317	145	189	2,147	4,798	5,224
Accommodation	1,228	283	226	1,670	3,407	3,370
Travel and communications	298	77	50	281	706	1,053
Purchases of equipment and furniture	10	2	1	408	421	553
Amortization	30	7	5	541	583	633
Information	61	15	9	244	330	406
Supplies and procurement	54	14	9	85	162	211
Repairs and maintenance	9	2	1	23	35	37
Loss on disposal of tangible capital assets	4	1	1	0	6	2
Other	4	1	1	35	41	60
Total – Operating expenses	22,311	5,185	4,255	20,097	51,848	57,134
Total - Expenses	72,630	44,303	87,190	20,097	224,220	226,405

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Interest revenues	436	0	50	0	486	682
Miscellaneous revenues	99	(2)	(2)	25	120	181
Revenues earned on behalf of Government	(535)	2	(48)	(25)	(606)	(863)
Total - Revenues	0	0	0	0	0	0
Net cost from continuing operations	\$ 72,630	\$ 44,303	\$ 87,190	\$ 20,097	\$ 224,220	\$ 226,405

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14. Comparative information

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