



FINANCIAL STATEMENTS AS OF MARCH 31, 2015

(Unaudited)

March 2015



Canada Economic
Development
for Quebec Regions

Développement
économique Canada
pour les régions du Québec

Canada

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, 2015, and all information contained in these statements rests with the management of Canada Economic Development for Quebec Regions (CED). 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 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 CED's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada and included in *CED's 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 CED 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.

CED 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/verif.html>

The financial statements of Canada Economic Development for Quebec Regions have not been audited.

Marie Lemay, P.Eng., ing.
Deputy Minister / President
Montréal, Canada

Marc Lemieux, MA, MBA, CPA, CMA
Chief Financial Officer

Date

Canada Economic Development for Quebec Regions

Statement of Financial Position (*Unaudited*)

As at March 31

(in thousands of dollars)

	<u>2015</u>	<u>2014</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	48,140	104,319
Vacation pay and compensatory leave	1,357	1,558
Employee future benefits (note 5)	1,888	1,625
Total gross liabilities	<u>51,385</u>	<u>107,502</u>
Liabilities held on behalf of Government		
Accounts payable and accrued liabilities (note 4)	(15,831)	(73,929)
Total liabilities held on behalf of Government	<u>(15,831)</u>	<u>(73,929)</u>
Total net liabilities	<u>35,554</u>	<u>33,573</u>
Financial assets		
Due from Consolidated Revenue Fund	31,908	29,980
Accounts receivable and advances (note 6)	985	969
Loans receivable (note 7)	283,845	276,270
Total gross financial assets	<u>316,738</u>	<u>307,219</u>
Financial assets held on behalf of Government		
Accounts receivable and advances (note 6)	(576)	(552)
Loans receivable (note 7)	(283,845)	(276,270)
Total financial assets held on behalf of Government	<u>(284,421)</u>	<u>(276,822)</u>
Total net financial assets	<u>32,317</u>	<u>30,397</u>
Departmental net debt	<u>3,237</u>	<u>3,176</u>
Non-financial assets		
Prepaid expenses	141	151
Tangible capital assets (note 8)	940	660
Total non-financial assets	<u>1,081</u>	<u>811</u>
Departmental net financial position	<u>(2,156)</u>	<u>(2,365)</u>

Contractual obligations (note 9)

Canada Economic Development for Quebec Regions

Statement of Financial Position (*Unaudited*) As at March 31

(in thousands of dollars)

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

Marie Lemay, P.Eng., ing.
Deputy Minister / President
Montreal, Canada

Marc Lemieux, MA, MBA, CPA, CMA
Chief Financial Officer

Date

Canada Economic Development for Quebec Regions

Statement of Operations and Departmental Net Financial Position (*Unaudited*) For the Year Ended March 31

(in thousands of dollars)

	2015 Planned Results	2015	2014
Expenses			
Business Development	80,269	79,123	83,830
Regional Economic Development	47,750	36,275	39,495
Strengthening Community Economies	40,147	50,317	58,650
Internal Services	15,940	19,573	20,229
Expenses incurred on behalf of Government	(10,128)	(33,841)	(17,368)
Total expenses	173,978	151,447	184,836
Revenues			
Interest revenues	570	174	560
Miscellaneous revenues	158	120	96
Revenues earned on behalf of Government	(728)	(294)	(656)
Total revenues	0	0	0
Net cost of operations before government funding and transfers	173,978	151,447	184,836
Government funding and transfers			
Net cash provided by Government		145,253	203,038
Change in due from Consolidated Revenue Fund		1,928	(23,476)
Services provided without charge by other government departments (note 10a)		5,449	5,632
Transfer of the transition payments for implementing salary payments in arrears (note 11)		(974)	0
Transfer of assets and liabilities to other government departments		0	27
Net cost of operations after government funding and transfers		(209)	(385)

Canada Economic Development for Quebec Regions

Statement of Operations and Departmental Net Financial Position *(Unaudited)* For the Year Ended March 31

(in thousands of dollars)

Departmental net financial position- Beginning of year	(2,365)	(2,750)
Departmental net financial position – End of year	(2,156)	(2,365)

Segmented information (note 12)

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

Canada Economic Development for Quebec Regions

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

(in thousands of dollars)

	<u>2015</u>	<u>2014</u>
Net cost of operations after government funding and transfers	(209)	(385)
Change due to tangible capital assets		
Acquisition of tangible capital assets	556	211
Amortization of tangible capital assets (note 8)	(273)	(478)
Proceeds from disposal of tangible capital assets	(1)	(17)
Net (loss) or gain on disposal of tangible capital assets including adjustments	(2)	(1)
Transfer to other government departments	0	(28)
Total change due to tangible capital assets	280	(257)
Change due to prepaid expenses	(10)	21
Net increase (decrease) in departmental net debt	61	(621)
Departmental net debt – Beginning of year	3,176	3,797
Departmental net debt – End of year	<u>3,237</u>	<u>3,176</u>

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

Canada Economic Development for Quebec Regions

Statement of Cash Flows (*Unaudited*)

For the Year Ended March 31

(in thousands of dollars)

	<u>2015</u>	<u>2014</u>
Operating activities		
Net cost of operations before government funding and transfers	151,447	184,836
Non-cash items:		
Amortization of tangible capital assets (note 8)	(273)	(478)
Loss on disposal of tangible capital assets	(2)	(1)
Services provided without charge by other government departments (note 10a)	(5,449)	(5,632)
Transition payments for implementing salary payments in arrears (note 11)	974	0
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	(8)	292
Increase (decrease) in prepaid expenses	(10)	21
Decrease (increase) in accounts payable and accrued liabilities	(1,919)	23,142
Decrease in vacation pay and compensatory leave	201	78
Decrease (increase) in future employee benefits	(263)	585
Transfer of prepaid expenses to other government departments	0	1
	<hr/>	<hr/>
Cash used in operating activities	144,698	202,844
Capital investing activities		
Acquisition of tangible capital assets (note 8)	556	211
Proceeds from disposal of tangible capital assets	(1)	(17)
	<hr/>	<hr/>
Cash used in capital investing activities	555	194
	<hr/>	<hr/>
Net cash provided by Government of Canada	<u>145,253</u>	<u>203,038</u>

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

Canada Economic Development for Quebec Regions

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

1. Authority and objectives

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

Thus, CED aims to build stronger communities and strengthen the competitiveness of enterprises and regions of Quebec and is encapsulated in a single strategic result: *A competitive and diversified economy for the regions of Quebec*. To achieve this strategic outcome, CED has four programs:

- **Business Development:** This program 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. CED's 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 their survival by improving their performance through the development of production, innovation, commercialization and export capacities.
- **Regional Economic Development:** The purpose of this program 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 face 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. CED 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, CED 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. CED supports the economic development of rural communities and ensures the sound and effective management of infrastructure programs in Quebec. CED 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.

Canada Economic Development for Quebec Regions

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

Significant accounting policies are as follows:

- a) Parliamentary authorities - CED is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to CED 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 “Expenses” and “Revenues” sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statements of Operations included in the *2014-2015 Report on Plans and Priorities*. Planned results are not presented in the “Government funding and transfers” section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the *2014-2015 Report on Plans and Priorities*.
- b) Net Cash Provided by Government – CED operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by CED is deposited to the CRF and all cash disbursements made by CED 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 CED 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 CED’s liabilities. While the Deputy Minister is expected to maintain accounting control, she 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.

Canada Economic Development for Quebec Regions

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. CED's contributions to the Plan are charged to expenses in the year incurred and represent CED's total obligation to the Plan. CED'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. CED 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:

Canada Economic Development for Quebec Regions

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

Asset class	Amortization period
Computer hardware	3 to 5 years
Computer software	3 years
Other equipment	5 years
Motor vehicles	6 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.

- 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.

Canada Economic Development for Quebec Regions

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

3. Parliamentary authorities

CED 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, CED 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	2015	2014
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	151,447	184,836
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge	(5,449)	(5,632)
Amortization of tangible capital assets	(273)	(478)
Loss on disposal of tangible capital assets	(2)	(1)
Decrease in vacation pay and compensatory leave	201	78
Decrease (increase) in employee future benefits	(263)	585
Repayment of contributions and previous years' expenses	4,974	6,678
Other	12,176	640
Total items affecting net cost of operations but not affecting authorities	162,811	186,706

Canada Economic Development for Quebec Regions

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)	556	211
Increase (decrease) in prepaid expenses	(10)	21
New loans (note 7)	89,566	82,367
Transition payments for implementing salary payments in arrears	974	0
Other	1	1
	<hr/>	<hr/>
Total items not affecting net cost of operations but affecting authorities	91,087	82,600
	<hr/>	<hr/>
Current year authorities used	253,898	269,306
	<hr/>	<hr/>

b) Authorities provided and used

2015 **2014**

(in thousands of dollars)

Authorities provided:

Vote 1—Operating expenditures	40,344	42,167
Vote 5—Grants and contributions	212,168	260,896
Statutory amounts	4,262	4,829
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	256,774	307,892

Less:

Authorities available for use in future years	(1)	(17)
Lapsed: Operating and Grants and contributions	(2,875)	(38,569)
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Current year authorities used

253,898 **269,306**

Canada Economic Development for Quebec Regions

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:

	2015	2014
	(in thousands of dollars)	
Accounts payable – Other government departments and agencies	8,704	3,992
Accounts payable – External parties	3,507	1,527
Total accounts payable	12,211	5,519
Accrued liabilities	35,929	98,800
Gross accounts payable	48,140	104,319
Accounts payable on behalf of Government	(15,831)	(73,929)
Net accounts payable	32,309	30,390

5. Employee future benefits

- a) **Pension benefits:** CED's employees participate in the public service pension plan (the "Plan"), which is sponsored and administered by the Government of Canada. 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/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and CED contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2014-2015 expense amounts to \$2,901 thousand (\$3,372 thousand in 2013-2014). For Group 1 members, the expense represents approximately 1.41 times (1.6 times in 2013-2014) the employee contributions and, for Group 2 members, approximately 1.39 times (1.5 times in 2013-2014) the employee contributions.

CED'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:** CED 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:

Canada Economic Development for Quebec Regions

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>2015</u>	<u>2014</u>
	(in thousands of dollars)	
Accrued benefit obligation - Beginning of year	1,625	2,210
Expense for the year	811	1,815
Benefits paid during the year	(548)	(2,400)
Accrued benefit obligation - End of year	<u>1,888</u>	<u>1,625</u>

6. Accounts receivable and advances

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

	<u>2015</u>	<u>2014</u>
	(in thousands of dollars)	
Receivables – Other government departments and agencies	396	404
Receivables – External parties	18,922	7,456
Employee advances	13	13
Subtotal	<u>19,331</u>	<u>7,873</u>
Allowance for doubtful accounts on receivables from external parties	(18,346)	(6,904)
Gross accounts receivable	<u>985</u>	<u>969</u>
Accounts receivable held on behalf of Government	(576)	(552)
Net accounts receivable	<u>409</u>	<u>417</u>

Amounts collected in respect to conditionally repayable contributions totalled \$5,073 thousand for the 2014-2015 fiscal year (\$6,818 thousand in 2013-2014). CED wrote off a total of \$667 thousand in the 2014-2015 fiscal year for accounts deemed uncollectible (\$774 thousand in 2013-2014).

Canada Economic Development for Quebec Regions

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

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 \$58,011 thousand for the 2014-2015 fiscal year (\$46,180 thousand in 2013-2014). CED wrote off a total of \$5,470 thousand in 2014-2015 for accounts deemed uncollectible (\$10,807 thousand in 2013-2014). 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 CED's loans and transfer payment recoverable balances:

	<u>2015</u>	<u>2014</u>
	(in thousands of dollars)	
Repayable contributions at the beginning of the year	419,627	394,925
New contributions paid	89,566	82,367
Repayments received and other credits	(65,727)	(57,665)
	<hr/>	<hr/>
Subtotal: Repayable contributions at year end	443,466	419,627
Less: Allowance for uncollectibility	(159,621)	(143,357)
	<hr/>	<hr/>
Total loans receivable	283,845	276,270

Canada Economic Development for Quebec Regions

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	2015	2014
Computer hardware	280	0	0	0	280	193	53	0	0	246	34	87
Computer software	4,287	162	27	0	4,476	4,086	152	0	0	4,238	238	201
Other equipment	68	0	0	0	68	51	6	0	0	57	11	17
Motor vehicles	472	87	0	(24)	535	227	43	0	(21)	249	286	245
Leasehold improvements	168	0	0	0	168	85	19	0	0	104	64	83
Assets under construction	27	307	(27)	0	307	0	0	0	0	0	307	27
TOTAL	5,302	556	0	(24)	5,834	4,642	273	0	(21)	4,894	940	660

(1) Adjustments include assets under construction of \$27 thousand that were transferred to other categories upon completion of the assets.

Canada Economic Development for Quebec Regions

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

9. Contractual obligations

The nature of CED's activities result in some large multi-year contracts and obligations whereby CED 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:

	2016	2017	2018	2019	2020 and thereafter	Total
	(in thousands of dollars)					
Transfer payments	115,409	48,874	25,596	8,514	46,196	244,589
Loans and advances	65,988	21,651	1,959	0	0	89,598
Total	181,397	70,525	27,555	8,514	46,196	334,187

10. Related party transactions

CED is related as a result of common ownership to all government departments, agencies and Crown corporations. CED enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, CED 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, CED 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 CED's Statement of Operations and Departmental Net Financial Position as follows:

	2015	2014
	(in thousands of dollars)	
Employer's contribution to the health and dental insurance plans	2,399	2,633
Accommodation	2,796	2,864
Legal Services	254	135
Total	5,449	5,632

Canada Economic Development for Quebec Regions

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, audit services provided by the Office of the Auditor General are not included in the Department's Statement of Operations and Departmental Net Financial Position. The costs of information technology infrastructure services provided by Shared Services Canada, following the transfer of responsibilities in November 2011 and April 2013, are also not included in the Department's Statement of Operations and Departmental Net Financial Position.

b) Administration of programs on behalf of other government departments

Under memorandum of understanding signed with Infrastructure Canada (INFC), CED 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 CED.

Among the agreements covered by these memorandums of understanding are those of the Municipal Rural Infrastructure Fund (MRIF). During the year, CED incurred expenses of \$10,000 thousand (\$37,354 thousand in 2013-2014). Under the Building Canada Fund agreement, CED incurred expenses of \$35,000 thousand (\$49,355 thousand in 2013-2014). To administer these agreements, CED receives additional operating funds in its own authorities through budget processes, and these expenses are included in these financial statements.

c) Other transactions with related parties

	<u>2015</u>	<u>2014</u>
	(in thousands of dollars)	
Expenses – Other government departments and agencies	1,646	1,620

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

Canada Economic Development for Quebec Regions

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

11. Transfer of the transition payments for implementing salary payments in arrears

The Government of Canada implemented salary payments in arrears in 2014-2015. As a result, a one-time payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processes. This change to the pay system had no impact on the expenses of the Department. However, it did result in the use of additional spending authorities by the Department. Prior to year end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Works and Government Services Canada, who is responsible for the administration of the Government pay system.

Canada Economic Development for Quebec Regions

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 CED's Program Alignment 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 programs, 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	2014 Total
Expenses						
Transfer payments						
Non-repayable payments						
Non-profit organizations	45,994	17,995	35,315	0	99,304	129,761
Other levels of government	0	104	5,582	0	5,686	6,984
Industry	388	34	1,805	0	2,227	1,710
Conditional repayments						
Industry	16,329	15,761	(61)	0	32,029	15,426
Subtotal	62,711	33,894	42,641	0	139,246	153,881
Expenses incurred on behalf of Government	(19,636)	(11,379)	(2,826)	0	(33,841)	(17,368)
Total – Transfer payments	43,075	22,515	39,815	0	105,405	136,513
Operating expenses						
Salaries and employee benefits	12,795	2,075	6,793	14,287	35,950	38,428
Professional and special services	2,151	88	184	2,514	4,937	4,731
Accommodation	1,025	146	475	1,269	2,915	3,332
Travel and communications	313	52	159	336	860	633
Purchases of equipment and furniture	20	3	10	274	307	115
Amortization	24	4	12	233	273	478
Information	36	6	18	255	315	414
Supplies and procurement	38	6	19	75	138	151
Repairs and maintenance	8	1	4	10	23	38
Loss on disposal of tangible capital assets	1	0	1	0	2	0
Other	1	0	1	320	322	3
Total – Operating expenses	16,412	2,381	7,676	19,573	46,042	48,323

Canada Economic Development for Quebec Regions

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Total - Expenses	59,487	24,896	47,491	19,573	151,447	184,836
Revenues						
Interest revenues	171	0	3	0	174	560
Miscellaneous revenues	120	0	0	0	120	96
Revenues earned on behalf of Government	(291)	0	(3)	0	(294)	(656)
Total - Revenues	0	0	0	0	0	0
Net cost from continuing operations	59,487	24,896	47,491	19,573	151,447	184,836

Canada Economic Development for Quebec Regions

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

13. Comparative information

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