



Quarterly Financial Report for the Quarter Ended June 30, 2015



Canada Economic
Development
for Quebec Regions

Développement
économique Canada
pour les régions du Québec

Canada

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SECTION 1

Introduction

1. INTRODUCTION

Canada Economic Development prepared this quarterly financial report as required under subsection 65.1 of the *Financial Administrative Act* and in the form and manner prescribed by Treasury Board (TB) Accounting Standard 1.3 – Departmental and Agency Quarterly Financial Report.

This quarterly report should be read in conjunction with the 2015–2016 Main Estimates, the Supplementary Estimates, as well as with previous quarterly reports submitted before the current fiscal year.

This document has not been audited by an external auditor or reviewed.

1.1. Authority, mandate and programs

Under the *Economic Development Agency of Canada for the Regions of Quebec Act*, which entered into force on October 5, 2005, the object of CED 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.

Additional information on CED's authority, mandate and program activities can be found in the [Report on Plans and Priorities](#) and the [Main Estimates](#).

1.2. Basis of presentation

This quarterly report has been prepared by CED using an expenditure basis of accounting and a special purpose financial reporting framework designed to meet financial information needs with respect to spending authorities. The accompanying Statement of Authorities includes CED's spending authorities granted by Parliament and those used by CED, consistent with the Main Estimates and Supplementary Estimates for the 2015–2016 fiscal year.

The authority of Parliament is required before monies can be spent by the Government. Authorities available for use are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory authority for specific purposes.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

CED uses the full accrual method of accounting to prepare and present its annual departmental financial statements published in the Departmental Performance Report. However, the spending authorities voted by Parliament are always established on an expenditure basis.

1.3. Financial structure of CED

There are two annual appropriations for CED's expenditures management:

- Vote 1 – Net operating expenditures, which includes CED's authorities related to personnel costs, operating and maintenance expenses;
- Vote 5 – Grants and contributions, which includes all authorities related to transfer payments;

Expenses under budgetary statutory authorities, for which payments are made under a law previously approved by Parliament and which are not parts of the annual appropriations bills, include items such as employer's portion of the employee benefit plan.



SECTION 2

**Highlights of Fiscal Quarter and
Fiscal Year-to-Date (YTD) Results**

2. Highlights of Fiscal Quarter and Fiscal Year-to-Date (YTD) Results

This section includes a variety of financial information for the current fiscal year to June 30, 2015, such as budgetary authorities available for the year and expenditures incurred during the first quarter, while establishing comparisons with the first quarter of the previous fiscal year.

The explanation of variances considers that changes of less than 5% have minimal impact on the interpretation of results.

Further details of this financial information are provided in Sections 2.1 and 2.2, and in the tables in the Appendix.

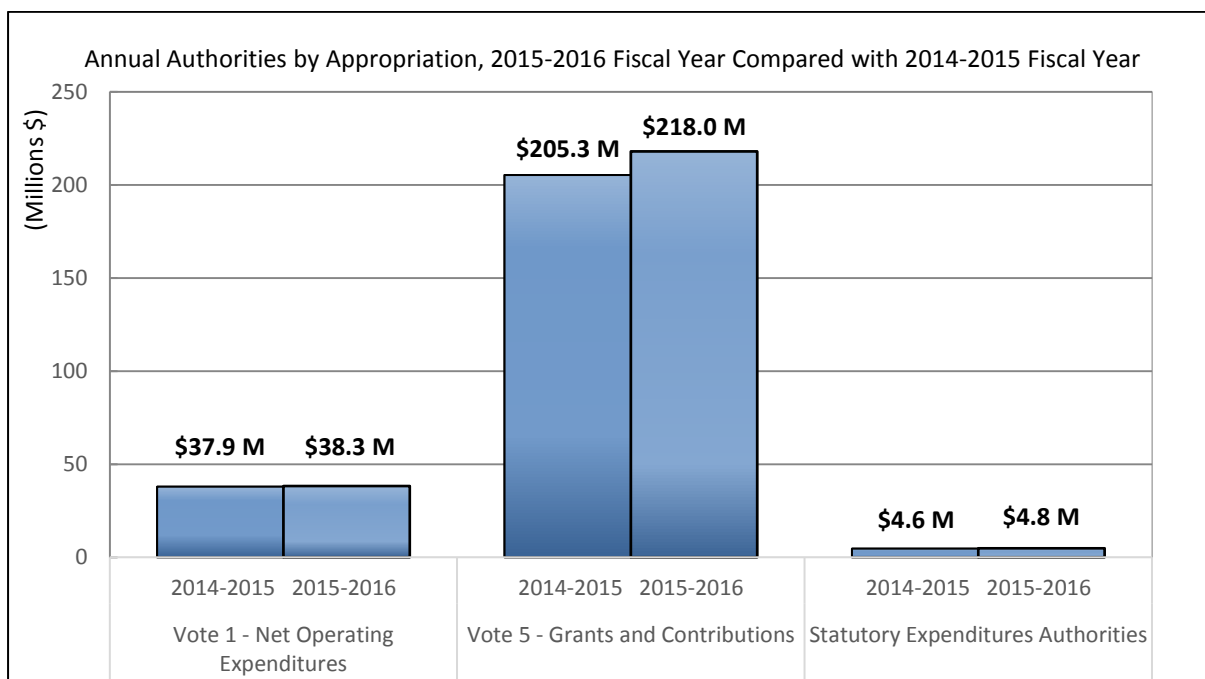
2.1 Analysis of authorities

At the end of the current quarter, CED's annual authorities totaled \$261.1 M.

When the current amount of authorities for the 2015–2016 fiscal year (\$261.1 M) is compared with the amount of authorities for the 2014–2015 fiscal year during the same period (\$247.8 M), there is a funding variance of \$13.3 million. This variance is attributable to the following increases:

- \$0.4 M increase in Vote 1 (Net Operating Expenditures);
- \$12.7 M increase in Vote 5 (Grants and Contributions);
- \$0.2 M increase in Budgetary Statutory Authorities.

The following graph shows the annual budgetary authorities by vote as at June 30 for the current fiscal year, compared with the previous fiscal year.



Vote 1 Authorities – Net Operating Expenditures

There is no significant variance in this item, compared with the previous year.

Vote 5 Authorities – Grants and Contributions

The annual Vote 5 authorities available as at June 30, 2015, compared with the same period in the previous year, show a \$12.7 M increase (6.2%).

This increase is essentially attributable to the following:

- A carry-forward of funding (+\$8.6 M) for the Lac-Mégantic Economic Recovery Initiative;
- An increase (+\$2.8 M) in the amount resulting from reinvestment of our clients' repayable contributions;
- Funding (+\$1.5 M) allocated to the Spruce Budworm Control Initiative;
- Other minor variances (-\$0.2 M).

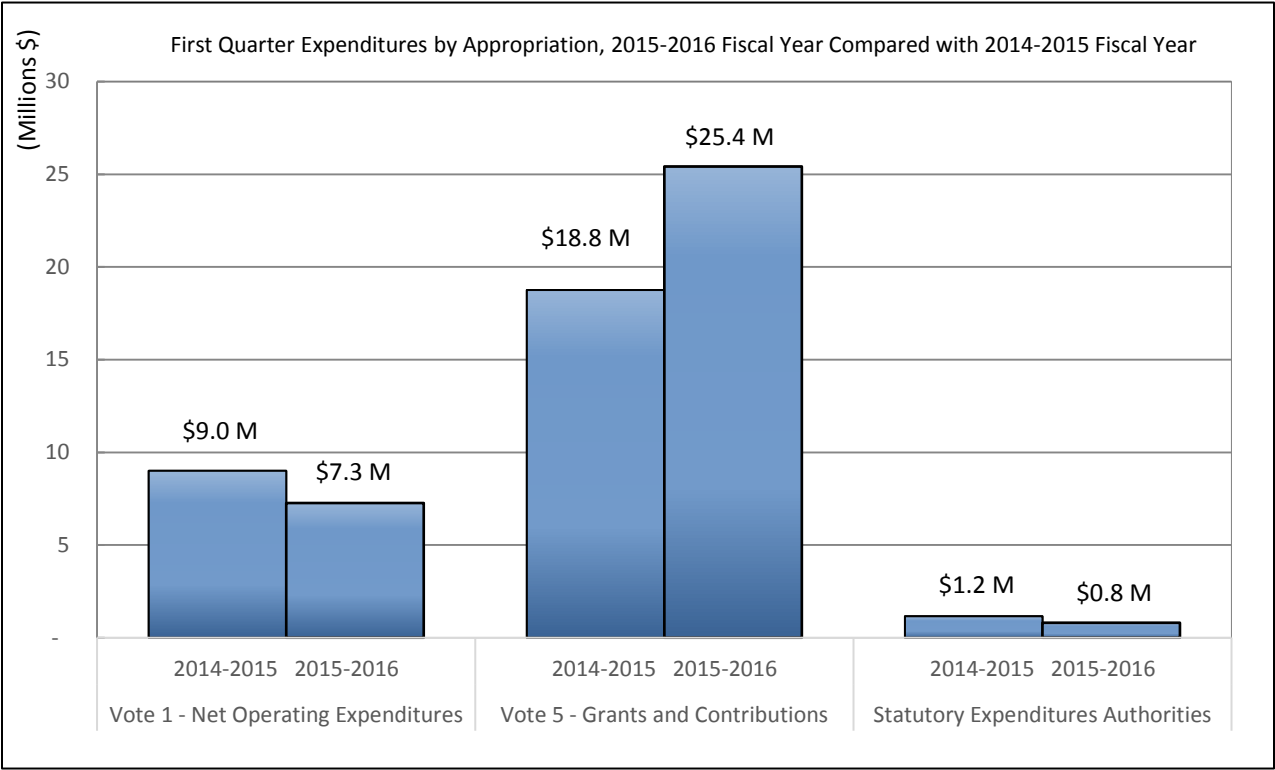
2.2 Analysis of expenditures

The total amount of CED expenditures recorded during the first quarter of 2015–2016 was \$33.5 M, compared with \$28.9 M during the same quarter of the previous year. This is a net increase of \$4.6 M (14%), compared with the previous fiscal year. This variance is mainly attributable to the following:

- A \$2.1 M decrease in Vote 1 (Net Operating Expenditures) and statutory expenditures during this quarter; and

- A \$6.7 M increase in Vote 5 (Grants and Contributions).

The following graph shows expenditures by appropriation as at June 30 for the current fiscal year, compared with the previous fiscal year.



Vote 1 – Net Operating Expenditures

Total net operating expenditures in the first quarter of 2015–2016 were \$7.3 M, compared with \$9.0 M during the same period in 2014–2015. This \$1.7 M decrease (19%) is mainly attributable to personnel expenditures, which were \$1.5 M lower.

During the first quarter of 2014–2015, there were expenditures of nearly \$1 M under Other Grants and Payments. This is attributable to the one-time transition payment for the Government of Canada’s payment in arrears plan.

(For additional information on expenditures, see the Departmental Budgetary Expenditures by Standard Object table in the Appendix.)

Vote 5 – Grants and Contributions

When the total disbursement for Vote 5 – Grants and Contributions during this quarter is compared with the first quarter in 2014–2015, we note a \$6.7 M increase in expenditures. This variance is attributable to the fact that there were a greater number of claims and that the average amounts claimed were higher. In addition, about \$2.5 M was spent during this quarter on programs such as the Local Investment Initiative, the Lac-Mégantic Economic Recovery Initiative and the Chrysotile Asbestos Program. These programs were less active in 2014–2015 in terms of expenditures (\$0.05 M).

(For additional information on expenditures, see the Departmental Budgetary Expenditures by Standard Object table in the Appendix).



SECTION 3

Risks and Uncertainties

3. Risks and Uncertainties

To achieve its outcomes, CED takes a global view of the changing factors that influence its environment and activities, and incorporates these factors into its decision making. By including risk management in its corporate planning, CED is able to implement appropriate risk management strategies to achieve its outcomes.

The main risk for CED's mandate, which is to promote economic development, is the "economic risk and institutional capacities" directly linked to changes in Quebec and Canada's economic growth prospects. Moreover, its mandate is also influenced by the availability of funding from other levels of government or the private sector, as well as the potential postponement of investment decisions by small and medium size enterprises (SMEs). To mitigate this risk, CED continually reviews changes in international, national and provincial economic outlooks as well as national and provincial programs.

CED manages the implementation of these mitigation measures in the context of reduced budgetary allocations. It regularly monitors the progress and effectiveness of their implementation through several budgetary review processes and activities along with expenditure analysis and budgetary estimates by organizational unit on a monthly basis.



SECTION 4

**Significant Changes in Relation to
Operations, Personnel and
Programs**

4. Significant Changes in Relation to Operations, Personnel and Programs

No significant changes in relation to operations and programs have had an impact on the results of this quarter.

Senior management approval

Approved by:

Original signed by

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

Original signed by

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

Montreal, Canada

On _____



SECTION 5

Appendices

5.1 Statement of Authorities (unaudited)

For the quarter ended June 30, 2015

Authorities	2015–2016 Fiscal Year (in thousands of dollars)			2014–2015 Fiscal Year (in thousands of dollars)		
	Total available for use for the year ending March 31, 2016*	Used during the quarter ended June 30, 2015	Year-to-date used at quarter end	Total available for use for the year ending March 31, 2015*	Used during the quarter ended June 30, 2014	Year-to-date used at quarter- end
Vote 1 – Net Operating Expenditures	38 267	7 266	7 266	37 908	9 003	9 003
Vote 5 – Grants and Contributions	217 996	25 416	25 416	205 309	18 756	18 756
Total Budgetary Statutory Authorities	4 819	803	803	4 624	1 156	1 156
Non-Budgetary Authorities	-	-	-	-	-	-
Total Authorities	261 082	33 485	33 485	247 841	28 915	28 915

*Includes only Authorities available for use and granted by Parliament at quarter-end.
(An incremental difference in the sum of data may result from rounding.)

5.2 Departmental Budgetary Expenditures by Standard Object (unaudited)

For the quarter ended June 30, 2015

Expenditures	2015–2016 Fiscal Year (in thousands of dollars)			2014–2015 Fiscal Year (in thousands of dollars)		
	Planned Expenditures for the year ending March 31, 2016*	Spent during the quarter ended June 30, 2015	Year-to-date used at quarter end	Planned Expenditures for the year ending March 31, 2015*	Spent during the quarter ended June 30, 2014	Year-to-date used at quarter end
Personnel	33 506	7 061	7 061	32 648	7 968	7 968
Transport and Communications	1 341	147	147	2 076	208	208
Information	575	19	19	593	28	28
Professional and Special Services	5 556	735	735	4 349	729	729
Leasing	766	25	25	988	208	208
Repair and Maintenance	96	3	3	99	3	3
Utilities, Materials and Supplies	287	24	24	297	24	24
Acquisition of Land, Buildings and Works	0	0	0	0	0	0
Acquisition of Machinery and Equipment	862	22	22	1 384	41	41
Transfer Payments	217 996	25 416	25 416	205 309	18 756	18 756
Other Subsidies and Payments	96	33	33	99	950	950
Total Net Budgetary Expenditures	261 082	33 485	33 485	247 841	28 915	28 915

*Includes only Authorities available for use and granted by Parliament at quarter-end.
(An incremental difference in the sum of data may result from rounding.)