



QUARTERLY
FINANCIAL REPORT
FOR THE QUARTER
ENDED
SEPTEMBER 30, 2015
(REVISED)

2ND QUARTER

2015–2016



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SECTION 1

INTRODUCTION

ERRATA

Canada Economic Development for Quebec regions (CED) modified its authorization levels on January 20, 2016 in Section 2.1, 5.1 and 5.2 to include the amount in frozen allotments – votes no longer available for use. This adjustment has the impact of increasing by \$3.0M Vote 5 – Grants and contributions authorizations and by \$0.1M Vote 1 – net operating expenditures. Given the size of the adjustment, the changes are not considered significant.

1. INTRODUCTION

This quarterly financial report has been prepared by Canada Economic Development for Quebec Regions (CED), as required by subsection 65.1 of the Financial Administration Act and in the form and manner prescribed by Treasury Board Accounting Standard 1.3 – Departmental and Agency Quarterly Financial Report.

This quarterly report should be read in conjunction with the 2015–2016 Main Estimates and the quarterly reports preceding the current period.

This report has not been subject to an external audit or review.

1.1. Authority, mandate and program activities

According to the enabling act for the Economic Development Agency of Canada for the Regions of Quebec, which came into effect on October 5, 2005, CED's mission is to promote the long-term economic development of the regions of Quebec by paying special attention to those regions with slow economic growth or inadequate opportunities for productive employment.

Further details on CED's authority, mandate and program activities can be found in the Report on Plans and Priorities and in 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 framework designed to meet financial information needs with respect to spending authorities. Appendix 5.1, Statement of authorities, includes CED's spending authorities granted by Parliament and those used by CED, in a manner that is consistent with the Main Estimates for the 2015–2016 fiscal year.

The prior authorization of Parliament is required before funds 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 authorities 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.

1.3 CED financial structure

CED manages its expenditures under two annual votes:

- Vote 1 — net operating expenditures — includes CED authorities related to personnel costs, and operating and maintenance expenditures.
- Vote 5 — grants and contributions — includes all authorities related to transfer payments.

Costs under statutory authorities, which represent payments made under legislation approved previously by Parliament and which are not part of the annual appropriation bills, include such items as the employer's share of the employee benefits plan.



SECTION 2

HIGHLIGHTS OF FISCAL
QUARTER AND
YEAR-TO-DATE RESULTS

2. HIGHLIGHTS OF FISCAL QUARTER AND YEAR-TO-DATE RESULTS

This section provides various financial information for the current fiscal year up to September 30, 2015, including authorities available for the year and expenditures made during the second quarter, compared with the previous fiscal year.

The explanations of variances in the amounts are based on the premise that discrepancies of less than 5% have a minimal impact on the interpretation of the results.

Subsections 2.1 and 2.2, as well as the tables in the appendices, provide the details of this financial information.

2.1 Analysis of authorities

At the end of the current quarter, CED's annual authorities totalled \$263 million, compared with \$261.1 million as at June 30, 2015. The difference of \$1.9 million is attributable to a variety of factors arising this fiscal year. These factors will be explained later on.

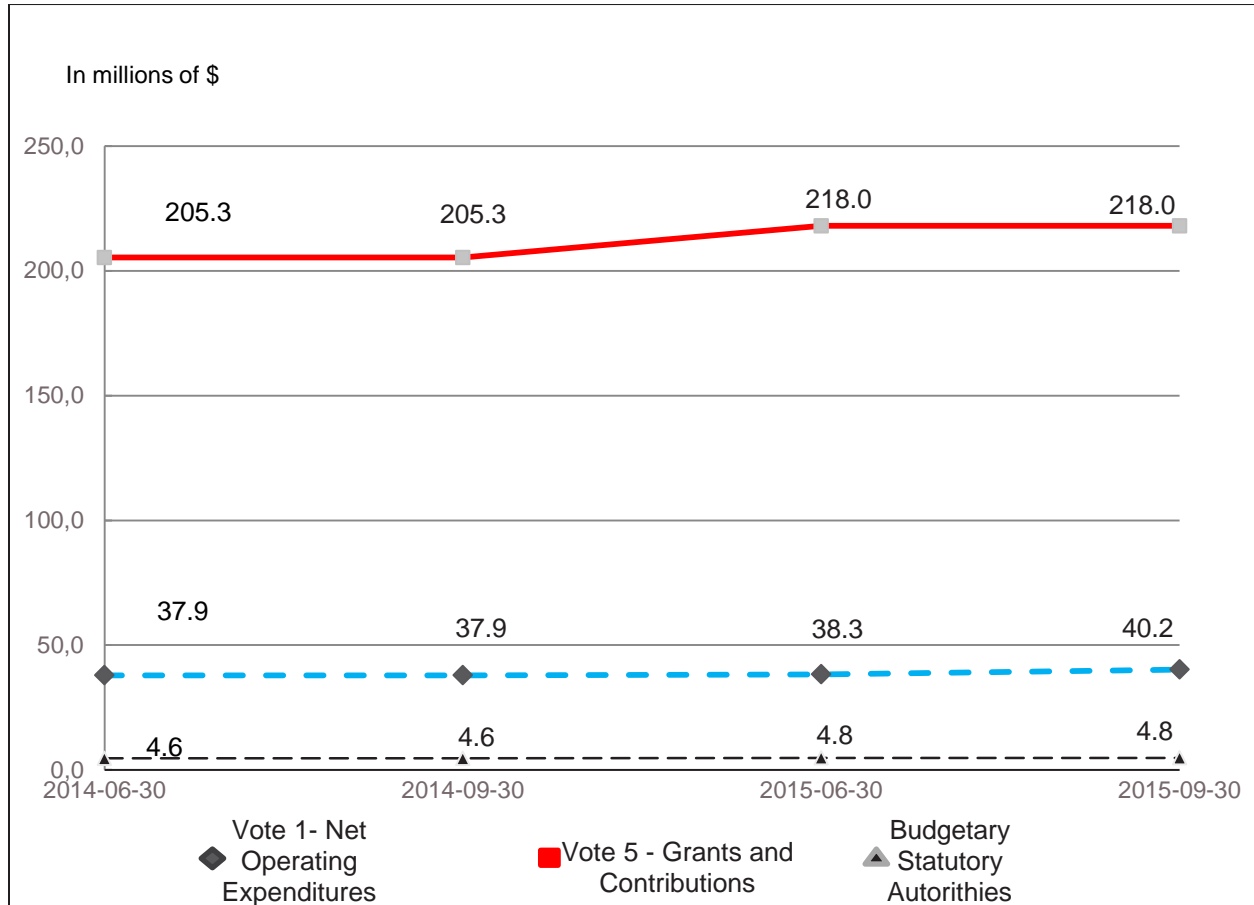
When we compare the current authorities for fiscal year 2015–2016 (\$263 million) to the authorities during the same period in 2014–2015 (\$247.8 million), we note a \$15.2 million increase in funding for this year. This increase can be broken down into the following:

- Vote 1 (net operating expenditures): \$2.3 million
- Vote 5 (grants and contributions): \$12.7 million
- Budgetary statutory authorities: \$0.2 million

The following graph illustrates the annual budgetary authorities by appropriation as at June 30, and September 30, 2015, compared with the previous fiscal year (in 2014–2015, the authorities as at June 30 and as at September 30 were the same).

ANNUAL BUDGETARY AUTHORITIES BY APPROPRIATION AS AT JUNE 30 AND SEPTEMBER 30, FISCAL YEAR 2015–2016 COMPARED WITH 2014–2015

Fig. 1



Vote 1 authorities (net operating expenditures)

The increase of \$1.9 million as at September 30, 2015, compared with June 30, 2015, is essentially due to the approval of the operating budget carry-forward from 2014–2015. Compared with the same period during fiscal year 2014–2015, there was an increase of \$2.3 million (6%). This increase is primarily owing to the fact that the operating budget carry-forward was approved earlier this year than it was last year.

Vote 5 authorities (grants and contributions)

There was no change in the authorization levels between the 1st and the 2nd quarter of 2015-2016.

On September 30, 2014 the available annual Vote 5 authorities totalled \$205.3 million. The equivalent amount on September 30, 2015 (\$218.0 million) represents an increase of \$12.7 million (6%).

Essentially, this increase can be explained by the following:

- Carry-over from 2014–2015 for the Lac-Mégantic economic recovery initiative (+\$8.6 million)
- Increased amount resulting from the reinvestment of our clients' repayable contributions (+\$2,8 million)
- Funds granted for the spruce budworm initiative (+\$1.5 million)
- Other minor items (-\$0.2 million)

2.2. Analysis of expenditures

Total CED expenditures recorded during the second quarter of 2015–2016 totalled \$50 million, compared with \$46.7 million for the same period last year. This represents a net increase of \$3.3 million (7.1%), compared with the previous fiscal year. This increase can be explained by the following:

- Increase of \$0.9 million for Vote 1 (net operating expenditures) and statutory expenditures
- Increase of \$2.4 million for Vote 5 expenditures (grants and contributions)

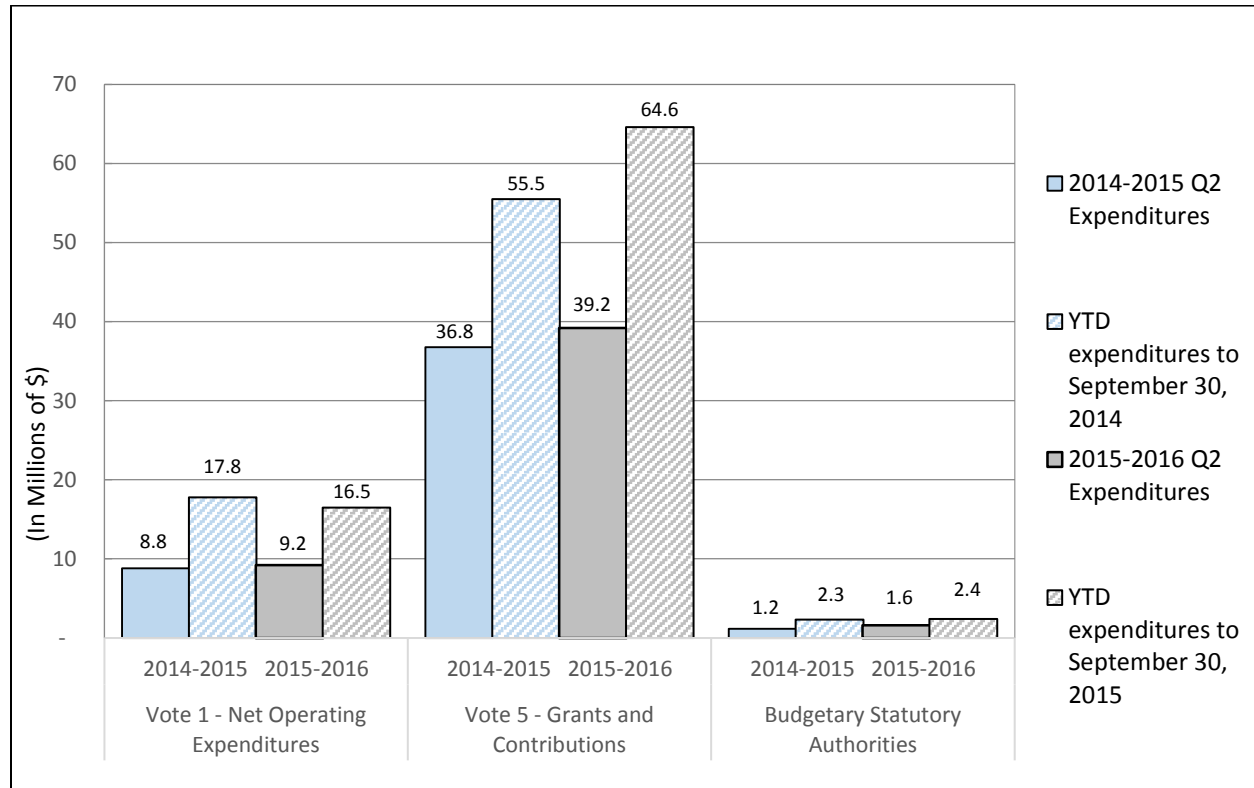
The total year-to-date expenditures as at September 30, 2015, were \$83.5 million, compared with \$75.6 million for the same period last year (10.5% increase this year). This difference can be explained by the following:

- \$1.3 million decrease in Vote 1 expenditures (net operating expenditures)
- \$9.1 million increase in Vote 5 expenditures (grants and contributions)
- \$0.1 million increase in statutory authorities

The following graph illustrates the second-quarter and year-to-date expenditures per vote, compared with the previous fiscal year.

SECOND QUARTER AND YEAR-TO-DATE EXPENDITURES AS AT SEPTEMBER 30 BY APPROPRIATION, FISCAL YEAR 2015–2016 COMPARED WITH 2014–2015

Fig. 2



Vote 1 expenditures (net operating expenditures)

The net operating expenditures for the second quarter of 2015–2016 totalled \$9.2 million, compared with \$8.8 million for the same period in 2014–2015. This represents an increase of \$0.4 million (4.5%). The difference is not significant.

The year-to-date expenditures recorded in 2015–2016 totalled \$16.5 million, compared with \$17.8 million in 2014–2015, a 7.3% decrease this year. In effect, during the first quarter of 2014-2015 the Government of Canada made a one-time transition payment in the context of the implementation of a pay in arrears system, resulting in an expenditure of almost \$1 million.

(For further details on these expenditures, see Appendix 5.2, Departmental Budgetary Expenditures by Standard Object.)

Vote 5 expenditures (grants and contributions)

With regard to Vote 5, when we compare the expenditures made this quarter (\$39.2 million) with those made during the second quarter of 2014–2015 (\$36.8 million), we note an increase of \$2.4 million (6.5%). This increase is attributable to the rate at which clients submitted their claims.

The year-to-date expenditures for 2015–2016 increased by \$9.1 million (16.4%), compared with the previous fiscal year. This increase can be explained by the fact that some initiatives (e.g. local investment, Lac-Mégantic and the Economic Development Initiative for Quebec Communities Dependent on the Chrysotile Industry) have been more active in 2015–2016, that more claims have been made in 2015–2016 and that the amounts claimed were higher on average.

(For further details on these expenditures, see Appendix 5.2, Departmental Budgetary Expenditures by Standard Object.)



SECTION 3

RISKS AND UNCERTAINTIES

3. RISKS AND UNCERTAINTIES

To achieve its results, CED needs to have an overview of the changing factors that have a marked impact on its environment and activities, and must integrate these factors into its decision-making processes. Incorporating risk management in departmental planning allows CED to implement appropriate risk management strategies in order to achieve its results.

Since CED has a mandate to promote economic development, its main risk-economic risk and institutional capacity-is directly related to changes in the economic growth outlook for Quebec and Canada. Its mandate is also influenced by the supply of funding from other levels of government and the private sector, as well as by the potential postponement of investment decisions by SMEs. To mitigate this risk, CED continually monitors changes in provincial, national and international economic environments as well as provincial and national programs.

CED regularly monitors the progress and effectiveness of risk mitigation strategies through a number of budget review processes and activities, and by analyzing expenditures and budget forecasts 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 impacted this quarter's results.

With regard to personnel, it is important to note that the new Vice-President, Operations, Pierre-Marc Mongeau, has been supporting the Deputy Head in her functions since the start of the quarter.

Approval by senior officials

Approved by:

Original signed by _____

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

On _____

Original signed by _____

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

On _____



SECTION 5

APPENDICES

5.1 Statement of Authorities (unaudited)

For the quarter ended September 30, 2015

	Fiscal year 2015–2016 (In thousand of dollars)			Fiscal year 2014–2015 (In thousand of dollars)		
	Total available for use during the fiscal year ending March 31, 2016*	Amount used during the quarter ended September 30, 2015	Year-to-date used at quarter-end	Total available for use during the fiscal year ended March 31, 2015*	Amount used during the quarter ended September 30, 2014	Year-to-date used at quarter-end
Vote 1 – Net operating expenditures	40,162	9,210	16,475	37,907	8,804	17,807
Vote 5 – Grants and contributions	217,996	39,213	64,629	205,309	36,770	55,526
Total budgetary statutory authorities	4,819	1,606	2,410	4,624	1,156	2,312
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	262,978	50,029	83,514	247,841	46,730	75,645

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

5.2 Departmental Budgetary Expenditures by Standard Object (unaudited)

For the quarter ended September 30, 2015

	Fiscal year 2015–2016 (In thousand of dollars)			Fiscal year 2014–2015 (In thousand of dollars)		
	Planned expenditures for the fiscal year ending March 31, 2016*	Expenditures made during the quarter ended September 30, 2015	Year-to-date used at quarter-end	Planned expenditures for the fiscal year ended March 31, 2015*	Expenditures made during the quarter ended September 30, 2014	Year-to-date used at quarter-end
Personnel	33,506	9,038	16,099	32,648	8,520	16,488
Transportation and communications	1,607	248	395	2,076	234	442
Information	689	45	64	593	59	87
Professional and special services	6,656	1,033	1,768	4,349	948	1,677
Leasing	918	277	302	988	32	240
Repairs and maintenance	115	7	9	99	6	9
Utilities, materials and supplies	344	35	60	297	33	57
Acquisition of land, buildings and works	0	0	0	0	0	0
Acquisition of machinery and equipment	1,033	144	166	1,384	120	160
Transfer payments	217,996	39,213	64,629	205,309	36,770	55,526
Other subsidies and payments	115	(11)	22	99	8	959
Total net budgetary expenditures	262,978	50,029	83,514	247,841	46,730	75,645

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