



FUTURE- ORIENTED STATEMENT OF OPERATIONS

(Unaudited)

As at March 31, 2016 and 2017



Canada Economic
Development
for Quebec Regions

Développement
économique Canada
pour les régions du Québec

Canada[®]

Canada Economic Development for Quebec Regions

Future-Oriented Statement of Operations (*Unaudited*) For the Year Ending March 31

(in thousands of dollars)

| | Forecast results 2015-2016 | Planned results 2016-2017 |
|---|---|--|
| Expenses | | |
| Business Development | 54 244 | 62 482 |
| Regional Economic Development | 30 344 | 32 190 |
| Strengthening of Community Economies | 54 362 | 86 455 |
| Internal Services | 19 966 | 20 907 |
| Expenses incurred on behalf of Government | 6 260 | (2 856) |
| Total expenses | 165 176 | 199 178 |
| Revenues | | |
| Interest income | 158 | 407 |
| Miscellaneous revenues | 66 | 109 |
| Revenues earned on behalf of Government | (224) | (516) |
| Total revenues | 0 | 0 |
| Net cost of operations before government funding and transfers | 165 176 | 199 178 |

The accompanying notes form an integral part of the future-oriented statement of operations.

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Notes to the Future-Oriented Statement of Operations

1. Methodology and Significant Assumptions

The future-oriented statement of operations has been prepared on the basis of government priorities and departmental plans as described in the Report on Plans and Priorities.

The information in the forecast results for fiscal year 2015-2016 is based on actual results as at November 30, 2015 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for the 2016-2017 fiscal year.

The main assumptions underlying the forecasts are as follows:

- The department's activities will remain substantially the same as in the previous year.
- Expenses and revenues are based on historical experience. Expenses take into consideration some reduction in the operating budget and an increase of the budget for grants and contributions, in light of some initiatives and temporary programs.
- Allowances for uncollectability are estimated in the light of historical experience.

These assumptions are adopted as at November 30, 2015.

2. Variations and changes to the forecast financial information

While every attempt has been made to forecast final results for the remainder of 2015-2016 and for 2016-2017, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this future-oriented statement of operations, *Canada Economic Development for Quebec Regions (CED)* has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented statement of operations and the historical statement of operations include the following:

- The timing and amount of acquisitions and disposals of property may affect gains/losses and amortization expense.
- Implementation of new collective agreements.
- Economic conditions which may affect the collectability of loan receivables.
- Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Once the Report on Plans and Priorities is presented, *CED* will not be updating the forecasts for any changes in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

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3. Summary of significant accounting policies

The future-oriented statement of operations has been prepared using Government's accounting policies that came into effect for the 2015-2016 fiscal year which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

a) Expenses

Expenses are recorded on an accrual basis. Expenses for the Department's operations are recorded when goods are received or services are rendered, including services provided without charge for accommodation, employer contributions to health and dental insurance plans, legal services and workers' compensation, which are recorded as expenses at their estimated cost. Vacation pay and compensatory leave as well as severance benefits, are accrued and expenses are recorded as the benefits are earned by employees under their terms of employment.

Transfer payments are recorded as expenses when the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement or, in the case of transactions that do not form part of an existing program, 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 statement. 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.

Expenses also include provisions to reflect changes in the value of assets, including provisions for bad debt on accounts receivable, provision for valuation on loans and advances or liabilities, including contingent liabilities and environmental liabilities, to the extent the future event is likely to occur and a reasonable estimate can be made.

Expenses also include amortization of tangible capital assets, which are capitalized at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset.

b) Revenues

Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenue takes place, except for the item listed below. Loans are non-interest bearing and, due to the uncertainty as to ultimate collection, interest income is only charged on overdue amounts when received. Other revenues consist of other fees and gains on the disposal of capital and non-capital assets.

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

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4. Parliamentary authorities

The Department is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to the Department do not parallel financial reporting according to generally accepted accounting principles because authorities are primarily based on cash flow requirements. Items recognized in the future-oriented statement of operations in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, the Department has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

a) Reconciliation of net cost of operations to requested authorities (in thousands of dollars)

| | Forecast results 2015-2016 | Planned results 2016-2017 |
|---|---|--|
| Net cost of operations before government funding and transfers | 165 176 | 199 178 |
| Adjustments for items affecting net cost of operations but not affecting authorities: | | |
| Amortization of tangible capital assets | (218) | (226) |
| Services provided without charge by other government departments | (5 441) | (5 409) |
| Decrease in vacation pay and compensatory leave | 13 | 5 |
| Repayment of previous years' contributions and expenses | 7 702 | 11 110 |
| Other | 292 | 634 |
| | <hr/> | <hr/> |
| Total items affecting net cost of operations but not affecting authorities | 2 348 | 6 114 |

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

| | | |
|--|----------------|----------------|
| Acquisition of tangible capital assets | 107 | 14 |
| New loans | 91 721 | 97 814 |
| Total items not affecting net cost of operations but affecting authorities | 91 828 | 97 828 |
| Requested authorities | 259 352 | 303 120 |

b) Authorities requested (in thousands of dollars)

| | Forecast results 2015-2016 | Planned results 2016-2017 |
|--|---------------------------------------|--------------------------------------|
| Authorities requested : | | |
| Vote 1 - Operating expenditures | 40 014 | 38 181 |
| Vote 5 - Grants and contributions | 218 519 | 260 022 |
| Statutory amounts | 4 819 | 4 917 |
| | 263 352 | 303 120 |
| Less : | | |
| Lapsed: Operating and Grants and contributions | 4 000 | |
| Requested authorities | 259 352 | 303 120 |