

Canadian Northern Economic Development Agency
Quarterly Financial Report
For the quarter ended June 30, 2021

Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the [Main Estimates](#) and [Supplementary Estimates \(A\)](#).

The Canadian Northern Economic Development Agency (CanNor) works with partners to advance economic development in Canada's territories. The Agency supports, invests in and advocates for national, territorial and community level economic development; fosters growth and innovation; contributes to building capacity; and invests in foundational economic development projects in the territories. In addition, through the Northern Projects Management Office the Agency coordinates federal participation in the territorial environmental review processes and maintains the Crown consultation record for major projects.

Further details on CanNor's authorities, mandate and program activities may be found in the [Departmental Plan](#) and the Main Estimates.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes CanNor's spending authorities granted by Parliament and those used by the Agency consistent with the Main Estimates and Supplementary Estimates (A), for the 2021-2022 fiscal year. The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

As part of the departmental performance reporting process, CanNor prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of fiscal quarter and fiscal year to date (YTD) results

Statement of Authorities

Total authorities available for use in the first quarter of fiscal year 2021-2022 amounted to \$84.2 million, a \$1.3 million net increase compared the first quarter of 2020-2021. The increases are attributable to additional net funding of \$15.9 million (\$12.7 million in Vote 5, \$2.8 million in Vote 1 and \$0.4 million in Budgetary statutory authorities); and Parliament approving 100 percent of supply for the 2021-2022 Main Estimates at quarter-end, compared to 75 percent for the 2020-2021 Main Estimates, of \$15.7 million (\$11.3 million in Vote 5 and \$4.4 million in Vote 1).

The decrease of \$30.3 million (\$25.3 million in Vote 5 and \$5.0 million in Budgetary statutory authorities) is attributable to a reduction in funding to address the economic impact of the Coronavirus disease (COVID-19) global pandemic.

Statement of Departmental Budgetary Expenditures by Standard Object

Total expenditures by standard object for the quarter ended June 30, 2021, amounted to \$12.8 million, a decrease of \$1.2 million over the \$14.0 million reported for the quarter ended June 30, 2020. This variance is primarily attributable to a decrease of \$2.1 million in transfer payment spending, which was partially offset by increases in personnel spending (\$0.6 million) and timing differences (net \$0.3 million) of when expenditures were incurred (e.g., professional and special services; rentals; other subsidies and payments).

Risks and Uncertainties

While the North presents opportunities for economic development, growth and innovation, factors including its vast and remote geography, lack of infrastructure, connectivity challenges, the cost and access to energy, and shortage of skilled labour all contribute to a challenging operating environment. These factors create additional challenges for businesses and can also prevent Northerners from fully benefiting from economic development opportunities.

CanNor's key risks and response strategies are published in the Departmental Plan:

- *Limited Economic Diversification* — A high degree of reliance on the public service and resource development sectors have resulted in limited diversification and an increased vulnerability to the cyclical changes in commodity prices.
- *Infrastructure Deficit* — Higher capital and operating costs compared to southern Canada and the challenges of distance and geography have resulted in a core infrastructure deficit, including connectivity, and constrained opportunities for northern economic development which impact the effectiveness of CanNor's programming.
- *Labour Market* — Due to the shortage of a local skilled workforce, northern employers across sectors rely on workers from outside of the territories. This shortage also increases the competition for the limited local talent pool. At the same time, there are

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Northerners who could help address these shortages provided that they have access to skills training, including post-secondary education.

- *COVID-19 Impact* — As the rollout of the COVID-19 vaccine continues, certain industries (such as tourism) have suffered disproportionately due to the pandemic, and the lasting effects upon these sectors post-vaccine remains unknown.

Significant Changes in Relation to Operations, Personnel and Programs

On June 1, 2021, Roger Tetreault was appointed Chief Financial Officer, effective July 6, 2021.

Approved by:

Paula Isaak
President

Roger Tetreault, CPA, CMA
Chief Financial Officer

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Statement of Authorities
(unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2021-2022			Fiscal year 2020-2021		
	Total available for use for the year ending March 31, 2022*	Used during the quarter ended June 30, 2021	Year- to-date used at quarter-end	Total available for use for the year ending March 31, 2021*	Used during the quarter ended June 30, 2020	Year- to-date used at quarter-end
Vote 1 - Operating expenditures	20,169	3,867	3,867	13,024	3,239	3,239
Vote 5 - Transfer payments	62,045	8,392	8,392	63,304	10,504	10,504
Budgetary statutory authorities	1,962	491	491	6,597	266	266
Total authorities	84,176	12,750	12,750	82,925	14,009	14,009

* *includes only Authorities available for use and granted by Parliament at quarter-end.*

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Departmental Budgetary Expenditures by Standard Object (*unaudited*)

<i>(in thousands of dollars)</i>	Fiscal year 2021-2022			Fiscal year 2020-2021		
	Planned expenditures for the year ending March 31, 2022	Used during the quarter ended June 30, 2021	Year- to-date used at quarter-end	Planned expenditures for the year ending March 31, 2021	Used during the quarter ended June 30, 2020	Year- to-date used at quarter-end
Expenditures:						
Personnel	15,221	3,769	3,769	9,687	3,166	3,166
Transportation and communications	981	18	18	896	37	37
Information	95	2	2	68	0	0
Professional and special services	3,001	113	113	2,495	39	39
Rentals	2,211	370	370	1,060	4	4
Repair and maintenance	207	0	0	141	0	0
Utilities, materials and supplies	138	2	2	91	7	7
Acquisition of machinery and equipment	277	0	0	176	1	1
Transfer payments	62,045	8,392	8,392	68,304	10,504	10,504
Other subsidies and payments	0	84	84	7	251	251
Total budgetary expenditures	84,176	12,750	12,750	82,925	14,009	14,009