

**Federal Economic Development  
Agency for Southern Ontario**

**Quarterly Financial Report**

For the Quarter ended June 30, 2020

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James Meddings  
President

Lisa St-Amour, MBA, CPA, CMA  
Chief Financial Officer

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# Quarterly Financial Report — For the Quarter Ended June 30, 2020

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## Statement outlining results, risks and significant changes in operations, personnel and programs

### 1. 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 report should be read in conjunction with the 2020-21 Main and Supplementary Estimates. This quarterly report has not been subject to an external audit or review.

#### 1.1 Authority, Mandate and Core Responsibility

The Federal Economic Development Agency for Southern Ontario (FedDev Ontario) is mandated to **"strengthen southern Ontario's capacity for innovation, economic development and growth."**

Details and additional information on FedDev Ontario's authorities, mandate and core responsibility can be found in [Part II of the Main Estimates](#) and FedDev Ontario's [Departmental Plan for 2020-21](#).

#### 1.2 Basis of Presentation

This quarterly report has been prepared using an expenditure basis of accounting. The accompanying Statement of Authorities includes FedDev Ontario's spending authorities granted by Parliament and those used by FedDev Ontario, consistent with the Main and Supplementary Estimates for the 2020-21 fiscal year. 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.

The authority of Parliament is required before money 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.

FedDev Ontario uses the full accrual method of accounting to prepare and present its annual financial statements that are part of its performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

#### 1.3 FedDev Ontario's Financial Structure

FedDev Ontario manages its expenditures under two votes:

- Vote 1 – Net operating expenditures include the Agency's authorities related to personnel costs, operation and maintenance expenditures; and
- Vote 5 – Grants and contributions include 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 part of the annual appropriations bills, include items such as the Government of Canada's portion of the employee benefit plan.

Of particular note this fiscal year, due to COVID-19 there is a significant increase in authorities and spending under the *Public Health Events of National Concern Payments Act* as part of the statutory vote.

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

This section highlights the significant items that contributed to the net increase or decrease in authorities available for the year and actual expenditures for the quarter ended June 30, 2020.

### **2.1 Authorities Analysis (Vote 1 — Operating and Vote 5 — Grants and Contributions and Statutory Authorities)**

The total authorities available for use and planned expenditures increased to \$440.1 million for fiscal year 2020-21, compared to \$261.5 million for fiscal year 2019-20, as illustrated in the "Statement of Authorities" table.

At present, FedDev Ontario has received \$186.4 million (75%) of its 2020-21 Main Estimates funding, and an additional \$253.7 million in [Supplementary Estimates A](#) funding. The Agency is expected to receive full supply of its allocated Main Estimates funding, remaining \$65.7 million, in December 2020.

The net increase in available authorities of \$178.6 million over last year relates to:

- ♦ \$3.5 million decrease in Vote 1 (Operating Authorities);
- ♦ \$36.6 million increase in Vote 5 (Grants and Contributions Authorities); and
- ♦ \$145.6 million increase in Statutory Authorities.

#### **Vote 1 — Operating Authorities**

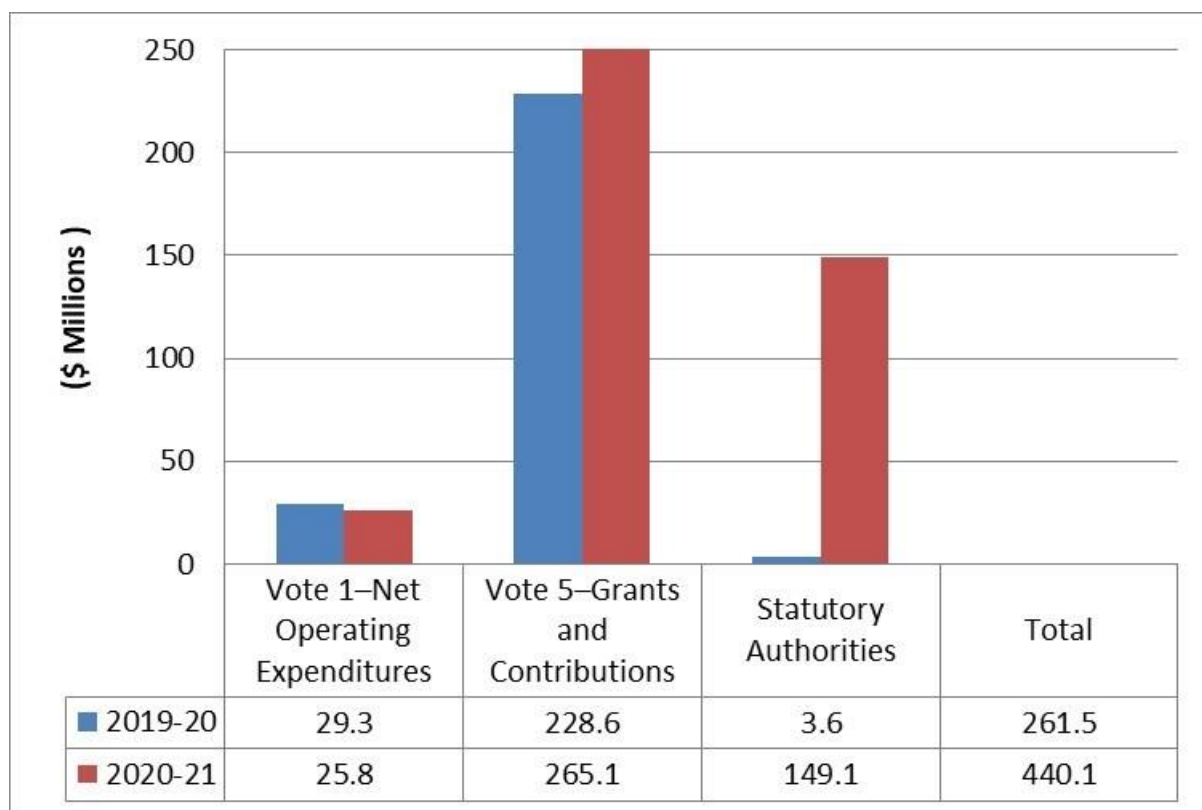
Total Vote 1 Operating Authorities currently available for use for the year ending March 31, 2021 is \$25.8 million, compared to \$29.3 million for fiscal year 2019-20. This net decrease of \$3.5 million is due to FedDev Ontario not in receipt of its full supply, which is expected to be released in December 2020.

#### **Vote 5 — Grants and Contributions**

Total Vote 5 Grants and Contributions Authorities available for use in 2020-21 is \$265.1 million, compared to \$228.6 million for fiscal year 2019-20, which is a net increase of \$36.6 million. Vote 5 Grants and Contributions Authorities available include \$101.5 million, primarily for the Regional Relief and Recovery Fund (RRRF), approved during the Supplementary Estimates A, as well as the interim supply of \$163.6 million (75%) of FedDev Ontario's Main Estimates. Full supply, remaining \$54.5 million, is expected to be received in December 2020.

## Statutory Authorities

Total Statutory Authorities granted for use in 2020-21 amount to \$149.1 million, compared to \$3.6 million in 2019-20, which is a net increase of \$145.6 million. The increase in Statutory Authorities available is primarily a result of the RRRF authorities granted to FedDev Ontario as part of the *Public Health Events of National Concern Payments Act*.



\* Totals presented may not add up due to rounding.

## 2.2 Expenditure Analysis

Budgetary expenditures in the first quarter of 2020-21 totaled \$158.3 million, compared to \$29.1 million for the same period in 2019-20, as illustrated in the "Departmental Budgetary Expenditures by Standard Object" tables. The net increase of \$129.2 million is primarily due to increased spending through the RRRF authorities granted to FedDev Ontario as part of the *Public Health Events of National Concern Payments Act*.

### Vote 1 (Operating Expenditures)

First quarter net expenditures increased by \$0.5 million compared to the same period in the previous fiscal year due to the increased operating capacity required for delivery of the RRRF.

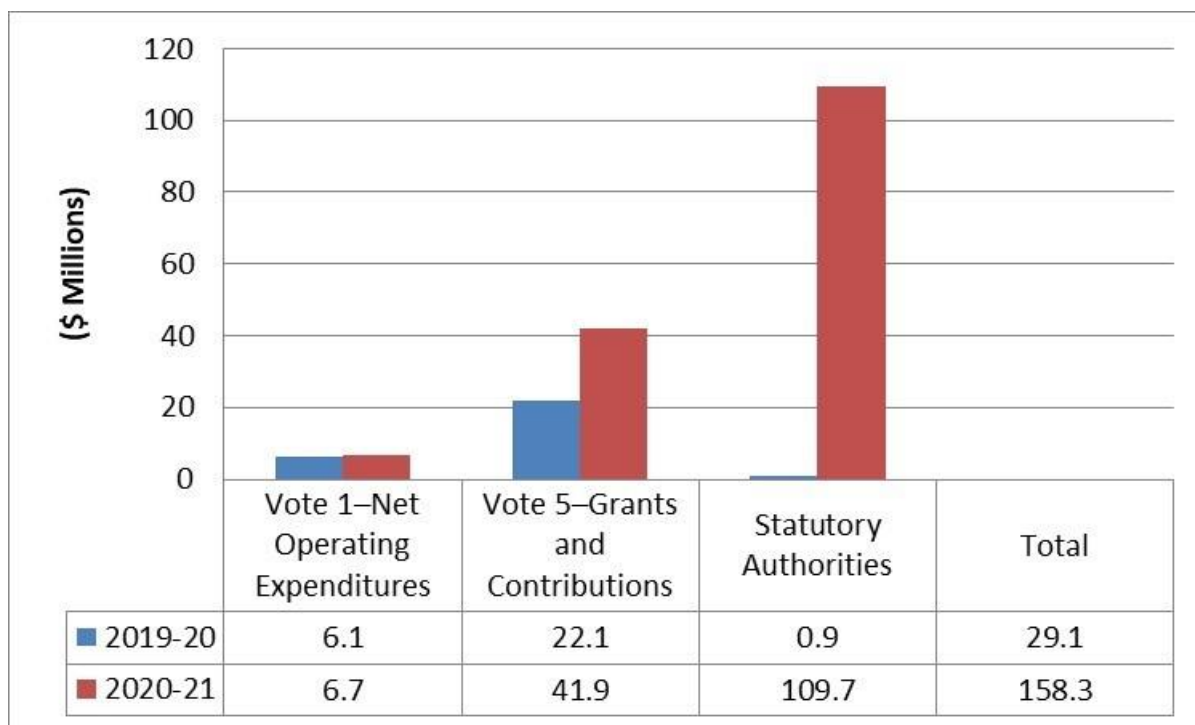
### Vote 5 (Grants and Contributions)

Spending on transfer payments through voted authorities was \$41.9 million in the first quarter of 2020-21, compared to \$22.1 million in the same quarter of 2019-20. The net increase of \$19.8 million in spending is primarily in response to the RRRF.

## Statutory Authorities

Spending on transfer payments and other items through Statutory Authorities was \$109.7 million in the first quarter of 2020-21, compared to \$0.9 million in the same quarter of 2019-20. The net increase of \$108.8 million in spending is primarily in response to the RRRF.

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



\* Totals presented may not add up due to rounding.

### 3. Risks and Uncertainties

FedDev Ontario maintains a governance structure for oversight of financial management. The Agency manages the allocation of resources within a well-defined framework of accountabilities, policies and procedures including a system of budgets, reporting and other internal controls including its Framework on Internal Control over Financial Reporting. The Agency mitigates financial risk by monitoring the impact of fluctuations in cash flows for multi-year projects and reallocating funding to priority initiatives as needed.

FedDev Ontario manages the risks by conducting risk assessment exercises and reviews of its internal control framework. Financial risks are mitigated by strong entity-level controls, general systems controls and key business process controls such as the contribution payments and regular operating expenses and receivables. The Agency also maintains a service level agreement with the Office of the Comptroller General for the delivery of internal audit services to provide independent advice on risk management, control and governance processes.

Given the nature of FedDev Ontario’s operations, it is not anticipated that the COVID-19 outbreak will have a major operating impact on FedDev Ontario. Of the total \$505.8 million granted for use to FedDev Ontario, \$440.1 million was available for use as of the first quarter. FedDev Ontario is expected to receive its full supply of \$65.7 million for the 2020-21 Main Estimates in December 2020.

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

In response to the COVID-19 pandemic, an additional \$252.4 million was allocated to FedDev Ontario's Authorities, primarily due to the RRRF. The RRRF provides financial contributions in the form of interest-free loans to help support fixed operating costs of SMEs, where business revenues have been affected by the COVID-19 pandemic.

##### Approval by Senior Officials

James Meddings  
President

Ottawa, Canada  
August 28, 2020

Lisa St-Amour  
Chief Financial Officer

#### Statement of Authorities (unaudited) <sup>1</sup>

(in thousands of dollars)	Fiscal Year 2020–21			Fiscal Year 2019–20		
	Total available for use for the yearending	Used during use for the year ending	Year to use for the year ending <sup>2</sup>	Total available for use for the yearending	Used during use for the year ending <sup>2</sup>	Year to use for the year ending <sup>2</sup>
<b>Vote 1–Net Operating Expenditures</b>	25,828	6,679	6,679	29,351	6,130	6,130
<b>Vote 5– Grants and Contributions</b>	265,138	41,931	41,931	228,565	22,108	22,108
<b>Budgetary statutory authorities:</b>	149,138	109,655	109,655	3,566	883	883
<b>Total authorities</b>	440,104	158,265	158,265	261,482	29,121	29,121

<sup>1</sup> Numbers have been rounded to reconcile tables.

<sup>2</sup> Includes authorities available for use and granted by Parliament at quarter-end.

Departmental budgetary expenditures by Standard Object (unaudited) 1

(in thousands of dollars)	Fiscal Year 2020–21			Fiscal Year 2019–20		
	Planned expenditures for the year ending March 31, 2021 <span style="border: 1px solid black; padding: 0 2px;">2</span>	Used during the quarter ended June 30, 2020	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2020 <span style="border: 1px solid black; padding: 0 2px;">2</span>	Used during the quarter ended June 30, 2019	Year to date used at quarter-end
<b>Expenditures:</b>						
Personnel <span style="border: 1px solid black; padding: 0 2px;">3</span>	19,843	6,945	6,945	26,773	6,441	6,441
Transportation and communications	882	10	10	821	150	150
Information	393	31	31	307	61	61
Professional and special services	4,483	484	484	4,534	310	310
Rentals	133	27	27	122	17	17
Repair and maintenance	45	-	-	71	6	6
Utilities, materials and supplies	89	4	4	83	13	13
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	303	77	77	158	15	15
Transfer payments	413,917	150,690	150,690	228,565	22,108	22,108
Other subsidies and payments	15	-3	-3	48	-	-
<b>Total budgetary expenditures</b>	<b>440,104</b>	<b>158,265</b>	<b>158,265</b>	<b>261,482</b>	<b>29,121</b>	<b>29,121</b>



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- 1 Numbers have been rounded to reconcile tables.
  - 2 Authorities available include 75% of Main Estimates in addition to Supplementary Estimates A funding as available for use and granted by Parliament at quarter-end (full supply is expected in December, 2020).
  - 3 Includes employee benefit plan (EBP) expenses.
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