



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

AGRICULTURE AND AGRI-FOOD CANADA

**Consolidated Future-Oriented Statement of Operations (Unaudited)
For the years ending March 31, 2020 and 2021**

AGRICULTURE AND AGRI-FOOD CANADA

Consolidated Future-Oriented Statement of Operations (Unaudited)

For the year ending March 31

(in thousands of dollars)

	Forecast results for <u>2019-20</u>	Planned results for <u>2020-21</u>
Expenses		
Sector Risk	\$ 1,246,931	\$ 1,524,984
Domestic and International Markets	617,720	259,058
Science and Innovation	570,616	593,495
Internal Services	284,635	263,486
Total expenses	2,719,902	2,641,023
Revenues		
Sale of goods and services	62,357	66,030
Interest	17,191	17,813
Gain on disposal of assets	11,302	1,026
Joint project and cost sharing agreements	9,468	11,002
Crop Reinsurance Fund	500	740
Revenues earned on behalf of Government	(36,215)	(32,102)
Total revenues	64,603	64,509
Net cost of operations before government funding and transfers	\$ 2,655,299	\$ 2,576,514

The accompanying notes form an integral part of the Consolidated Future-Oriented Statement of Operations.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Consolidated Future-Oriented Statement of Operations (Unaudited)

For the year ending March 31

1. Methodology and significant assumptions

The Consolidated Future-Oriented Statement of Operations has been prepared on the basis of government priorities and departmental plans as described in the Departmental Plan.

The information in the forecast results for fiscal year 2019–20 is based on actual results as at November 30, 2019 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for fiscal year 2020-21.

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, including the determination of amounts internal and external to the government, are based on past experience. The general historical pattern is expected to continue.
- Allowances for uncollectibility are based on past experience. The general historical pattern is expected to continue.

These assumptions are made as at December 2, 2019.

2. Variations and changes to the forecast financial information

Although every attempt has been made to forecast final results for the remainder of 2019-20 and for 2020-21, actual results achieved for both years are likely to differ from the forecast information presented, and this variation could be material.

In preparing this Consolidated Future-Oriented Statement of Operations, Agriculture and Agri-Food Canada has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

Factors that could lead to material differences between the Consolidated Future-Oriented Statement of Operations and the historical statement of operations include:

- the timing and the amount of acquisitions and disposals of property, plant and equipment, which may affect gains, losses and amortization expense;
- the implementation of new collective agreements;
- economic conditions, which may affect both the amount of revenue earned and the collectability of loan receivables;
- interest rates in effect at the time of issue, which will affect the net present value of non-interest bearing loans; and

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Notes to the Consolidated Future-Oriented Statement of Operations (Unaudited)

For the year ending March 31

2. Variations and changes to the forecast financial information (cont'd)

- other changes to the operating budget, such as new initiatives or technical adjustments later in the fiscal year.

After the Departmental Plan is tabled in Parliament, Agriculture and Agri-Food Canada will not be updating the forecasts for any changes in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Results Report.

3. Summary of significant accounting policies

The Consolidated Future-Oriented Statement of Operations has been prepared using the Government of Canada's accounting policies in effect for fiscal year 2019-20, and is 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) Consolidation

This Consolidated Future-Oriented Statement of Operations includes the accounts of the sub-entities that the deputy head is accountable for. The accounts of these sub-entities have been consolidated with those of the Department, and all inter-organizational balances and transactions have been eliminated. The accounting entity comprises the Department of Agriculture and Agri-Food, the Farm Products Council of Canada and the Canadian Pari-Mutuel Agency. The Consolidated Future-Oriented Statement of Operations does not include the accounts of the Canadian Grain Commission, the Canadian Dairy Commission and Farm Credit Canada because they are not under the control of Agriculture and Agri-Food Canada, and are therefore not consolidated.

b) Expenses

Transfer payments are recorded as an expense in the year the transfer is authorized and all eligibility criteria have been met by the recipient.

Other expenses are generally recorded when goods are received or services are rendered and include expenses related to personnel, professional and special services, repair and maintenance, utilities, materials and supplies, as well as amortization of tangible capital assets. Provisions to reflect changes in the value of assets or liabilities, such as provisions for bad debts, loans, investments and advances and inventory obsolescence, as well as utilization of inventories and prepaid expenses, and other are also included in other expenses.

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Notes to the Consolidated Future-Oriented Statement of Operations (Unaudited)

For the year ending March 31

3. Summary of significant accounting policies (cont'd)

c) Revenues

Revenues from regulatory fees are recognized based on the services provided in the fiscal year.

Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. These revenues are recognized in the period in which the related expenses are incurred.

Deferred revenue consists of amounts received in advance of the delivery of goods and rendering of services that will be recognized as revenue in a subsequent fiscal year as it is earned.

Other revenues are recognized in the period the event giving rise to the revenues occurred. Revenues that are non-respendable are not available to discharge the Department's liabilities. Although the deputy head is expected to maintain accounting control, he has no authority over the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the Department's gross revenues.

4. Parliamentary authorities

Agriculture and Agri-Food Canada is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to the Department differs from financial reporting according to generally accepted accounting principles since authorities are based mainly on cash flow requirements. Items recognized in the Consolidated Future-Oriented Statement of Operations in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, Agriculture and Agri-Food Canada 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:

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Notes to the Consolidated Future-Oriented Statement of Operations (Unaudited)

For the year ending March 31

4. Parliamentary authorities (cont'd)

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

	Forecast results for <u>2019-20</u>	Planned results for <u>2020-21</u>
Net cost of operations before government funding and transfers	\$ 2,655,299	\$ 2,576,514
Adjustment for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(40,653)	(40,750)
Gain (loss) on disposal of tangible capital assets	7,193	(3,115)
Services provided without charge by other government departments	(52,699)	(52,624)
Increase (decrease) in prepaid expenses and inventory	(154)	(119)
Increase (decrease) in restricted accounts	5,510	-
Decrease (increase) in vacation pay and compensatory leave	(4,636)	(423)
Decrease (increase) in accrued liabilities not charged to authorities	(8,569)	147
Decrease (increase) in environmental liabilities	110	-
Decrease (increase) in employee future benefits	1,672	2,835
Decrease (increase) in allowances for bad debt expenses	(8,018)	(10,144)
Refund and adjustment of prior years' expenditures	8,594	9,280
Respendable revenue	4,400	5,118
Other	3,192	(2,173)
Total items affecting net cost of operations but not affecting authorities	(84,058)	(91,968)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	51,324	39,930
Proceeds from disposal of tangible capital assets	(11,357)	(1,042)
Increase (decrease) in loan receivables	17,471	15,841
Increase (decrease) in inventory	137	137
Total items not affecting net cost of operations but affecting authorities	57,575	54,866
Requested authorities forecast to be used	\$ 2,628,816	\$ 2,539,412

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Notes to the Consolidated Future-Oriented Statement of Operations (Unaudited)

For the year ending March 31

4. Parliamentary authorities (cont'd)

b) Authorities provided/requested (in thousands of dollars)

	Forecast results for <u>2019-20</u>	Planned results for <u>2020-21</u>
Authorities provided/requested		
Vote 1 – Operating expenditures	\$ 610,490	\$ 593,830
Vote 5 – Capital expenditures	63,036	39,930
Vote 10 – Transfer payments	477,341	431,713
Vote 15 – Compensation adjustments	17,486	-
Statutory amounts	1,816,407	1,473,939
Total authorities provided/requested	2,984,760	2,539,412
Less: Estimated unused authorities and other adjustments	355,944	-
Requested authorities forecast to be used	\$ 2,628,816	\$ 2,539,412