



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, 2021 and 2022**

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>2020-21</u>	Planned results for <u>2021-22</u>
Expenses		
Sector Risk	\$ 1,419,405	\$ 1,533,043
Domestic and International Markets	934,456	711,192
Science and Innovation	686,207	584,975
Internal Services	275,943	261,575
Total expenses	3,316,011	3,090,785
Revenues		
Sale of goods and services	55,178	66,199
Interest	14,237	14,598
Joint project and cost sharing agreements	7,282	7,477
Miscellaneous Revenue	2,317	2,376
Gain on disposal of assets	863	1,439
Crop Reinsurance Fund	700	190
Revenues earned on behalf of Government	(30,679)	(33,491)
Total revenues	49,898	58,788
Net cost of operations before government funding and transfers	\$ 3,266,113	\$ 3,031,997

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

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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 based on government priorities and departmental plans as described in the Departmental Plan.

The information in the forecast results for fiscal year 2020–21 is based on actual results as at November 30, 2020 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for fiscal year 2021-22.

The main assumptions underlying the forecasts are as follows:

- The Department's activities will remain substantially the same as in the previous year, with the exception of emergency support programs in 2020-21 for programming in response to the COVID-19 pandemic;
- Expenses and revenues, including the determination of amounts internal and external to the government, are based on experience. The general historical pattern is expected to continue and impacts of the COVID-19 pandemic have been considered;
- Allowances for uncollectibility are based on experience. The general historical pattern is expected to continue.

These assumptions are made as at December 4, 2020.

2. Variations and changes to the forecast financial information

Although every attempt has been made to forecast final results for the remainder of 2020-21 and for 2021-22, 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 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;

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

- impacts as a result of the COVID-19 pandemic;
- emergency support programs for programming in response to the pandemic;
- interest rates in effect at the time of issue, which will affect the net present value of non-interest bearing loans; and
- 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 2020-21, 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.

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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)

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.

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-responsible 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-responsible revenues. As a result, non-responsible revenues are 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>2020-21</u>	Planned results for <u>2021-22</u>
Net cost of operations before government funding and transfers	\$ 3,266,113	\$ 3,031,997
Adjustment for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(41,181)	(41,602)
Gain (loss) on disposal of tangible capital assets	703	2,260
Services provided without charge by other government departments	(56,456)	(61,689)
Increase (decrease) in prepaid expenses and inventory	1,085	-
Decrease (increase) in vacation pay and compensatory leave	(11,062)	(595)
Decrease (increase) in accrued liabilities not charged to authorities	(305)	(602)
Decrease (increase) in employee future benefits	1,868	1,718
Decrease (increase) in allowances for bad debt expenses	(11,049)	(11,226)
Refund and adjustment of prior years' expenditures	27,145	25,216
Respendable revenue	4,053	4,575
Other	(436)	1,438
Total items affecting net cost of operations but not affecting authorities	(85,635)	(80,507)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	54,917	49,005
Proceeds from disposal of tangible capital assets	(714)	(3,880)
Increase (decrease) in loan receivables	11,181	26,167
Increase (decrease) in inventory	32	33
Total items not affecting net cost of operations but affecting authorities	65,416	71,325
Requested authorities forecast to be used	\$ 3,245,894	\$ 3,022,815

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

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4. Parliamentary authorities (cont'd)

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

	Forecast results for <u>2020-21</u>	Planned results for <u>2021-22</u>
Authorities provided/requested		
Vote 1 – Operating expenditures	\$ 591,201	\$ 605,036
Vote 5 – Capital expenditures	52,877	49,005
Vote 10 – Transfer payments	602,635	407,507
Statutory amounts	2,239,712	1,961,267
Total authorities provided/requested	3,486,425	3,022,815
Less: Estimated unused authorities and other adjustments	240,531	-
Requested authorities forecast to be used	\$ 3,245,894	\$ 3,022,815