

# **Canadian Northern Economic Development Agency**

**Future-Oriented Financial Statements  
For the Year Ending March 31, 2013**

## **CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY**

### **Statement of Management Responsibility**

Responsibility for the compilation, content, and presentation of the accompanying future-oriented financial statements for the year ending March 31, 2013 and the accompanying notes rests with the management of the Canadian Northern Economic Development Agency (CanNor). These future-oriented financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector.

Management is responsible for the appropriateness of the assumptions on which these future-oriented financial statements have been prepared. These statements are based on the best information available and assumptions adopted as at January 30, 2012, and reflect the plans described in the Report on Plans and Priorities.

At the time of preparation of these statements, management believes the estimates and assumptions to be fair and reasonable. However, as with all such estimates and assumptions, there is a measure of uncertainty. Actual results for the fiscal years covered in the accompanying future-oriented financial statements will vary from the information presented and these variations may be material.

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**Patrick Borbey**  
**President and Deputy Minister**

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**Yves Robineau, CA**  
**Chief Financial Officer**

Ottawa, Canada  
April 20, 2012

# Canadian Northern Economic Development Agency

## Future-Oriented Statement of Financial Position (*Unaudited*)

As at March 31

(in dollars)

	<u>Estimated</u> <u>2012</u>	<u>Planned</u> <u>2013</u>
<b>Assets</b>		
<b>Financial assets</b>		
Due from Consolidated Revenue Fund	11,933,048	13,426,560
Accounts receivable and advances (Note 6)	500	500
<b>Total financial assets</b>	<b>11,933,548</b>	<b>13,427,060</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 7)	2,301,390	<b>2,185,702</b>
<b>Total non-financial assets</b>	<b>2,301,390</b>	<b>2,185,702</b>
<b>TOTAL</b>	<b>14,234,938</b>	<b>15,612,762</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	12,424,926	13,853,218
Vacation pay and compensatory leave	460,077	446,291
Employee future benefits (Note 9)	1,345,355	1,390,745
<b>Total liabilities</b>	<b>14,230,358</b>	<b>15,690,254</b>
<b>Equity of Canada</b>	<b>4,580</b>	<b>(77,492)</b>
<b>TOTAL</b>	<b>14,234,938</b>	<b>15,612,762</b>

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to January 30, 2012.

The accompanying notes form an integral part of these future-oriented financial statements.

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Patrick Borbey  
President and Deputy Minister

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Yves Robineau, CA  
Chief Financial Officer

Ottawa, Canada  
April 20, 2012

## Canadian Northern Economic Development Agency

### Future-Oriented Statement of Operations (*Unaudited*)

For the year ended March 31

(in dollars)

	Estimated 2012	Planned 2013
<b>Expenses</b>		
Business Development	23,146,047	23,406,627
Community Development	14,741,849	18,896,348
Internal Services	8,885,794	8,482,798
Policy, Advocacy and Coordination	1,839,601	1,883,566
<b>Total Expenses</b>	<b>48,613,291</b>	<b>52,669,339</b>
<b>Total Revenues</b>	-	-
<b>Net Cost of Operations</b>	<b>48,613,291</b>	<b>52,669,339</b>

Segmented information (Note 11)

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to January 30, 2012.

The accompanying notes form an integral part of these future-oriented financial statements.

## Canadian Northern Economic Development Agency

### Future-Oriented Statement of Equity of Canada (*Unaudited*)

**As at March 31**

*(in dollars)*

	Estimated 2012	Planned 2013
<b>Equity of Canada, beginning of year</b>	<b>(1,642,694)</b>	<b>4,580</b>
Net cost of operations	(48,613,291)	(52,669,339)
Net cash provided by Government	53,360,364	49,657,409
Change in due from the Consolidated Revenue Fund	(4,524,680)	1,493,511
Services provided without charge from other government departments (Note 10)	1,424,881	1,436,347
<b>Equity of Canada, end of year</b>	<b>4,580</b>	<b>(77,492)</b>

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to January 30, 2012.

The accompanying notes form an integral part of these future-oriented financial statements.

## Canadian Northern Economic Development Agency

### Future-Oriented Statement of Cash Flow (Unaudited)

For the year ended March 31

(in dollars)

	<u>Estimated</u> <u>2012</u>	<u>Planned</u> <u>2013</u>
<b>Operating activities</b>		
Net cost of operations	48,613,291	52,669,339
Non-cash items:		
Services provided without charge from other departments	(1,424,881)	(1,436,347)
Amortization of tangible capital assets (Note 7)	(74,488)	(215,688)
Variations in Future-Oriented Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	(10,922)	-
Decrease (increase) in accounts payable and accrued liabilities	4,416,229	(1,428,292)
Decrease (increase) in vacation pay and compensatory leave	(126,760)	13,786
Decrease (increase) in future employee benefits	217,895	(45,389)
<b>Cash used by operating activities</b>	<b>51,610,364</b>	<b>49,557,409</b>
<b>Capital investing activities</b>		
Acquisitions of tangible capital assets (Note 7)	1,750,000	100,000
<b>Cash used by capital investing activities</b>	<b>1,750,000</b>	<b>100,000</b>
<b>Net cash provided by Government of Canada</b>	<b>53,360,364</b>	<b>49,657,409</b>

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to January 30, 2012.

The accompanying notes form an integral part of these future-oriented financial statements.

# Canadian Northern Economic Development Agency

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### 1. Authority and Objectives

The Canadian Northern Economic Development Agency (CanNor) was established on August 18, 2009 in accordance with paragraph 2(a) of the *Public Service Rearrangement and Transfer of Duties Act*. Pursuant to Order-in-Council P.C 2009-1423, the control and supervision portion of the Northern Economic Development Branch in the Department of Indian Affairs and Northern Development was transferred to CanNor. CanNor is listed in Schedule I.1 of the *Financial Administration Act*.

Information on the mandate and objectives of CanNor is provided in Section I of its 2012-2013 Report on Plans and Priorities (RPP).

### 2. Methodology and Significant Assumptions

The future-oriented financial statements have been prepared on the basis of the government priorities and the plans of CanNor as described in the Report on Plans and Priorities.

The main assumptions are as follows:

- (a) CanNor's activities will remain substantially the same as for the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.
- (c) Estimated year end information for 2011-12 is used as the opening position for the 2012-13 planned results.

These assumptions are adopted as at January 30, 2012.

### 3. Variations and Changes to Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2011-12 and for 2012-13, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these future-oriented financial statements CanNor 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 historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

Factors that could lead to material differences between the future-oriented financial statements and the historical financial statements include:

- (a) The timing and amounts of acquisitions and disposals of tangible capital assets may affect gains/losses and amortization expense.
- (b) Implementation of new collective agreements.
- (c) 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, CanNor will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

### 4. Summary of Significant Accounting Policies

These future-oriented financial statements have been prepared in accordance with the Treasury Board accounting policies in effect for the 2010-2011 fiscal year. These accounting policies, stated below, are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

Significant accounting policies are as follows:

**a) Parliamentary authorities** – CanNor is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to CanNor do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Future-Oriented Statement of Operations and the Future-Oriented Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a reconciliation between the bases of reporting.

**b) Net cash provided by Government** – CanNor operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by CanNor is deposited to the CRF and all cash disbursements made by the CanNor are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government.

**c) Change in net position in the Consolidated Revenue Fund** – Amounts due from the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that CanNor is entitled to draw from the CRF without further parliamentary expenditure authorities to discharge its liabilities.

**d) Expenses** – Expenses are recorded on the accrual basis:

Grants are recognized in the year in which the conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized 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 statements.



## Notes to the Future-Oriented Financial Statements (*Unaudited*)

Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, provided that the transfer is authorized and a reasonable estimate can be made.

Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.

Services provided without charge by other government departments for accommodation and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

### **e) Employee future benefits**

**Pension benefits:** Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. CanNor's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require CanNor to make contributions for any actuarial deficiencies of the Plan.

**Severance benefits:** Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

**f) Accounts receivable** – Accounts receivable are stated at the lower of cost and net recoverable value; a valuation allowance is established for receivables where recovery is considered uncertain.

**h) Tangible capital assets** – All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

<b>Asset Class</b>	<b>Amortization Period</b>
<b>Informatics hardware and software</b>	3 years
<b>Motor vehicles</b>	
Passenger vehicles and light trucks	5 years
<b>Machinery and equipment</b>	
Communication equipment	5 years
<b>Leasehold Improvements</b>	Lesser of useful life or term of lease
<b>Assets Under Construction</b>	Once in service, in accordance with asset type

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### 5. Parliamentary Authorities

CanNor is financed by the Government of Canada through Parliamentary authorities. Items recognized in the Future-Oriented Statement of Operations and the Future-Oriented Statement of Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years.

Accordingly, CanNor has different net results 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) Authorities requested**

<i>(in dollars)</i>	<b>Estimated 2012</b>	<b>Planned 2013</b>
<b>Authorities requested:</b>		
Vote 30 - Operating expenditures	14,654,928	13,036,117
Vote 35 - Contributions	32,754,756	36,661,803
Statutory amounts	1,426,000	1,453,000
<b>Forecasted authorities available</b>	<b><u>48,835,684</u></b>	<b><u>51,150,920</u></b>

Authorities presented reflect current forecasts of statutory items, approved initiatives included and expected to be included in Estimates documents and, when reasonable estimates can be made, estimates of amounts to be allocated from Treasury Board central votes.

Forecast authorities requested for the year ending March 31, 2013 are the planned spending amounts presented in the 2012-13 RPP. Estimated authorities requested for the year ending March 31, 2012 include amounts presented in the 2011-12 Main Estimates and Supplementary Estimates (A) and (B), planned for presentation in Supplementary Estimates (C) and estimates of amounts to be allocated at year-end from Treasury Board central votes.

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### b) Reconciliation of net cost of operations to requested authorities:

<i>(in dollars)</i>	<b>Estimated 2012</b>	<b>Planned 2013</b>
<b>Net cost of operations</b>	<b>48,613,291</b>	<b>52,669,339</b>
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets (Note 7)	(74,488)	(215,688)
Services provided without charge (Note 10)	(1,424,881)	(1,436,347)
Decrease (increase) in employee future benefits	217,895	(45,389)
Decrease (increase) in vacation pay and compensatory leave	(126,760)	13,786
Other	(119,373)	65,219
	<b>(1,527,607)</b>	<b>(1,618,419)</b>
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Acquisition of tangible capital assets	1,750,000	100,000
	<b>1,750,000</b>	<b>100,000</b>
<b>Forecasted authorities available</b>	<b>48,835,684</b>	<b>51,150,920</b>

## 6. Accounts Receivable and Advances

The following table presents details of the CanNor's accounts receivable and advances balances:

<i>(in dollars)</i>	<b>Estimated 2012</b>	<b>Planned 2013</b>
Employee advances	500	500
<b>Accounts receivable and advances</b>	<b>500</b>	<b>500</b>

Notes to the Future-Oriented Financial Statements (*Unaudited*)

7. Tangible Capital Assets

(in dollars)

Asset Class	Cost				Accumulated Amortization				Net Book Value	
	Opening Balance	Acquisitions	Disposals/ Adjustment	Closing Balance	Opening Balance	Amortization	Disposals/ Adjustment	Closing balance	Planned 2013	Estimated 2012
Motor vehicles	110,370	-	-	110,370	42,280	20,788	-	63,068	47,302	68,090
Leasehold improvements	537,000	100,000	1,750,000	2,387,000	53,700	194,900	-	248,600	2,138,400	483,300
Assets under construction	1,750,000		(1,750,000)	-	-	-	-	-		1,750,000
<b>Total</b>	<b>2,397,370</b>	<b>100,000</b>	<b>-</b>	<b>2,497,370</b>	<b>95,980</b>	<b>215,688</b>	<b>-</b>	<b>311,668</b>	<b>2,185,702</b>	<b>2,301,390</b>

Disposals of assets under construction represent assets that are put into use in the year and transferred to other capital asset classes as applicable.

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### 8. Accounts Payable and Accrued Liabilities

The following table presents the details of CanNor's accounts payable and accrued liabilities:

<i>(in dollars)</i>	<b>Estimated 2012</b>	<b>Planned 2013</b>
Accounts payable to other government departments and agencies	169,500	-
Accounts payable to external parties	345,465	345,465
	<b>514,965</b>	<b>345,465</b>
Accrued liabilities	11,909,961	13,507,753
<b>Accounts payable and accrued liabilities</b>	<b>12,424,926</b>	<b>13,853,218</b>

### 9. Employee Future Benefits

#### **a) Pension benefits**

CanNor's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the CanNor contribute to the cost of the Plan. The 2013 expense amounts to \$864,067 (2012 - \$852,470), which represents approximately 1.9 times (1.9 times in 2012) the contributions by employees.

CanNor's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada as the Plan's sponsor.

#### **b) Severance benefits**

CanNor provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about the severance benefits, estimated as at the date of these statements, is as follows:

<i>(in dollars)</i>	<b>Estimated 2012</b>	<b>Planned 2013</b>
Accrued benefit obligation, beginning of year	1,563,249	1,345,355
Expense for the year	610,681	683,623
Benefits paid during the year	(828,575)	(638,233)
Accrued benefit obligation, end of year	<b>1,345,355</b>	<b>1,390,745</b>

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### 10. Related Party Transactions

CanNor is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. CanNor enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, CanNor received common services which were obtained without charge from other Government departments as disclosed below.

#### ***a) Services provided without charge***

During the year, CanNor received services without charge from certain common service organizations, related to accommodation and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in CanNor's Future-Oriented Statement of Operations as follows:

<i>(in dollars)</i>	<b>Estimated 2012</b>	<b>Planned 2013</b>
Accommodation	699,421	714,108
Employer's contribution to health and dental insurance plans	725,460	722,239
Total	<b><u>1,424,881</u></b>	<b><u>1,436,347</u></b>

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General are not included in CanNor's Future-Oriented Statement of Operations.

## Notes to the Future-Oriented Financial Statements (Unaudited)

### 11. Segmented Information

Presentation by segment is based on CanNor's program activity architecture. The presentation by segment is based on the same accounting policies as described in the Summary of Significant Accounting Policies in Note 4. The following table presents the forecasted expenses incurred for the main program activities, by major object of expenses. The forecasted segmented results for the period are as follows:

<i>(in dollars)</i>	<b>Planned 2013</b>					<b>2013 Total</b>
	<b>Estimated 2012 Total</b>	<b>Business Development</b>	<b>Community Development</b>	<b>Internal Services</b>	<b>Policy, Advocacy and Coordination</b>	
<b>Transfer Payments</b>	<b><u>32,754,656</u></b>	<b><u>20,557,000</u></b>	<b><u>16,104,803</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>36,661,803</u></b>
<b>Operating Expenses</b>						
Salaries and employee benefits	10,647,268	2,376,496	2,476,496	4,375,284	1,475,495	<b>10,703,771</b>
Professional and special services	1,499,827	101,250	67,420	1,337,819	188,529	<b>1,695,018</b>
Rentals of buildings and machinery	1,326,770	12,301	8,191	1,045,747	27,341	<b>1,093,580</b>
Travel and relocation	1,353,394	333,084	221,794	700,687	165,677	<b>1,421,242</b>
Accommodations	699,421			714,108		<b>714,108</b>
Transportation and telecommunications	159,745	9,463	6,301	11,122	16,323	<b>43,209</b>
Amortization	74,488	-	-	215,688	-	<b>215,688</b>
Utilities, materials and supplies	57,686	8,043	5,356	54,021	8,569	<b>75,989</b>
Repair and maintenance	-	946	630	3,178	-	<b>4,754</b>
Information services	26,624	3,785	2,520	19,066	408	<b>25,779</b>
Other expenses	13,412	4,259	2,837	6,078	1,224	<b>14,398</b>
<b>Total Operating Expenses</b>	<b><u>15,858,635</u></b>	<b><u>2,849,627</u></b>	<b><u>2,791,545</u></b>	<b><u>8,482,798</u></b>	<b><u>1,883,566</u></b>	<b><u>16,007,536</u></b>
<b>Total Expenses</b>	<b><u>48,613,291</u></b>	<b><u>23,406,627</u></b>	<b><u>18,896,348</u></b>	<b><u>8,482,798</u></b>	<b><u>1,883,566</u></b>	<b><u>52,669,339</u></b>
<b>Total Revenues</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net Cost of Operations</b>	<b><u>48,613,291</u></b>	<b><u>23,406,627</u></b>	<b><u>18,896,348</u></b>	<b><u>8,482,798</u></b>	<b><u>1,883,566</u></b>	<b><u>52,669,339</u></b>