

Canadian Northern Economic Development Agency

**Future-Oriented Financial Statements
For the Year Ending March 31, 2014**

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, 2014 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 December 31, 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.

Patrick Borbey
President
Ottawa, Canada
March 13, 2013

Yves Robineau, CPA, CA
Chief Financial Officer

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY
Future-Oriented Statement of Financial Position (*Unaudited*)
As at March 31

(in dollars)

	Planned Results 2014	Estimated Results 2013
Liabilities		
Accounts payable and accrued liabilities (note 6)	13,919,083	14,350,249
Vacation pay and compensatory leave	386,786	436,307
Employee future benefits (note 8b)	497,321	718,571
Total liabilities	14,803,190	15,505,127
Financial assets		
Due from the Consolidated Revenue Fund	16,500,000	17,500,000
Accounts receivable and advances (note 9)	5,000	5,000
Total gross financial assets	16,505,000	17,505,000
Total net financial assets	16,505,000	17,505,000
Departmental net debt	(1,701,810)	(1,999,873)
Non-financial assets		
Tangible capital assets (note 10)	1,773,187	2,080,279
Total non-financial assets	1,773,187	2,080,279
Departmental net financial position	3,474,997	4,080,152

Information for the year ended March 31, 2013 includes actual amounts from April 1 to December 31, 2012.
The accompanying notes form an integral part of these financial statements.

Patrick Borbey
President
Ottawa, Canada
March 13, 2013

Yves Robineau, CPA, CA
Chief Financial Officer

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

Future-Oriented Statement of Operations and Departmental Net Financial Position (unaudited)

For the Year Ended March 31

(in dollars)

	Planned Results 2014	Estimated Results 2013
Expenses (note 12)		
Business Development	22,705,138	23,175,791
Community Development	20,455,256	22,123,593
Policy, Advocacy and Co-ordination	2,423,540	2,597,643
Internal Services	8,232,846	8,820,135
Total expenses	53,816,780	56,717,162
Net cost of operations before government funding and transfers		
Government funding and transfers		
Net cash provided by Government	52,388,119	57,867,716
Change in due from the Consolidated Revenue Fund	(1,000,000)	495,749
Services provided without charge by other government departments (note 11)	1,823,508	1,885,348
Net cost of operations after government funding and transfers	(605,153)	3,531,651
Departmental net financial position – Beginning of year	4,080,150	548,499
Departmental net financial position – End of year	3,474,997	4,080,150

Information for the year ended March 31, 2013 includes actual amounts from April 1 to December 31, 2012.

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

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY
Future-Oriented Statement of Change in Departmental Net Debt (unaudited)
For the year ended March 31
(in dollars)

	Planned Results 2014	Estimated Results 2013
Net cost of operations after government funding and transfers	605,153	(3,531,651)
Change due to tangible capital assets		
Acquisition of tangible capital assets	25,000	25,000
Amortization of tangible capital assets	(332,090)	(294,735)
Total change due to tangible capital assets	(307,090)	(269,735)
Net increase (decrease) in departmental net debt	298,063	(3,801,386)
Departmental net debt – Beginning of year	(1,999,873)	1,801,513
Departmental net debt – End of year	(1,701,810)	(1,999,873)

Information for the year ended March 31, 2013 includes actual amounts from April 1 to December 31, 2012.
The accompanying notes form an integral part of these financial statements.

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY
Future-Oriented Statement of Cash Flow (Unaudited)
For the Year Ended March 31
(in dollars)

	Planned Results 2014	Estimated Results 2013
Operating activities		
Net cost of operations before government funding and transfers	53,816,780	56,717,162
Non-cash items:		
Amortization of tangible capital assets	(332,090)	(294,735)
Services provided without charge by other government departments	(1,823,508)	(1,885,348)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	-	(14,565)
Decrease (increase) in liabilities	701,937	3,320,202
Cash used by operating activities	52,363,119	57,842,716
Capital investing activities		
Acquisition of tangible capital assets	25,000	25,000
Cash used in capital investing activities	25,000	25,000
Net cash provided by Government of Canada	52,388,119	57,867,716

Information for the year ended March 31, 2013 includes actual amounts from April 1 to December 31, 2012.
The accompanying notes form an integral part of these financial statements.

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

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

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

For the Year Ended March 31

1. Authority and objectives

The Canadian Northern Economic Development Agency (CanNor) was established in 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*.

Contributing to the jobs and growth in Canada, the Canadian Northern Economic Development Agency (CanNor) works to develop a diversified, sustainable and dynamic economy across Canada's three territories. It does this by delivering economic development programs, undertaking policy and research, and by collaborating with and aligning the efforts of other federal departments, territorial governments, Aboriginal organizations, and industry. This is particularly the case in resource development through its Northern Projects Management Office (NPMO).

In pursuit of its mandate and to contribute to its strategic outcome of *developed and diversified territorial economies that support prosperity for all Northerners*, CanNor has structured its programs as follows:

a) Community Development – This program supports community-level investments in infrastructure and organizations, individual-level investments in skills and capacity development, and proposals from First Nation, Métis and Inuit entrepreneurs in the North as well as from northern communities, Aboriginal businesses and financial organizations. The objective of this program is the establishment of economically sustainable northern communities with a higher quality of life for residents.

b) Business Development – This program supports the growth and expansion of northern businesses, including small and medium enterprises, through training, advisory services, and grants and contributions. The objective of this program is the encouragement of a competitive, diverse Northern business sector with a strengthened capacity for innovation.

c) Policy, Advocacy and Coordination – This program supports research and analysis to guide programming and policy choices, the promotion of northern interests both inside and outside of the federal government, the development of horizontal strategies, initiatives and projects to address economic development challenges in the North.

d) Internal Services – This program supports the programs and other corporate obligations of CanNor to ensure effective and efficient delivery of its mandate.

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

2. Methodology and Significant Assumptions

The future-oriented statements have been prepared on the basis of the government priorities and the plans of the department as described in the RPP.

The information in the estimated results for fiscal year 2012-13 is based on actual results as at December 31, 2012 and forecasts for the remainder of the fiscal year. Estimated year end information for 2012-13 is used as the opening position for the 2013-14 planned results, and forecasts have been made for the planned results for the 2013-14 fiscal year.

The main assumptions are as follows:

- (a) The department's activities will remain substantially the same as 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.

These assumptions are adopted as of December 31, 2012.

3. Variations and changes to the forecast financial information

While every attempt has been made to accurately forecast final results for the remainder of 2012-13 and for 2013-14, actual results achieved for both years will vary from the forecast information presented, and this variation may be material.

In preparing the 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.

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 newly established initiatives or other technical adjustments occurring later in the year.

Once the RPP is presented, CanNor will not be updating its forecast for any changes to appropriations or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

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

4. Summary of significant accounting policies

These future-oriented financial statements have been prepared in accordance with the Government's accounting policies stated below, which are 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) Parliamentary authorities – CanNor is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to CanNor does 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 Departmental Net Financial Position and in 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 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 federal government.

c) Amounts due from/to the CRF – These amounts 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 authorities to discharge its liabilities.

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

- Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses 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.
- 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, the employer's contribution to the health and dental insurance plans, legal services, and workers' compensation are recorded as operating expenses at their estimated cost.

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

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. 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.
- Severance benefits - Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. 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.

g) 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 assets as follows:

Asset Class	Amortization Period
Motor vehicles	5 to 10 years
Leasehold improvements	Lesser of the remaining term of lease or useful life of the improvement

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

5. Parliamentary authorities

CanNor receives most of its funding through annual parliamentary authorities. Items recognized in the Future-Oriented Statement of Operations and Departmental Net Financial Position 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) Reconciliation of net cost of operations to current year authorities used

	Planned Results 2014	Estimated Results 2013
	<i>(in dollars)</i>	
Net cost of operations before government funding and transfers	53,816,780	56,717,162
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(332,090)	(294,735)
Services provided without charge by other government departments	(1,823,508)	(1,885,348)
Decrease (increase) in vacation pay and compensatory	49,521	(102,989)
Decrease (increase) in employee future benefits	221,250	155,000
Other	(165,820)	203,358
Total items affecting net cost of operations but not affecting authorities	51,766,133	54,792,448
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	25,000	25,000
Total items not affecting net cost of operations but affecting authorities	25,000	25,000
Current year authorities used	51,791,133	54,817,448

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

b) Authorities provided and used

	Planned Results	Estimated Results
	2014	2013
	<i>(in dollars)</i>	
Authorities Provided:		
Vote 1 – Operating expenditures	12,103,359	13,783,692
Vote 10 – Grants and Contributions	38,664,119	39,861,803
Statutory amounts	1,023,655	1,171,953
Forecast Authorities Available	51,791,133	54,817,448

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, 2014 are the planned spending amounts presented in the 2013-14 RPP. Estimated authorities requested for the year ending March 31, 2013 include amounts presented in the 2012-13 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*)

6. Accounts payable and accrued liabilities

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

	Planned Results 2014	Estimated Results 2013
	<i>(in dollars)</i>	
Accounts payable – Other government departments and agencies	2,811,655	2,898,750
Accounts payable – External parties	751,630	774,913
Total accounts payable	<u>3,563,285</u>	<u>3,673,663</u>
Accrued liabilities	10,355,798	10,676,586
Total accounts payable and accrued liabilities	<u>13,919,083</u>	<u>14,350,249</u>

7. Contingent liabilities

CanNor does not have any contingent liabilities recorded in these future oriented financial statements.

8. Employee future benefits

a) Pension benefits

CanNor's employees participate in the Public Service Pension Plan (the Plan), which is sponsored and administered by the Government of Canada. 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 Plan benefits and are indexed to inflation.

Both the employees and CanNor contribute to the cost of the Plan. For the year ended March 31, 2014, the expense amounts to \$841,478 (\$946,756 in 2013), which represents approximately 1.8 times (1.8 in 2013) 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.

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

b) Severance benefits

CanNor provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

As part of collective agreement negotiations with certain employee groups and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

Information about the severance benefits, measured as at March 31, is as follows:

	Planned Results 2014	Estimated Results 2013
	<i>(in dollars)</i>	
Accrued benefit obligation- Beginning of year	718,571	873,571
Expense for the year	198,750	265,000
Benefits paid during the year	(420,000)	(420,000)
Accrued benefit obligation- End of year	497,321	718,571

9. Accounts receivable and advances

The following table presents details of CanNor's accounts receivables and advances:

	Planned Results 2014	Estimated Results 2013
	<i>(in dollars)</i>	
Receivables – Other government departments and agencies	4,750	4,750
Employee advances	250	250
Total accounts receivable and advances	5,000	5,000

Notes to the Financial Statements (*Unaudited*)

10. Tangible capital assets

(in dollars)

Capital Asset Class	Cost					Accumulated Amortization					Net Book Value	
	Opening Balance	Acquisitions	Adjustments	Disposals and Write-offs	Closing Balance	Opening Balance	Amortization	Adjustments	Disposals and Write-offs	Closing balance	Planned Results 2014	Estimated Results 2013
Motor vehicles	116,421	-	-	-	116,421	74,869	23,285	-	-	98,154	18,265	41,552
Leasehold improvements	2,285,766	25,000	-	-	2,310,766	247,039	308,805	-	-	555,844	1,754,922	2,038,727
Total	2,402,187	25,000			2,427,187	321,908	332,090	-	-	653,998	1,773,187	2,080,279

Notes to the Financial Statements (*Unaudited*)

11. Related party transactions

CanNor is related as a result of common ownership to all Government departments, agencies, and Crown corporations. CanNor enters into transactions with these entities in the normal course of business and on normal trade terms. In addition, CanNor has agreements with both PWGSC and AANDC for the provision of human resources, finance and administrative services. During the year, CanNor received common services which were obtained without charge from other Government departments as disclosed below.

a) Common services provided without charge by other government departments

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

	Planned Results 2014	Estimated Results 2013
	<i>(in dollars)</i>	
Employer's contribution to the health and dental insurance plans	631,259	703,748
Accommodation	1,192,249	1,181,600
Total	1,823,508	1,885,348

The Government has centralized some of its administrative activities for purposes of efficiency, cost-effectiveness and economical 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 Statement of Operations and Departmental Net Financial Position.

Notes to the Financial Statements (Unaudited)

12. 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 expenses incurred for each of CanNor's strategic outcomes, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

<i>(in dollars)</i>	Business Development	Community Development	Policy, Advocacy and Co- ordination	Internal Services	Planned 2014 Results	Estimated 2013 Results
Transfer Payments	20,457,000	18,207,118	-	-	38,664,118	39,861,803
Operating Expenses						
Salaries and employee future benefits	1,772,195	1,772,195	2,137,958	3,363,553	9,045,901	10,177,538
Professional and special services	210,889	210,889	70,372	1,346,410	1,838,560	1,977,080
Accommodations	-	-	-	1,192,249	1,192,249	1,181,600
Information services	2,740	2,740	-	30,500	35,980	37,200
Other	266	266	2,337	279,900	282,769	284,150
Machinery and equipment	-	-	-	89,000	89,000	89,000
Rentals of buildings and machinery	7,946	7,946	1,948	892,683	910,523	915,116
Utilities, materials and supplies	7,424	7,424	8,095	51,310	74,253	81,935
Amortization	-	-	-	332,090	332,090	294,735
Transportation and telecommunications	246,269	246,269	202,830	592,151	1,287,519	1,753,005
Repairs and maintenance	409	409	-	63,000	63,818	64,000
Total Operating Expenses	2,248,138	2,248,138	2,423,540	8,232,846	15,152,662	16,855,359
Total Expenses	22,705,138	20,455,256	2,423,540	8,232,846	53,816,780	56,717,162
Net cost from continuing operations	22,705,138	20,455,256	2,423,540	8,232,846	53,816,780	56,717,162