

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY
Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2012, and all information contained in these statements rests with the management of the Canadian Northern Economic Development Agency (CanNor). These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of CanNor's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in CanNor's *Departmental Performance Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout CanNor and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

CanNor is subject to periodic Core Control Audits performed by the Office of the Comptroller General and uses the results of such audits to comply with the Treasury Board *Policy on Internal Control*.

A Core Control Audit was performed in 2011 by the Office of the Comptroller General of Canada (OCG). The Audit Report and related Management Action Plan are posted on the CanNor web site at (<http://www.north.gc.ca/aa/ar-eng.asp>).

The financial statements of CanNor have not been audited.

Patrick Borbey,
President
Ottawa, Ontario
August 27, 2012

Yves Robineau , CA
Chief Financial Officer

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY**Statement of Financial Position (Unaudited)****As at March 31***(in dollars)*

	<u>2012</u>	<u>2011</u>
		Restated (note 10 and 11)
Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 17,659,815	\$ 39,118,270
Vacation pay and compensatory leave	291,944	387,693
Employee future benefits (Note 5)	873,571	1,563,249
Total Liabilities	18,825,330	41,069,212
Financial assets		
Due from Consolidated Revenue Fund	17,004,250	39,106,848
Accounts Receivable (Note 6)	19,565	11,422
Total financial assets	17,023,815	39,118,270
Departmental net debt	1,801,515	1,950,942
Non-Financial assets		
Tangible capital assets (Note 7)	2,350,014	789,637
Total non-financial assets	2,350,014	789,637
Departmental net financial position	\$ 548,499	\$ (1,161,305)

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

Patrick Borbey,
President
Ottawa, Ontario
August 27, 2012

Yves Robineau, CA
Chief Financial Officer

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY
Statement of Operations and Departmental Net Financial Position (Unaudited)
For the year ended March 31
(in dollars)

	<u>2012</u>	<u>2011</u> Restated (note 10 and 11)
Expenses		
Business Development	\$ 22,467,398	\$ 1,764,644
Community Development	13,435,124	49,127,512
Policy, Advocacy and Coordination	2,038,235	4,482,629
Internal Services	8,262,063	13,182,889
Total Expenses	46,202,820	68,557,674
Revenues		
Miscellaneous Revenues and Fees	1,577	-
Revenues earned on behalf of Government	(1,577)	-
Total Revenues	-	-
Net cost of operations before government funding and transfers	46,202,820	68,557,674
Government funding and transfers		
Net cash provided by Government	68,486,433	41,261,803
Change in due from Consolidated Revenue Fund	(22,099,599)	25,302,996
Services provided without charge by other government departments (Note 8)	1,525,790	1,502,809
Net cost of operations after government funding and transfers	(1,709,804)	490,066
Departmental net financial position - Beginning of year	(1,161,305)	(671,239)
Departmental net financial position - End of year	\$ <u>548,499</u>	\$ <u>(1,161,305)</u>

Segmented information (note 9)

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

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

Statement of Change in Departmental Net Debt (Unaudited)

For the year ended March 31

(in dollars)

	<u>2012</u>	<u>2011</u>
		Restated (note 11)
Net cost of operations after government funding and transfers	\$ (1,709,804)	\$ 490,066
Change due to tangible capital assets		
Acquisition of tangible capital assets	1,750,000	714,658
Amortization of tangible capital assets	(34,996)	(21,492)
Adjustment for tangible capital assets	(154,627)	-
Total change due to tangible capital assets	1,560,377	693,166
Net increase (decrease) in departmental net debt	(149,427)	1,183,232
Departmental net debt - Beginning of year	1,950,942	767,710
Departmental net debt - End of year	\$ <u>1,801,515</u>	\$ <u>1,950,942</u>

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

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY**Statement of Cash Flow (Unaudited)**

For the year ended March 31

(in dollars)

	<u>2012</u>	<u>2011</u> Restated (note 10 and 11)
Operating activities		
Net cost of operations before government funding and transfers	\$ 46,202,820	\$ 68,557,674
Non-cash items:		
Amortization of tangible capital assets	(34,996)	(21,492)
Adjustment for tangible capital assets	(154,627)	-
Services provided without charge by other government departments (Note 8)	(1,525,790)	(1,502,809)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	8,143	11,422
Decrease (increase) in accounts payable and accrued liabilities	21,458,455	(25,305,698)
Decrease (increase) in vacation pay and compensatory leave	95,750	(292,876)
Decrease (increase) in future employee benefits	689,678	(899,076)
Cash used in operating activities	66,739,433	40,547,145
Capital investing activities		
Acquisitions of tangible capital assets	1,750,000	714,658
Cash used in capital investing activities	1,750,000	714,658
Net cash provided by Government of Canada	\$ 68,489,433	\$ 41,261,803

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

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

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*.

The Canadian Northern Economic Development Agency (CanNor) has a mandate to advance economic development in Canada's northern territories and serve as the federal hub for these efforts. The Agency does this through delivery of a suite of economic development programs; by developing policy and conducting research; and by aligning the efforts of partners and stakeholders, particularly among federal organizations. As well, the Agency coordinates and serves as the regional delivery agent for certain national economic initiatives. The Northern Projects Management Office is part of CanNor. It provides path-finding services for industry and is a centralized source of information and guidance on northern regulatory systems and processes. NPMO supports a more stable and attractive investment climate in the territories by improving the transparency, timeliness and predictability of northern project regulation.

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 program activities as follows:

a) Community Development – This program activity 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 activity is the establishment of economically sustainable Northern communities with a higher quality of life for residents.

b) Business Development – This program activity 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 activity is the encouragement of a competitive, diverse Northern business sector with a strengthened capacity for innovation.

c) Policy, Advocacy and Coordination – This program activity 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, the coordination of federal responsibilities throughout the regulatory cycle of resource development projects, and close collaboration with key players to improve northern economic development. The objective of this program activity is to ensure that CanNor has the information and understanding required to provide a balanced, regionally sensitive approach that addresses northern priorities while maximizing effectiveness.

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

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

2. Summary of Significant Accounting Policies

These financial statements have been prepared using 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 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 Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 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 Government.

(c) Amounts due from or to 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 authorities to discharge its liabilities.

(d) Revenues:

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

Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

Revenues that are non-respendable are not available to discharge CanNor's liabilities. While the Deputy Head is expected to maintain accounting control, he or she has no authority regarding 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 in reduction of the entity's gross revenues.

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

Notes to the Financial Statements (*Unaudited*)

For the year ended March 31

(e) 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. Transfer payments that become repayable as a result of conditions specified in the contribution agreement that have come into being are recorded as a reduction to transfer payment expense and as a receivable.

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, employer contributions to the health and dental insurance plans, are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

(i) 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 CanNor's total 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.

(ii) 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.

(g) Accounts receivable are stated at the lower of cost and net recoverable value; a valuation allowance is recorded 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. CanNor does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves and museum collections.

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

Notes to the Financial Statements (*Unaudited*)

For the year ended March 31

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset Class	Amortization Period
Informatics Hardware and Software	3 years
Motor vehicles	
Passenger vehicles and light trucks	5 years
Leasehold Improvements	Lesser of useful life or term of lease
Assets under construction	Once in service, in accordance with asset type
Machinery and equipment	
Communication equipment	5 years

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

(h) Measurement uncertainty—The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee future benefits and the useful life of tangible capital assets (list as applicable). Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

Notes to the Financial Statements (*Unaudited*)

For the year ended March 31

3. Parliamentary Authorities

CanNor receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Department Net Financial Position and the 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:

3a) Reconciliation of net cost of operations to current year authorities used

	2012	2011 Restated (Note 11)
	<u>(in dollars)</u>	
Net cost of operations before government funding and transfers	\$ 46,202,820	\$ 68,557,674
Adjustments for items affecting net cost of operations but not affecting authorities:		
Add (Less):		
Amortization of tangible capital assets	(34,996)	(21,492)
Adjustment in machinery and equipment for tangible capital assets	(129,994)	-
Services provided without charge by other government departments	(1,525,790)	(1,502,809)
Increase in accrued liabilities not charged to authorities	(636,000)	(2,306,800)
Refunds of prior year expense	325,594	11,275
Adjustments of prior year accounts payable	1,862,629	-
Decrease(increase) in employee future benefits	689,678	(899,076)
Decrease (increase) in vacation pay and compensatory leave	95,750	(292,876)
Total items affecting net cost of operations but not affecting authorities	<u>646,871</u>	<u>(5,011,778)</u>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Add (Less):		
Acquisition of tangible capital assets	1,750,000	714,657
Current year authorities used	\$ <u>48,599,691</u>	\$ <u>64,260,553</u>

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY
Notes to the Financial Statements (Unaudited)
For the year ended March 31

3b) Authorities provided and used

	2012	2011
	(in dollars)	
Authorities Provided:		
Vote 27 – Operating expenditures (Vote 40 in 2011)	\$ 17,237,930	\$ 18,145,503
Vote 29 – Contributions (Vote 45 in 2011)	32,754,757	48,031,951
Statutory amounts	1,207,038	3,069,254
Less:		
Lapsed:		
Vote 27 – Operating expenditures (Vote 40 in 2011)	(1,838,007)	(1,172,054)
Vote 29 – Contributions (Vote 45 in 2011)	(762,027)	(3,814,101)
Current year authorities used	\$ 48,599,691	\$ 64,260,553

4. Accounts payable and accrued liabilities

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

	2012	2011
		Restated (Note 11)
	(in dollars)	
Accounts payable - Other government departments and agencies	\$ 3,570,076	\$ 4,602,129
Accounts payable - External parties	947,307	590,072
Total accounts payable	4,517,383	5,192,201
Accrued liabilities	13,142,432	33,926,069
Total accounts payable and accrued liabilities	\$ 17,659,815	\$ 39,118,270

In *Canada's Economic Action Plan 2012*, the Government announced savings measures to be implemented by CanNor's over the next three fiscal years starting in 2012-2013. As a result, CanNor has recorded at March 31, 2012 an obligation for termination benefits for an amount of \$636,000 as part of accrued liabilities to reflect the estimated workforce adjustment costs.

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

Notes to the Financial Statements (*Unaudited*)

For the year ended March 31

5. 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 CanNor contribute to the cost of the Plan. The 2011-12 expense amounts to \$867,860 (\$880,303 in 2010-11), which represents approximately 1.8 times (1.9 times in 2010-11) 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 salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about the severance benefits, measured as at March 31, is as follows:

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.

	2012	2011
	(in dollars)	
Accrued benefit obligation - Beginning of year	\$ 1,563,249	\$ 664,173
Expense for the year	57,876	1,002,650
Benefits paid during the year	(747,554)	(103,574)
Accrued Benefit Obligation - End of year	\$ 873,571	\$ 1,563,249

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY
Notes to the Financial Statements (*Unaudited*)
For the year ended March 31

6. Accounts receivable and advances

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

	2012	2011
	(in dollars)	
Receivables - Other government departments and agencies	\$ 19,315	\$ 10,922
Employee advances	<u>250</u>	<u>500</u>
Total accounts receivable	<u>\$ 19,565</u>	<u>\$ 11,422</u>

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

Notes to the Financial Statements (Unaudited)

For the year ended March 31

(in dollars)

7. Tangible capital assets

Capital Asset Class	Cost					Accumulated Amortization					Net Book Value	
	Opening Balance	Acquisitions	Adjustments	Disposals and Write-Offs	Closing balance	Opening Balance	Amortization	Adjustments (4)	Disposals and Write-Offs	Closing balance	2012	2011 Restated (note 11)
Machinery and equipment	\$ 64,879	\$ -	\$ -	\$ (64,879)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,879
Informatics hardware	65,115	-	-	(65,115)	-	-	-	-	-	-	-	65,115
Motor Vehicles	145,370	-	(13,111)	-	132,259	21,492	24,887	11,522	-	57,901	74,358	123,878
Assets Under Construction	535,765	1,750,000	(535,765)	-	1,750,000	-	-	-	-	-	1,750,000	535,765
Leasehold Improvements	-	-	535,765	-	535,765	-	10,109	-	-	10,109	525,656	-
Total	\$ 811,129	\$ 1,750,000	\$ (13,111)	\$(129,994)	2,418,024	\$21,492	\$ 34,996	\$ 11,522	\$ -	\$ 68,010	\$ 2,350,014	\$ 789,637

(1) Adjustments include machinery and equipment of \$64,879 and informatics hardware of \$65,115 that should not have been capitalized and was written off in the current year.

(2) Adjustments include the net change resulting from transfers of vehicles with another department.

(3) Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

Notes to the Financial Statements (*Unaudited*)

For the year ended March 31

8. 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 an agreement with Aboriginal Affairs and Northern Development Canada (AANDC) related to the provision of finance and administration 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 and 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:

	2012	2011
	(in dollars)	
Accommodation	\$ 809,763	\$ 685,035
Employer's contribution to the health and dental insurance plans	716,027	817,774
Total	\$ 1,525,790	\$ 1,502,809

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 Statement of Operations and Departmental Net Financial Position.

b) Other transactions with related parties

	2012	2011
	(in dollars)	
Other government departments and agencies	\$ 6,361,911	\$ 5,974,934

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY
Notes to the Financial Statements (Unaudited)
For the year ended March 31

9. 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 2. The following table presents the expenses incurred and revenues generated for the main program activities, by major object of expenses and by major type of revenues. Operating expenses for Business Development and Community Development are split on a 50/50 basis since it is not practical to track the expenses separately. The segment results for the period are as follows:

<i>(in dollars)</i>	Business Development	Community Development	Policy, Advocacy and Coordination	Internal Services	2012 Total	2011 Total Restated (note 11)
Transfer payments	\$19,612,206	\$10,579,932	-	-	\$30,192,138	\$47,999,818
Operating expenses						
Salaries and employee benefits	2,234,450	2,234,450	1,784,249	4,154,923	10,408,072	12,975,591
Professional and special services	164,954	164,954	85,476	1,068,227	1,483,611	2,862,804
Amortization of tangible capital assets				34,996	34,996	2,919
Travel and relocation	393,846	393,846	127,785	420,802	1,336,279	1,596,423
Buildings, machinery and equipment	888	888	3,918	499,966	505,660	148,115
Accommodation	-	-	-	809,763	809,763	685,035
Utilities, materials and supplies	9,223	9,223	3,087	27,153	48,686	118,885
Rentals of buildings and machinery	11,898	11,898	21,675	1,174,053	1,219,524	1,095,622
Transportation and telecommunication services	26,476	26,476	8,744	40,074	101,770	233,915
Information services	10,921	10,921	2,421	24,090	48,353	136,473
Repair and maintenance	665	665	60	5,864	7,254	693,672
Other expenses	1,871	1,871	820	2,152	6,714	8,402
Total operating expenses	2,855,192	2,855,192	2,038,235	8,262,063	16,010,682	20,557,856
Total expenses	22,467,398	13,435,124	2,038,235	8,262,063	46,202,820	68,557,674
Revenues						
Miscellaneous Revenues and Fees	-	-	-	1,577	1,577	-
Revenue earned on behalf of the government	-	-	-	(1,577)	(1,577)	-
Total revenues	-	-	-	-	-	-
Net cost from continuing operations	\$22,467,398	\$13,435,124	\$2,038,235	\$8,262,063	\$46,202,820	\$68,557,674

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY
Notes to the Financial Statements (Unaudited)
For the year ended March 31

10. Accounting changes

During 2011, amendments were made to *Treasury Board Accounting Standard 1.2—Departmental and Agency Financial Statements* to improve financial reporting by governments and agencies. The amendments are effective for financial reporting of fiscal years ending March 31, 2012, and later. The significant changes to CanNor’s financial statements are described below. These changes have been applied retroactively, and comparative information for 2010-11 has been restated.

Net debt (calculated as liabilities less financial assets) is now presented in the Statement of Financial Position. Accompanying this change, CanNor now presents a Statement of Change in Net Debt and no longer presents a Statement of Equity.

Revenue and related accounts receivable are now presented net of non-respendable amounts in the Statement of Operations and Departmental Net Financial Position. The effect of this change was to increase the net cost of operations before government funding and transfers by \$1,577 for 2012 (\$0 for 2011).

Government funding and transfers, as well as the credit related to services provided without charge by other government departments are now recognized in the Statement of Operations and Departmental Net Financial Position below “Net cost of operations before government funding and transfers.” In previous years, CanNor recognized these transactions directly in the Statement of Equity of Canada. The effect of this change was to decrease the net cost of operations after government funding and transfers by \$47,912,624 for 2012 (\$68,067,608 for 2011).

(in dollars)	2011 As previously stated	Effect of change	2011 Restated
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Statement of Operations and Departmental Net Financial Position:

Government funding and transfers:

Net cash provided by Government	\$ 0	\$41,261,802	\$41,261,803
Change in due from Consolidated Revenue Fund	\$ 0	\$25,302,996	\$25,302,996
Services provided without charge by other government departments	\$ 0	\$1,502,809	\$1,502,809

CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

Notes to the Financial Statements (*Unaudited*)

For the year ended March 31

11. Prior year errors and adjustments

A review of CanNor's accrued liabilities determined that the balance reported for the 2011 fiscal year was understated as a result of a compilation error in the preparation of the financial statements. The consolidated revenue fund balance and accounts payable and accrued liabilities have been increased by \$22,277,115 (each) for the 2011 fiscal year to correct the error.

Asset under construction (tangible capital assets) of \$535,765 were incorrectly expensed in the 2011 fiscal year. Expenses for Internal Services and tangible capital assets have been restated for the 2011 fiscal year to correct the error.

Liabilities for vacation pay and compensatory leave of \$54,376 were understated in fiscal year 2011. Expenses for Internal Services and liabilities for vacation pay and compensatory leave have been restated for the 2011 fiscal year to correct the error.

The effect of the prior year errors and adjustments on the 2011 comparative figures is summarized below:

<i>(in dollars)</i>	2011 As previously stated	Effect of change	2011 Restated
Statement of Financial Position			
Total tangible capital assets (at year end)	\$ 253,872	\$ 535,765	\$ 789,637
Vacation pay and compensatory leave	\$ 333,317	\$ 54,376	\$ 387,693
Due from Consolidated Revenue Fund	\$ 16,829,733	\$ 22,277,115	\$ 39,106,848
Accounts payable and accrued liabilities	\$ 16,841,155	\$ 22,277,115	\$ 39,118,270
Statement of Operations and Departmental Net Financial Position			
Expenses (Internal Services)	\$ 13,664,276	\$ (481,388)	\$ 13,182,888

12. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation. This includes revenues that have been reclassified to report by type.