NON CLASSIFIÉ - UNCLASSIFIED

Canada Economic Development for Quebec Regions
Développement économique Canada pour les régions du Québec

Canada

Canada Economic Development
for Quebec Regions

Standing by businesses,
Standing by regions.

QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED JUNE 30, 2026

Published by

Canada Economic Development for Quebec Regions

Montréal, Quebec H3B 1X9

www.dec-ced.gc.ca

Catalogue: Iu90-1/19F-PDF

ISSN: 2368-6553

Table of contents

SECTION 1

INTRODUCTION

Introduction

This quarterly financial report has been prepared by Canada Economic Development for Quebec Regions (CED) as required under section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board.

This report should be read in conjunction with the 2026-2027 Estimates and the 2026-2027 Departmental Plan.

This document has not been subject to an external audit or review.

1.1 Authorities, mandate and programs

Canada Economic Development for Quebec Regions (CED)'s mission is to promote the long-term economic development of the regions of Quebec by giving special attention to those where slow economic growth is prevalent or opportunities for productive employment are inadequate.

CED is the key federal organization for economic development in the regions and among small and medium-sized enterprises (SMEs) in Quebec. It aims to stimulate the start-up and growth of businesses to make the regions more innovative, productive and competitive. CED thus offers adapted services and fosters local collaboration. This support also attracts investments for greater economic prosperity in Quebec and Canada.

CED plays a crucial role in dynamizing regional economies by drawing on regional strengths. We help communities diversify their economies, especially those hit by economic shocks. We support SMEs and NPOs through strategic investments.

CED offers advisory services adapted to the needs of businesses, NPOs and communities. Specialized advisors provide personalized guidance to facilitate access to funding, establish partnerships and support the growth of Quebec businesses. CED also offers information services to help small businesses and future entrepreneurs develop.

CED keeps abreast of the needs of Quebec's regions and businesses through its business offices across the province and through the links it establishes with other economic development players.

CED has three categories of programs to support its core responsibility:

- Regional Innovation
- Community Vitality
- Targeted or Temporary Support

Additional information about CED's authority, mandate and programs can be found in the 2026-2027 Estimates and the 2026-2027 Departmental Plan.

1.2 Basis of presentation

This quarterly report was prepared by CED using an expenditure basis of accounting. The accompanying Statement of Authorities includes CED's spending authorities granted by Parliament and used by CED, consistent with the 2026-2027 Main Estimates. This quarterly report was prepared using a special-purpose financial reporting framework designed to meet financial information needs regarding the use of spending authorities.

Prior authority from Parliament is required before funds can be spent by the Government. Authorities available for use are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* gives the Governor General the power, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

CED uses the full accrual method of accounting to prepare and present its annual financial statements that make up part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis of accounting.

1.3 Financial structure of Canada Economic Development for Quebec Regions (CED)

CED manages its expenditures under two annual votes:

- Vote 1 – Net operating expenditures, which includes CED authorities related to personnel costs and operating and maintenance expenditures
- Vote 5 – Grants and contributions, which includes all authorities related to transfer payments

Expenses under budgetary statutory authorities, for which payments are made under legislation previously approved by Parliament and which are not part of the annual appropriations bills, include items such as the employer's share of the employee benefit plan.

SECTION 2

HIGHLIGHTS OF FISCAL QUARTER AND FISCAL YEAR-TO-DATE RESULTS

Highlights of fiscal quarter and fiscal year-to-date results

This section presents a variety of financial information as at June 30, 2026, including the authorities available for the year and expenditures incurred during the first quarter, as compared with the previous fiscal year.

The explanation of variances is based on the premise that discrepancies of less than 5% have a minimal impact on the interpretation of results.

Details of this financial information are provided in sections 2.1 and 2.2, and in the tables in the appendices.

2.1 Analysis of authorities

Authorities as at June 30, 2026, totalled $440.2M, compared with $331.2M as at June 30, 2025.

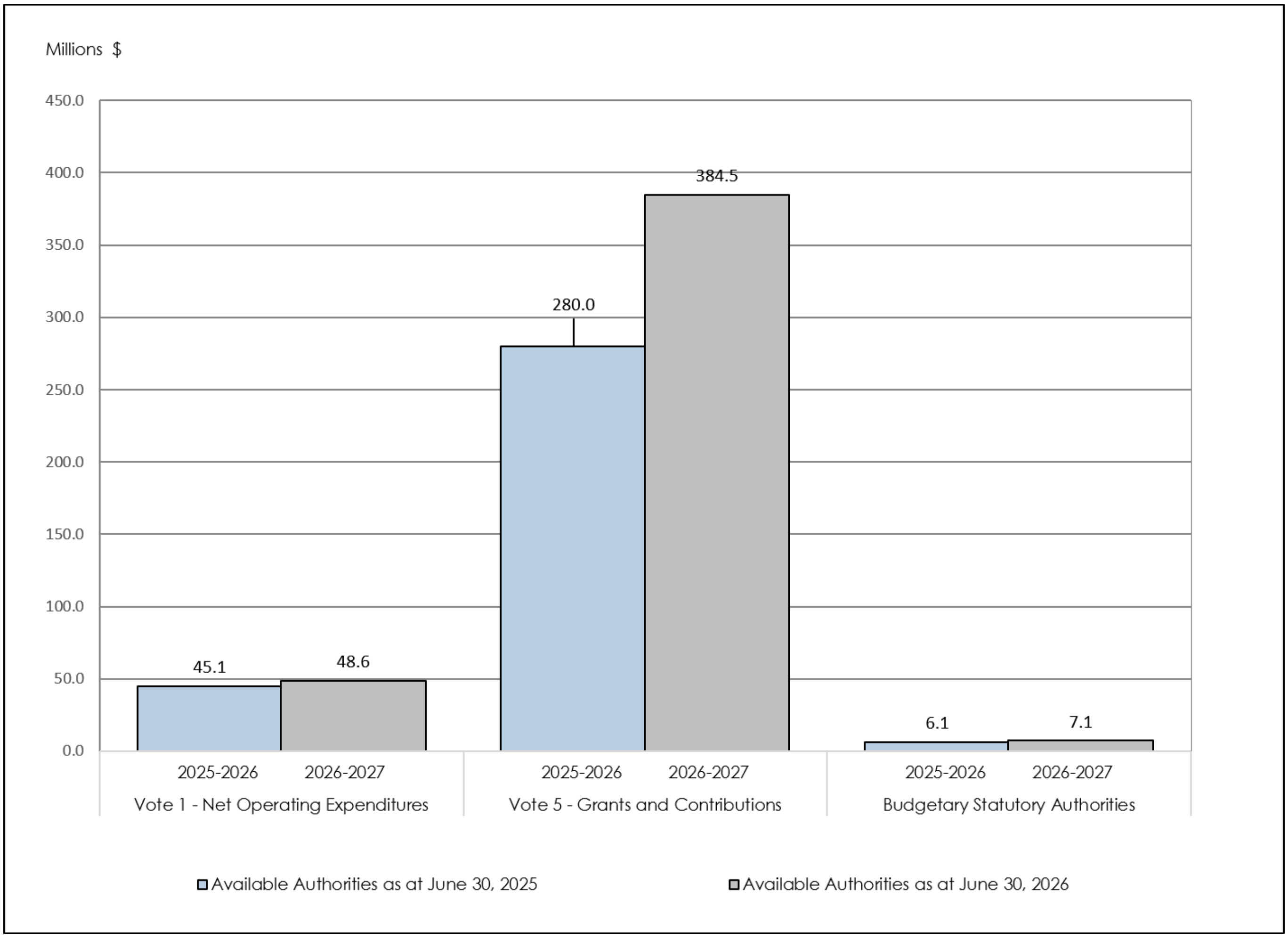
This year's variance of $109.0M (+32.9%) is due to the following changes:

- Vote 1 – Net operating expenditures: +$3.5M;
- Vote 5 – Grants and contributions: +$104.5M;
- Budgetary statutory authorities: +$1.0M.

Note: Totals in the report may not add up because of rounding off.

The chart below shows the annual budgetary appropriation authorities as at June 30, 2026, compared with the previous fiscal year.

Annual budgetary appropriation authorities as at June 30, fiscal year 2026-2027, compared with 2025-2026



Vote 1 Authorities (Operating expenditures)

As at June 30, 2026, authorities totalled $48.6M, compared with $45.1M as at June 30, 2025. This represents an increase of $3.5M this year. The 7.8% variance is due to new initiatives launched in the third quarter of the fiscal year 2025-2026. These initiatives are the Regional Tariff Response Initiative (RTRI) and the Regional Defence Investment Initiative (RDII). Also, ratified collective agreements and paid salary increases partly explains the variance.

Vote 5 Authorities (Grants and Contributions)

As at June 30, 2026, grants and contributions (G&C) authorities totalled $384.5M, compared with $280.0M as at June 30, 2025. This represents a net increase of $104.5M (+37.3%) this year. This variance consists of a number of items, some of which varied upward, others downward.

The most significant variances are:

- <u>Increase in funding (+$127.7M)</u>
  - Regional Tariff Response Initiative: +$65.6M
  - Build Communities Strong Fund: +$21.7M
  - Regional Defence Investment Initiative: +$21.6M
  - Regional Development Agencies’ Bridge Funding Replacement: +$8.5M
  - Northern Isolated Community Initiatives Fund: +$4.2M
  - Regional Artificial Intelligence Initiative: +$3.0M
  - Local projects support initiative: +$2.1M
  - Other: +$1.0M

- <u>Decrease in, or end of, funding (-$23.2M)</u>
  - Tourism Growth Program: -$8.6M
  - Top-up for Regional Economic Growth through Innovation: -$8.3M
  - Regional Initiative for Innovation in Residential Construction: -$6.3M

Budgetary statutory authorities

As at June 30, 2026, authorities totalled $7.1M, compared with $6.1M as at June 30, 2025. This represents an increase of $1.0M (+16.4%). This increase is due to a rise in payroll and an adjustment to the actual effective rate for the employee benefit plan from 15.3% to 16.4%.

2.2 Analysis of expenditures

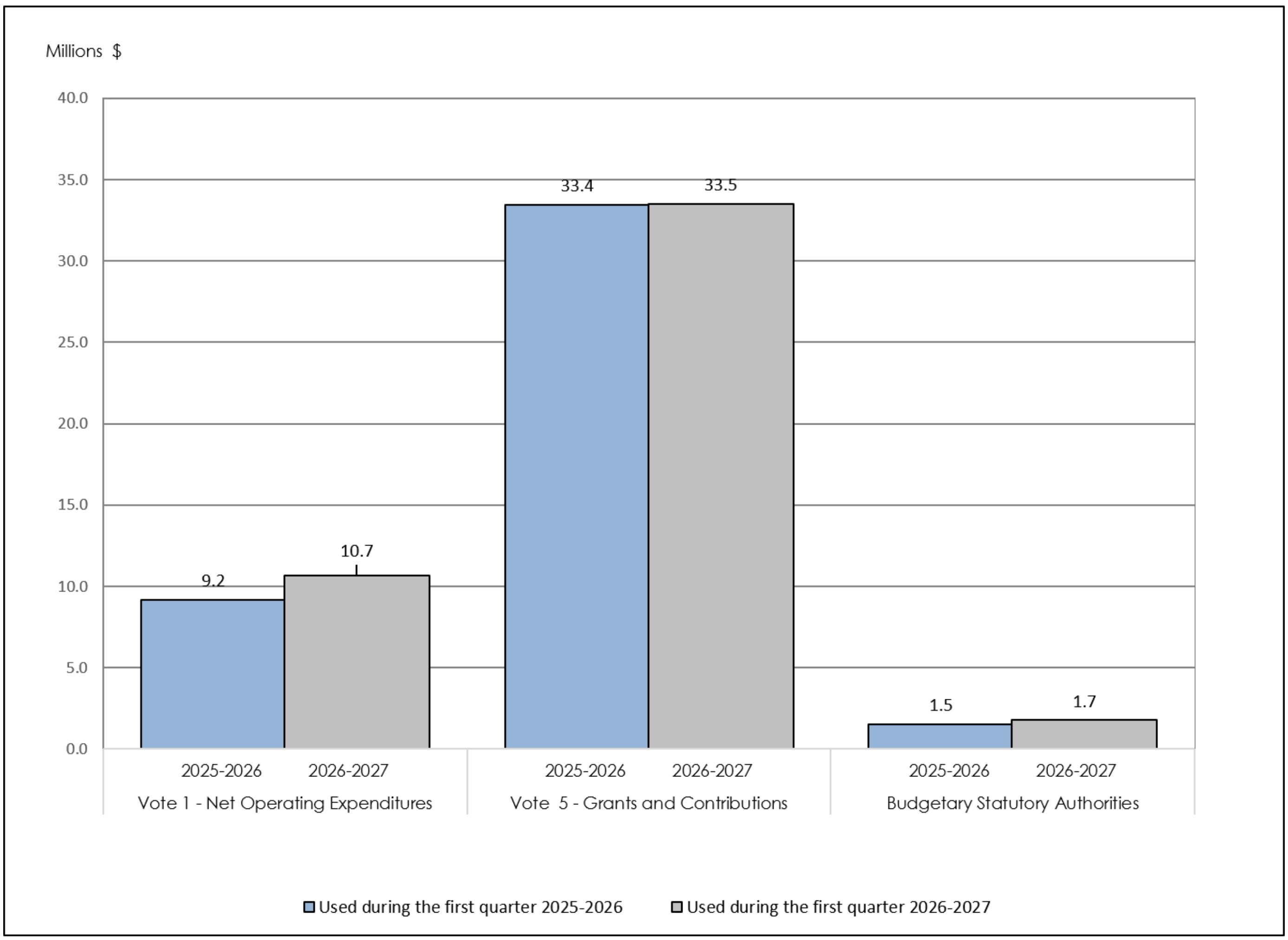
CED expenditures in the first quarter of 2026–2027 totalled $45.9M, compared with $44.1M during the same period in the previous year. This represents a net year-over-year increase of $1.8M (+4.1%).

This variance can be broken down as follows:

- Vote 1 – Net operating expenditures: +$1.5M
- Vote 5 – Grants and contributions: +$0.1M
- Budgetary statutory authorities: +$0.2M

The chart below shows expenditures in the first quarter of 2026-2027 by budgetary appropriation, compared with the previous fiscal year.

First-quarter expenditures by budgetary appropriation, 2026-2027, compared with 2025–2026



Vote 1 expenditures (Net operating expenditures)

CED’s net operating expenditures for the first quarter of 2026-2027 totalled $10.7M, compared with $9.2M in 2025-2026. This represents an increase of $1.5M (+16.3%) this year.

In the first quarter of fiscal year 2025-2026, there was a recorded temporary accounting entry of reduced payroll expenses, which accounts for part of the variance between the two fiscal years. In addition, CED contributed to the government's efforts in the Comprehensive Expenditure Review, which resulted in the departure of some employees. Severance pay and leave payments resulted in additional expenditures in the first quarter of fiscal year 2026-2027.

Vote 5 expenditures (Grants and contributions)

Grants and contributions (G&C) expenditures for the first quarter of 2026-2027 totalled $33.5M, compared with $33.4M for the same period of 2025-2026. The increase of $0.1M (+0.3%) is not significant. Despite the increase in authorities in 2026-2027, first-quarter expenditures remain stable and are consistent with the Agency's usual business profile and program delivery model.

Expenditures under budgetary statutory authorities

Expenditures on statutory authorities in the first quarter of 2026-2027 totalled $1.7M, compared with $1.5M as at June 30, 2025. This is an increase of $0.2M (+13.3%) compared with the first quarter of 2025-2026. This increase is due to the rise in payroll and an adjustment to the actual effective rate for the employee benefit plan, from 15.3% to 16.4%.

(For further details on these expenditures, see the table entitled “Departmental budgetary expenditures by standard object” in Appendix 6.2.)

SECTION 3

RISKS AND UNCERTAINTIES

Risks and uncertainties

The organization is currently evolving in a context where the needs of businesses and regions are becoming more complex, while the digital environment remains exposed to growing threats which are particularly amplified by the increased use of advanced technologies such as artificial intelligence. In this context, CED is focusing its attention on risks related to the delivery of its programs and services, as well as cybersecurity.

Programs and services

The scope and variety of challenges faced by businesses and the Quebec regions, particularly because of geopolitical and trade tensions, might dilute the overall impact of CED's interventions. To mitigate this issue, CED continues to adapt its interventions to regional realities, implement its programs with agility and work closely with partners and other levels of government to strengthen the collective capacity to identify and carry out strategic projects. Supported by its 12 regional business offices and its integrated approach to information, support and investment monitoring, CED continues to support businesses and communities in their efforts to diversify and develop their economy.

Cybersecurity

Like all public organizations, CED remains exposed to cyberthreats, and a cybersecurity incident could disrupt its operations and damage its reputation. To mitigate this risk, the organization continues to implement its active cyber security measures, including staff training and awareness to promote safety practices, as well as the ongoing deployment of technical controls to effectively prevent, detect and manage information security incidents.

These various measures enable CED to continue its digital transformation activities while maintaining a secure and resilient technological environment that supports the delivery of its programs and services.

SECTION 4

SIGNIFICANT CHANGES TO OPERATIONS, PERSONNEL AND PROGRAMS

Significant changes to operations, personnel and programs

CED participated in the government efforts to reduce and refocus spending on priorities established by the government for future fiscal years through the Comprehensive Expenditure Review. To ensure the long-term sustainability of its operations, the Agency implemented measures set out in the National Joint Council's Work Force Adjustment Directive, as well as the Early Retirement Incentive program. These measures contributed to the reorganization of certain activities and improved organizational efficiency.

CED will make changes to its leadership. The Deputy Chief Financial Officer and the Vice-President of Operations will be retiring in the fall of 2026. The succession strategy will be announced in the second quarter.

CED will implement a new initiative. The purpose of the Build Communities Strong Fund (BCSF) aims to support community infrastructure projects in the public interest that strengthen communities and promote regional economic development. CED also received additional funding under the Northern Isolated Community Initiatives (NICI) Fund to make food and other basic necessities more affordable for Canadians.

SECTION 5

APPROVAL BY SENIOR OFFICIALS

Approval by senior officials

The purpose of this section is to provide the approval of senior officials, as required by the Policy on Financial Management, as follows:

Approved by:

Original signed by	Original signed by
Sony Perron	**Caroline Garon**
Deputy Minister / President	Chief Financial Officer
Montréal, Canada	Québec, Canada

SECTION 6

APPENDICES

6.1 Statement of authorities (unaudited)

Fiscal year 2026-2027 ($000's)

	Total available for use for the year ending March 31, 2027*	Used during the quarter ended June 30, 2026	Year-to-date used at quarter-end
Vote 1 - Net operating expenditures	48,644	10,654	10,654
Vote 5 – Grants and contributions	384,536	33,510	33,510
Total budgetary statutory authorities	7,099	1,775	1,775
Total authorities	**440,279**	**45,939**	**45,939**

Fiscal year 2025-2026 ($000's)

	Total available for use for the year ending March 31, 2026*	Used during the quarter ended June 30, 2025	Year-to-date used at quarter-end
Vote 1 - Net operating expenditures	45,101	9,191	9,191
Vote 5 – Grants and contributions	279,995	33,440	33,440
Total budgetary statutory authorities	6,133	1,533	1,533
Total authorities	**331,229**	**44,164**	**44,164**

*Includes only authorities available for use and granted by Parliament at quarter-end.

6.2 Departmental budgetary expenditures by standard object (unaudited)

Fiscal year 2026-2027 ($000's)

	Planned expenditures for the year ended March 31, 2027	Expenditures during the quarter ended June 30, 2026	Year-to-date used at quarter-end
Expenses:			
Personnel*	50,382	11,731	11,731
Transport and communications	446	289	289
Information	271	6	6
Professional and special services	2,811	149	149
Rentals	1,085	187	187
Repair and maintenance services	79	30	30
Utilities, materials and supplies	66	6	6
Acquisition of machinery and equipment	603	20	20
Transfer payments	384,536	33,510	33,510
Other grants and payments	0	11	11
Total net budgetary expenditures	**440,279**	**45,939**	**45,939**

* Includes employee benefit plans (EBPs)

Fiscal year 2025-2026 ($000's)

	Planned expenditures for the year ended March 31, 2026	Expenditures during the quarter ended June 30, 2025	Year-to-date used at quarter-end
Expenses:			
Personnel*	46,219	9,946	9,946
Transport and communications	318	121	121
Information	225	28	28
Professional and special services	2,869	187	187
Rentals	887	400	400
Repair and maintenance services	46	12	12
Utilities, materials and supplies	49	8	8
Acquisition of machinery and equipment	621	10	10
Transfer payments	279,995	33,440	33,440
Other grants and payments	0	12	12
Total net budgetary expenditures	**331,229**	**44,164**	**44,164**

* Includes employee benefit plans (EBPs)