



# 2019-2020

Financial Statements (unaudited)

For the Year Ended March 31, 2020



## Western Economic Diversification Canada

### 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, 2020, and all information contained in these financial statements rests with the management of Western Economic Diversification Canada (WD). These financial statements have been prepared by management using the Government of Canada'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 WD's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in WD's *Departmental Results 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 WD 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 on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

WD 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 Financial Management*.

A Core Control Audit was performed in 2013-2014 by the Office of the Comptroller General of Canada (OCG). The Audit Report and related Management Action Plan are posted on the departmental web site at <http://www.wd-deo.gc.ca/eng/18737.asp> and <http://www.wd-deo.gc.ca/eng/18738.asp>.

The financial statements of WD have not been audited.



**Dylan Jones, Deputy Minister**  
**Edmonton, Canada**

**Cathy McLean, Chief Financial Officer**

October 7, 2020

**Date**

**Date**

Western Economic Diversification Canada  
**Statement of Financial Position (Unaudited)**

As at March 31

(in dollars)

	<u>2020</u>	<u>2019</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	\$ 77,016,099	\$ 45,608,121
Vacation pay and compensatory leave	1,909,252	1,362,117
Employee future benefits (note 5)	1,227,831	1,139,295
<b>Total gross liabilities</b>	<b>80,153,182</b>	<b>48,109,533</b>
<b>Total net liabilities</b>	<b>80,153,182</b>	<b>48,109,533</b>
<b>Financial assets</b>		
Due from Consolidated Revenue Fund	76,708,478	45,438,100
Accounts receivable and advances (note 6)	322,079	172,819
Loans receivable (note 7)	91,492,257	62,801,253
<b>Total gross financial assets</b>	<b>168,522,814</b>	<b>108,412,172</b>
<b>Financial assets held on behalf of Government</b>		
Accounts receivable and advances (note 6)	(6,036)	0
Loans receivable (note 7)	(91,492,257)	(62,801,253)
<b>Total financial assets held on behalf of Government</b>	<b>(91,498,293)</b>	<b>(62,801,253)</b>
<b>Total net financial assets</b>	<b>77,024,521</b>	<b>45,610,919</b>
<b>Departmental net debt</b>	<b>3,128,661</b>	<b>2,498,614</b>
<b>Non-financial assets</b>		
Tangible capital assets (note 8)	1,181,174	1,044,504
<b>Total non-financial assets</b>	<b>1,181,174</b>	<b>1,044,504</b>
<b>Departmental net financial position</b>	<b>\$ (1,947,487)</b>	<b>\$ (1,454,110)</b>

Contractual obligations (note 9)

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



**Dylan Jones, Deputy Minister**  
**Edmonton, Canada**

**Cathy McLean, Chief Financial Officer**

October 7, 2020

**Date**

**Date**

# Western Economic Diversification Canada

## Statement of Operations and Departmental Net Financial Position (*Unaudited*)

For the Year Ended March 31

(in dollars)

	2020 Planned Results	2020	2019
<b>Expenses</b>			
Innovation	\$ 106,499,266	\$ 106,086,695	\$ 60,237,720
Business Growth	34,932,985	68,470,625	32,834,653
Business Services	46,043,040	46,348,734	47,326,378
Community Initiatives	32,195,559	41,814,263	61,785,001
Internal Services	12,620,409	15,175,747	15,112,133
Expenses incurred on behalf of Government	(7,743,605)	(31,151,332)	(11,118,497)
<b>Total expenses</b>	<b>224,547,654</b>	<b>246,744,732</b>	<b>206,177,388</b>
<b>Revenues</b>			
Amortization of discount	41,285	2,791,412	263,079
Interest	126,875	132,106	90,756
Other	6,695	526	27,107
Revenues earned on behalf of Government	(168,220)	(2,923,598)	(368,966)
<b>Total revenues</b>	<b>6,635</b>	<b>446</b>	<b>11,976</b>
<b>Net cost of operations before government funding and transfers</b>	<b>224,541,019</b>	<b>246,744,286</b>	<b>206,165,412</b>
<b>Government funding and transfers</b>			
Net cash provided by Government of Canada		209,026,290	226,483,357
Change in due from Consolidated Revenue Fund		31,270,378	(25,153,402)
Services provided without charge by other government departments (note 10)		5,946,959	5,309,828
Transfer of the transition payments for implementing salary payments in arrears		(1,313)	0
Transfer of assets and liabilities from (to) other government departments (note 11)		8,595	5,462
<b>Net cost of operations after government funding and transfers</b>		<b>493,377</b>	<b>(479,833)</b>
<b>Departmental net financial position - Beginning of year</b>		<b>(1,454,110)</b>	<b>(1,933,943)</b>
<b>Departmental net financial position - End of year</b>		<b>\$ (1,947,487)</b>	<b>\$ (1,454,110)</b>

Segmented information (note 12)

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

Western Economic Diversification Canada  
**Statement of Change in Departmental Net Debt (Unaudited)**  
**For the Year Ended March 31**  
*(in dollars)*

	<u>2020</u>	<u>2019</u>
<b>Net cost of operations after government funding and transfers</b>	<b>\$ 493,377</b>	<b>\$ (479,833)</b>
<b>Change due to tangible capital assets</b>		
Acquisition of tangible capital assets	161,666	529,708
Amortization of tangible capital assets	(24,996)	(12,507)
Gain (loss) on disposal of tangible capital assets including adjustments	0	(17,789)
<b>Total change due to tangible capital assets</b>	<b>136,670</b>	<b>499,412</b>
<b>Net increase (decrease) in departmental net debt</b>	<b>630,047</b>	<b>19,579</b>
<b>Departmental net debt - Beginning of year</b>	<b>2,498,614</b>	<b>2,479,035</b>
<b>Departmental net debt - End of year</b>	<b>\$ 3,128,661</b>	<b>\$ 2,498,614</b>

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

# Western Economic Diversification Canada

## Statement of Cash Flows (*Unaudited*)

For the Year Ended March 31

(in dollars)

	<u>2020</u>	<u>2019</u>
<b>Operating activities</b>		
Net cost of operations before government funding and transfers	\$ 246,744,286	\$ 206,165,412
Non-cash items:		
Amortization of tangible capital assets	(24,996)	(12,507)
Gain (loss) on disposal of tangible capital assets	0	(17,789)
Services provided without charge by other government departments (note 10)	(5,946,959)	(5,309,828)
Transition payments for implementing salary payments in arrears	1,313	0
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	143,224	14,493
Decrease (increase) in accounts payable and accrued liabilities	(31,407,978)	25,130,814
Decrease (increase) in vacation pay and compensatory leave	(547,135)	(88,326)
Decrease (increase) in employee future benefits	(88,536)	76,842
Transfer of assets from other government departments (note 11)	(8,595)	(5,462)
<b>Cash used in operating activities</b>	<u><b>208,864,624</b></u>	<u><b>225,953,649</b></u>
<b>Capital investing activities</b>		
Acquisitions of tangible capital assets	161,666	529,708
<b>Cash used in capital investing activities</b>	<u><b>161,666</b></u>	<u><b>529,708</b></u>
<b>Net cash provided by Government of Canada</b>	<u><u><b>\$ 209,026,290</b></u></u>	<u><u><b>\$ 226,483,357</b></u></u>

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

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# Western Economic Diversification Canada

## Notes to the Financial Statements (*Unaudited*)

### For the Year Ended March 31

#### 1. Authority and Objectives

Western Economic Diversification Canada (WD) was established in 1987 to promote the development and diversification of the economy of western Canada and to advance the interests of the west in national economic policy, program and project development and implementation. The Minister of Economic Development and Official Languages is responsible for this organization.

WD delivers a wide range of initiatives across the west and makes strategic investments to build on regional competitive advantages and help grow the western economy. WD also contributes to the Government of Canada's Western Canada Business Service Network members.

WD's research and policy work provide regional evidence and knowledge to advance the diversification and development of the economy of western Canada.

WD promotes growth and diversification in the western Canadian economy by enhancing innovation, improving business competitiveness, promoting the adoption of clean technologies and inclusive growth.

WD's strategic outcome is advanced through the following programs:

- **Innovation:** Western Canadian business are innovative;
- **Business Growth:** Western Canadian businesses are competitive and export their products/services;
- **Business Services:** Western Canadian businesses have access to advisory service and capital;
- **Community Initiatives:** Western Canadian communities have necessary public infrastructure and adjustment support to promote economic growth; and
- **Internal Services:** Effective and efficient support for advancing the department's strategic outcome.

Western Economic Diversification Canada  
**Notes to the Financial Statements (Unaudited)**  
For the Year Ended March 31

**2. Summary of significant accounting policies**

These financial statements are prepared using the department'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

WD is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to WD 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. The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2019-2020 Departmental Plan. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2019-2020 Departmental Plan.

(b) Net cash provided by Government

WD operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by WD is deposited to the CRF, and all cash disbursements made by WD 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

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 WD is entitled to draw from the CRF without further authorities to discharge its liabilities.



#### (d) Revenues

Other revenues are recognized in the period the event giving rise to the revenues occurred.

Revenues that are non-respendable are not available to discharge WD's liabilities. While the Deputy Head is expected to maintain accounting control, he 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 as a reduction of the entity's gross revenues.

#### (e) Expenses

Transfer payments are recorded as an expense in the year the transfer is authorized and all eligibility criteria have been met by the recipient.

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, legal services and workers' compensation are recorded as operating expenses at their carrying value.

#### (f) Employee future benefits

- I. Pension benefits: Eligible employees participate in the Public Service Pension Plan (The *Public Service Superannuation Act*), a multiemployer pension plan administered by the Government. WD's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. WD'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: The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits 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 and loans receivable

Accounts and loans receivable are initially recorded at cost and where necessary, are discounted to reflect their concessionary terms. Concessionary terms of loans include cases where loans are made on a long-term, low interest or interest-free basis. Transfer payments that are unconditionally repayable are recognized as loans receivable. When necessary, an allowance for valuation is recorded to reduce the carrying value of accounts and loans receivable to amounts that approximate their net recoverable value.

#### (h) Non-financial assets

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets, as described in Note 8. All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. Tangible capital assets do not include immovable assets located on reserves as defined in the *Indian Act*, works of art, museum collection and Crown land to which no acquisition cost is attributable; and intangible assets.

#### (i) Contingent Liabilities

Contingent liabilities, including the allowance for guarantees, are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, a provision is accrued and an expense recorded to other expenses. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

For guarantees, an allowance is recorded when it is determined that a loss is likely and the amount of the allowance is estimated taking into consideration the nature of the guarantee, loss experience and current conditions. The allowance is reviewed on an ongoing basis and changes in the allowance are recorded as expenses in the year they become known.

#### (j) Contingent assets

Contingent assets are possible assets which may become actual assets when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, the contingent asset is disclosed in the notes to the financial statements.

#### (k) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets, liabilities, revenues and expenses reported in the financial statements and accompanying notes at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are allowance for doubtful accounts, the liability for employee future benefits, the useful life of tangible capital assets and unamortized discount related to unconditionally repayable contributions. 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.

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(l) Related party transactions

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- i. Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.
- ii. Certain services received on a without charge basis are recorded for departmental financial statement purposes at the carrying amount.

Western Economic Diversification Canada  
**Notes to the Financial Statements (Unaudited)**  
For the Year Ended March 31

**3. Parliamentary authorities**

WD receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental 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, WD 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**

	2020	2019
	(in dollars)	
Net cost of operations before government funding and transfers	\$ 246,744,286	\$ 206,165,412
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(24,996)	(12,507)
Gain (loss) on disposal of tangible capital assets	0	(17,789)
Services provided without charge by other government departments	(5,946,959)	(5,309,828)
Decrease (increase) in vacation pay and compensatory leave	(547,135)	(88,326)
Decrease (increase) in employee future benefits	(88,536)	76,842
Decrease (increase) in accrued liabilities not charged to authorities	904,092	1,588,466
Refund of prior years' expenditures	233,887	833,927
Other	54,347	(52,485)
Total items affecting net cost of operations but not affecting authorities	(5,415,300)	(2,981,700)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	161,666	529,708
Transition payments for implementing salary payments in arrears	1,313	0
Unconditionally repayable transfer payments	67,560,511	38,653,648
Increase in employee advances	27,953	473
Total items not affecting net cost of operations but affecting authorities	67,751,443	39,183,829
<b>Current year authorities used</b>	<b>\$ 309,080,429</b>	<b>\$ 242,367,541</b>

Western Economic Diversification Canada  
**Notes to the Financial Statements (Unaudited)**  
For the Year Ended March 31

**(b) Authorities provided and used**

	2020	2019
	(in dollars)	
<b>Authorities provided:</b>		
Vote 1 - Operating expenditures	\$ 44,588,627	\$ 40,027,059
Vote 5 - Transfer payments	266,443,500	199,763,274
Vote 10 - Launching a Federal Strategy on Jobs and Tourism	42,752	0
Vote 25 - Investing in a Diverse and Growing Western Economy	1,026,058	0
Statutory amounts	4,414,068	3,810,645
<b>Less:</b>		
Authorities available for future years	(7)	0
Lapsed: Operating	(1,042,196)	(1,197,437)
Lapsed: Transfer payments	(5,323,563)	(36,000)
Lapsed: Launching a Federal Strategy on Jobs and Tourism	(42,752)	0
Lapsed: Investing in a Diverse and Growing Western Economy	(1,026,058)	0
<b>Current year authorities used</b>	<b>\$ 309,080,429</b>	<b>\$ 242,367,541</b>

**4. Accounts payable and accrued liabilities**

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

	2020	2019
	(in dollars)	
Accounts payable - Other government departments and agencies	\$ 525,697	\$ 402,239
Accounts payable - External parties	73,431,249	42,318,311
Total accounts payable	73,956,946	42,720,550
Accrued liabilities	3,059,153	2,887,571
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 77,016,099</b>	<b>\$ 45,608,121</b>

Western Economic Diversification Canada  
**Notes to the Financial Statements (Unaudited)**  
For the Year Ended March 31

**5. Employee future benefits**

**a) Pension benefits**

WD'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 they are indexed to inflation.

Both the employees and WD contribute to the cost of the Plan. Due to the amendment of the Public Service Superannuation Act following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 related to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2019-2020 expense amounts to \$3,057,737 (\$2,649,150 in 2018-2019). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2018-2019) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2018-2019) the employee contributions.

WD's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Consolidated Financial Statements of the Government of Canada, as the Plan's sponsor.

**b) Severance benefits**

Severance benefits provided to WD's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2018, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

	2020	2019
	(in dollars)	
<b>Accrued benefit obligation - Beginning of year</b>	<b>\$ 1,139,295</b>	<b>\$ 1,216,137</b>
Expense for the year	397,054	168,178
Benefits paid during the year	(308,518)	(245,020)
<b>Accrued benefit obligation - End of year</b>	<b>\$ 1,227,831</b>	<b>\$ 1,139,295</b>

Western Economic Diversification Canada  
**Notes to the Financial Statements (Unaudited)**  
For the Year Ended March 31

**6. Accounts receivable and advances**

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

	2020	2019
	(in dollars)	
Receivables - Other government departments and agencies	\$ 263,751	\$ 136,766
Receivables - External parties	14,458	2,798
Employee advances	43,870	33,255
<b>Gross accounts receivable</b>	<b>\$ 322,079</b>	<b>\$ 172,819</b>
Accounts receivable held on behalf of Government	(6,036)	0
<b>Net accounts receivable</b>	<b>\$ 316,043</b>	<b>\$ 172,819</b>

Employee advances totalling \$8,595 were transferred from other government departments to WD during 2019-2020 (\$5,462 in 2018-2019). Refer to note 11 for further details.

**7. Loans receivable**

The following table presents details of WD's loans and unconditionally repayable contribution balances:

	2020	2019
	(in dollars)	
Loans receivable		
Unconditionally repayable contributions	\$166,756,686	\$110,251,513
Accrued interest - unconditionally repayable transfer payments	303,654	165,645
Less: Unamortized discount	(3,742,849)	(5,262,055)
Subtotal	163,317,491	105,155,103
Transfer payments recoverable	209,845	0
Subtotal	163,527,336	105,155,103
Less: Allowance for uncollectibility	(72,035,079)	(42,353,850)
<b>Gross loans receivable</b>	<b>91,492,257</b>	<b>62,801,253</b>
Loans receivable held on behalf of Government	(91,492,257)	(62,801,253)
<b>Net loans receivable</b>	<b>\$ 0</b>	<b>\$ 0</b>

## Western Economic Diversification Canada

### Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

#### **Unconditionally repayable contributions**

The unconditionally repayable contributions portfolio consists of 183 non-interest bearing loans issued in the years from 2008 to 2020, with prescribed repayment terms. The loans are recorded at their discounted net present values using market interest rates at the time of the loans. An allowance of \$71,835,255 (\$42,337,247 in 2018–2019) has been recorded.

With respect to interest charged on unconditionally repayable transfer payments, an allowance of \$94,901 (\$16,603 in 2018–2019) has been recorded.

#### **Transfer payments recoverable**

Transfer payments recoverable relate to payments made to outside parties which are repayable based on conditions specified in the contribution agreement that have come into being. An allowance of \$104,923 (\$0 in 2018–2019) has been recorded.



Western Economic Diversification Canada  
**Notes to the Financial Statements (Unaudited)**  
For the Year Ended March 31  
*(in dollars)*

**8. Tangible capital assets**

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
Machinery and equipment	10 years
Computer software	7 years
Leasehold improvements	Lesser of the remaining term of lease or useful life of the improvement
Assets under construction	Once in service, in accordance with asset type

Assets under construction are recorded in the applicable asset class in the year they are put into service and are not amortized until they are put into service.

Capital asset class	Cost					Accumulated Amortization					Net Book Value	
	Opening Balance	Acquisitions	Adjustments (1)	Disposals and Write-Offs	Closing balance	Opening Balance	Amortization	Adjustments (1)	Disposals and Write-Offs	Closing Balance	2020	2019
Machinery and equipment	\$ 81,941	\$ 27,865	\$ 0	\$ 0	\$ 109,806	\$ 59,379	\$ 4,556	\$ 0	\$ 0	\$ 63,935	\$ 45,871	\$ 22,562
Computer software	1,885,642	0	0	0	1,885,642	1,883,276	1,670	0	0	1,884,946	696	2,366
Leasehold improvements	29,720	0	0	0	29,720	4,693	18,770	0	0	23,463	6,257	25,027
Assets under construction	994,549	133,801	0	0	1,128,350	0	0	0	0	0	1,128,350	994,549
<b>Total</b>	<b>\$2,991,852</b>	<b>\$ 161,666</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$3,153,518</b>	<b>\$1,947,348</b>	<b>\$ 24,996</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$1,972,344</b>	<b>\$1,181,174</b>	<b>\$ 1,044,504</b>

Western Economic Diversification Canada  
**Notes to the Financial Statements (Unaudited)**  
For the Year Ended March 31

**9. Contractual obligations**

The nature of WD's activities may result in some large multi-year contracts and obligations whereby WD will be obligated to make future payments in order to carry out its transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	2021	2022	2023	2024	2025 and thereafter	Total
	(in dollars)					
Transfer payments						
Western Diversification Program	\$ 94,109,865	\$ 64,305,693	\$ 6,369,958	\$ 4,300,000	\$ 17,200,000	\$186,285,516
Community Futures Program	26,058,699	0	0	0	0	26,058,699
Growth through Regional Innovation Program (known as Regional Economic Growth through Innovation)	72,188,173	57,653,292	11,328,217	1,600,000	0	142,769,682
Women's Enterprise Initiative	3,575,000	0	0	0	0	3,575,000
<b>Total</b>	<b>\$195,931,737</b>	<b>\$121,958,985</b>	<b>\$ 17,698,175</b>	<b>\$ 5,900,000</b>	<b>\$ 17,200,000</b>	<b>\$358,688,897</b>

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**10. Related party transactions**

WD is related as a result of common ownership to all government departments, agencies and Crown corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual.

WD enters into transactions with these entities in the normal course of business and on normal trade terms.

**(a) Common services provided without charge by other government departments**

During the year, WD 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 at the carrying value in WD's Statement of Operations and Departmental Net Financial Position as follows:

	2020	2019
	(in dollars)	
Employer's contribution to the health and dental insurance plans	\$ 2,993,673	\$ 2,434,210
Accommodation	2,953,286	2,875,618
<b>Total</b>	<b>\$ 5,946,959</b>	<b>\$ 5,309,828</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 Services and Procurement Canada and audit services provided by the Office of the Auditor General are not included in WD's Statement of Operations and Departmental Net Financial Position.

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**(b) Administration of programs on behalf of other government departments**

Under separate interdepartmental letters of agreement signed with the Department of Indian Affairs and Northern Development (DIAND) on April 16, 2019 and with the Department of Indigenous Services Canada (ISC) on October 22, 2019, WD administers the Strategic Partnerships Initiative for Indigenous communities to participate in developing clean energy and increase Metis participation in economic development opportunities. During 2019-2020, WD incurred expenses of \$2,145,131 (clean energy initiative \$1,645,131 and Metis initiative \$500,000) and in 2018-2019, WD incurred \$1,558,147 for the clean energy initiative. These expenses are reflected in the financial statements of ISC, formerly known as DIAND, and are not recorded in these financial statements.

	2020	2019
	(in dollars)	
Strategic Partnerships Initiative	\$ 2,145,131	\$ 1,558,147
Total	<b>\$ 2,145,131</b>	<b>\$ 1,558,147</b>

**(c) Other transactions with other government departments and agencies**

	2020	2019
	(in dollars)	
Accounts receivable	\$ 263,751	\$ 136,766
Accounts payable	525,697	402,239
Expenses	1,341,122	2,121,679

Expenses disclosed in (c) exclude common services provided without charge, which are already disclosed in (a).

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**11. Transfers from/to other government departments**

	<u>2020</u>	<u>2019</u>
	(in dollars)	
<b>Assets:</b>		
Accounts receivable and advances (note 6)		
Transferred from Innovation, Science and Economic Development Canada	\$ (2,780)	\$ 0
Transferred from Veterans Affairs Canada	(2,405)	0
Transferred from Public Services and Procurement Canada	(1,763)	0
Transferred from Employment and Social Development Canada	(980)	(3,540)
Transferred from Canadian Heritage	(296)	0
Transferred from Environment and Climate Change Canada	(194)	0
Transferred from Health Canada	(177)	0
Transferred from Office of the Privacy Commissioner of Canada	0	(1,922)
Total assets transferred	<u>(8,595)</u>	<u>(5,462)</u>
<b>Adjustment to the departmental net financial position</b>	<b><u>\$ (8,595)</u></b>	<b><u>\$ (5,462)</u></b>

# Western Economic Diversification Canada

## Notes to the Financial Statements (Unaudited)

For the Year Ended March 31

(in dollars)

### 12. Segmented information

Presentation by segment is based on WD's core responsibility. 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 core responsibilities, by major object of expense and by major type of revenue. The segment results for the period are as follows:

	Innovation	Business Growth	Business Services	Community Initiatives	Internal Services	2020 Total	2019 Total
Transfer payments							
Non-profit organizations	\$ 43,634,006	\$ 34,867,045	\$ 36,660,200	\$ 9,967,133	\$ 0	\$ 125,128,384	\$ 97,252,180
Industry	26,182,502	14,806,097	0	25,304,582	0	66,293,181	60,983,230
Other levels of governments within Canada	163,831	40,000	0	3,038,521	0	3,242,352	418,717
Total transfer payments	69,980,339	49,713,142	36,660,200	38,310,236	0	194,663,917	158,654,127
Operating expenses							
Salaries and employee benefits	13,245,882	8,819,938	5,436,993	2,877,641	10,006,302	40,386,756	34,473,383
Bad debt expense	19,856,758	8,854,897	0	251,250	0	28,962,905	11,251,705
Professional and special services	1,228,762	200,140	3,714,955	91,286	1,327,631	6,562,774	5,609,668
Accommodation	994,371	629,050	382,451	224,745	722,669	2,953,286	2,875,618
Transportation and communication	596,367	188,621	119,334	39,116	474,677	1,418,115	1,421,216
Acquisition of machinery and equipment	31,783	20,340	12,386	6,908	1,215,072	1,286,489	577,342
Rentals	38,281	29,280	5,504	2,970	790,688	866,723	673,315
Information	50,491	7,317	3,102	1,719	472,092	534,721	362,977
Utilities, materials and supplies	46,689	15,508	8,722	4,721	73,485	149,125	108,586
Repairs and maintenance	16,832	10,749	6,570	3,671	70,177	107,999	1,380,117
Amortization of tangible capital assets	0	0	0	0	24,996	24,996	12,507
Other	140	(18,357)	(1,483)	0	(2,042)	(21,742)	(104,676)
Expenses incurred on behalf of Government	(19,856,758)	(11,043,324)	0	(251,250)	0	(31,151,332)	(11,118,497)
Total operating expenses	16,249,598	7,714,159	9,688,534	3,252,777	15,175,747	52,080,815	47,523,261
Total expenses	86,229,937	57,427,301	46,348,734	41,563,013	15,175,747	246,744,732	206,177,388
Revenues							
Amortization of discount	2,738,425	0	0	52,987	0	2,791,412	263,079
Interest	32,269	0	0	99,837	0	132,106	90,756
Other	223	101	55	29	118	526	27,107
Revenues earned on behalf of Government	(2,770,769)	0	0	(152,824)	(5)	(2,923,598)	(368,966)
Total revenues	148	101	55	29	113	446	11,976
<b>Net cost from continuing operations</b>	<b>\$ 86,229,789</b>	<b>\$ 57,427,200</b>	<b>\$ 46,348,679</b>	<b>\$ 41,562,984</b>	<b>\$ 15,175,634</b>	<b>\$ 246,744,286</b>	<b>\$ 206,165,412</b>