

Future-oriented Financial Statements and Notes

Department of Foreign Affairs and International  
Trade

Year ended March 31

## *Department of Foreign Affairs and International Trade*

### STATEMENT OF MANAGEMENT RESPONSIBILITY

Departmental management is responsible for these future-oriented financial statements, including responsibility for the appropriateness of the assumptions on which these statements are prepared. These statements have been prepared in accordance with Treasury Board Accounting Standard 1.2 and are based on the best information available as at March 1, 2012. Assumptions adopted are consistent with amounts reported in Part 2 of the Main Estimates and reflect the plans described in the Report on Plans and Priorities (RPP).

Estimated results for 2011-12 and forecasted results for 2012-13 are based on current year forecasted information and planned spending, submitted as part of the 2012-13 Annual Reference Level Updates (ARLU) and subsequently approved Treasury Board submissions. The forecasted plans do not take in consideration any Budget 2012 items.

The actual results achieved for the fiscal years covered in the accompanying Future-Oriented Financial Statements will vary from the information presented. Actual results will be reported in the Departmental unaudited financial statements for both 2011-12 and 2012-13 respectively.

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*Louis Lévesque*

Deputy Minister of International Trade

Ottawa, Canada

Date:

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*Morris Rosenberg*

Deputy Minister of Foreign Affairs

Ottawa, Canada

Date:

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*Nadir Patel*

Chief Financial Officer

Ottawa, Canada

Date:

*Department of Foreign Affairs and International Trade*

**FUTURE ORIENTED STATEMENT OF OPERATIONS (UNAUDITED)**

For the year ended March 31 (in thousands of dollars)	Estimated Results 2012	Planned Results 2013
<b>Expenses</b>		
Diplomacy and Advocacy	1,172,266	<b>1,217,257</b>
Governance, Strategic Direction and Common Service Delivery	730,978	<b>731,924</b>
Passport Canada	328,455	<b>346,589</b>
Internal Services	199,796	<b>200,649</b>
Government of Canada Benefits	227,284	<b>197,743</b>
International Commerce	178,911	<b>175,953</b>
International Policy Advice and Integration	103,112	<b>107,402</b>
Consular Services and Emergency Management	72,455	<b>73,912</b>
<b>Total Expenses</b>	<b>3,013,257</b>	<b>3,051,429</b>
<b>Revenues</b>		
Passport Canada	291,675	<b>296,149</b>
Consular Services and Emergency Management	98,750	<b>102,885</b>
Governance, Strategic Direction and Common Service Delivery	122,729	<b>80,588</b>
Diplomacy and Advocacy	13,000	<b>13,000</b>
International Commerce	5,450	<b>5,450</b>
Government of Canada Benefits	-	-
International Policy Advice and Integration	-	-
Internal Services	-	-
<b>Total Revenues</b>	<b>531,604</b>	<b>498,072</b>
<b>NET COST OF OPERATIONS</b>	<b>2,481,653</b>	<b>2,553,357</b>

Segmented information (Note 11)

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

*Department of Foreign Affairs and International Trade*

FUTURE ORIENTED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at March 31 (in thousands of dollars)	Estimated Results 2012	Planned Results 2013
<b>ASSETS</b>		
Financial assets		
Due from Consolidated Revenue Fund	210,406	229,137
Accounts receivable and advances (Note 6)	88,706	86,976
Inventory held for resale	4,700	13,500
<b>Total financial assets</b>	<b>303,812</b>	<b>329,613</b>
Non-financial assets		
Prepaid expenses	14,241	15,328
Consumable inventory	3,700	4,500
Tangible capital assets (Note 7)	1,267,470	1,355,334
<b>Total non-financial assets</b>	<b>1,285,411</b>	<b>1,375,162</b>
<b>TOTAL</b>	<b>1,589,223</b>	<b>1,704,775</b>
<b>LIABILITIES AND EQUITY OF CANADA</b>		
Liabilities		
Accounts payable and accrued liabilities (Note 8)	259,811	273,891
Vacation pay and compensatory leave	47,706	44,706
Deferred revenue	698	363
Employee future benefits (Note 9)	138,504	102,871
<b>Total Liabilities</b>	<b>446,719</b>	<b>421,831</b>
Equity of Canada	1,142,504	1,282,944
<b>TOTAL</b>	<b>1,589,223</b>	<b>1,704,775</b>

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

*Department of Foreign Affairs and International Trade*

FUTURE ORIENTED STATEMENT OF EQUITY OF CANADA (UNAUDITED)

For the year ended March 31 (in thousands of dollars)	Estimated Results 2012	Planned Results 2013
Equity of Canada, beginning of year	1,040,627	<b>1,142,504</b>
Net cost of operations	(2,481,653)	<b>(2,553,357)</b>
Change in due from the Consolidated Revenue Fund	(4,734)	<b>18,731</b>
Net cash provided by Government	2,500,414	<b>2,587,337</b>
Services provided without charge from other government departments (Note 10)	87,850	<b>87,729</b>
<b>EQUITY OF CANADA, END OF YEAR</b>	<b>1,142,504</b>	<b>1,282,944</b>

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

*Department of Foreign Affairs and International Trade*

**FUTURE ORIENTED STATEMENT OF CASH FLOW (UNAUDITED)**

For the year ended March 31 (in thousands of dollars)	Estimated Results 2012	Planned Results 2013
<b>OPERATING ACTIVITIES</b>		
Net cost of operations	2,481,653	2,553,357
Non-cash items:		
Amortization of tangible capital assets (Note 7)	(108,137)	<b>(115,313)</b>
Services provided without charge by other government departments (Note 10)	(87,850)	<b>(87,729)</b>
Gain on disposal of tangible capital assets	60,529	<b>21,888</b>
Variations in Statement of Financial Position:		
Decrease in accounts receivable and advances	(7,281)	<b>(1,730)</b>
Increase (decrease) in inventory held for resale	(2,430)	<b>8,800</b>
Increase (decrease) in prepaid expenses	(17,560)	<b>1,087</b>
Increase (decrease) in consumable inventory	(2,387)	<b>800</b>
Decrease (increase) in accounts payable and accrued liabilities	46,632	<b>(14,080)</b>
Decrease (increase) in vacation pay and compensatory leave	(4,022)	<b>3,000</b>
Decrease (increase) in deferred revenues	(259)	<b>335</b>
Decrease in employee future benefits	40,032	<b>35,633</b>
<b>Cash used in operating activities</b>	<b>2,398,920</b>	<b>2,406,048</b>
<b>CAPITAL INVESTING ACTIVITIES</b>		
Acquisitions of tangible capital assets (Note 7)	162,494	<b>201,289</b>
Proceeds from disposal of tangible capital assets	(61,000)	<b>(20,000)</b>
<b>Cash used in capital investing activities</b>	<b>101,494</b>	<b>181,289</b>
<b>NET CASH PROVIDED BY GOVERNMENT OF CANADA</b>	<b>2,500,414</b>	<b>2,587,337</b>

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

## *Department of Foreign Affairs and International Trade*

### NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

#### 1. Authority and Objectives

The Department of Foreign Affairs and International Trade (hereinafter called “the Department”) operates under the legislation set out in the Department of Foreign Affairs and International Trade Act, RSC 1985, c. E-22.

The 2012-2013 Report on Plans and Priorities (RPP) is based on the Department’s Program Activity Architecture (PAA), as approved by Treasury Board (TB). The PAA consists of three strategic outcomes supported by seven program activities, as well as Internal Services, which support all program activities and strategic outcomes. In short, the strategic outcomes indicate the long-term, enduring benefits for Canadians generated by the Department, as follows:

*Strategic Outcome #1: Canada’s International Agenda:* The international agenda is shaped to Canada’s benefit and advantage in accordance with Canadian interests and values.

- ✓ *Program Activity #1:* International Policy Advice and Integration - providing strategic direction, intelligence and advice, including integration and coordination of Canada’s foreign and international economic policies.
- ✓ *Program Activity #2:* Diplomacy and Advocacy - engaging and influencing international players and delivering international programs and diplomacy.

*Strategic Outcome #2: International Services for Canadians:* Canadians are satisfied with commercial, consular and passport services.

- ✓ *Program Activity #3:* International Commerce - managing and delivering commerce services and advice to Canadian business.
- ✓ *Program Activity #4:* Consular Services and Emergency Management - managing and delivering consular services and advice to Canadians.
- ✓ *Program Activity #5:* Passport Canada - managing and delivering passport services to Canadians through the use of the Passport Canada Revolving Fund.

*Strategic Outcome #3: Canada’s International Platform:* The Department maintains a network of infrastructure and services to enable the Government of Canada to achieve its international priorities.

- ✓ *Program Activity #6:* Governance, Strategic Direction and Common Services Delivery - managing and delivering services and infrastructure at headquarters and missions to enable Canada’s representation abroad.
- ✓ *Program Activity #7:* Government of Canada Benefits - managing of statutory payments to Government of Canada employees abroad.

Internal Services are the combination of process- and service-related activities that make possible all of the Department’s operations. Overall, Internal Services enable the Department to carry out its mandated functions toward the achievement of its strategic outcomes.

## *Department of Foreign Affairs and International Trade*

### NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

#### **2. Methodology and significant assumptions**

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

The main assumptions are as follows:

- (a) The Department's activities, will remain substantially the same as the previous year.
- (b) The Estimated Results for 2012 are derived from the actuals as at December 31, 2011, plus forecasted results for the last quarter.
- (c) 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.
- (d) Allowances for uncollectability are based on historical experience. The general historical pattern is expected to continue.
- (e) Gains and losses from foreign exchange revaluation, are unpredictable. As such, these gains and losses have been excluded.
- (f) Estimated year end information for 2011-12 is used as the opening position for the 2012-13 planned results.

These assumptions are adopted as at March 1, 2012.

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

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

In preparing these future-oriented financial statements, the Department 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, but is not limited to:

- (a) The timing and amounts of acquisitions and disposals of property, plant and equipment may affect gains/losses and amortization expense.
- (b) Implementation of new collective agreements.
- (c) Economic conditions may affect both the amount of revenue earned and the collectability of receivables.
- (d) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.
- (e) Budget announcements planned for March 29, 2012.
- (f) Emergency response to possible natural disasters, hostile actions or civil unrest.

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



## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

### 4. Summary of Significant Accounting Policies

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

Significant accounting policies are as follows:

*(a) Parliamentary authorities*

The Department is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Department do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items presented in the Future-oriented Statement of Operations and the Future-oriented Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. A reconciliation between the basis of reporting is provided in note 5.

*(b) Consolidation*

These future oriented financial statements include the accounts of Passport Canada. These accounts have been consolidated with those of the Department and all inter-organizational balances and transactions have been eliminated.

*(c) Net Cash Provided by Government*

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

*(d) Due from the CRF*

This is 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 the Department is entitled to draw from the CRF without further parliamentary expenditure authorities to discharge its liabilities.

*(e) Revenues*

Revenues are recorded on an accrual basis:

- ✓ Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- ✓ Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. These revenues are recognized in the period in which the related expenses are incurred.
- ✓ Funds that have been received are recorded as deferred revenue, provided the department has an obligation to other parties for the provision of goods, services or the use of assets in the future.
- ✓ Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenues.

*(f) Expenses*

Expenses are recorded on an accrual basis:

- ✓ Grants are recognized in the year in which the conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the future-oriented financial statements;
- ✓ Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, provided that the transfer is authorized and a reasonable estimate can be made;

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

**4. Summary of Significant Accounting Policies (continued)**

- ✓ Vacation pay and compensatory leave are accrued as the benefits are accrued under the respective terms of employment;
- ✓ Services provided without charge by other government departments for accommodation, the employer contributions to the health and dental insurance plans, legal services and worker's compensation are recorded as operating expenses at their estimated cost.

***(g) Employee future benefits***

(i) Pension benefits: Eligible Canada-based staff (CBS) participate in the Public Service Pension Plan, a multi-employer pension plan administered by the Government. The Department's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor. Current legislation does not require the Department to make contributions for any actuarial deficiencies of the plan. Eligible locally engaged staff (LES) participate in a combination of plans developed and administered based on local law and practice, or in a worldwide pension scheme which is administered at the Department's headquarters.

(ii) Severance benefits: Employees (CBS and LES) are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The CBS 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. The LES obligation is established on the basis of operational requirements of the mission, local laws or practice and is calculated based on the number of eligible employees multiplied by the estimated severance payment based on historical experience.

***(h) Cash in transit***

Cash for the Department consists of the funds in transit from missions and funds received and not yet deposited, partially offset by credits in imprest accounts. This cash is for the facilitation of operations. All foreign currency accounts are valued at the rate of exchange in effect on March 31.

***(i) Accounts receivables***

Accounts receivables are stated at the lower of cost and net recoverable value; a valuation allowance is recorded for receivables where recovery is considered uncertain.

***(j) Contingent liabilities***

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the future-oriented financial statements.

***(k) Prepaid expenses***

Prepaid expenses for the Department consist primarily of rent payments. Prepaid expenses are accounted for as non-financial assets until the related services are rendered or goods are consumed.

***(l) Inventories***

Inventories consists of parts, material and supplies held for future program delivery and not intended for resale, as well as inventory for sale. Inventories of material and supplies are valued at the lower of cost (using the average cost) or net realizable value.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

**4. Summary of Significant Accounting Policies (continued)**

*(m) 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. The Department does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, and assets located in museum collections.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the assets. The amortization periods are as follows:

Asset category	Amortization period
Buildings	20 to 25 years
Works and infrastructure	30 years
Machinery and equipment	5 to 25 years
Informatics hardware	3 to 15 years
Informatics software	3 to 10 years
Vehicles	5 to 10 years
Leasehold improvements	Term of the lease or 25 years
Assets under construction	Once in service, in accordance with asset category

*Department of Foreign Affairs and International Trade*

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

**5. Parliamentary Authorities**

The Department receives most of its funding through expenditure authorities provided by Parliament. Items recognized in the Future-oriented Statements of Operations and Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, the Department has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

*(a) Authorities requested*

(in thousands of dollars)

	2012	2013
Authorities requested		
Vote 1 - Operating expenditures	1,446,333	1,414,984
Vote 5 - Capital expenditures	227,740	239,841
Vote 10 - Grants & Contributions	899,459	861,677
Vote 15 - LES Pensions and Benefits (Vote 17 in 2012)	70,140	50,779
Statutory amounts	138,822	151,651
<b>Total Forecast Authorities Available</b>	<b>2,782,494</b>	<b>2,718,932</b>

Forecasted Authorities requested for year ending March 31, 2013 are the planned spending amounts presented in the 2012-13 Report on Plans and Priorities (\$3,075.8 million), excluding net voted revenues (\$356.9 million). 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.

*Department of Foreign Affairs and International Trade*

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

5. Parliamentary Authorities (continued)

*(b) Reconciliation of net cost of operations to requested authorities*

(in thousands of dollars)	Estimated Results 2012	Planned Results 2013
Net cost of operations	2,481,653	2,553,357
Adjustments for items affecting net cost of operations but not affecting appropriations:		
<i>Add (Less):</i>		
Services provided without charge by other government departments (Note 10)	(87,850)	(87,729)
Amortization of tangible capital assets (Note 7)	(108,137)	(115,313)
Gain on disposal of tangible capital assets	60,529	21,888
Revenues not available for spending	121,000	125,135
Bad debt expenses	(1,133)	(1,111)
Decrease (increase) in vacation pay and compensatory leave	(4,022)	3,000
Severance benefits expense	(13,047)	(6,666)
Refunds of prior year expenditures	14,686	14,392
	(17,974)	(46,404)
Adjustments for items not affecting net cost of operations but affecting appropriations:		
<i>Add (Less):</i>		
Acquisitions of tangible capital assets (Note 7)	162,494	201,289
Increase (decrease) in inventory held for resale	(2,430)	8,800
Increase (decrease) in consumable inventory	(2,387)	800
Increase (decrease) in prepaid expense	(17,560)	1,087
	140,117	211,976
<b>Sub-total</b>	<b>2,603,796</b>	<b>2,718,929</b>
Estimated lapses for votes 1, 5 and 10 as at December 31, 2011	178,698	
<b>Total Forecast Authorities Available</b>	<b>2,782,494</b>	<b>2,718,932</b>

*Department of Foreign Affairs and International Trade*

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

6. Accounts Receivable and Advances

(in thousands of dollars)

	Estimated Results 2012	Planned Results 2013
Advances to Missions Abroad	29,895	32,204
Employee Posting Advances	18,008	18,577
Other Advances	817	783
Sub-total	18,825	19,360
Receivable from other government departments	24,812	19,592
Receivables from external parties	14,593	14,959
Cash in transit	5,942	6,395
Other advances	6,586	6,586
Sub-total	51,933	47,532
Allowance for doubtful accounts on external receivables and advances	(11,947)	(12,120)
Total	88,706	86,976

7. Tangible capital assets

(in thousands of dollars)

	Estimated Results 2012	Planned Results 2013
Opening balance	1,213,584	1,267,470
Acquisition of tangible capital assets	162,494	201,289
less: Current year amortization	(108,137)	(115,313)
less: Current year disposals, write-offs and transfers	(471)	1,888
Net Book Value	1,267,470	1,355,334

8. Accounts payable and accrued liabilities

(in thousands of dollars)

	Estimated Results 2012	Planned Results 2013
Accounts payable to external parties	190,291	209,793
Accounts payable to other government departments and agencies	37,219	32,124
	227,510	241,917
Accrued liabilities	32,301	31,974
Total	259,811	273,891

*Department of Foreign Affairs and International Trade*

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

**9. Employee Future Benefits**

**(a) Pension benefits:**

The Department's Canada Based Staff (CBS) participate in the Public Service Pension 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/Quebec Pension Plans benefits and are indexed to inflation.

Both the employees and the Department contribute to the cost of the Plan. The forecasted expenses are \$88,181,337 in 2012 and \$84,036,814 in 2013, which represents approximately 1.9 times the contributions by employees.

The Department'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.

Locally engaged staff (LES) participate in a combination of pension plans developed and administered based on local law and practice, or in the worldwide pension scheme which is administered at the Department's headquarters. The Government of Canada is the sponsor of all plans which may be defined contribution, defined benefit and either prefunded or pay-as-you-go. The forecasted expenses are \$23,673,493 in 2012 and \$20,685,387 in 2013.

**(b) Severance benefits:**

The Department provides severance benefits to its employees based on eligibility, years of service and final salary. The severance benefit liability for Canada-based staff is based on a percentage provided by Treasury Board, applied to the eligible payroll as at March 31. Treasury Board determines the percentage based on an actuarial evaluation of the future liability for the entire governments eligible employees. For locally engaged staff, the liability is based on historical data whereby an average severance payment per locally engaged staff is calculated. This cost is multiplied by the total number of eligible locally engaged staff and a layoff/payout rate. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

(in thousands of dollars)	Estimated Results 2012	Planned Results 2013
Accrued benefit obligation, beginning of year	178,536	138,504
Expense for the year	13,047	6,666
Expected benefits payments during the year	(53,079)	(42,299)
<b>Accrued benefit obligation, end of year</b>	<b>138,504</b>	<b>102,871</b>

The CBS severance benefits liability amounts to \$23 million whereas the LES liability is \$80 million for 2013 (\$58 million and \$81 million for 2012).

## *Department of Foreign Affairs and International Trade*

### NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

#### 10. Related party transactions

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

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

During the year, the Department is forecasted to receive without charge from other departments, accommodation, legal fees, workers' compensation coverage and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the Department's Future-Oriented Statement of Operations as follows:

(in thousands of dollars)	Estimated Results	Planned Results
	2012	2013
Employer's contribution to the health and dental insurance plans	56,300	56,300
Accommodation	29,475	29,475
Legal services	1,725	1,725
Workers' compensation	350	229
<b>Total</b>	<b>87,850</b>	<b>87,729</b>

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include 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 as an expense in the Department's future-oriented statement of operations.

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

The Department has a number of memorandums of understanding (MOUs) with partner departments for the administration of unique, in year programs delivered abroad. At the date of preparation of these future oriented financial statements, the Department plans to incur expenses of \$163,000,000 for operational and program activities on behalf of our partner departments. The Department also plans to collect \$230,000,000 in revenues on behalf of our partner departments as of the date of preparation of these statements. These expenses and revenues are not reflected in these Future-Oriented Financial Statements, but rather in the Financial Statements of the respective government departments.



*Department of Foreign Affairs and International Trade*

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

II. Segmented information

(in thousands of dollars)	Estimated results 2012	Diplomacy and Advocacy	International Policy Advice and Integration	International Commerce	Consular Services and Emergency Management	Passport Canada	Governance, Strategic Direction and Common Service Delivery	Government of Canada Benefits	Internal Services	Planned results 2013
<b>Transfer payments</b>										
Other countries and international organizations	469,101	452,558	3,872	-	-	-	-	-	-	456,430
Non-profit organizations	368,490	348,918	17,445	5,631	-	-	-	249	25	372,268
Other Transfers to any Other Sector	14,251	14,280	78	40	-	-	-	-	-	14,398
Other levels of government in Canada	12,637	12,766	-	-	-	-	-	-	-	12,766
Industry	1,454	-	-	1,469	-	-	-	-	-	1,469
International Development Assistance	2,213	-	-	2,236	-	-	-	-	-	2,236
<b>Total transfer payments</b>	868,146	828,522	21,395	9,376	-	-	-	249	25	859,567
<b>Operating Expenses</b>										
Salaries and employee benefits	1,206,970	226,571	45,889	128,431	48,649	196,969	143,595	197,494	134,361	1,121,959
Professional and special services	201,440	37,465	8,537	6,933	8,668	40,141	224,303	-	16,223	342,270
Rentals	241,208	72,140	10,559	7,986	7,780	18,322	124,435	-	14,242	255,464
Transportation	127,753	22,101	9,998	8,801	4,004	25,677	48,878	-	24,352	143,811
Amortization of tangible capital assets	108,137	436	928	2,187	109	6,135	99,021	-	6,497	115,313
Acquisition of machinery and equipment, including parts and consumables	96,028	2,980	346	996	392	18,867	388	-	39	24,008
Utilities, materials and supplies	82,637	10,887	6,826	4,781	2,046	22,988	28,440	-	2,860	78,828
Telecommunications	30,145	5,643	1,163	1,124	760	2,790	21,050	-	1,621	34,151
Repair and maintenance	24,051	4,364	847	2,015	588	5,856	18,568	-	126	32,364
Information	19,473	4,500	423	2,163	607	3,057	17,498	-	44	28,292
Bad debt expense	1,133	193	83	163	36	-	545	-	91	1,111
Other	6,136	1,455	408	997	273	5,787	5,203	-	168	14,291
<b>Total operating expenses</b>	2,145,111	388,735	86,007	166,577	73,912	346,589	731,924	197,494	200,624	2,191,862
<b>Total expenses</b>	3,013,257	1,217,257	107,402	175,953	73,912	346,589	731,924	197,743	200,649	3,051,429
<b>Revenues</b>										
Sales of Goods and Services	471,075	13,000	-	5,450	102,885	296,149	58,700	-	-	476,184
Gain on disposal of capital assets	60,529	-	-	-	-	-	21,888	-	-	21,888
<b>Total Revenues</b>	531,604	13,000	-	5,450	102,885	296,149	80,588	-	-	498,072
<b>Net Cost of Operations</b>	2,481,653	1,204,257	107,402	170,503	(28,973)	50,440	651,336	197,743	200,649	2,553,357

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

**12. Transfer to Shared Services Canada**

Effective November 15, 2011, the Department transferred the responsibility for the operation and support of the MITNET global telecommunications network and voice, data and video communications to Shared Services Canada in accordance with Order-in-Council 2011-1297. The revenues and expenses related to the transfer of employees and financial resources have been deducted from the Estimated and Planned results within the Statement of Operations. The actual amount of assets and liabilities transferred as of March 31, 2012 will be disclosed in the 2011-12 Departmental Financial Statements.