Canadian Space Agency | Agence spatiale canadienne

Canadian Space Agency

2018-2019

Quarterly Financial Report

For the Quarter Ended

December 31, 2018

Canada

Management Statement for the Quarter Ended December 31, 2018

1. Introduction

This quarterly financial report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly financial report should be read in conjunction with the 2018-2019 Main Estimates[1].

1.1 Mandate and Program Activities

The mandate of the Canadian Space Agency (CSA) is *to promote the peaceful use and development of space, to advance the knowledge of space through science and to ensure that space science and technologies provide social and economic benefits for Canadians.*

More information is available on the CSA's mandate and on the departmental results framework in the 2018-19 Departmental Plan[1].

[1] *The financial data presented as planned expenditures in the Main Estimates (ME) and the Departmental Plan may differ from the authorities available presented in this Quarterly Financial Report (QFR). The Departmental Plan data includes estimated adjustments to the ME for the entire year, whereas the QFR presents only the authorities granted to date through the Estimates process (i.e. the ME and the Supplementary Estimates).*

1.2 Basis of Presentation

This quarterly financial report (QFR) has been prepared by management using an expenditure basis of accounting. The Statement of Authorities annexed to this report includes the CSA's spending authorities granted by Parliament and those used by the CSA, consistent with the Main Estimates and Supplementary estimates voted as at December 31 for fiscal year 2018-2019 compared to 2017-2018. This QFR has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

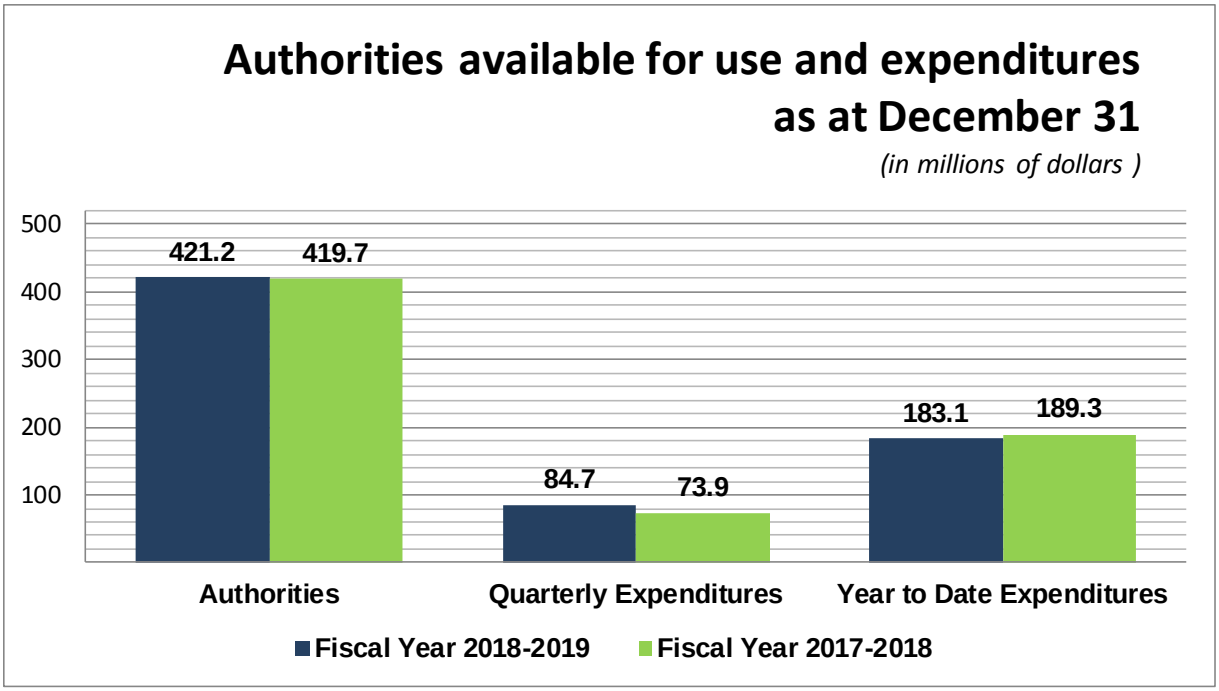
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting. Partial accrual method of accounting includes disbursements as well as some accruals for salaries and salary allowances.

This QFR report has not been subject to an external audit. However, it has been reviewed by the members of the CSA Audit Committee, who are satisfied with its presentation and content.

2. Highlights of the Quarterly Financial Results

This section highlights the significant factors that contributed to the changes to the authorities available for the fiscal year, as well as to the quarterly and year-to-date expenditures for the quarter ended December 31, 2018.

The following graph provides an overview of variations in available authorities and expenditures. Additional details on these variations are provided in sections 2.1 and 2.2 as well as in the appended annexes.



Totals may not add up due to rounding.

2.1 Significant Changes in Authorities (Total Vote Available for Use) between fiscal 2018-2019 and 2017-2018.

The total vote available for use as at December 31, 2018 is $421.2 million, and represents an increase of $1.6 million compared to the same period of the previous year.

Authorities *(in thousands of dollars)*	**2018-2019**	**2017-2018**	**Variance**	**%**
Vote 1 - Operating expenditures	179,828	180,678	(850)	(0%)
Vote 5 - Capital expenditures	175,516	168,666	6,850	4%
Vote 10 - Grants and contributions	56,411	60,966	(4,555)	(7%)
Contributions to employee benefit plans	9,463	9,328	135	1%
Spending of proceeds from the disposal of surplus Crown assets	21	30	(9)	(30%)
Total budgetary authorities	**421,239**	**419,668**	**1,571**	**0%**

The decrease of $1.0 million in Vote 1 - Operating expenditures is mainly explained by the following items:

→ An increase of $6.5 million due to additional funding received to extend Canada's participation in the International Space Station (ISS) mission from 2021 to 2024.

→ A decrease of $3.1 million between 2017-2018 and 2018-2019 because the Operating Vote carry forward from 2017-2018 to 2018-2019 was less significant than the carry forward from 2016-2017 to 2017-2018.

→ A decrease of $2.0 million due to a budgetary transfer from the Operating Vote to the Grants and contributions Vote for the Space technologies development program.

→ An increase of $1.8 million due to additional funding obtained for Quantum Encryption and Science Satellite (QEYSSat) project.

→ The residual difference consists of multiple variations inherent to the Canadian Space Program (CSP) Resource Management. They result from the fact that budgetary requirements by vote are not linear from one year to the next, requiring vote transfers or fund carry forwards to another fiscal year.

The increase of $6.9 million in Vote 5 - Capital expenditures is mainly explained by the following items:

→ An increase of $14.5 million between 2017-2018 and 2018-2019 because the Capital Vote carry forward from 2017-2018 to 2018-2019 was more significant than the carry forward from 2016-2017 to 2017-2018.

→ A decrease of $7.5 million due to the end of the additional funding obtained for items in Budget 2016 related to the security enhancement at John H. Chapman Space Center as well as the purchase and installation of absorber material for the David Florida Laboratory (DFL) Anechoic Chamber.

- → A decrease of $4.4 million compared to the previous year due to the end of the additional funding obtained for the David Florida Laboratory (DFL) infrastructure and corresponding equipment to maintain its space capabilities and improve compliance with applicable building codes and standards.

- → An increase of $2.6 million due to additional funding obtained for Quantum Encryption and Science Satellite (QEYSSat) project.

- → An increase of $2.6 million due to different cash flow requirements for Surface Water & Ocean Topography (SWOT-C) project related activities.

- → The residual difference consists of multiple variations inherent to the Canadian Space Program (CSP) Resource Management. They result from the fact that budgetary requirements by vote are not linear from one year to the next, requiring vote transfers or fund carry forwards to another fiscal year.

The decrease of $4.6 million in Vote 10 - Grants and Contributions expenditures is mainly explained by the following items:

- → A decrease of $5.0 million over the same period last year, due to the funding profile of the additional funding obtained in the 2015 Budget for the Contribution Program under the Canada-European Space Agency Cooperation Agreement for the Advanced Research in Telecommunications Systems (ARTES) program.

- → An increase of $2.0 million due to a budgetary transfer from the Operating Vote to the Grants and contributions Vote for the Space technologies development program.

- → The residual difference consists of multiple variations inherent to the Canadian Space Program (CSP) Resource Management. They result from the fact that budgetary requirements by vote are not linear from one year to the next, requiring vote transfers or fund carry forwards to another fiscal year.

2.2 Significant Changes in Quarterly and Year-to-Date Expenditures (Votes Used) between fiscal 2018-2019 and 2017-2018

Quarterly and year-to-date expenditures for the quarter ended December 31, 2018 are of $84.7 and $183.1 million and represent a quarterly increase of $10.7 million and a year to date decrease of $6.3 million compared to the same period of the previous year.

Expenditures by Vote as at December 31

Expenditures by Vote *(in thousands of dollars)*	2018-2019		2017-2018		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Vote 1 - Operating expenditures	39,009	101,217	42,993	103,742	(3,984)	(2,525)
Vote 5 - Capital expenditures	31,385	44,377	22,322	61,778	9,063	(17,401)
Vote 10 - Grants and contributions	11,927	30,385	6,336	16,931	5,591	13,454
Contributions to employee benefit plans	2,365	7,097	2,289	6,867	76	230
Spending of proceeds from the disposal of surplus Crown assets	3	16	3	24	-	(8)
Total budgetary expenditures by Vote	**84,689**	**183,092**	**73,943**	**189,342**	**10,746**	**(6,250)**

The decrease of $4.0 and $2.5 million in the quarterly and year to date expenditures in Vote 1 – Operating expenditures, is mainly explained by the following:

→ A decrease in expenses due to variations in the payment schedules for carrying out activities such as: Space Exploration, Space Technologies Development Program, Earth Observation Government Related Initiatives as well as the maintenance and operations of the David Florida Laboratory (DFL) building infrastructure.

→ A decrease in salary expenses, including retroactive payments, due to the ratification of collective agreements in 2017-2018.

The increase of $9.1 million in the quarterly expenditures and the decrease of $17.4 million in the year to date expenditures in Vote 5 - Capital expenditures, is mainly explained by the following:

→ The variations in the payment schedules for carrying out activities such as: the RADARSAT Constellation Mission (RCM), projects in support of the International Space Station (ISS) as well as the building infrastructure maintenance projects for the David Florida Laboratory (DFL) and for the John H. Chapman Space Centre (JHCSC).

The increase of $5.6 and $13.5 million in the quarterly and year to date expenditures in Vote 10 – Grants and contributions, is mainly explained by the following:

→ The variations in the payment schedules to the European Space Agency (ESA) as well as the Class Grant Program to Support Research, Awareness and Learning in Space Science and Technology.

Expenditures by Standard Object as at December 31

Expenditures by Standard Object *(in thousands of dollars)*	2018-2019		2017-2018		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Personnel	19,189	56,368	20,987	57,421	(1,798)	(1,053)
Transportation and communications	1,240	3,167	1,279	2,920	(39)	247
Information	1,121	2,528	643	2,032	478	496
Professional and special services	22,054	48,364	23,678	51,105	(1,624)	(2,741)
Rentals	914	1,778	1,029	2,192	(115)	(414)
Repair and maintenance	961	2,617	5,578	7,853	(4,617)	(5,236)
Utilities, materials and supplies	180	1,126	527	1,299	(347)	(173)
Acquisition of land, buildings and works	56	93	-	-	56	93
Acquisition of machinery and equipment	27,022	34,653	13,832	45,523	13,190	(10,870)
Transfer payments	11,927	30,385	6,336	16,931	5,591	13,454
Other subsidies and payments	25	2,013	54	2,066	(29)	(53)
Total budgetary expenditures by Standard Object	**84,689**	**183,092**	**73,943**	**189,342**	**10,746**	**(6,250)**

The $1.8 and 1.1 million decreases in quarterly expenditures and year to date expenditures for the Professional and special services standard object is primarily due to:

→ The variations in salary expenses, including retroactive payments, due to the ratification of collective agreements in 2017-2018.

The $1.6 and 2.7 million decreases in quarterly expenditures and year to date expenditures for the Professional and special services standard object is primarily due to:

→ The variations in the payment schedules for carrying out activities such as: the RADARSAT Constellation Mission (RCM), projects in support of the International Space Station (ISS), the Space Technologies Development Program as well as the Earth Observation Government Related Initiatives.

The $4.6 and 5.2 million decreases in quarterly expenditures and year to date expenditures for the Professional and special services standard object is primarily due to:

→ The variations in the payment schedule related to the building infrastructure maintenance projects for the David Florida Laboratory (DFL) and for the John H. Chapman Space Centre (JHCSC).

The $13.2 million increase in quarterly expenditures and the $10.9 million decrease in year to date expenditures for the Acquisition of machinery and equipment standard object is primarily due to:

→ The variations in the payment schedules related to the RADARSAT Constellation Mission (RCM) as well as projects in support of the International Space Station (ISS) and the building infrastructure maintenance projects for the John H. Chapman Space Centre (JHCSC).

The $5.6 and 13.5 million increases in quarterly and year to date expenditures for the Transfer payments standard object is primarily due to:

→ The variations in the payment schedules to the European Space Agency (ESA) as well as the Class Grant Program to Support Research, Awareness and Learning in Space Science and Technology.

3. Risks and Uncertainties

The year-to-date expenditures for the 3rd quarter of 2018-2019 represent 43% of authorities whereas 75% of fiscal year has passed. The level of expenditure is similar to the 2017-2018 fiscal year (45%) and the 2016-2017 fiscal year (46%) and represents no concerns. The situation concerning the cumulative expenditures will be restored at fiscal year-end when the accruals will be recorded, according to the full accrual method of accounting, combined with the deferral of budgets to the following year.

The specific nature of the Canadian Space Program confronts the CSA with issues related to the advanced technologies used in space missions as well as the international aspect of some projects. For Canada, activities are often carried out in partnership with other spacefaring nations, to share the costs and leverage capabilities. The international nature and technical challenges associated with developing and implementing disruptive technologies, in collaboration with multiple partners, generate risks in the delivery of projects and therefore financial risks associated with the use of funds such as the deferral of funds and costs increase.

Risks also arise from the Canada / European Space Agency (ESA) Cooperation Agreement such as, variations in amounts payable caused by changes in the Gross National Product (GNP) statistics, the fluctuation of the Canadian dollar against the euro (exchange rate), inflation and the enforcement of the ESA's industrial policy. These risks have an impact on both costs and cash flow profiles.

To mitigate all of these risks, the CSA regularly reviews its project portfolio, activity plans, schedules and financial management strategies to adjust to changes brought on by space programs of its key partners (National Aeronautics and Space Administration (NASA), ESA and other space agencies). In addition, the CSA implemented a new investment governance and monitoring framework and rigorous project management practices are in place. These initiatives allow the CSA to track and report on the progress of its commitments, assess the effectiveness of its work, and align its resources with priorities.

Furthermore, CSA manages its financial risks and uncertainties related to Phoenix by adopting risk mitigation strategies. There are a number of actions that CSA has taken to date to help stabilize the pay system, and ensure that employees are paid accurately and on time. As one of the departments whose accounts have not yet migrated to the Pay Centre, compensation services remain on site. The compensation team, which fluctuates to meet demand, monitors closely for payroll inaccuracies and communicates directly with employees to provide clarification and to take swift action to rectify issues, if needed. The team also participates actively in various working groups and other forums led by Treasury Board Secretariat (TBS) and/or Public Services and Procurement Canada (PSPC). Beyond this, Finance staff regularly perform salary reconciliations to monitor and correct expense variances.

4. Significant Changes in Relation to Operations, Personnel and Programs

There were no significant changes in operations, personnel and programs, in the third quarter of 2018-2019.

Approval by Senior Officials

Approved by,

The original version was signed by
Sylvain Laporte, February 19, 2019

Sylvain Laporte Date
President
Longueuil, Quebec

The original version was signed by
Jean-Claude Piedboeuf, February 20, 2019

Jean-Claude Piedboeuf, B. Ing., Ph.D. Date
Chief Financial Officer
Longueuil, Quebec

CANADIAN SPACE AGENCY

Annex 1

Quarterly Financial Report

For the quarter ended December 31, 2018

Statement of Authorities (unaudited)

(in thousands of dollars)

	Fiscal Year 2018-2019			Fiscal Year 2017-2018		
	Total available for use for the year ending March 31, 2019 (1)	Used during the quarter ended December 31, 2018	Year to date used at quarter-end	Total available for use for the year ending March 31, 2018 (1)	Used during the quarter ended December 31, 2017	Year to date used at quarter-end
	$	**$**	**$**	**$**	**$**	**$**
Vote 1: Operating expenditures	179,828	39,009	101,217	180,678	42,993	103,742
Vote 5: Capital expenditures	175,516	31,385	44,377	168,666	22,322	61,778
Vote 10: Grants and contributions	56,411	11,927	30,385	60,966	6,336	16,931
Contributions to employee benefit plans	9,463	2,365	7,097	9,328	2,289	6,867
Spending of proceeds from the disposal of surplus Crown assets	21	3	16	30	3	24
Total budgetary authorities	**421,239**	**84,689**	**183,092**	**419,668**	**73,943**	**189,342**

(1) Includes only Authorities available for use and granted by Parliament at quarter-end.

CANADIAN SPACE AGENCY

Annex 2

Quarterly Financial Report

For the quarter ended December 31, 2018

Departmental budgetary expenditures by Standard Object (unaudited)

(in thousands of dollars)

	Fiscal Year 2018-2019			Fiscal Year 2017-2018		
	Planned expenditures for the year ending March 31, 2019	Used during the quarter ended December 31, 2018	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Used during the quarter ended December 31, 2017	Year to date used at quarter-end
Expenditures:	**$**	**$**	**$**	**$**		**$**
Personnel	73,019	19,189	56,368	70,109	20,987	57,421
Transportation and communications	5,180	1,240	3,167	5,015	1,279	2,920
Information	3,101	1,121	2,528	3,165	643	2,032
Professional and special services	138,547	22,054	48,364	139,311	23,678	51,105
Rentals	1,841	914	1,778	3,480	1,029	2,192
Repair and maintenance	1,441	961	2,617	7,573	5,578	7,853
Utilities, materials and supplies	1,742	180	1,126	1,924	527	1,299
Acquisition of land, buildings and works	4,032	56	93	-	-	-
Acquisition of machinery and equipment	129,190	27,022	34,653	121,082	13,832	45,523
Transfer payments	56,411	11,927	30,385	60,966	6,336	16,931
Other subsidies and payments	6,735	25	2,013	7,043	54	2,066
Total budgetary expenditures	**421,239**	**84,689**	**183,092**	**419,668**	**73,943**	**189,342**