



Canadian Space
Agency

Agence spatiale
canadienne



Canadian Space Agency

2013-2014

Quarterly Financial Report

For the Quarter Ended

December 31, 2013

Management Statement for the Quarter Ended December 31, 2013

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 [Main Estimates](#)¹, Supplementary Estimates, the previous quarterly reports for the current year, as well as with *Canada's Economic Action Plan 2012 (Budget 2012)*.

1.2 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 technology provide social and economic benefits for Canadians*.

More information is available on the CSA's [mandate](#) and Program Activities in the 2013-14 [Report on Plans and Priorities](#) ¹.

¹ *The financial data presented as planned expenditures in the 2013-14 Main Estimates and the 2013-14 Report on Plans and Priorities (RPP) may differ from the authorities available presented in this Quarterly Financial Report (QFR). The RPP data includes estimated adjustments to the Main Estimates for the entire year, whereas the QFR presents only the authorities granted to date through the Estimates process (i.e. the Main Estimates and the Supplementary Estimates).*

1.3 Basis of Presentation

This quarterly financial report 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 years 2012-13 and 2013-14. This quarterly financial report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year.

In 2012-13, Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result, the measures announced in the Budget 2012 are not reflected in the 2012-13 Main Estimates. For fiscal year 2012-13, frozen allotments were established by Treasury Board in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012.

In 2013-14, the changes to departmental authorities were implemented through the Annual Reference Level Update, as approved by Treasury Board, and were reflected in the 2013-14 Main Estimates tabled in Parliament.

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.

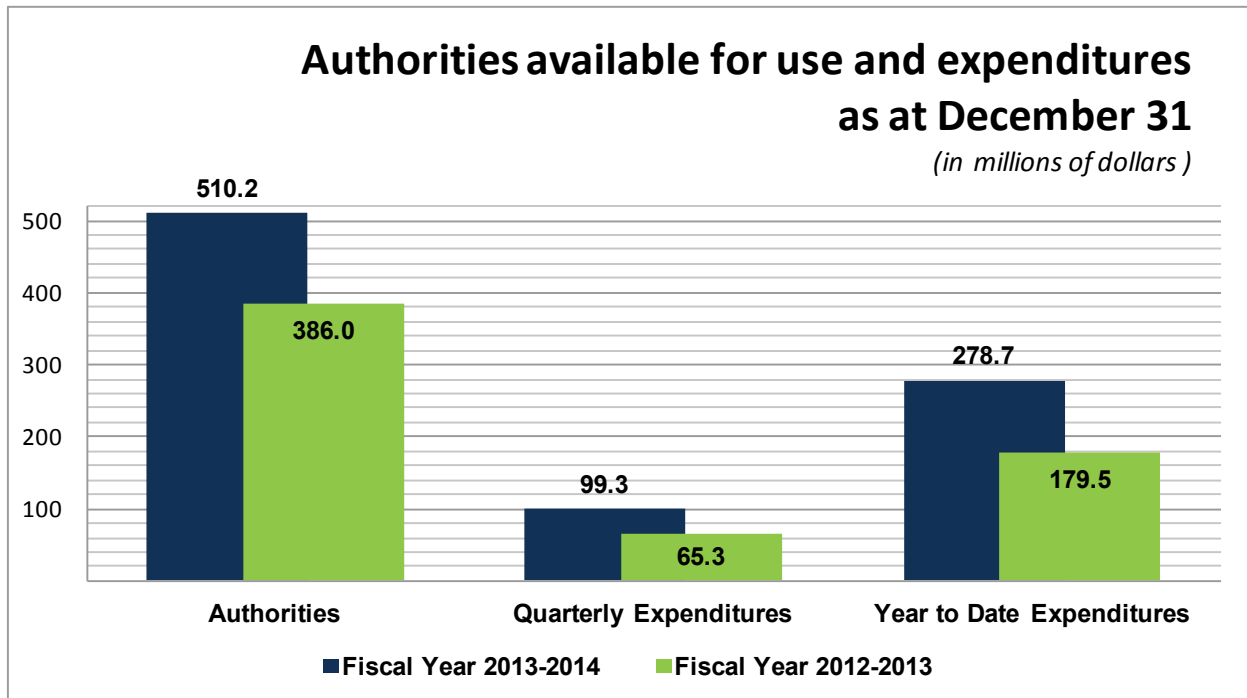
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting.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

This quarterly financial 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, 2013.

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 2013-2014 and 2012-2013

The total vote available for use as at December 31, 2013 is \$510.2 million and represents an increase of 124.2 million over the same period for the previous year.

Authorities (in thousands of dollars)	2013-2014	2012-2013	Variance	%
Vote 25 - Operating expenditures	171,180	175,082	(3,902)	-2 %
Vote 30 - Capital expenditures	294,607	162,228	132,379	82 %
Vote 35 - Grants and contributions	33,630	37,599	(3,969)	-11 %
Contributions to employee benefit plans *	10,748	11,033	(285)	-3 %
Spending of proceeds from the disposal of surplus Crown assets *	20	17	3	18 %
Total budgetary authorities	510,184	385,959	124,226	32 %

* Authorities for Contributions to employee benefit plans and authorities for Spending of proceeds from the disposal of surplus Crown assets must be reported separately starting 2013-14. Therefore, statutory authorities have been reclassified for 2012-13.

The following factors are key in explaining the \$3.9 million decrease in Vote 25 - Operating Expenditures :

- A \$1.2 million increase for compensation associated with the renewal of collective agreements.
- A \$3.3 million decrease in Treasury Board's reimbursements for Eligible Paylist Expenditures mainly for parental benefits and severance pay.
- A \$5.7 million decrease due to the fact that amounts were carried forward from 2011-12 to 2012-13 and not to 2013-14.
- An increase of \$ 24.9 million related to multiple changes in cash flows resulting from the fact that the budget needs by vote are not linear from one year to the next requiring transfers between votes or reprofilings to another fiscal year. As part of Budget 2012 announcements, the CSA received approval to continue its participation in the International Space Station until 2020. The continued participation required a \$6.0 million transfer between parliamentary votes in order to cover the common system operations costs. In addition, a \$4.3 million transfer between votes was made to finance the replacement of the space station's cameras, as well as increased maintenance of its mobile system. The residual consists of multiple variations inherent to the management of the Canadian Space Program (CSP).
- A decrease of \$20.3 million realized in the context of the 2012 federal budget Deficit Reduction Action Plan (DRAP) (presented in Section 5. Budget 2012 Implementation).
- A decrease of \$0.4 million which represents the transfer to Shared Services Canada department for the initiative concerning technological devices in the workplace.

→ A \$0.2 million decrease realized in the context of the reduction of travel costs due to the technology announced in the 2013 Economic Action Plan.

The following factors are key in explaining the increase of \$132.4 million in Vote 30 - Capital Expenditures :

→ A \$112.5 million budget increase over the same period of the previous year allocated for the RADARSAT Constellation Mission (RCM) project as a result of additional funding granted over 6 years (2013-14 to 2018-19) and an increase of \$20.4 million related to the cumulative effect on 2012-13 and 2013-14 of funds carried forward over the years for the RCM project.

→ A \$12.3 million decrease related to multiple cash flow variations for various projects and activities such as, Generic Satellite Operations and OSIRIS-REX, as well as for the cancellation of the Rendez-Vous System (International Space Station) - Navigation & tech demo inspection project.

→ A \$11.2 million increase in regards to the additional budget received through the capital carry forward. Thus, the capital carry forward was greater from 2012-13 to 2013-14, than it was from 2011-12 to 2012-13.

The following factors are key in explaining the decrease of \$4.0 million in Vote 35 - Grants and Contributions :

→ A \$6.4 million increase related to the cumulative effect on 2012-13 and 2013-14 of reprofiling of funds over the years for contributions for the purpose of the Canada / European Space Agency (ESA) Cooperation Agreement.

→ A \$9.3 million budget decrease over the previous fiscal year for the purpose of the Canada / ESA Cooperation Agreement was attributable to the evolution in ESA's implementation of various programs in which Canada participates.

→ A \$2.5 million increase in the Grants and Contributions Program to support research, awareness and education in space science and technology. This increase is due to adjustments in the source of funding for certain programs previously funded solely with the operating vote, whereas the delivery method now also requires the grant and contribution vote.

→ A \$3.8 million decrease realized in the context of the 2012 federal budget Deficit Reduction Action Plan (DRAP) (presented in Section 5. Budget 2012 Implementation).

2.2 Significant Changes in Quarterly and Year-to-Date Expenditures (Votes Used) between fiscal 2013-2014 and 2012-2013

Quarterly and year-to-date expenditures for the quarter ended December 31, 2013 are respectively of \$99.3 and \$278.7 million and represent a \$34.0 and \$99.2 million increase compared to the same period over the previous year.

Expenditures by Vote

Expenditures and expenditure variations by vote for the quarter ended December 31 :

Expenditures by Vote (in thousands of dollars)	2013-2014		2012-2013		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Vote 25 - Operating expenditures	41,332	95,767	39,213	105,222	2,119	(9,455)
Vote 30 - Capital expenditures	54,277	156,163	22,793	46,579	31,484	109,584
Vote 35 - Grants and contributions	989	18,678	487	19,372	502	(694)
Contributions to employee benefit plans *	2,687	8,061	2,759	8,275	(72)	(214)
Spending of proceeds from the disposal of surplus Crown assets *	11	13	0	16	11	(3)
Total budgetary expenditures by Vote	99,296	278,682	65,252	179,464	34,044	99,218

* Authorities for Contributions to employee benefit plans and authorities for Spending of proceeds from the disposal of surplus Crown assets must be reported separately starting in 2013-14. Therefore, expenditures related to statutory authorities have been reclassified for 2012-13.

The following factors are key in explaining the \$2.1 quarterly increase and the \$9.5 million year-to-date decrease in the use of vote 25 - Operating expenditures over the same period of the previous year :

- According to the pre-established pay schedule, an additional pay in the 3rd quarter of 2013-14, compared to the same quarter of 2012-13, mainly explains the \$ 2.1 million positive variance.
- At the year-to-date level, there are no expenditures in 2013-14 related to activities arising from the Budget 2009 Economic Action Plan. Whereas, in 2012-13, nearly \$8.5 million were associated; thus creating a negative variance.
- Also at the year-to-date level, the end of Radarsat 1 operations, Canada's first earth observation satellite, generated a negative variance of \$0.9 million.

The following factors are key in explaining the \$31.5 and \$109.6 million quarterly and year-to-date increases in the use of vote 30 - Capital expenditures :

- The increase in expenditures related to the development phase of the RCM project (\$33.0 million for the 3rd quarter and \$105.4 million for the year-to-date).

→ The variations in the payment schedules and in the project development cycle, which are an inherent characteristic of the implementation of the Canadian Space Program.

The following factors are key in explaining the \$0.5 million quarterly increase and the \$0.7 million year-to-date decrease in the use of vote 35 – Grants and contributions :

→ The quarterly increase is mainly due to the variation in the payment schedules for the Class Grant and Contributions Program to support research, awareness and learning in space science and technology in 2013-14. The year-to-date decrease is mainly due to the \$1.0 million exchange rate variation to the amounts paid to the ESA.

Expenditures by Standard Object

Expenditures and expenditure variations by standard object for the quarter ended December 31:

Expenditures by Standard Object <i>(in thousands of dollars)</i>	2013-2014		2012-2013		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Personnel	19,534	56,419	18,145	58,402	1,389	(1,983)
Transportation and communications	1,004	2,542	1,207	3,054	(203)	(512)
Information	761	1,831	540	1,055	221	776
Professional and special services	17,138	39,122	28,273	62,522	(11,135)	(23,400)
Rentals	1,100	2,171	1,610	2,546	(510)	(375)
Repair and maintenance	1,043	2,595	885	1,185	158	1,410
Utilities, materials and supplies	479	1,280	936	2,109	(457)	(829)
Acquisition of land, buildings and works	0	0	0	0	0	0
Acquisition of machinery and equipment	57,202	151,933	13,150	26,736	44,052	125,197
Transfer payments	989	18,678	487	19,372	502	(694)
Other subsidies and payments	46	2,111	19	2,483	27	(372)
Total budgetary expenditures by Standard Object	99,296	278,682	65,252	179,464	34,044	99,218

The variances for the quarterly and year-to-date expenditures for the Personnel and Transportation and communications standard objects are mainly attributable to the implementation of decisions announced in the context of the 2012 federal budget Deficit Reduction Action Plan (DRAP) (presented in Section 5. Budget 2012 Implementation).

The \$11.1 and \$23.4 million decreases in quarterly and year-to-date expenditures for the Professional and special services standard object and the \$44.1 and \$125.2 million quarterly and year-to-date increases for the Acquisition of machinery and equipment standard object are attributable to the change in phases for the RCM project, as well as the variation in the payment schedule for other contracts related to the implementation of the Canadian Space Program.

3. Risks and Uncertainties

Characteristics specific to the implementation of the Canadian Space Program: International cooperation is essential to the achievement of the CSA's programs because partnerships with other space-faring nations make it possible to share technical expertise, knowledge and infrastructure. The CSA also relies on partnerships with Canadian businesses and universities to convert scientific and technological advances into innovative products and services. The domestic market is relatively small and the viability of Canada's space sector depends on its positioning on international markets. Furthermore, space projects make use of innovative technologies that will sometimes be tested for the first time in harsh space conditions.

These specific characteristics of the space sector create a risk of delays in the realization of projects and therefore risks of postponements of the use of funds.

The year-to-date expenditures for the 3rd quarter of 2013-14 represents 54.6% of our authorities whereas 75% of our fiscal year has passed. This situation is similar to that of the previous fiscal years and represents no concerns.

From the Canada / ESA Cooperation Agreement also arises risks such as variations in amounts payable caused by changes in the Gross National Product (GNP) statistics, the depreciation 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 these risks, the CSA regularly reviews its project portfolio, activity plans, schedules and financial management strategies to adjust to changes brought in the space programs of its key partners (National Aeronautics and Space Administration (NASA), ESA and other space agencies).

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

General (retired) John Walter Natynczyk, former Chief of Defence Staff, became President of the CSA, August 6, 2013. Mr. Natynczyk made the following appointments at the Executive and Senior Executive levels : Gilles Leclerc as Acting Vice-President, Colleen D'Iorio as Director General, Plans and Programs, Alison Tait as Senior Executive Advisor, Policy and Jean-Claude Piedboeuf as Acting Director General, Space Exploration.

5. Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented in order to refocus government and programs, make it easier for Canadians and businesses to deal with their government and, modernize and reduce the back office.

The CSA will achieve annual savings of \$29.5 million starting fiscal year 2014-15 through key measures that actively contribute to the Government's overarching plan to return to a balanced budget. Therefore, the CSA will increasingly focus its Programs and support in response to the growing demand for space-based solutions that serve the mandates and operations of Government departments and agencies.

In the first year of implementation in 2012-13, the CSA achieved savings of approximately \$7.9 million. Savings will increase to \$24.7 million in 2013-14 to reach ongoing savings of \$29.5 million by 2014-15.

The planned savings for fiscal year 2013-14 compared to the previous fiscal year will be reflected in the votes as follows:

- Vote 25 - Operating expenditures, decrease of \$20.3 million including a \$3.2 million for salaries.
- Vote 35 - Grants and contributions, decrease of \$3.8 million in regards to savings for the CSA Grant and Contribution Programs.
- Statutory authority - Contributions to employee benefit plans, decrease of \$0.6 million.

At the end of the third quarter, the main decreases in expenditures arising for the savings measures announced in Budget 2012 are reflected in Vote 25 – Operating expenditures in several standard objects including those for Personnel and Transportation and communications.

There are no financial risks or uncertainties related to these savings.

Approval by Senior Officials

Approved by,

The original version was signed by
Walter Natynczyk, February 25, 2014

Walter Natynczyk Date
President
Longueuil, Quebec

The original version was signed by
Marie-Claude Guérard, February 25, 2014

Marie-Claude Guérard, CPA CGA Date
Chief Financial Officer
Longueuil, Quebec

CANADIAN SPACE AGENCY
Quarterly Financial Report
For the quarter ended December 31, 2013
Statement of Authorities (unaudited)
(in thousands of dollars)

Annex 1

	Fiscal Year 2013-2014			Fiscal Year 2012-2013		
	Total available for use for the year ending March 31, 2014 (1)	Used during the quarter ended December 31, 2013	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2013 (1, 2, 3)	Used during the quarter ended December 31, 2012 (4)	Year-to-date used at quarter-end (4)
	\$	\$	\$	\$	\$	\$
Vote 25: Operating expenditures	171,180	41,332	95,767	175,082	39,213	105,222
Vote 30: Capital expenditures	294,607	54,277	156,163	162,228	22,793	46,579
Vote 35: Grants and contributions	33,630	989	18,678	37,599	487	19,372
Contributions to employee benefit plans	10,748	2,687	8,061	11,033	2,759	8,275
Spending of proceeds from the disposal of surplus Crown assets	20	11	13	17	0	16
Total budgetary authorities	510,184	99,296	278,682	385,959	65,252	179,464

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

(2) Total available for use does not reflect measures announced in Budget 2012.

(3) Statutory authorities have been reclassified. Authorities for Contributions to employee benefit plans and authorities for Spending of proceeds from the disposal of surplus Crown assets are presented separately starting 2013-14.

(4) Expenditures for the Contributions to employee benefit plans and expenditures from the proceeds from the disposal of surplus Crown assets have been reclassified.

CANADIAN SPACE AGENCY

Annex 2

Quarterly Financial Report

For the quarter ended December 31, 2013

Departmental budgetary expenditures by Standard Object (unaudited)

(in thousands of dollars)

	Fiscal Year 2013-2014			Fiscal Year 2012-2013		
	Planned expenditures for the year ending March 31, 2014	Used during the quarter ended December 31, 2013	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2013 (1)	Used during the quarter ended December 31, 2012	Year-to-date used at quarter-end
Expenditures:	\$	\$	\$	\$	\$	\$
Personnel	72,623	19,534	56,419	79,846	18,145	58,402
Transportation and communications	3,912	1,004	2,542	5,541	1,207	3,054
Information	908	761	1,831	1,140	540	1,055
Professional and special services	114,199	17,138	39,122	186,054	28,273	62,522
Rentals	1,992	1,100	2,171	1,522	1,610	2,546
Repair and maintenance	3,397	1,043	2,595	3,869	885	1,185
Utilities, materials and supplies	2,330	479	1,280	2,814	936	2,109
Acquisition of land, buildings and works	1,110	0	0	1,207	0	0
Acquisition of machinery and equipment	272,067	57,202	151,933	62,893	13,150	26,736
Transfer payments	33,630	989	18,678	37,599	487	19,372
Other subsidies and payments	4,017	46	2,111	3,474	19	2,483
Total budgetary expenditures	510,184	99,296	278,682	385,959	65,252	179,464

(1) Planned expenditures do not reflect measures announced in Budget 2012.