

Statement of Management Responsibility Including Internal Control Over Financial Reporting

CANADIAN SPACE AGENCY

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2016, and all information contained in these statements rests with the management of the Canadian Space Agency. These financial statements have been prepared by management using the Government's accounting standards, which are based on the Government's accounting policies and Canadian accounting standards stated in the Public Sector Accounting Handbook.

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 the Agency's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the Agency's *Departmental Performance 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 the Agency; 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 ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2016 was completed in accordance with the Treasury Board Policy on Internal Control. The results of this assessment and the action plans are summarized in the annex.

The effectiveness and adequacy of the Agency's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the Agency's operations, and by the Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Deputy Head of the Agency.

The financial statements of the Canadian Space Agency have not been subject to an external audit.

The original version was signed by
Luc Brûlé, August 18, 2016

Luc Brûlé
Acting President
Longueuil, Canada

Date

The original version was signed by
Marie-Claude Guérard, August 18, 2016

Marie-Claude Guérard, CPA, CGA
Chief Financial Officer
Longueuil, Canada

Date

Statement of Financial Position (Unaudited)

CANADIAN SPACE AGENCY

As at March 31 (in thousands of dollars)	2016 \$	2015 \$ Restated (note 16)
Liabilities		
Accounts payable and accrued liabilities (note 4)	106,198	115,198
Vacation pay and compensatory leave	3,616	3,552
Deferred revenue (note 5)	9	92
Severance benefits (note 6(b))	3,602	3,773
Other liabilities (note 7)	2,075	1,508
Total net liabilities	115,500	124,123
Assets		
Financial assets		
Due from the Consolidated Revenue Fund	96,850	104,437
Accounts receivable and advances (note 8)	12,537	12,026
Total gross financial assets	109,387	116,463
Financial assets held on behalf of Government		
Accounts receivable and advances (note 8)	(1,337)	(1,117)
Total financial assets held on behalf of Government	(1,337)	(1,117)
Total net financial assets	108,050	115,346
Agency's net debt	7,450	8,777
Non-financial assets		
Prepaid expenses (note 9)	175,775	209,370
Tangible capital assets (note 10)	1,326,629	1,190,953
Other receivables (note 11)	7,484	7,484
Total non-financial assets	1,509,888	1,407,807
Agency's net financial position	1,502,438	1,399,030

Contractual obligations (note 12)

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

The original version was signed by
Luc Brûlé, August 18, 2016

Luc Brûlé Date
Acting President
Longueuil, Canada

The original version was signed by
Marie-Claude Guérard, August 18, 2016

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

Statement of Operations and the Agency's Net Financial Position (Unaudited)

CANADIAN SPACE AGENCY

For the Year Ended March 31

(in thousands of dollars)

	2016 \$ Planned	2016 \$	2015 \$ Restated (note 16)
Expenses			
Space Exploration	150,006	120,763	139,545
Space Data, Information and Services	92,328	87,703	77,746
Future Canadian Space Capacity	67,613	62,778	58,813
Internal Services	47,296	46,426	46,861
Total Expenses	357,243	317,670	322,965
Revenues			
Sale of goods and services	2,600	398	811
Location and use of public property	355	317	325
Sale of rights and privileges	150	83	96
Other revenues	84	3,048	1,157
Revenues earned on behalf of Government	(3,189)	(3,824)	(2,260)
Total Revenues	-	22	129
Net cost of operations before government funding and transfers	357,243	317,648	322,836
Government funding and transfers			
Net cash provided by Government		423,450	358,612
Change in due from Consolidated Revenue Fund		(7,587)	15,291
Services provided without charge by other government departments (note 13(a))		5,196	5,033
Transfer of the transition payments for implementing salary payments in arrears (note 14)		(3)	(2,076)
Total Government funding and transfers		421,056	376,860
Net cost of operations after government funding and transfers		(103,408)	(54,024)
Agency's net financial position - Beginning of year		1,399,030	1,345,006
Agency's net financial position - End of year		1,502,438	1,399,030

Other transactions with related parties (note 13(b))

Segmented information (note 15)

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

Statement of Change in the Agency's Net Debt (Unaudited)

CANADIAN SPACE AGENCY

For the Year Ended March 31

(in thousands of dollars)

	2016	2015
	\$	\$ Restated (note 16)
Net cost of operations after government funding and transfers	(103,408)	(54,024)
Change due to tangible capital assets		
Acquisition of tangible capital assets (note 10)	179,124	161,805
Amortization of tangible capital assets (note 10)	(43,445)	(70,308)
Proceeds from disposal of tangible capital assets	(1)	(19)
Net loss on disposal and write-offs of tangible capital assets	(2)	(20)
Total change due to tangible capital assets	135,676	91,458
Change due to prepaid expenses	(33,595)	(34,818)
Change due to other receivables	-	342
Net increase (decrease) in the Agency's net debt	(1,327)	2,958
Agency's net debt - Beginning of year	8,777	5,819
Agency's net debt - End of year	7,450	8,777

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

Statement of Cash Flows (Unaudited)

CANADIAN SPACE AGENCY

For the Year Ended March 31

(in thousands of dollars)

	2016	2015
	\$	\$
Operating Activities		
Net cost of operations before government funding and transfers	317,648	322,836
Non-cash items:		
Amortization of tangible capital assets (note 10)	(43,445)	(70,308)
Net loss on disposal and write-offs of tangible capital assets	(2)	(20)
Services provided without charge by other government departments (note 13(a))	(5,196)	(5,033)
Transition payments for implementing salary payments in arrears (note 14)	3	2,076
Variations in Statement of Financial Position:		
Increase in accounts receivable and advances	291	3,747
Decrease in prepaid expenses	(33,595)	(34,818)
Increase in other receivables	-	342
Decrease (increase) in accounts payable and accrued liabilities	9,000	(20,832)
Decrease (increase) in vacation pay and compensatory leave	(64)	441
Decrease (increase) in deferred revenue	83	(29)
Decrease (increase) in severance benefits	171	(581)
Increase in other liabilities	(567)	(995)
Cash used in operating activities	244,327	196,826
Capital Investing Activities		
Acquisition of tangible capital assets (note 10)	179,124	161,805
Proceeds from disposal of capital assets	(1)	(19)
Cash used in capital investing activities	179,123	161,786
Net cash provided by Government of Canada	423,450	358,612

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

Notes to the Financial Statements (Unaudited)

CANADIAN SPACE AGENCY

For the Year Ended March 31

1. Authority and Objectives

The Canadian Space Agency “Agency” was decreed a “Department” on March 1st, 1989. The Agency is a division of the public service named in Schedule I.1 of the Financial Administration Act. The Agency is part of the Ministerial Portfolio of Innovation, Science and Economic Development, which represents the Agency in Parliament and in Cabinet.

The *Canadian Space Agency Act* that received Royal Assent in 1990 attributes four main functions to the Agency:

- Assist the Minister to coordinate the space policies and programs of the Government of Canada;
- Plan, direct, manage and implement programs and projects relating to scientific or industrial space research and development and the application of space technology;
- Promote the transfer and diffusion of space technology to and throughout Canadian industry; and
- Encourage commercial exploitation of space capabilities, technology, facilities and systems

The objects of the Canadian Space Agency are “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”.

According to the approved Program Alignment Architecture (PAA), the Statement of Operations and the Agency's Net Financial Position is detailed by the following Programs (Business Lines):

Space Exploration

This Program provides valuable Canadian science, signature technologies and qualified astronauts to international space exploration endeavours. This Program contributes to the Government of Canada's Science and Technology Strategy. It fosters the generation of knowledge as well as technological spin-offs that contribute to a higher quality of life for Canadians. It generates excitement within the population in general and contributes to nation-building. This Program appeals to the science and technology communities. It is targeted mostly towards Canadian academia and international space exploration partnerships. Canadian industry also benefits from the work generated within this Program. This Program is delivered with the participation of foreign space agencies and Government of Canada (GoC) organizations. This collaborative effort is formalized under international partnership agreements, contracts, grants or contributions.

Space Data, Information and Services

This Program includes the provision of space-based solutions (data, information and services) and the progression of their utilization. It also serves to install and run ground infrastructure that processes the data and operates satellites. This Program utilizes space-based solutions to assist Government of Canada (GoC) organizations in delivering growing, diversified or cost-effective programs and services within their mandate, which is related to key national priorities, such as sovereignty, defence, safety and security, resource management, environmental monitoring and the North. It also provides academia with data required to perform its own research. The services delivered through this Program are rendered, and the data and information are generated and processed, with the participation of the Canadian space industry, academia, GoC organizations, national and international organizations, such as: foreign space agencies, not-for-profit organizations, as well as provincial and municipal governments. This collaborative effort is formalized under national and international partnership agreements, contracts. This Program is also funded through the Class Grant and Contribution Program.

Future Canadian Space Capacity

This Program attracts, sustains and enhances the nation's critical mass of Canadian space specialists, fosters Canadian space innovation and know-how, and preserves the nation's space-related facilities capability. In doing so, it encourages private-public collaboration that requires a concerted approach to future space missions. This Program secures the nation's strategic and ongoing presence in space in the future and to preserve Canada's capability to deliver internationally renowned space assets for future generations. It is targeted at Canadian academia, industry and youth, as well as users of Canadian space solutions (Government of Canada (GoC) organizations) and international partners. This Program is conducted with the participation of funding agencies, GoC organizations along with government facilities and infrastructure, foreign space agencies, not-for-profit organizations and provincial governments. This collaborative effort is formalized under contracts, grants, contributions or national and international partnership agreements.

Internal Services

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. Internal services include only those activities and resources that apply across an organization, and not those provided to a specific program. The groups of activities are Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

Notes to the Financial Statements (Unaudited)

CANADIAN SPACE AGENCY

For the Year Ended March 31

2. Summary of Significant Accounting Policies

These financial statements have been prepared using the Government'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

The Agency is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Agency 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 Financial Position and the Statement of Operations and Agency Net Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the two bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Agency Net Financial Position are the amounts reported in the Future-Oriented Statement of Operations included in the *2015-2016 Report on Plans and Priorities*. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Agency Net Financial Position and in the Statement of Change in the Agency's Net Debt since the related Future-Oriented statements are no longer produced and therefore, are not included in the *2015-2016 Report on Plans and Priorities*.

(b) Net cash provided by Government

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

Amounts due from 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 the Agency is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Revenues

- ✓ Revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.
- ✓ Funds that have been received are recorded as deferred revenue, provided the Agency has an obligation to other parties for the provision of goods, services or the use of assets in the future (note 5).
- ✓ Revenues that are non-respendable are not available to discharge the Agency'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 in reduction of the entity's gross revenues.

(e) Expenses

Expenses are recorded on the accrual basis:

- ✓ Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or entitlements for the transfer payment program.
- ✓ Vacation pay and compensatory leave are recorded as expenses as 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 and legal services are recorded as operating expenses at their estimated cost.

Notes to the Financial Statements (Unaudited)

CANADIAN SPACE AGENCY

For the Year Ended March 31

2. Summary of Significant Accounting Policies (Continued)

(f) Employee future benefits (note 6)

- i Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government of Canada. The Agency's contributions to the Plan are recorded to expenses in the year incurred and represent the Agency's total obligation to the Plan. The Agency's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficits are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.
- ii Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The 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.

(g) Accounts receivables and advances

Accounts receivables and advances are stated at the lower of cost and net recoverable value. A provision is recorded for receivables where recovery is considered uncertain.

(h) Foreign currency transactions

Transactions involving foreign currencies are translated into Canadian dollar equivalents using the exchange rates in effect at the time of the transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the exchange rate in effect at year-end. Gains and losses resulting from foreign currency transactions are included in the item "others" in the Statement of Operations and the Agency's Net Financial Position.

(i) 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 Agency does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

Asset category	Amortization period
Buildings, works and infrastructure	15-40 years
Material and equipment	9-20 years
Computer material	5-10 years
Computer software	3 years
Other equipment	3-30 years
Motor vehicles	5 years
Other vehicles	10 years

Assets under construction are accounted for in the applicable capital asset category in the fiscal year in which they become available for use for the production of goods or the provision of services (commissioning) and are only amortized as of that date.

The space assets are not considered operational until they have attained orbit or their expected trajectory or the landing date on the International Space Station.

(j) Measurement uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of the statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee severance benefits and the useful life of tangible capital assets. 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.

Notes to the Financial Statements (Unaudited)

CANADIAN SPACE AGENCY

For the Year Ended March 31

3. Parliamentary Authorities

The Agency receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Financial Position, and the Statement of Operations and the Agency's Net Financial Position in one fiscal year may be funded through parliamentary authorities that were authorized in a prior or in the current year or that will be in a future fiscal year. Accordingly, the Agency 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 and to current year parliamentary authorities used

(in thousands of dollars)	2016 \$	2015 \$
Net cost of operations before government funding and transfers	317,648	322,836
<i>Adjustments for items affecting net cost of operations but not affecting authorities</i>		
<i>Add (Less):</i>		
Amortization of tangible capital assets (note 10)	(43,445)	(70,308)
Services provided without charge by other government departments (note 13(a))	(5,196)	(5,033)
Refund of previous years' expenditures	1,123	515
Decrease (increase) in severance benefits	171	(581)
Decrease (increase) in vacation pay and compensatory leave	(64)	441
Net loss on disposal and write-offs of tangible capital assets	(2)	(20)
Other	(2,968)	(803)
	<u>267,267</u>	<u>247,047</u>
<i>Adjustments for items not affecting net cost of operations but affecting authorities</i>		
Acquisition of tangible capital assets (note 10)	179,124	161,805
Proceeds from disposal of tangible capital assets	(1)	(19)
Decrease in prepaid expenses	(33,595)	(34,818)
Transition payments for implementing salary payments in arrears (note 14)	3	2,076
	<u>145,531</u>	<u>129,044</u>
Current year authorities used	412,798	376,091

(b) Authorities provided and used

(in thousands of dollars)	2016 \$	2015 \$
Authorities provided		
<i>Vote 1</i> - Operating expenditures	191,597	169,442
<i>Vote 5</i> - Capital expenditures	255,909	262,285
<i>Vote 10</i> - Grants and contributions	45,356	41,893
Statutory amounts	8,706	9,121
	<u>501,568</u>	<u>482,741</u>
Less:		
Authorities available for use in future years	16	44
Lapsed : Operating	11,227	5,279
Lapsed : Capital	76,702	100,248
Lapsed : Grants and contributions	789	1,077
Lapsed: Proceeds from the disposal of surplus Crown assets	36	2
	<u>88,770</u>	<u>106,650</u>
Current year authorities used	412,798	376,091

Notes to the Financial Statements (Unaudited)

CANADIAN SPACE AGENCY

For the Year Ended March 31

4. Accounts Payable and Accrued Liabilities

(in thousands of dollars)	2016 \$	2015 \$
Accounts payable - External parties	60,013	46,083
Contractor's holdbacks	6,726	20,634
Accounts payable – Other Departments	685	1,165
Other accounts payable	14	18
Total accounts payable	67,438	67,900
Accrued liabilities	38,760	47,298
Total accounts payable and accrued liabilities	106,198	115,198

In *Canada's 2012 Economic Action Plan*, the Government announced savings measures to be implemented by departments over the next three fiscal years starting in 2012–2013. As a result, the Agency has recorded at March 31, 2016, an obligation for termination benefits for an amount of \$3,983 (\$10,832 in 2014-2015) as part of accrued liabilities to reflect the estimated workforce adjustment costs.

5. Deferred Revenue

Deferred revenue represents the balance at year-end of unearned revenues stemming from amounts received prior to services being performed as part of the activities of RADARSAT-2 to cover expenses related to the reception, archiving, cataloguing and satellite acquisition services and for the preparation of accommodations of MacDonald Dettwiler and Associates Ltd. (MDA) employees. Revenues are recognized in the period that the expenditures are incurred or the service is performed. Details of the transactions related to this account are as follows:

(in thousands of dollars)	2016 \$	2015 \$
Deferred revenue as at April 1st	92	63
Plus: Amounts received	1,664	1,660
Less: Services rendered	1,747	1,631
Deferred revenue as at March 31	9	92

Notes to the Financial Statements (Unaudited)

CANADIAN SPACE AGENCY

For the Year Ended March 31

6. Employee Future Benefits

(a) Pension benefits

The Agency'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 the Agency contribute to the cost of the Plan. Due to the amendment of the Public Service Superannuation Act following the implementation of provisions related to the Economic Action Plan 2012, employee contributors have been divided in two groups - Group 1 relates 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 2015-2016 expense amounts to \$6.0 million (\$6.2 million in 2014-2015). For Group 1 members, the expense represents approximately 1.25 times (1.41 times in 2014-2015) the employee contributions and, for Group 2 members, approximately 1.24 times (1.39 times in 2014-2015) the employee contributions.

The Agency's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficits are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits

The Agency provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Severance benefits, as at March 31, are as follows:

	2016	2015
	\$	\$
(in thousands of dollars)		
Accrued benefits obligation, beginning of year	3,773	3,192
Plus: Expense (adjustment) for the year	(36)	815
Less: Benefits paid during the year	(135)	(234)
Accrued benefits obligation, end of year	3,602	3,773

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of the benefits earned to date or collect the full or remaining value of the benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

Notes to the Financial Statements (Unaudited)

CANADIAN SPACE AGENCY

For the Year Ended March 31

7. Other Liabilities

(in thousands of dollars)	2016	2015
	\$	\$
Contractor's holdbacks	2,075	1,411
Participation of provinces – RADARSAT-1	-	97
	2,075	1,508

Participation of provinces – RADARSAT-1

This account was established to account for moneys received for both cost-sharing and advance payments for RADARSAT scenes. RADARSAT-1 was an Earth Observation satellite to monitor environmental change and planets natural resources. The end of the RADARSAT-1 mission was declared in June 2013, however, the data was still available until 2015-2016 at which time, all unspent funds were returned to the Provinces.

8. Accounts Receivable and Advances

(in thousands of dollars)	2016	2015
	\$	\$
Receivables from other federal departments and organizations	12,277	11,771
Receivables from external entities	261	257
Employee advances	7	6
Less: Allowance for doubtful accounts on receivables from external entities	(8)	(8)
Gross accounts receivable	12,537	12,026
Accounts receivable held on behalf of Government	(1,337)	(1,117)
Net accounts receivable	11,200	10,909

9. Prepaid Expenses

(in thousands of dollars)	2016	2015
	\$	\$
RADARSAT-2 prepaid services	174,627	208,500
Other prepaid expenses	1,148	870
	175,775	209,370

RADARSAT-2 prepaid services

Under a private-public partnership agreement, the Agency has invested \$445.9 million in the construction and launch of the RADARSAT-2 satellite. In exchange of its participation, the Agency received credits for the supply of data (imagery) to Canadian Government departments and agencies over the life of the mission. Since the satellite is operational, federal departments and organizations received imagery valued at \$274.3 million (\$237.4 million for 2014-15). In addition, in 2015-16, the Agency received additional credits of \$3.0 million, resulting from a contractual arrangement with the supplier.

Notes to the Financial Statements (Unaudited)

CANADIAN SPACE AGENCY

For the Year Ended March 31

10. Tangible Capital Assets

Cost	Opening Balance as at April 1st, 2015	Acquisitions	Adjustments ⁽¹⁾	Disposals and Write-Offs	Closing Balance as at March 31, 2016
(in thousands of dollars)	\$	\$	\$	\$	\$
Land	85	-	-	-	85
Buildings, works and infrastructure	135,884	-	3,071	-	138,955
Material and equipment	42,603	475	-	(196)	42,882
Computer material	17,955	223	-	(2,863)	15,315
Computer software	11,003	139	-	-	11,142
Other equipment	1,356,239	-	-	(4,096)	1,352,143
Motor vehicles	74	-	-	-	74
Other vehicles	455	-	-	-	455
Assets under construction	809,616	178,287	(3,071)	-	984,832
	2,373,914	179,124	-	(7,155)	2,545,883

Accumulated amortization	Opening Balance as at April 1st, 2015	Amortization	Adjustments	Disposals and Write-Offs	Closing Balance as at March 31, 2016
(in thousands of dollars)	\$	\$	\$	\$	\$
Buildings, works and infrastructure	88,573	4,593	-	-	93,166
Material and equipment	31,595	1,790	-	(196)	33,189
Computer material	16,207	583	-	(2,860)	13,931
Computer software	9,409	945	-	-	10,354
Other equipment ⁽²⁾	1,036,878	35,491	-	(4,096)	1,068,272
Motor vehicles	25	10	-	-	35
Other vehicles	274	33	-	-	307
	1,182,961	43,445	-	(7,152)	1,219,254

Net book value	Opening Balance as at April 1st, 2015		Closing Balance as at March 31, 2016
(in thousands of dollars)	\$		\$
Land	85		85
Buildings, works and infrastructure	47,311		45,789
Material and equipment	11,008		9,693
Computer material	1,748		1,384
Computer software	1,594		788
Other equipment	319,361		283,871
Motor vehicles	49		39
Other vehicles	181		148
Assets under construction	809,616		984,832
Net Book Value	1,190,953		1,326,629

(1) Adjustments include assets under construction of \$3,070,909 that were transferred to the asset category "Buildings, works and infrastructure" upon completion of the assets.

(2) During the year, the Agency extended the useful life of assets located on the International Space Station until 2024. This revision was accounted for prospectively from the current year and had the effect of reducing the amortization expense of \$21.8 million. Assets located on the International Space Station are included in the "Other equipment" category.

Notes to the Financial Statements (Unaudited)

CANADIAN SPACE AGENCY

For the Year Ended March 31

11. Other Receivables

	2016	2015
(in thousands of dollars)	\$	\$
Non-monetary exchange CSA/NASA	7,468	7,468
Other non-monetary exchange	16	16
	7,484	7,484

Non-monetary exchange CSA/NASA

Under the International Space Station Agreement, which was executed in 1998, and ratified by Canada in year 2000, following the passing of the Civil International Space Station Agreement Implementation Act, in 1999 the Agency signed a barter agreement with NASA in August 2001, which the fair value was estimated at \$20.8 million U.S. This agreement provided that the Agency would exchange a part of its utilization rights on the International Space Station and agreed to assume repair costs for its Special Purpose Dexterous Manipulator. In return, NASA would provide to the Agency, astronaut training, satellite and launch services. The transactions under this barter agreement took place over the lifetime of the International Space Station. During fiscal years 2002 to 2016, the Agency received all of the astronaut training valued at \$12.6 million CDN and launch services valued at \$5.4 million CDN, and NASA did exercise the option to access its proportion of Canada's utilization rights on the International Space Station valued at \$20.8 million CDN. As at March 31, 2016, the Agency recorded a net value of \$7.5 million CDN as other receivables which corresponds to the residual receivable in regards to the barter agreement and the effect of the variances in the exchange rates. In regards to this barter agreement or other agreements of the same kind that the Agency may enter into with its International Partners under the Agreement on the International Space Station, the Agency was granted an exemption by Treasury Board under the Policy on Accounting for Non-Monetary Transactions and does not have to charge the transactions to its appropriation.

12. Contractual Obligations

The nature of the Agency's activities can result in some large multi-year contracts and obligations whereby the Agency will be obligated to make future payments in order to carry out its transfer payment programs, for the construction of assets and for the acquisitions of goods and services. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	2017	2018	2019	2020	2021 & thereafter	Total
(in thousands of dollars)	\$	\$	\$	\$	\$	\$
Construction of assets	136,834	57,738	64,600	4,000	-	263,172
Transfer payments	20,891	17,251	14,580	9,700	8,848	71,270
Acquisitions of goods and services	50,333	7,535	1,296	1,079	20	60,263
Total	208,058	82,524	80,476	14,779	8,868	394,705

Contractual obligations for the construction of assets are mostly related to the construction of RADARSAT Constellation. The acquisition of goods and services is mostly related to the Canadian Space Station Program, while obligations for transfer payments are related to the contributions to the European Space Agency.

Notes to the Financial Statements (Unaudited)

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13. Related Party Transactions

The Agency is related as a result of common ownership to all government departments, organizations, and Crown Corporations. The Agency enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, the Agency received common services without charge from other government departments as disclosed below.

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

During the year, the Agency received services without charge from certain common services organizations, related to accommodation, legal services and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in the Agency's Statement of Operations and the Agency's Net Financial Position as follows:

	2016	2015
(in thousands of dollars)	\$	\$
Employer's contribution to the health and dental insurance plans	4,977	4,821
Accommodation	207	207
Legal Services	12	5
	5,196	5,033

The Government has centralized some of its administrative activities in order to optimise the efficiency and the cost-effectiveness of the program delivery to the public. The Government uses central agencies and common services organizations so that one department performs services for all departments and organizations without charge. The costs of these services, such as payroll and cheque issuance services provided by Public Services and Procurement Canada and audit services provided by the Auditor General, are not included in the Agency's Statement of Operations and the Agency's Net Financial Position.

(b) Other transactions with related parties

	2016	2015
(in thousands of dollars)	\$	\$
Expenses - other government departments and organizations	23,417	24,394
Revenues - other government departments and organizations	13	13

Expenses and revenues disclosed in section (b) exclude common services provided without charge, which are already disclosed in section (a).

14. Transfer of the transition payments for implementing salary payments in arrears

The Government of Canada implemented salary payments in arrears in 2014-15. As a result, a transitional payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processes. This change to the pay system had no impact on the expenses of the Agency. However, it did result in the use of additional spending authorities by the Agency. Prior to year end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Services and Procurement Canada, who is responsible for the administration of the Government pay system.

Notes to the Financial Statements (Unaudited)

CANADIAN SPACE AGENCY

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15. Segmented Information

Presentation by segment is based on the Agency's Program Alignment Architecture (PAA). 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 main programs, by major object of expense and by revenue type. The results for the period are as follows:

	Space Exploration	Space Data, Information and Services	Future Canadian Space Capacity	Internal Services	2016	2015
	\$	\$	\$	\$	\$	\$
<i>(in thousands of dollars)</i>						
Operating expenses						
Professional and special services	62,318	19,555	11,298	6,987	100,158	86,411
Salaries and employee benefits	20,005	10,455	9,840	25,031	65,331	67,317
Amortization of tangible capital assets	34,289	3,889	1,313	3,954	43,445	70,308
Acquisition of machinery and material	568	37,149	226	968	38,911	37,379
Information	1	10,176	5	1,082	11,264	7,373
Travel and communications	1,654	617	481	554	3,306	3,877
Rentals	312	345	780	2,079	3,516	3,124
Purchased repair and maintenance	17	34	454	2,127	2,632	1,773
Utilities, materials and supplies	198	120	333	1,058	1,709	1,780
Loss on disposal and write-offs of tangible capital assets	-	-	-	3	3	38
Other	81	176	11	2,583	2,851	2,773
Total operating expenses	119,443	82,516	24,741	46,426	273,126	282,153
Transfer payments						
International organizations	-	-	27,803	-	27,803	29,763
Non-Profit Organizations	1,320	4,289	3,021	-	8,630	8,969
Industry	-	898	7,213	-	8,111	2,072
Individuals	-	-	-	-	-	8
Total transfer payments	1,320	5,187	38,037	-	44,544	40,812
Total expenses	120,763	87,703	62,778	46,426	317,670	322,965
Revenues						
Sale of goods and services	-	-	398	-	398	811
Lease and use of public property	-	33	-	284	317	325
Sale of rights and privileges	-	81	2	-	83	96
Gain on disposal of tangible assets	-	-	-	1	1	18
Other revenues	8	3,001	11	27	3,047	1,139
Revenues earned on behalf of Government	(5)	(3,115)	(409)	(295)	(3,824)	(2,260)
Total Revenues	3	-	2	17	22	129
Net cost of operations	120,760	87,703	62,776	46,409	317,648	322,836

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16. Accounting changes

During the year, the Agency revised the amount from the due from the Consolidated Revenue Fund after receiving further guidance from the Treasury Board Secretariat. The modification represent an increase to the due from the Consolidated Revenue Fund. This adjustment has been applied retroactively, and comparative information for 2014–15 has been restated. The effects of the adjustment are presented in the table below.

	2015 As previously stated	Effect of change	2015 Restated
(in thousands of dollars)	\$	\$	\$
Statement of Financial Position:			
Due from the Consolidated Revenue Fund	84,396	20,041	104,437
Total net financial assets	95,305	20,041	115,346
Agency's net debt	28,818	(20,041)	8,777
Statement of Operations and the Agency's Net Financial Position:			
Changes in due from Consolidated Revenue Fund	13,479	1,812	15,291