



Canadian Space
Agency

Agence spatiale
canadienne



Canadian Space Agency

2017-2018

Quarterly Financial Report

For the Quarter Ended

December 31, 2017

Management Statement for the Quarter Ended December 31, 2017

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 [2017-2018 Main Estimate](#)¹.

1.2 Mandate and Program Activities

The objectives of the Canadian Space Agency (CSA) 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 technologies provide social and economic benefits for Canadians.*

More information is available on the CSA's [mandate](#) and Program Activities in the [2017-18 Departmental Plan](#)¹.

¹ *The financial data presented as planned expenditures in the Main Estimates (ME) and 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).*

1.3 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 years 2017-2018 compared to 2016-2017. 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.

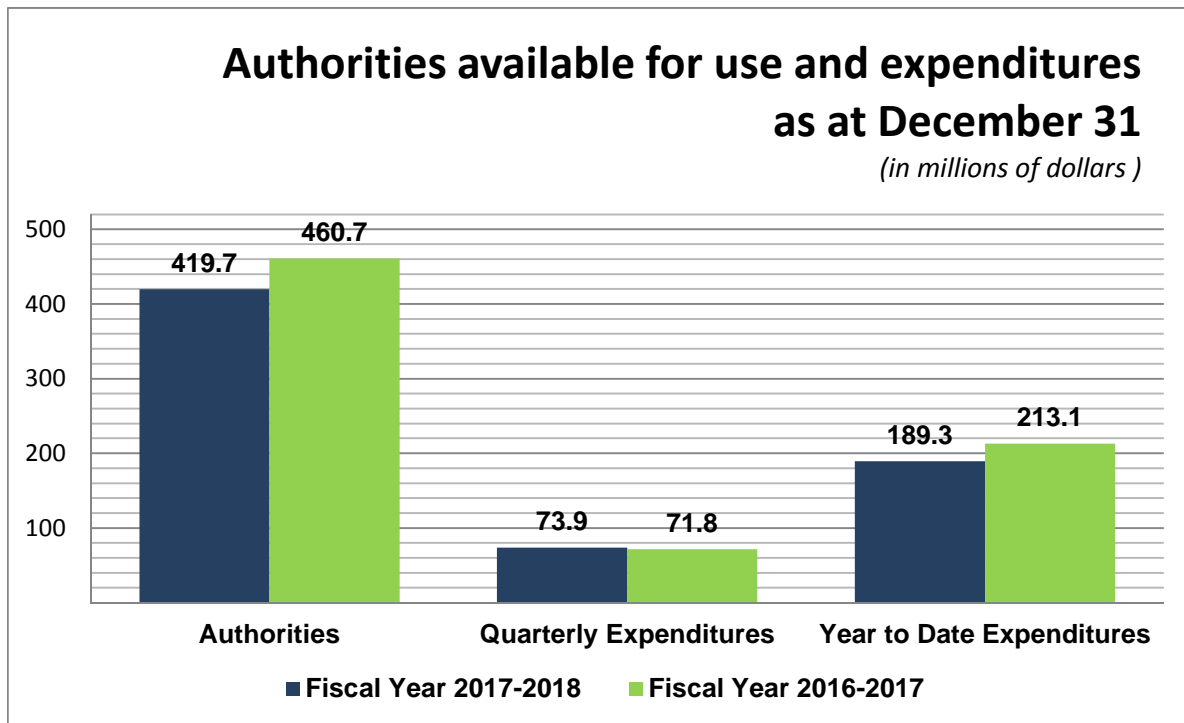
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting. 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, 2017.

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 2017-2018 and 2016-2017.

The total vote available for use as at December 31, 2017 is \$419.7 million, and represents a decrease of \$41.1 million compared to the same period of the previous year.

Authorities (in thousands of dollars)	2017-2018	2016-2017	Variance	%
Vote 1 - Operating expenditures	180,678	184,498	(3,820)	(2%)
Vote 5 - Capital expenditures	168,666	210,228	(41,562)	(20%)
Vote 10 - Grants and contributions	60,966	55,942	5,024	9%
Contributions to employee benefit plans	9,328	10,037	(709)	(7%)
Spending of proceeds from the disposal of surplus Crown assets	30	42	(12)	(29%)
Total budgetary authorities	419,668	460,747	(41,079)	(9%)

The decrease of \$3.8 million in Vote 1 - Operating Expenditures is mainly explained by the following items:

- A decrease of \$9.5 million between 2016-2017 and 2017-2018 due to funding received in 2016–17 for the provision of value-added satellite reports/images for humanitarian needs.
- A decrease of \$9 million due to different cash flow requirements from two projects; replacement of cameras for the Mobile Servicing System (MSS RCAM) as well as the Dextre Deployable Vision System (DDVS).
- A decrease of \$3 million due to a budgetary transfer from the Operating credit to the Grants and Contributions credit for the Space technologies development program.
- A decrease of \$1.4 million between the two years due to the reduction announced in the 2016 Federal Budget for professional services, travel and advertising.
- An increase of \$9.2 million compared to the same period last year due to obtaining the additional authority to carry forward Operating expenditures Vote from 2016-2017 to 2017-2018.
- An increase of \$8.6 million due to additional funding received to extend Canada's participation in the International Space Station (ISS) mission from 2021 to 2024.
- An increase of \$1.6 million mainly due to compensation related to collective agreements renewal.

The decrease of \$41.6 million in Vote 5 - Capital Expenditures is mainly explained by the following items:

- A decrease of \$86.5 million related to the RADARSAT Constellation Mission (RCM). The variation between the two years is due to different needs for cash flows according to new milestones schedules, without affecting the launch that is still planned for 2018.

- A decrease of \$4.8 million between 2016-2017 and 2017-2018 due to a one-time funding issued in 2016–17 for the Maritime Monitoring and Messaging Micro-Satellite (M3MSat) project.
- An increase of \$10.3 million between the two years, due to different cash flow requirements for ISS related activities.
- An increase of \$7.5 million for items in Budget 2016 related to the security enhancement at John H. Chapman Space Centre as well as the purchase and installation of absorber material for the David Florida Laboratory (DFL) Anechoic Chamber.
- An increase of \$23.7 million between 2016-2017 and 2017-2018 because the Capital Vote carry forward from 2016-2017 to 2017-2018 was more significant than the carry forward from 2015-2016 to 2016-2017.
- 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 \$5.0 million in Vote 10 - Grants and Contributions Expenditures is mainly explained by the following items:

- An increase of \$3 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 \$2.6 million between 2016-2017 and 2017-2018 based on the cash requirements of the Class Grant and Contribution Program to Support research, awareness and learning in Space Science and Technology, for the Canadian CubeSats initiative.

2.2 Significant Changes in Quarterly and Year-to-Date Expenditures (Votes Used) between fiscal 2017-2018 and 2016-2017

Quarterly and year-to-date expenditures for the quarter ended December 31, 2017 are of \$73.9 and \$189.3 million and represent a quarterly increase of \$2.2 million, but a cumulative decrease of \$23.7 million compared to the same period of the previous year.

Expenditures by Vote at December 31

Expenditures by Vote (in thousands of dollars)	2017-2018		2016-2017		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Vote 1 - Operating expenditures	42,993	103,742	36,729	94,182	6,264	9,560
Vote 5 - Capital expenditures	22,322	61,778	23,521	92,892	(1,199)	(31,114)
Vote 10 - Grants and contributions	6,336	16,931	9,019	18,444	(2,683)	(1,513)
Contributions to employee benefit plans	2,289	6,867	2,510	7,528	(221)	(661)
Spending of proceeds from the disposal of surplus Crown assets	3	24	12	12	(9)	12
Total budgetary expenditures by Vote	73,943	189,342	71,791	213,058	2,152	(23,716)

The increase of \$6.3 and \$9.6 million in the quarterly and year to date expenditures in Vote 1 – Operating expenditures, is mainly explained by the following:

- An increase in salary expenses due to the ratification of multiple collective agreements as well as a variation in the payment schedules of the implementation cycle of Government initiatives on Earth observation.

The decrease of \$1.2 and \$31.1 million in the quarterly and year to date expenditures in Vote 5 - Capital expenditures, is mainly explained by the following:

- The variations in the payment schedules for the RCM project.

The decrease of \$2.7 and \$1.5 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 at December 31

Expenditures by Standard Object <i>(in thousands of dollars)</i>	2017-2018		2016-2017		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Personnel	20,987	57,421	16,312	50,219	4,675	7,202
Transportation and communications	1,279	2,920	1,049	2,493	230	427
Information	643	2,032	566	1,797	77	235
Professional and special services	23,678	51,105	21,576	48,864	2,102	2,241
Rentals	1,029	2,192	589	1,206	440	986
Repair and maintenance	5,578	7,853	1,218	2,309	4,360	5,544
Utilities, materials and supplies	527	1,299	294	1,118	233	181
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	13,832	45,523	21,097	84,443	(7,265)	(38,920)
Transfer payments	6,336	16,931	9,019	18,444	(2,683)	(1,513)
Other subsidies and payments	54	2,066	71	2,165	(17)	(99)
Total budgetary expenditures by Standard Object	73,943	189,342	71,791	213,058	2,152	(23,716)

The \$4.6 and \$7.2 million increases in quarterly and year to date expenditures for the Personnel standard object is primarily due to:

- An increase in salary expenses due to retroactive payments after the ratification of multiple collective agreements.

The \$2.1 and \$2.2 million increases in quarterly and year to date expenditures for the Professional and special services standard object is primarily due to:

- A variation in the payment schedules for the implementation cycle of certain Life Science projects related to ISS.

The \$4.4 and 5.5 million increases in quarterly and year to date expenditures for the Repair and maintenance standard object is primarily due to:

- A variation in the payment schedules for the implementation phases of the David Florida Laboratory infrastructure accelerated refit project as well as for the security enhancement project at the John H. Chapman Space Centre.

The \$7.3 and \$38.9 million decreases in quarterly and year to date expenditures for the Acquisition of machinery and equipment standard object is primarily due to:

- The variations in the payment schedules for the RCM project.

The \$2.7 and \$1.5 million decreases 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 specific nature of the Canadian Space Program confronts us with issues related to the advanced technologies used in space missions and issues related to the international aspect of some of our projects. These specific characteristics of the space sector create a risk of delays in the realization of projects and therefore, risk of deferral of the use of funds.

The year-to-date expenditures for the 3rd quarter of 2017-2018 represent 45% of authorities whereas 75% of fiscal year has passed. This situation is similar to that of the previous fiscal years (46% for 2016-2017 and 49% for 2015-2016) 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.

Government organizations are increasingly using space assets to deliver their mandate. Where there is a large diversity of missions and partnership opportunities to choose from, there is a risk that gaps may emerge between users' needs and services provided. In this context, the CSA has implemented an interdepartmental governance model that facilitates the identification and mitigation of potential gaps between supply and demand, while ensuring that adequate financial resources will be allocated to space activities.

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 continued the implementation of its governance framework and investment monitoring, which effectively improves the management and control process already in place.

CANADIAN SPACE AGENCY
Quarterly Financial Report
For the quarter ended December 31, 2017
Statement of Authorities (unaudited)
(in thousands of dollars)

Annex 1

	Fiscal Year 2017-2018			Fiscal Year 2016-2017		
	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	Total available for use for the year ending March 31, 2017 (1)	Used during the quarter ended December 30, 2016	Year to date used at quarter-end
	\$	\$	\$	\$	\$	\$
Vote 1: Operating expenditures	180,678	42,993	103,742	184,498	36,729	94,182
Vote 5: Capital expenditures	168,666	22,322	61,778	210,228	23,521	92,892
Vote 10: Grants and contributions	60,966	6,336	16,931	55,942	9,019	18,444
Contributions to employee benefit plans	9,328	2,289	6,867	10,037	2,510	7,528
Spending of proceeds from the disposal of surplus Crown assets	30	3	24	42	12	12
Total budgetary authorities	419,668	73,943	189,342	460,747	71,791	213,058

(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, 2017

Departmental budgetary expenditures by Standard Object (unaudited)

(in thousands of dollars)

	Fiscal Year 2017-2018			Fiscal Year 2016-2017		
	Planned expenditures for the year ending March 31, 2018	Used during the quarter ended December 31, 2017	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2017	Used during the quarter ended December 31, 2016	Year to date used at quarter-end
Expenditures:	\$	\$	\$	\$	\$	\$
Personnel	70,109	20,987	57,421	68,389	16,312	50,219
Transportation and communications	5,015	1,279	2,920	4,249	1,049	2,493
Information	3,165	643	2,032	2,775	566	1,797
Professional and special services	139,311	23,678	51,105	138,898	21,576	48,864
Rentals	3,480	1,029	2,192	3,361	589	1,206
Repair and maintenance	7,573	5,578	7,853	7,900	1,218	2,309
Utilities, materials and supplies	1,924	527	1,299	1,817	294	1,118
Acquisition of land, buildings and works	-	-	-	595	-	-
Acquisition of machinery and equipment	121,082	13,832	45,523	172,419	21,097	84,443
Transfer payments	60,966	6,336	16,931	55,942	9,019	18,444
Other subsidies and payments	7,043	54	2,066	4,402	71	2,165
Total budgetary expenditures	419,668	73,943	189,342	460,747	71,791	213,058