



Canadian Space
Agency

Agence spatiale
canadienne



Canadian Space Agency

2018-2019

Quarterly Financial Report

For the Quarter Ended

September 30, 2018

Management Statement for the Quarter Ended September 30, 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 September 30 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.

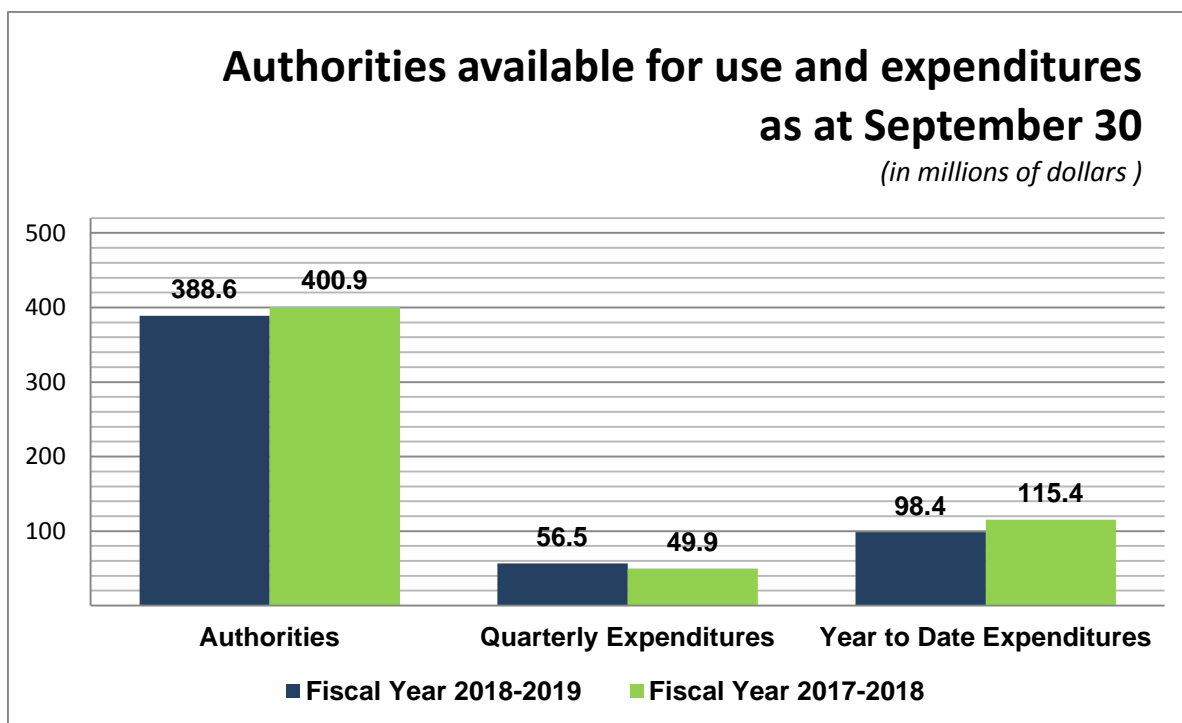
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting. 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 September 30, 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 September 30, 2018 is \$388.6 million, and represents a decrease of \$12.2 million compared to the same period of the previous year.

Authorities (in thousands of dollars)	2018-2019	2017-2018	Variance	%
Vote 1 - Operating expenditures	176,829	166,269	10,560	6%
Vote 5 - Capital expenditures	145,922	164,465	(18,543)	(11%)
Vote 10 - Grants and contributions	56,411	60,966	(4,555)	(7%)
Contributions to employee benefit plans	9,463	9,155	308	3%
Spending of proceeds from the disposal of surplus Crown assets	20	30	(10)	(33%)
Total budgetary authorities	388,645	400,885	(12,240)	(3%)

The increase of \$10.6 million in Vote 1 - Operating expenditures is mainly explained by the following items:

- An increase of \$15.1 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 \$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 \$1.1 million between 2017-2018 and 2018-2019 because the Operating Vote carry forward from 2017-2018 to 2018-2019 was more significant than the carry forward from 2016-17 to 2017-18.
- 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 \$18.5 million in Vote 5 - Capital expenditures is mainly explained by the following items:

- 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 different cash flow requirements for Surface Water & Ocean Topography (SWOT-C) project related activities.

- A decrease of \$8.4 million between 2017-2018 and 2018-2019 because the Capital Vote carry forward from 2017-2018 to 2018-2019 was less significant than the carry forward from 2016-2017 to 2017-2018.
- 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 September 30, 2018 are of \$56.5 and \$98.4 million and represent a quarterly increase of \$6.6 million and a year to date decrease of \$17.0 million compared to the same period of the previous year.

Expenditures by Vote as at September 30

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	38,712	62,208	35,972	60,749	2,740	1,459
Vote 5 - Capital expenditures	10,300	12,992	8,959	39,456	1,341	(26,464)
Vote 10 - Grants and contributions	5,118	18,458	2,682	10,595	2,436	7,863
Contributions to employee benefit plans	2,366	4,732	2,289	4,578	77	154
Spending of proceeds from the disposal of surplus Crown assets	7	13	9	21	(2)	(8)
Total budgetary expenditures by Vote	56,503	98,403	49,911	115,399	6,592	(16,996)

The increase of \$2.7 and \$1.5 million in the quarterly and year to date expenditures in Vote 1 – Operating expenditures, is mainly explained by the following:

- An increase due to variation in the payment schedules for carrying out space exploration activities as well as for activities related to the ISS maintenance.
- A decrease due to variation in the payment schedules for the Payments in Lieu of Taxes Program (PILT).

The increase of \$1.3 million in the quarterly expenditures and the decrease of \$26.5 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 the RADARSAT Constellation Mission (RCM) project as well as for activities related to the Space Station maintenance.

The increase of \$2.4 and \$7.9 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 September 30

Expenditures by Standard Object <i>(in thousands of dollars)</i>	2018-2019		2017-2018		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Personnel	18,297	37,179	18,462	36,434	(165)	745
Transportation and communications	1,131	1,927	887	1,641	244	286
Information	846	1,407	874	1,389	(28)	18
Professional and special services	22,006	26,310	19,019	27,427	2,987	(1,117)
Rentals	579	864	794	1,163	(215)	(299)
Repair and maintenance	1,047	1,656	1,615	2,275	(568)	(619)
Utilities, materials and supplies	342	946	469	772	(127)	174
Acquisition of land, buildings and works	37	37	-	-	37	37
Acquisition of machinery and equipment	7,077	7,631	3,132	31,691	3,945	(24,060)
Transfer payments	5,106	18,458	2,682	10,595	2,424	7,863
Other subsidies and payments	35	1,988	1,977	2,012	(1,942)	(24)
Total budgetary expenditures by Standard Object	56,503	98,403	49,911	115,399	6,592	(16,996)

The \$3.0 million increase in quarterly expenditures and the \$1.1 million decrease in year to date expenditures for the Professional and special services standard object is primarily due to:

- A variation in the payment schedules for carrying out space exploration activities as well as for activities related to the Space Station maintenance.

The \$3.9 million increase in quarterly expenditures and the \$24.1 million decrease in year to date expenditures for the Acquisition of machinery and equipment standard object is primarily due to:

- Variations in the payment schedules for the RCM project as well as for activities related to the Space Station maintenance.

The \$2.4 and 7.9 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.

The \$1.9 million decrease in quarterly expenditures for the Other subsidies and payments standard object is primarily due to:

- A variation in the payment schedules for the Payments in Lieu of Taxes Program (PILT).

3. Risks and Uncertainties

The year-to-date expenditures for the 2nd quarter of 2018-2019 represent 25% of authorities whereas 50% of fiscal year has passed. The level of expenditure is slightly lower than the 2017-2018 fiscal year (29%) and the 2016-2017 fiscal year (31%) 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.

CANADIAN SPACE AGENCY
Quarterly Financial Report
For the quarter ended September 30, 2018
Statement of Authorities (unaudited)

Annex 1

(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 September 30, 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 September 30, 2017	Year to date used at quarter-end
	\$	\$	\$	\$	\$	\$
Vote 1: Operating expenditures	176,829	38,712	62,208	166,269	35,972	60,749
Vote 5: Capital expenditures	145,922	10,300	12,992	164,465	8,959	39,456
Vote 10: Grants and contributions	56,411	5,118	18,458	60,966	2,682	10,595
Contributions to employee benefit plans	9,463	2,366	4,732	9,155	2,289	4,578
Spending of proceeds from the disposal of surplus Crown assets	20	7	13	30	9	21
Total budgetary authorities	388,645	56,503	98,403	400,885	49,911	115,399

(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 September 30, 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 September 30, 2018	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Used during the quarter ended September 30, 2017	Year to date used at quarter-end
Expenditures:	\$	\$	\$	\$		\$
Personnel	71,722	18,297	37,179	67,470	18,462	36,434
Transportation and communications	5,180	1,131	1,927	4,611	887	1,641
Information	3,199	846	1,407	3,044	874	1,389
Professional and special services	134,207	22,006	26,310	127,864	19,019	27,427
Rentals	1,841	579	864	3,350	794	1,163
Repair and maintenance	1,441	1,047	1,656	7,484	1,615	2,275
Utilities, materials and supplies	1,742	342	946	1,851	469	772
Acquisition of land, buildings and works	4,032	37	37	445	-	-
Acquisition of machinery and equipment	102,135	7,077	7,631	116,882	3,132	31,691
Transfer payments	56,411	5,106	18,458	60,966	2,682	10,595
Other subsidies and payments	6,735	35	1,988	6,918	1,977	2,012
Total budgetary expenditures	388,645	56,503	98,403	400,885	49,911	115,399