



Canadian Space  
Agency

Agence spatiale  
canadienne



# **Canadian Space Agency**

**2017-2018**

**Quarterly Financial Report**

**For the Quarter Ended**

**September 30, 2017**

## Management Statement for the Quarter Ended September 30, 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](#)<sup>1</sup>.

### 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](#)<sup>1</sup>.

<sup>1</sup> *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 September 30 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.

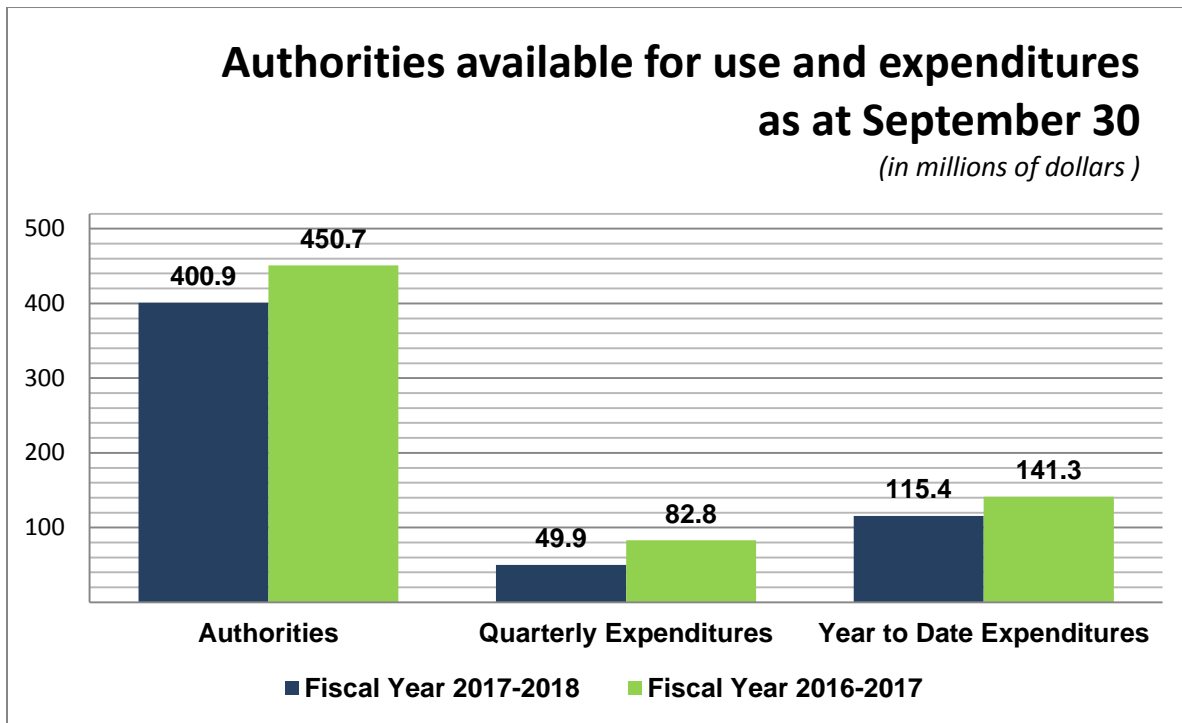
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting. Expenditure basis accounting thus 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, 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 September 30, 2017 is \$400.9 million, and represents a decrease of \$49.8 million compared to the same period of the previous year.

<b>Authorities (in thousands of dollars)</b>	<b>2017-2018</b>	<b>2016-2017</b>	<b>Variance</b>	<b>%</b>
Vote 1 - Operating expenditures	166,269	184,498	(18,229)	(10%)
Vote 5 - Capital expenditures	164,465	210,422	(45,957)	(22%)
Vote 10 - Grants and contributions	60,966	45,748	15,218	33%
Contributions to employee benefit plans	9,155	10,037	(882)	(9%)
Spending of proceeds from the disposal of surplus Crown assets	30	28	2	7%
<b>Total budgetary authorities</b>	<b>400,885</b>	<b>450,733</b>	<b>(49,848)</b>	<b>(11%)</b>

The decrease of \$18.2 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 \$5 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.

The decrease of \$46 million in Vote 5 - Capital Expenditures is mainly explained by the following items:

- A decrease of \$90.7 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.

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- An increase of \$10.3 million between the two years, due to different cash flow requirements for activities related to the space station.
- 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 \$15.2 million in Vote 10 - Grants and Contributions Expenditures is mainly explained by the following items:

- An increase of \$10 million over the same period last year, due to funding from the 2015 Federal Budget for the Contribution Program under the Canada and the European Space Agency Cooperation Agreement for the Advanced Research in Telecommunications Systems (ARTES) program.
- An increase of \$3 million due to a budgetary transfer from the Operating credit to the Grants and Contributions credit 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 Global Grants and Contributions 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 September 30, 2017 are of \$49.9 and \$115.4 million and represent a decrease, quarterly and year to date, of \$32.9 and \$25.9 million compared to the same period of the previous year.

### Expenditures by Vote at September 30

Expenditures by Vote <i>(in thousands of dollars)</i>	2017-2018		2016-2017		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Vote 1 - Operating expenditures	35,972	60,749	34,736	57,453	1,236	3,296
Vote 5 - Capital expenditures	8,959	39,456	43,578	69,371	(34,619)	(29,915)
Vote 10 - Grants and contributions	2,682	10,595	1,981	9,425	701	1,170
Contributions to employee benefit plans	2,289	4,578	2,509	5,018	(220)	(440)
Spending of proceeds from the disposal of surplus Crown assets	9	21	-	-	9	21
<b>Total budgetary expenditures by Vote</b>	<b>49,911</b>	<b>115,399</b>	<b>82,804</b>	<b>141,267</b>	<b>(32,893)</b>	<b>(25,868)</b>

The increase of \$1.2 and \$3.3 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 ratifications 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 \$34.7 and \$30 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 increase of \$1.2 million in year to date expenditures in Vote 10 – Grants and contributions, is mainly explained by the following:

- The variations in the payment schedule to the European Space Agency.

### **Expenditures by Standard Object at September 30**

The total expenditures by Standard object represent a decrease quarterly and year to date of \$32.9 and \$25.9 million compared to the same period of the previous year.

<b>Expenditures by Standard Object</b> <i>(in thousands of dollars)</i>	<b>2017-2018</b>		<b>2016-2017</b>		<b>Variance</b>	
	<b>Quarterly</b>	<b>Year to date</b>	<b>Quarterly</b>	<b>Year to date</b>	<b>Quarterly</b>	<b>Year to date</b>
Personnel	18,462	36,434	17,033	33,907	1,429	2,527
Transportation and communications	887	1,641	815	1,444	72	197
Information	874	1,389	776	1,231	98	158
Professional and special services	19,019	27,427	18,972	27,288	47	139
Rentals	794	1,163	222	617	572	546
Repair and maintenance	1,615	2,275	748	1,091	867	1,184
Utilities, materials and supplies	469	772	460	824	9	(52)
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	3,132	31,691	39,793	63,346	(36,661)	(31,655)
Transfer payments	2,682	10,595	1,981	9,425	701	1,170
Other subsidies and payments	1,977	2,012	2,004	2,094	(27)	(82)
<b>Total budgetary expenditures by Standard Object</b>	<b>49,911</b>	<b>115,399</b>	<b>82,804</b>	<b>141,267</b>	<b>(32,893)</b>	<b>(25,868)</b>

The \$1.4 and \$2.5 million increases in quarterly and year to date expenditures for the Personnel standard object is primarily due to:

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

The \$1.2 million increase in year to date expenditures for the Repair and maintenance standard object is primarily due to:

- A variation in the payment schedules of the implementation phase of the infrastructure project for the David Florida Laboratory Anechoic Chamber.

The \$36.7 and \$31.7 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 \$1.2 million increase in year to date expenditures for the Transfer payments standard object is primarily due to:

- The variations in the payment schedule to the European Space Agency.

### **3. Risks and Uncertainties**

The specific nature of the Canadian Space Program confronts us with issues related to the advanced technologies used in our 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 2<sup>nd</sup> quarter of 2017-2018 represent 29% of our authorities whereas 50% of our fiscal year has passed. This situation is similar to that of the previous fiscal years (31% for 2016-2017 and 28% 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.





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Annex 1

**Statement of Authorities (unaudited)**

(in thousands of dollars)

	<b>Fiscal Year 2017-2018</b>			<b>Fiscal Year 2016-2017</b>		
	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	Total available for use for the year ending March 31, 2017 (1)	Used during the quarter ended September 30, 2016	Year to date used at quarter-end
	\$	\$	\$	\$	\$	\$
Vote 1: Operating expenditures	166,269	35,972	60,749	184,498	34,736	57,453
Vote 5: Capital expenditures	164,465	8,959	39,456	210,422	43,578	69,371
Vote 10: Grants and contributions	60,966	2,682	10,595	45,748	1,981	9,425
Contributions to employee benefit plans	9,155	2,289	4,578	10,037	2,509	5,018
Spending of proceeds from the disposal of surplus Crown assets	30	9	21	28	-	-
<b>Total budgetary authorities</b>	<b>400,885</b>	<b>49,911</b>	<b>115,399</b>	<b>450,733</b>	<b>82,804</b>	<b>141,267</b>

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

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Annex 2

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**Departmental budgetary expenditures by Standard Object (unaudited)**

(in thousands of dollars)

	<b>Fiscal Year 2017-2018</b>			<b>Fiscal Year 2016-2017</b>		
	Planned expenditures for the year ending March 31, 2018	Used during the quarter ended September 30, 2017	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2017	Used during the quarter ended September 30, 2016	Year to date used at quarter-end
<b>Expenditures:</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Personnel	67,470	18,462	36,434	68,389	17,033	33,907
Transportation and communications	4,611	887	1,641	4,249	815	1,444
Information	3,044	874	1,389	2,775	776	1,231
Professional and special services	127,864	19,019	27,427	139,078	18,972	27,288
Rentals	3,350	794	1,163	3,361	222	617
Repair and maintenance	7,484	1,615	2,275	7,900	748	1,091
Utilities, materials and supplies	1,851	469	772	1,817	460	824
Acquisition of land, buildings and works	445	-	-	595	-	-
Acquisition of machinery and equipment	116,882	3,132	31,691	172,419	39,793	63,346
Transfer payments	60,966	2,682	10,595	45,748	1,981	9,425
Other subsidies and payments	6,918	1,977	2,012	4,402	2,004	2,094
<b>Total budgetary expenditures</b>	<b>400,885</b>	<b>49,911</b>	<b>115,399</b>	<b>450,733</b>	<b>82,804</b>	<b>141,267</b>