



Canadian Space  
Agency

Agence spatiale  
canadienne



# **Canadian Space Agency**

**2014-2015**

**Quarterly Financial Report**

**For the Quarter Ended**

**December 31, 2014**

## Management Statement for the Quarter Ended December 31, 2014

### 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](#)<sup>1</sup>, 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 2014-15 [Report on Plans and Priorities](#) <sup>1</sup>.

<sup>1</sup> *The financial data presented as planned expenditures in the 2014-15 Main Estimates (ME) and 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 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 2013-14 and 2014-15. 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.

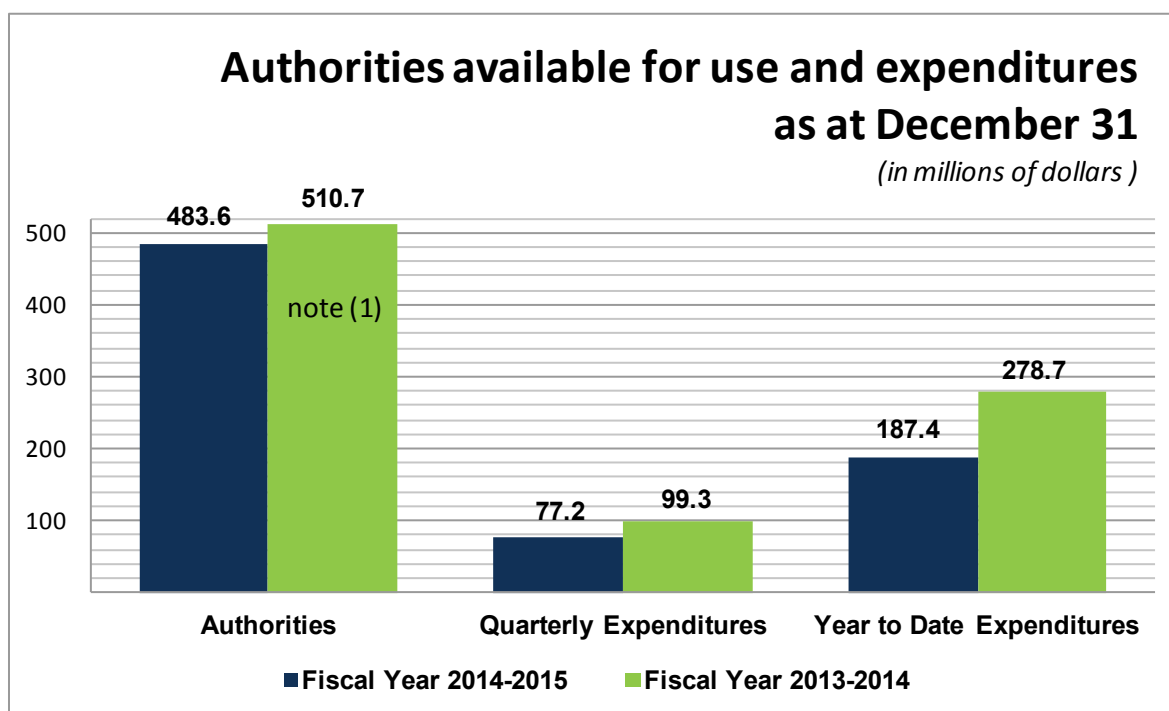
This QFR report has not been subject to an external audit. However, it has been reviewed by the members of the CSA Audit Committee, who are satisfied with its presentation and content.

## 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 December 31, 2014.

The majority of variations in authorities and expenditures are related to funds being carried forward and fund transfers between votes. These variations are normal and represent no risk. Amongst other reasons explaining the variations, there is a reduction of \$5 million related to the implementation of savings measures from Budget 2012 and Budget 2013 and an increase of \$ 4.1 million for the acquisition of bonified data services for the Automatic Identification System and for the compensation associated with the renewal of collective agreements.

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.

(1) The authorities available for use for the year ending March 31, 2014 (fiscal 2013-14) have been adjusted to include an amount of **\$541,603** to acknowledge frozen allotments that had been excluded in the Quarterly Financial Report for the quarter ended December 31, 2013.

## 2.1 Significant Changes in Authorities (Total Vote Available for Use) between fiscal 2014-2015 and 2013-2014

The total vote available for use as at December 31, 2014 is \$483.6 million and represents a decrease of \$27.1 million over the same period for the previous year.

<b>Authorities (in thousands of dollars)</b>	<b>2014-2015</b>	<b>2013-2014</b>	<b>Variance</b>	<b>%</b>
Vote 1 - Operating Expenditures <b>Note 1</b>	169,442	171,721	(2,279)	- 1 %
Vote 5 - Capital Expenditures	262,285	294,607	(32,322)	- 11 %
Vote 10 - Grants and Contributions	41,893	33,630	8,263	25 %
Contributions to Employee Benefit Plans	9,919	10,748	(829)	- 8 %
Spending of Proceeds from the Disposal of Surplus Crown Assets	50	20	30	146 %
<b>Total budgetary authorities</b>	<b>483,589</b>	<b>510,726</b>	<b>(27,137)</b>	<b>- 5 %</b>

1) Vote 1 – Operating Expenditures for fiscal year 2013-14 has been adjusted to include an amount of **\$541,603** for frozen allotments that had been excluded in the Quarterly Financial Report for the quarter ended December 31, 2013.

The following factors are key in explaining the \$2.3 million decrease in Vote 1 - Operating Expenditures:

- A decrease of \$4.7 million due to the savings measures announced in the 2012 federal budget.
- A decrease of \$4.4 million to comply with the new common definition of Capital Expenditures vote, resulting in a transfer from the Operating Expenditures vote to the Capital Expenditures vote.
- A decrease of \$0.4 million related to a transfer to Shared Services Canada under the Workplace Technology Devices (WTD) initiative (formerly known as end users devices).
- A decrease of \$0.2 million related to the 2013 Economic Action Plan "Reduction of travel costs using technology".
- An increase of \$7.9 million over the same period of the previous year in regards to the carry forward of funds from the Operating Expenditures vote from 2013-14 to 2014-15. For the same period in the previous fiscal, there had been no additional requests to carry funds forward from the Operating Expenditures vote from 2012-13 to 2013-14.
- An increase of \$4.0 million, following the Supplementary Estimates B approval, for the acquisition of bonified data services of the Automatic Identification System (AIS).
- An increase of \$2.0 million, following the Supplementary Estimates B approval, consisting of a budget transfer from Vote 5 – Capital Expenditures in order to support operational requirements such as the use of the International Space Station and technology development contracts.

- An increase of \$0.1 million for compensation related to the renewal of collective agreements.
- The residual difference representing a decrease of \$6.6 million is composed 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 transfers between votes or funds carried forward to another fiscal year.

The following factors are key in explaining the decrease of \$32.3 million in Vote 5 - Capital Expenditures:

- A decrease of \$25.3 million related to the RADARSAT Constellation Mission (RCM). The variation between the two years is due to different needs for cash flows reflected by funds carried forward from previous years as well as a decrease in additional funding granted for RCM.
- A decrease of \$13.0 million in regards to authority granted for capital carry forward. Thus, the capital carry forward from 2012-13 to 2013-14 was greater than the carry forward from 2013-14 to 2014-15.
- A decrease of \$4.6 million, following the Supplementary Estimates B approval, which consists of two transfers : \$2.0 million towards Vote 1 – Operating Expenditures and \$2.6 million towards Vote 10 – Capital Expenditures.

An increase of \$4.4 million to comply with the new common definition of the Capital Expenditures vote resulting in a transfer from the Operating Expenditures vote to the Capital Expenditures vote.

- The residual difference representing an increase of \$6.2 million is composed 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 transfers between votes or funds carried forward to another fiscal year.

The following factors are key in explaining the increase of \$8.3 million in Vote 10 - Grants and Contributions:

- An increase of \$3.3 million related to cash flow forecasts of the Class Contribution Program to support Research, Awareness and Learning in Space Science and Technology.
- An increase of \$2.6 million, following the Supplementary Estimates B approval, consisting of a budget transfer from Vote 5 – Capital Expenditures in order to support Research, Awareness and Learning in Space Science and Technology.
- An increase of \$2.4 million related to cash flow forecasts of contributions under the Canada / European Space Agency (ESA) Cooperation Agreement.

→ A decrease of \$0.1 million due to the savings measures announced in the 2012 federal budget.

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## 2.2 Significant Changes in Quarterly and Year-to-Date Expenditures (Votes Used) between fiscal 2014-2015 and 2013-2014

Quarterly and year-to-date expenditures for the quarter ended December 31, 2014 are of \$77.2 and \$187.4 million and represent a \$22.1 and \$91.3 million decrease 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)	2014-2015		2013-2014		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Vote 1 - Operating Expenditures	37,144	95,068	41,332	95,767	(4,188)	(699)
Vote 5 - Capital Expenditures	27,314	61,682	54,277	156,163	(26,963)	(94,481)
Vote 10 - Grants and Contributions	10,254	23,195	989	18,678	9,265	4,517
Contributions to Employee Benefit Plans	2,480	7,439	2,687	8,061	(207)	(622)
Spending of Proceeds from the Disposal of Surplus Crown Assets	(2)	12	11	13	(13)	(1)
<b>Total budgetary expenditures by Vote</b>	<b>77,190</b>	<b>187,396</b>	<b>99,296</b>	<b>278,682</b>	<b>(22,106)</b>	<b>(91,286)</b>

The following factors are key in explaining the \$4.2 and \$0.7 million quarterly and year-to-date decreases in the use of Vote 1 – Operating Expenditures over the same period of the previous year:

- The variations in payment schedules of the implementation cycle of certain activities, which are an inherent characteristic of the implementation of the Canadian Space Program.
- The decrease in the work force and in the payments related to the Work Force Adjustment Directive.

The following factor is key in explaining the \$27.0 and \$94.5 million quarterly and year-to-date decreases in the use of Vote 5 - Capital Expenditures over the same period of the previous year:

- The variations come from the decrease in expenditures related to the Major Crown Project Radarsat Constellation Mission (RCM) mainly due to variations in payment schedules and in the project development cycle, which are inherent characteristics of the implementation of the Canadian Space Program.

The following factor is key in explaining the \$9.3 and \$4.5 million quarterly and year-to-date increases in the use of Vote 10 – Grants and Contributions Expenditures over the same period of the previous year: :

→ The variation in the payment schedule to the European Space Agency (ESA) in 2014-15.

### **Expenditures by Standard Object**

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

<b>Expenditures by Standard Object</b> <i>(in thousands of dollars)</i>	<b>2014-2015</b>		<b>2013-2014</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	16,745	51,838	19,534	56,419	(2,789)	(4,581)
Transportation and Communications	1,180	2,379	1,004	2,542	176	(163)
Information	2,247	3,029	761	1,831	1,486	1,198
Professional and Special Services	18,764	42,228	17,138	39,122	1,626	3,106
Rentals	1,433	2,424	1,100	2,171	333	253
Repair and Maintenance	1,460	2,024	1,043	2,595	417	(571)
Utilities, Materials and Supplies	545	1,309	479	1,280	66	29
Acquisition of Land, Buildings and Works	29	29	-	-	29	29
Acquisition of Machinery and Equipment	24,502	54,861	57,202	151,933	(32,700)	(97,072)
Transfer Payments	10,254	23,195	989	18,678	9,265	4,517
Other Subsidies and Payments	31	4,080	46	2,111	(15)	1,969
<b>Total budgetary expenditures by Standard Object</b>	<b>77,190</b>	<b>187,396</b>	<b>99,296</b>	<b>278,682</b>	<b>(22,106)</b>	<b>(91,286)</b>

The explanations for the \$32.7 and \$97.1 million decreases in quarterly and year-to-date expenditures for the Acquisition of Machinery and Equipment standard object are in the previous section “Expenditures by Vote”, under the paragraph referring to Vote 5 – Capital Expenditures.

The explanation for the \$9.3 and \$4.5 million increases in quarterly and year-to-date expenditures for the Transfer Payments standard object are in the previous section “Expenditures by Vote”, under the paragraph referring to Vote 10 – Grants and Contributions.

The \$2.8 and \$4.6 million decreases in quarterly and year-to-date expenditures for the Personnel standard object are mainly due to the reductions of the work force and the payments related to the Work Force Adjustment Directive.

The \$1.6 and \$3.1 million increases in quarterly and year-to-date expenditures for the Professional and Special Services standard object are mainly explained by the variations in the implementation cycle of certain activities, and in the project development cycle, which are inherent characteristics of the implementation of the Canadian Space Program.

The \$2.0 million increase in year-to-date expenditures for the Other Subsidies and Payments standard object is explained by a one-time transition payment for implementing salary payment in arrears by the Government of Canada.

The \$1.5 and \$1.2 million increases in quarterly and year-to-date expenditures for the Information standard object are mainly explained by the 2014-15 punctual purchase of bonified data services for the Automatic Identification System (AIS) for the Government of Canada.



### **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 3<sup>rd</sup> quarter of 2014-15 represent 38.8% of our authorities whereas 75% of our fiscal year has passed. This decrease in comparison to previous fiscal years is mainly explained by the variations in the payment schedules for RCM and by the fact that, also for RCM, authorities totaling \$88.9 million of our total authorities available for use for 2014-15 are carried forward to future fiscal years.

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 a new interdepartmental governance model that will facilitate the identification and mitigation of potential gaps between supply and demand while ensuring that adequate financial resources will be allocated to space activities.

From the Canada / ESA Cooperation Agreement also arise risks such as variations in amounts payable caused by changes in the Gross National Product (GNP) statistics, the variation 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 to the space programs of its key partners (National Aeronautics and Space Administration (NASA), ESA and other space agencies). Furthermore, the CSA has continued the implementation of its new Investment Governance and Monitoring Framework, which will improve the management and control processes already in place.

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

The President, Mr. Walter Natynczyk left the CSA on October 31, 2014. The following interim assignments were put in place following the President's departure. Mr. Luc Brûlé is acting in the President's position since November 3, 2014. Mr. Gilles Leclerc is acting in the Vice-President's position since November 17, 2014. Mr. Pierre Jean is acting in the Space Exploration Director General's position since November 17, 2014.

#### **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 in 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 two years of implementation, the CSA achieved savings of approximately \$7.9 and \$24.7 million for the years 2012-13 and 2013-14. The ongoing savings will amount to \$29.5 million by 2014-15 and will be reflected in the votes as follows:

- Vote 1 - Operating Expenditures, decrease of \$24.7 million including a \$4.4 million for salaries.
- Vote 10 - Grants and Contributions, decrease of \$3.9 million in regards to savings for the CSA's Grant and Contribution Programs.
- Statutory Authority - Contributions to Employee Benefit Plans, decrease of \$0.9 million.

By the end of the fiscal year, the main decreases in expenditures arising from the savings measures announced in Budget 2012 will be reflected in Vote 1 – Operating Expenditures, in several standard objects mainly those for Personnel and Transportation and communications.

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



**CANADIAN SPACE AGENCY**  
**Quarterly Financial Report**  
**For the quarter ended December 31, 2014**  
**Statement of Authorities** (unaudited)  
(in thousands of dollars)

Annex 1

	<b>Fiscal Year 2014-2015</b>			<b>Fiscal Year 2013-2014</b>		
	Total available for use for the year ending March 31, 2015 (1)	Used during the quarter ended December 31, 2014	Year to date used at quarter-end	Total available for use for the year ending March 31, 2014 (1, 2)	Used during the quarter ended December 31, 2013	Year to date used at quarter-end
	\$	\$	\$	\$	\$	\$
Vote 1: Operating Expenditures	169,442	37,144	95,068	171,721	41,332	95,767
Vote 5: Capital Expenditures	262,285	27,314	61,682	294,607	54,277	156,163
Vote 10: Grants and Contributions	41,893	10,254	23,195	33,630	989	18,678
Contributions to employee benefit plans	9,919	2,480	7,439	10,748	2,687	8,061
Spending of proceeds from the disposal of surplus Crown assets	50	-2	12	20	11	13
<b>Total Budgetary Authorities</b>	<b>483,589</b>	<b>77,190</b>	<b>187,396</b>	<b>510,726</b>	<b>99,296</b>	<b>278,682</b>

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

(2) The total available for use for the year ending March 31, 2014 has been adjusted to include an amount of **\$541,603** to Vote 1 - Operating Expenditures to acknowledge frozen allotments that had been excluded in the Quarterly Financial Report for the quarter ended December 31, 2013.

**CANADIAN SPACE AGENCY**

**Quarterly Financial Report**

**For the quarter ended December 31, 2014**

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

(in thousands of dollars)

	<b>Fiscal Year 2014-2015</b>			<b>Fiscal Year 2013-2014</b>		
	Planned expenditures for the year ending March 31, 2015	Used during the quarter ended December 31, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014 (1)	Used during the quarter ended December 31, 2013	Year to date used at quarter-end
<b>Expenditures:</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Personnel	70,251	16,745	51,838	72,623	19,534	56,419
Transportation and Communications	4,405	1,180	2,379	4,098	1,004	2,542
Information	6,227	2,247	3,029	908	761	1,831
Professional and Special Services	110,201	18,764	42,228	114,199	17,138	39,122
Rentals	3,986	1,433	2,424	2,347	1,100	2,171
Repair and Maintenance	3,012	1,460	2,024	3,397	1,043	2,595
Utilities, Materials and Supplies	3,271	545	1,309	2,330	479	1,280
Acquisition of Land, Buildings and Works	0	29	29	1,110	0	0
Acquisition of Machinery and Equipment	236,677	24,502	54,861	272,067	57,202	151,933
Transfer Payments	41,893	10,254	23,195	33,630	989	18,678
Other Subsidies and Payments	3,666	31	4,080	4,017	46	2,111
<b>Total Budgetary Expenditures</b>	<b>483,589</b>	<b>77,190</b>	<b>187,396</b>	<b>510,726</b>	<b>99,296</b>	<b>278,682</b>

(1) The planned expenditures for the year ending March 31, 2014 presented for the Transportation and communications and Rentals standard objects have been adjusted to include amounts of **\$186,345** and **\$355,249** to acknowledge frozen allotments that had been excluded in the Quarterly Financial Report for the quarter ended December 31, 2013.