



Canadian Space
Agency

Agence spatiale
canadienne



Canadian Space Agency

2016-2017

Quarterly Financial Report

For the Quarter Ended

September 30, 2016

Management Statement for the Quarter Ended September 30, 2016

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 [2016-2017 Main Estimate](#)¹.

1.2 Mandate and Program Activities

The objects 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 technology provide social and economic benefits for Canadians.*

More information is available on the CSA's [mandate](#) and Program Activities in the [2016-17 Report on Plans and Priorities](#)¹.

¹ *The financial data presented as planned expenditures in the 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 September 30 for fiscal years 2015-2016 and 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.

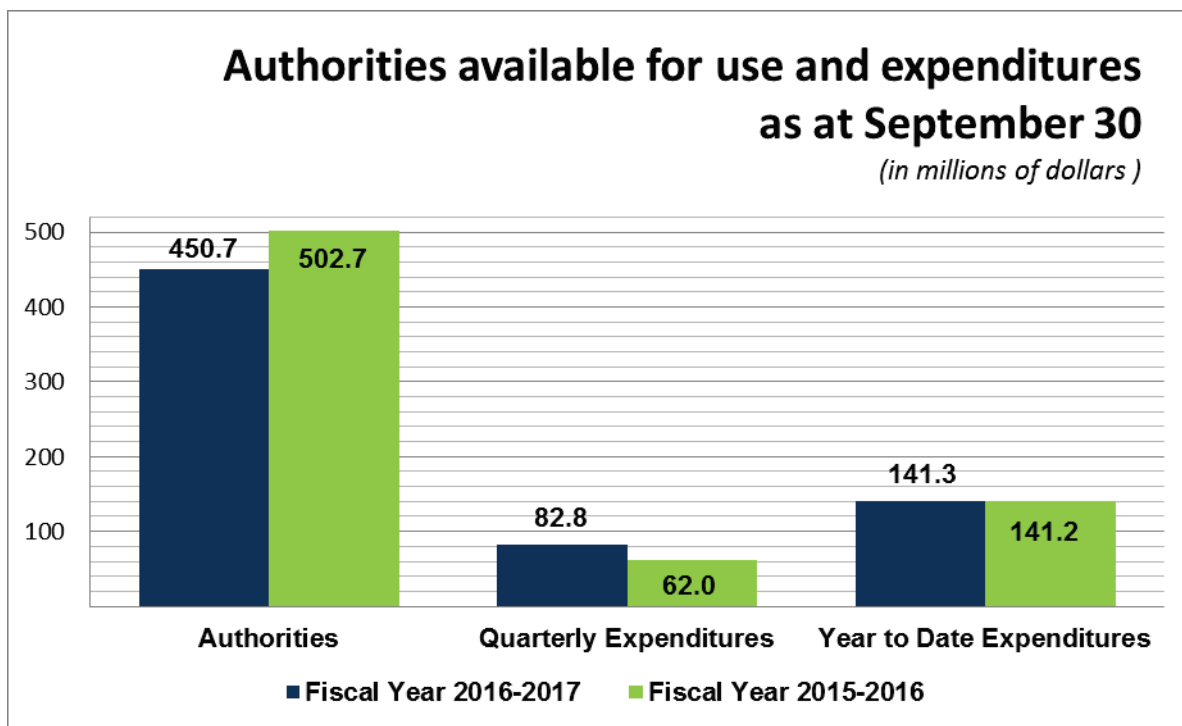
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting. 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, 2016.

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 2016-2017 and 2015-2016.

The total vote available for use as at September 30, 2016 is \$450.7 million, and represents a decrease of \$52 million compared to the same period of the previous year.

Authorities (in thousands of dollars)	2016-2017	2015-2016	Variance	%
Vote 1 - Operating expenditures	184,498	177,757	6,741	4 %
Vote 5 - Capital expenditures	210,422	269,750	(59,328)	- 22 %
Vote 10 - Grants and contributions	45,748	45,356	392	1 %
Contributions to employee benefit plans	10,037	9,803	234	2 %
Spending of proceeds from the disposal of surplus Crown assets	28	54	(26)	- 48 %
Total budgetary authorities	450,733	502,720	(51,987)	- 10 %

The increase of \$6.7 million in Vote 1 - Operating Expenditures is mainly explained by the following items:

- An increase of \$20.6 million resulting in a budget transfer from the Capital Vote to the Operating Vote for the implementation of activities of the International Space Station.
- A decrease of \$8 million between 2015-16 and 2016-17 due to additional funding received in 2015-16 in order to provide enhanced space-based Automatic Identification System data services to support the Government of Canada activities for safety and security.
- A decrease of \$7.8 million between 2015-2016 and 2016-2017 since the operating Vote carry forward from 2015-2016 to 2016-2017 was less important than the carry forward from 2014-2015 to 2015-2016.
- 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 \$59.3 million in Vote 5 - Capital Expenditures is mainly explained by the following items:

- A decrease of \$43.3 million related to the RADARSAT Constellation Mission (RCM). The variation between the two years is due to different needs for cash flows caused by the delays of the milestones; however, the launch is still planned for 2018.
- A decrease of \$20.6 million resulting in a transfer from the Capital Vote to the Operating Vote for the implementation of activities of the International Space Station.
- An increase of \$10.8 million between 2015-2016 and 2016-2017 since the capital Vote carry forward from 2015-2016 to 2016-2017 was more significant than the carry forward from 2014-2015 to 2015-2016.

→ The residual difference is composed of multiple variations inherent to the Canadian Space Program (CSP) Resource Management.

No significant changes in Vote 10 – Grants and Contributions Expenditures.

2.2 Significant Changes in Quarterly and Year-to-Date Expenditures (Votes Used) between fiscal 2016-2017 and 2015-2016

Quarterly and year-to-date expenditures for the quarter ended September 30, 2016 are of \$82.8 and \$141.3 million and represent an increase quarterly and year to date of \$20.8 and \$0.1 million compared to the same period of the previous year.

Expenditures by Vote

Expenditures and variations by Vote for the quarter ended September 30:

Expenditures by Vote (in thousands of dollars)	2016-2017		2015-2016		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Vote 1 - Operating expenditures	34,736	57,453	33,693	58,616	1,043	(1,163)
Vote 5 - Capital expenditures	43,578	69,371	23,948	65,635	19,630	3,736
Vote 10 - Grants and contributions	1,981	9,425	1,891	12,002	90	(2,577)
Contributions to employee benefit plans	2,509	5,018	2,451	4,902	58	116
Spending of proceeds from the disposal of surplus Crown assets	-	-	-	-	-	-
Total budgetary expenditures by Vote	82,804	141,267	61,983	141,155	20,821	112

The increase of \$1 million and the decrease of \$1.2 million in the use of Vote 1 – Operating expenditures quarterly and year to date is mainly explained by the following:

→ The periodic variation in the recording of payroll transactions compared to the previous year and the variations in the payment schedules for the acquisition of the enhanced space-based Automatic Identification System data services to support the Government of Canada activities for safety and security.

The increase of \$19.6 and \$3.8 million in the use of Vote 5 - Capital expenditures quarterly and year to date, the particular noted variance in the second quarter of 2016-2017, is mainly explained by the following:

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

The decrease of \$2.6 million in the use of Vote 10 – Grants and contributions expenditures year to date is mainly explained by the following:

→ The variations in the payment schedules to the European Space Agency (ESA).

Expenditures by Standard Object

Expenditures and variations by Standard object for the quarter ended September 30:

Expenditures by Standard Object (in thousands of dollars)	2016-2017		2015-2016		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Personnel	17,033	33,907	14,247	32,690	2,786	1,217
Transportation and communications	815	1,444	697	1,327	118	117
Information	776	1,231	3,069	4,867	(2,293)	(3,636)
Professional and special services	18,972	27,288	17,303	23,917	1,669	3,371
Rentals	222	617	568	802	(346)	(185)
Repair and maintenance	748	1,091	512	824	236	267
Utilities, materials and supplies	460	824	609	894	(149)	(70)
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	39,793	63,346	21,040	61,722	18,753	1,624
Transfer payments	1,981	9,425	1,891	12,002	90	(2,577)
Other subsidies and payments	2,004	2,094	2,047	2,110	(43)	(16)
Total budgetary expenditures by Standard Object	82,804	141,267	61,983	141,155	20,821	112

- The \$2.8 and \$1.2 million increases in quarterly and year-to-date expenditures for the Personnel standard object is primarily due to a periodic variation in the recording of payroll transactions compared to the previous year.
- The \$2.3 and \$3.6 million decreases in quarterly and year-to-date expenditures for the Information standard object is due to the decrease of the acquisition of the enhanced space-based Automatic Identification System data services, to support the Government of Canada activities for safety and security.
- The \$1.7 and \$3.4 million increases in quarterly and year-to-date expenditures for the Professional and special services standard object is due to the variations in the payment schedules for services related to the implementation of the Canadian Space Program.
- The \$18.8 and \$1.6 million increases in quarterly and year-to-date expenditures for the Acquisition of machinery and equipment standard object is mainly explained by the variations in the payment schedules for the RCM project and the *Origins Spectral Interpretation Resource Identification Security* (OSIRIS) project.
- The \$2.6 million decrease in year-to-date expenditures for the Transfer payments standard object is explained by the variations in the payment schedules to the European Space Agency (ESA).

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 2nd quarter of 2016-2017 represent 31% of our authorities whereas 50% of our fiscal year has passed. This situation is similar to that of the previous fiscal years 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 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.

Risks also arise from the Canada / 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 to the 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 new governance framework and investment monitoring, which will effectively improve the management and control process already in place.

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

There were no major changes in operations, personnel and programs, in the second quarter of 2016-2017.

CANADIAN SPACE AGENCY
Quarterly Financial Report
For the quarter ended September 30, 2016

Annex 1

Statement of Authorities (unaudited)

(in thousands of dollars)

	Fiscal Year 2016-2017			Fiscal Year 2015-2016		
	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	Total available for use for the year ending March 31, 2016 (1)	Used during the quarter ended September 30, 2015	Year to date used at quarter-end
	\$	\$	\$	\$	\$	\$
Vote 1: Operating expenditures	184,498	34,736	57,453	177,757	33,693	58,616
Vote 5: Capital expenditures	210,422	43,578	69,371	269,750	23,948	65,635
Vote 10: Grants and contributions	45,748	1,981	9,425	45,356	1,891	12,002
Contributions to employee benefit plans	10,037	2,509	5,018	9,803	2,451	4,902
Spending of proceeds from the disposal of surplus Crown assets	28	0	0	54	-	-
Total budgetary authorities	450,733	82,804	141,267	502,720	61,983	141,155

(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, 2016

Departmental budgetary expenditures by Standard Object (unaudited)

(in thousands of dollars)

	Fiscal Year 2016-2017			Fiscal Year 2015-2016		
	Planned expenditures for the year ending March 31, 2017	Used during the quarter ended September 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016	Used during the quarter ended September 30, 2015	Year to date used at quarter-end
Expenditures:	\$	\$	\$	\$	\$	\$
Personnel	68,389	17,033	33,907	68,156	14,247	32,690
Transportation and communications	4,249	815	1,444	3,568	697	1,327
Information	2,775	776	1,231	848	3,069	4,867
Professional and special services	139,078	18,972	27,288	152,199	17,303	23,917
Rentals	3,361	222	617	1,531	568	802
Repair and maintenance	7,900	748	1,091	8,830	512	824
Utilities, materials and supplies	1,817	460	824	2,294	609	894
Acquisition of land, buildings and works	595	-	-	564	-	-
Acquisition of machinery and equipment	172,419	39,793	63,346	215,879	21,040	61,722
Transfer payments	45,748	1,981	9,425	45,356	1,891	12,002
Other subsidies and payments	4,402	2,004	2,094	3,495	2,047	2,110
Total budgetary expenditures	450,733	82,804	141,267	502,720	61,983	141,155