



Canadian Space
Agency

Agence spatiale
canadienne



Canadian Space Agency

2014-2015

**Quarterly Financial Report
For the Quarter Ended
September 30, 2014 (Revised)**

Management Statement for the Quarter Ended September 30, 2014

Erratum

Date: January 29, 2015

Location: Section 2. Highlights of the Quarterly Financial Results, Graph, Authorities available for use and expenditures as at September 30, Fiscal Year 2014-2015.

Review: Authorities **\$479.4** million replaces **\$479.3** million.

Location: Section 2.1 Significant Changes in Authorities (Total Vote Available for Use) between fiscal 2014-2015 and 2013-2014, Authorities table, Fiscal 2014-2015, Vote 1 - Operating expenditures.

Annex 1, Statement of Authorities, Fiscal Year 2014-2015, Total available for use for the year ending March 31, 2015, Vote 1 – Operating expenditures.

Revision: Vote 1 - Operating expenditures **\$163,196** thousands replaces **\$163,127** thousands.

Location: Annex 2, Departmental budgetary expenditures by Standard Object, Planned expenditures for the year ending March 31, 2015, Professional and special services and Other Subsidies and payments.

Revisions: Professional and special services **\$112,771** thousands replaces **\$112,744** thousands.

Other subsidies and payments **\$3,666** thousands replaces **\$3,624** thousands.

Rationale for the revision: Adjustments to include frozen allotments that had been excluded in the initial Quarterly Financial Report.

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](#)¹, Supplementary Estimates, the previous quarterly report 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](#)¹.

¹ *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 September 30 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.

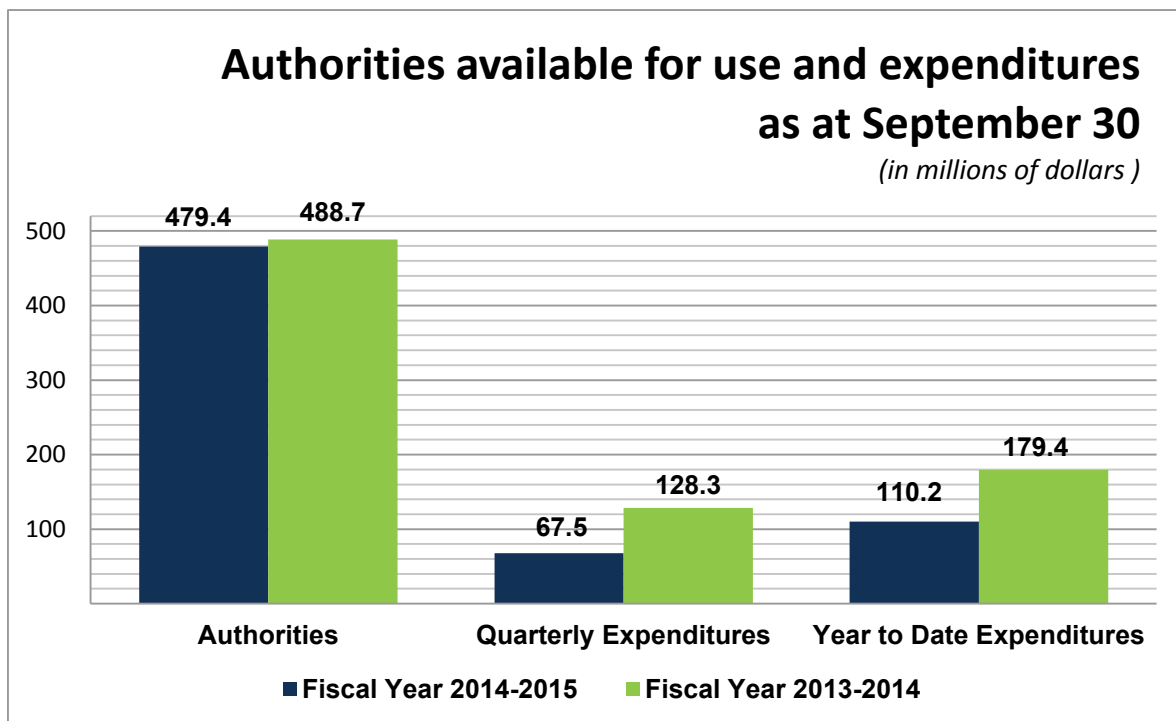
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting. 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 September 30, 2014.

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 2014-2015 and 2013-2014

The total vote available for use as at September 30, 2014 is \$479.4 million and represents a decrease of \$9.3 million over the same period for the previous year.

| Authorities (in thousands of dollars) | 2014-2015 | 2013-2014 | Variance | % |
|----------------------------------------------------------------|------------------|------------------|-----------------|--------------|
| Vote 1 - Operating expenditures | 163,196 | 171,615 | (8,419) | - 5 % |
| Vote 5 - Capital expenditures | 266,888 | 272,688 | (5,800) | - 2 % |
| Vote 10 - Grants and contributions | 39,307 | 33,630 | 5,677 | 17 % |
| Contributions to employee benefit plans | 9,919 | 10,748 | (829) | - 8 % |
| Spending of proceeds from the disposal of surplus Crown assets | 44 | 9 | 35 | 389 % |
| Total budgetary authorities | 479,354 | 488,690 | (9,336) | - 2 % |

The following factors are key in explaining the \$8.4 million decrease in Vote 1 - Operating Expenditures:

- An increase of \$7.9 million over the same period of the previous year as authority was granted to carry forward additional authorities from the operating expenditures vote from 2013-14 to 2014-15. At this time last year, no additional authority of the operating expenditures vote carry forward from 2012-13 to 2013-14 was requested.
- 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 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 initiative on the Workplace Technology Devices (WTD) (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".
- 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 other, requiring transfers between votes or funds carried forward to another fiscal year.

The following factors are key in explaining the decrease of \$5.8 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 RCM additional funding.
- An increase of \$8.9 million over to the same period of the previous year in regards to the time at which the additional Treasury Board appropriation related to the capital carry forward was accounted for. Thus, at this time last year, the additional appropriation for the capital carry forward from 2012-13 to 2013-14 had not yet been granted, whereas the carry forward from 2013-14 to 2014-15 has already been received.
- An increase of \$4.4 million to comply with the new common definition of Capital Expenditures resulting in a transfer from the Operating Expenditures Vote to the Capital Expenditures Vote.
- An increase of \$1.8 million related to the John H. Chapman Space Center Asset Management Plan.
- The residual difference representing an increase of \$4.4 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 other, requiring transfers between votes or funds carry forward to another fiscal year.

The following factors are key in explaining the increase of \$5.7 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 \$2.4 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.

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 September 30, 2014 are of \$67.5 and \$110.2 million and represent a \$60.8 and \$69.2 million decrease compared to the same period over the previous year.

Expenditures by Vote

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

| 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 | 33,423 | 57,924 | 31,819 | 54,435 | 1,604 | 3,489 |
| Vote 5 - Capital expenditures | 30,528 | 34,368 | 84,382 | 101,886 | (53,854) | (67,518) |
| Vote 10 - Grants and contributions | 1,103 | 12,941 | 9,439 | 17,689 | (8,336) | (4,748) |
| Contributions to employee benefit plans | 2,479 | 4,959 | 2,687 | 5,374 | (208) | (415) |
| Spending of proceeds from the disposal of surplus Crown assets | 10 | 14 | 2 | 2 | 8 | 12 |
| Total budgetary expenditures by Vote | 67,543 | 110,206 | 128,329 | 179,386 | (60,786) | (69,180) |

The following factor is key in explaining the \$1.6 and \$3.5 million quarterly and year-to-date increases in the use of Vote 1 – Operating Expenditures over the same period of the previous year:

- The variations in payment schedules for Interdepartmental agreements and in activities implementation cycle, which are an inherent characteristic of the implementation of the Canadian Space Program.

The following factor is key in explaining the \$53.9 and \$67.5 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 \$8.3 and \$4.7 million quarterly and year-to-date decreases in the use of Vote 10 – Grants and contributions Expenditures over the same period of the previous year: :

- The variation in the payments to the European Space Agency (ESA) in 2014-15.

Expenditures by Standard Object

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

| Expenditures by Standard Object <i>(in thousands of dollars)</i> | 2014-2015 | | 2013-2014 | | Variance | |
|----------------------------------------------------------------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|
| | Quarterly | Year to date | Quarterly | Year to date | Quarterly | Year to date |
| Personnel | 15,374 | 35,093 | 17,275 | 36,885 | (1,901) | (1,792) |
| Transportation and communications | 627 | 1,199 | 845 | 1,538 | (218) | (339) |
| Information | 567 | 782 | 723 | 1,070 | (156) | (288) |
| Professional and special services | 17,887 | 23,464 | 16,905 | 21,984 | 982 | 1,480 |
| Rentals | 732 | 991 | 832 | 1,071 | (100) | (80) |
| Repair and maintenance | 384 | 564 | 1,042 | 1,552 | (658) | (988) |
| Utilities, materials and supplies | 391 | 764 | 373 | 801 | 18 | (37) |
| Acquisition of machinery and equipment | 28,962 | 30,359 | 78,973 | 94,731 | (50,011) | (64,372) |
| Transfer payments | 1,103 | 12,941 | 9,439 | 17,689 | (8,336) | (4,748) |
| Other subsidies and payments | 1,516 | 4,049 | 1,922 | 2,065 | (406) | 1,984 |
| Total budgetary expenditures by Standard Object | 67,543 | 110,206 | 128,329 | 179,386 | (60,786) | (69,180) |

2014-2015 Expenditures by Standard object have been reclassified.

The \$50.0 and \$64.4 million decreases in quarterly and year-to-date expenditures for the Acquisition of machinery and equipment standard object are attributable to variations in the payment schedules of the Major Crown Project Radarsat Constellation Mission (RCM).

The \$8.3 and \$4.7 million decreases in quarterly and year-to-date expenditures for the Transfer payments standard object are explained in the previous section "Expenditures by vote", under the paragraph referring to Vote 10 – Grants and Contributions Expenditures.

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

The \$1.9 and \$1.8 million decreases in quarterly and year-to-date expenditures for the Personnel standard object are mainly due to the decrease in payments related to the Work force Adjustment Directive.

The \$1.0 and \$1.5 million increases in quarterly and year-to-date expenditures for the Professional and special services standard object are mainly attributable to the variations in the payment schedules for Interdepartmental agreements, in the activities implementation cycle, and in the projects development cycle, which are inherent characteristics of the implementation of the Canadian Space Program.

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 2nd quarter of 2014-15 represent 23% 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.

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 depreciation 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 in the space programs of its key partners (National Aeronautics and Space Administration (NASA), ESA and other space agencies).

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

This Quarterly Financial Report was approved by Mr. Luc Brûlé, acting President, following the departure of the President Mr. Walter Natynczyk on October 31, 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 for 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 September 30, 2014
Statement of Authorities (unaudited)
(in thousands of dollars)

Annex 1

| | Fiscal Year 2014-2015 | | | Fiscal Year 2013-2014 | | |
|----------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------|----------------------------------|-------------------------------------------------------------------|--------------------------------------------------|----------------------------------|
| | Total available for use for the year ending March 31, 2015 (1) | Used during the quarter ended September 30, 2014 | Year to date used at quarter-end | Total available for use for the year ending March 31, 2014 (1) | Used during the quarter ended September 30, 2013 | Year to date used at quarter-end |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Vote 1: Operating expenditures | 163,196 | 33,423 | 57,924 | 171,615 | 31,819 | 54,435 |
| Vote 5: Capital expenditures | 266,888 | 30,528 | 34,368 | 272,688 | 84,382 | 101,886 |
| Vote 10: Grants and contributions | 39,307 | 1,103 | 12,941 | 33,630 | 9,439 | 17,689 |
| Contributions to employee benefit plans | 9,919 | 2,479 | 4,959 | 10,748 | 2,687 | 5,374 |
| Spending of proceeds from the disposal of surplus Crown assets | 44 | 10 | 14 | 9 | 2 | 2 |
| Total budgetary authorities | 479,354 | 67,543 | 110,206 | 488,690 | 128,329 | 179,386 |

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

CANADIAN SPACE AGENCY

Quarterly Financial Report

For the quarter ended Septembre 30, 2014

Departmental budgetary expenditures by Standard Object (unaudited)

(in thousands of dollars)

| | Fiscal Year 2014-2015 | | | Fiscal Year 2013-2014 | | |
|------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|-----------------------------------------|---------------------------------------------------------|--------------------------------------------------|----------------------------------|
| | Planned expenditures for the year ending March 31, 2015 | Used during the quarter ended September 30, 2014 (1) | Year to date used at quarter-end (1) | Planned expenditures for the year ending March 31, 2014 | Used during the quarter ended September 30, 2013 | Year to date used at quarter-end |
| Expenditures: | \$ | \$ | \$ | \$ | \$ | \$ |
| Personnel | 70,032 | 15,374 | 35,093 | 72,516 | 17,275 | 36,885 |
| Transportation and communications | 4,405 | 627 | 1,199 | 4,098 | 845 | 1,538 |
| Information | 2,227 | 567 | 782 | 908 | 723 | 1,070 |
| Professional and special services | 112,771 | 17,887 | 23,464 | 106,753 | 16,905 | 21,984 |
| Rentals | 3,986 | 732 | 991 | 2,347 | 832 | 1,071 |
| Repair and maintenance | 3,012 | 384 | 564 | 3,397 | 1,042 | 1,552 |
| Utilities, materials and supplies | 3,271 | 391 | 764 | 2,330 | 373 | 801 |
| Acquisition of land, buildings and works | - | - | - | 1,110 | - | - |
| Acquisition of machinery and equipment | 236,677 | 28,962 | 30,359 | 257,584 | 78,973 | 94,731 |
| Transfer payments | 39,307 | 1,103 | 12,941 | 33,630 | 9,439 | 17,689 |
| Other subsidies and payments | 3,666 | 1,516 | 4,049 | 4,017 | 1,922 | 2,065 |
| Total budgetary expenditures | 479,354 | 67,543 | 110,206 | 488,690 | 128,329 | 179,386 |

(1) 2014-2015 Expenditures by Standard object have been reclassified.