



Canadian Space
Agency

Agence spatiale
canadienne



Canadian Space Agency

2016-2017

Quarterly Financial Report

For the Quarter Ended

June 30, 2016

Management Statement for the Quarter Ended June 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 June 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.

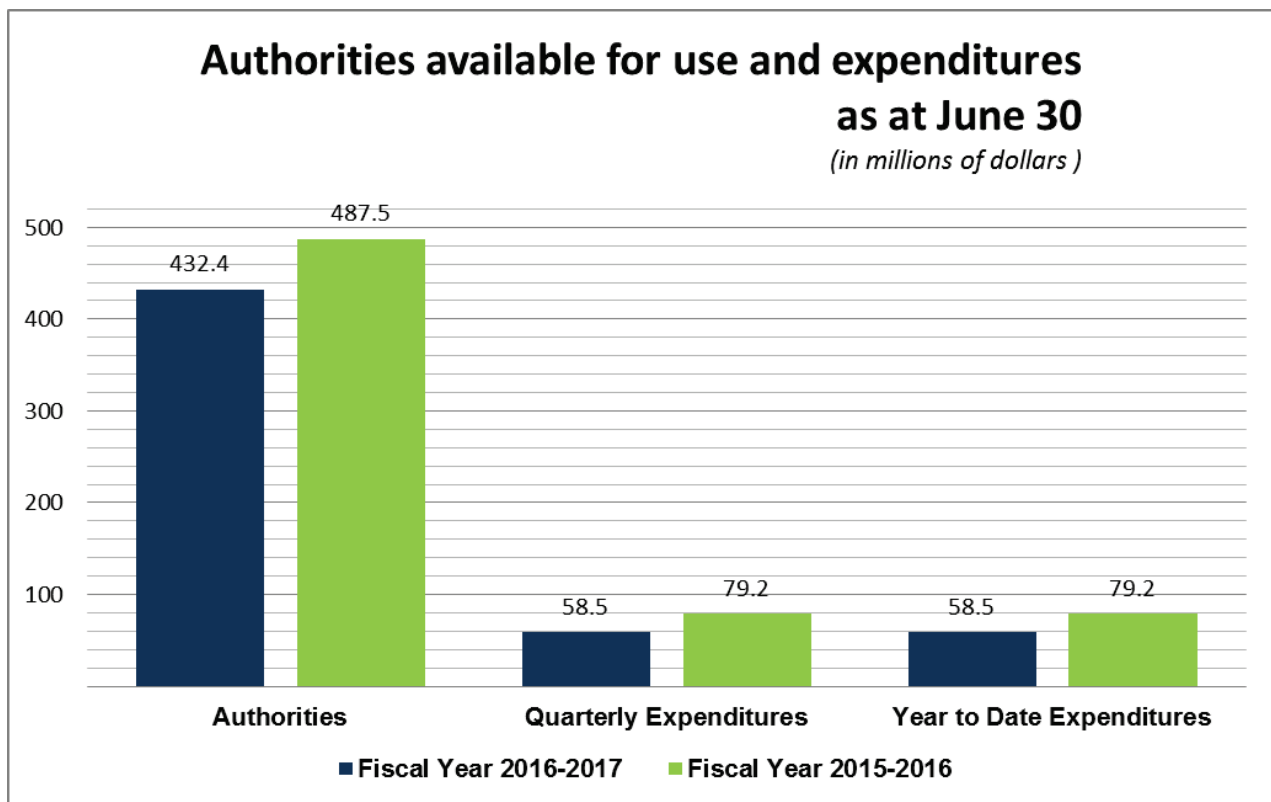
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting. 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 June 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 June 30, 2016 is \$432.4 million, and represents a decrease of \$55.1 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	169,994	14,504	9 %
Vote 5 - Capital expenditures	192,112	262,275	(70,163)	- 27 %
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	21	44	(23)	- 53 %
Total budgetary authorities	432,416	487,472	(55,056)	- 11 %

The increase of \$14.5 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 \$8.0 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.
- The residual difference consists of multiple variations inherent to the Canadian Space Program (CSP) Resource Management.

The decrease of \$70.2 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.
- The residual difference 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 vote transfers or fund carry forwards to another fiscal year.

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 June 30, 2016 are of \$58.5 million, and represent a decrease of \$20.7 million compared to the same period of the previous year.

Expenditures by Vote

Expenditures and variations by Vote for the quarter ended June 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	22,717	22,717	24,923	24,923	(2,206)	(2,206)
Vote 5 - Capital expenditures	25,793	25,793	41,687	41,687	(15,894)	(15,894)
Vote 10 - Grants and contributions	7,444	7,444	10,111	10,111	(2,667)	(2,667)
Contributions to employee benefit plans	2,509	2,509	2,451	2,451	58	58
Spending of proceeds from the disposal of surplus Crown assets	-	-	-	-	-	-
Total budgetary expenditures by Vote	58,463	58,463	79,172	79,172	(20,709)	(20,709)

The decrease of \$2.2 million in the use of Vote 1 – Operating expenditures quarterly and year to date is mainly explained by the following:

- 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 and to the periodic variation in the recording of payroll transactions compared to the previous year.

The decrease of \$15.8 million in the use of Vote 5 - Capital expenditures quarterly and year to date is mainly explained by the following:

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

The decrease of \$2.7 million in the use of Vote 10 – Grants and contributions quarterly and 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 June 30:

Expenditures by Standard Object <i>(in thousands of dollars)</i>	2016-2017		2015-2016		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Personnel	16,874	16,874	18,443	18,443	(1,569)	(1,569)
Transportation and communications	629	629	630	630	(1)	(1)
Information	455	455	1,798	1,798	(1,343)	(1,343)
Professional and special services	8,316	8,316	6,614	6,614	1,702	1,702
Rentals	395	395	234	234	161	161
Repair and maintenance	343	343	312	312	31	31
Utilities, materials and supplies	364	364	285	285	79	79
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	23,553	23,553	40,682	40,682	(17,129)	(17,129)
Transfer payments	7,444	7,444	10,111	10,111	(2,667)	(2,667)
Other subsidies and payments	90	90	63	63	27	27
Total budgetary expenditures by Standard Object	58,463	58,463	79,172	79,172	(20,709)	(20,709)

- The \$1.6 million decrease in quarterly 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 \$1.3 million decrease in quarterly 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 million increase in quarterly 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 \$17.1 million decrease in quarterly 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 \$2.7 million decrease in quarterly 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

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, risk of deferral of the use of funds.

The year-to-date expenditures for the 1st quarter of 2016-17 represent 14% of our authorities whereas 25% of our fiscal year has passed. This situation is similar to that of the previous fiscal years and represents no concerns.

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.

CANADIAN SPACE AGENCY
Quarterly Financial Report
For the quarter ended June 30, 2016
Statement of Authorities (unaudited)
(in thousands of dollars)

Annex 1

	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 June 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 June 30, 2015	Year to date used at quarter-end
	\$	\$	\$	\$	\$	\$
Vote 1: Operating expenditures	184,498	22,717	22,717	169,994	24,923	24,923
Vote 5: Capital expenditures	192,112	25,793	25,793	262,275	41,687	41,687
Vote 10: Grants and contributions	45,748	7,444	7,444	45,356	10,111	10,111
Contributions to employee benefit plans	10,037	2,509	2,509	9,803	2,451	2,451
Spending of proceeds from the disposal of surplus Crown assets	21	-	-	44	-	-
Total budgetary authorities	432,416	58,463	58,463	487,472	79,172	79,172

(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 June 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 June 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016	Used during the quarter ended June 30, 2015	Year to date used at quarter-end
Expenditures:	\$	\$	\$	\$	\$	\$
Personnel	68,389	16,874	16,874	68,156	18,443	18,443
Transportation and communications	4,249	629	629	3,568	630	630
Information	2,775	455	455	603	1,798	1,798
Professional and special services	138,185	8,316	8,316	144,183	6,614	6,614
Rentals	3,361	395	395	1,531	234	234
Repair and maintenance	7,675	343	343	8,830	312	312
Utilities, materials and supplies	1,817	364	364	2,179	285	285
Acquisition of land, buildings and works	595	-	-	564	-	-
Acquisition of machinery and equipment	155,220	23,553	23,553	209,007	40,682	40,682
Transfer payments	45,748	7,444	7,444	45,356	10,111	10,111
Other subsidies and payments	4,402	90	90	3,495	63	63
Total budgetary expenditures	432,416	58,463	58,463	487,472	79,172	79,172