



Canadian Space Agency
Agence spatiale
canadienne



Canadian Space Agency

2015-2016

Quarterly Financial Report

For the Quarter Ended

September 30, 2015

Management Statement for the Quarter Ended September 30, 2015

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 [2015-16 Main Estimates](#)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 [2015-16 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 2014-15 and 2015-16. 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.

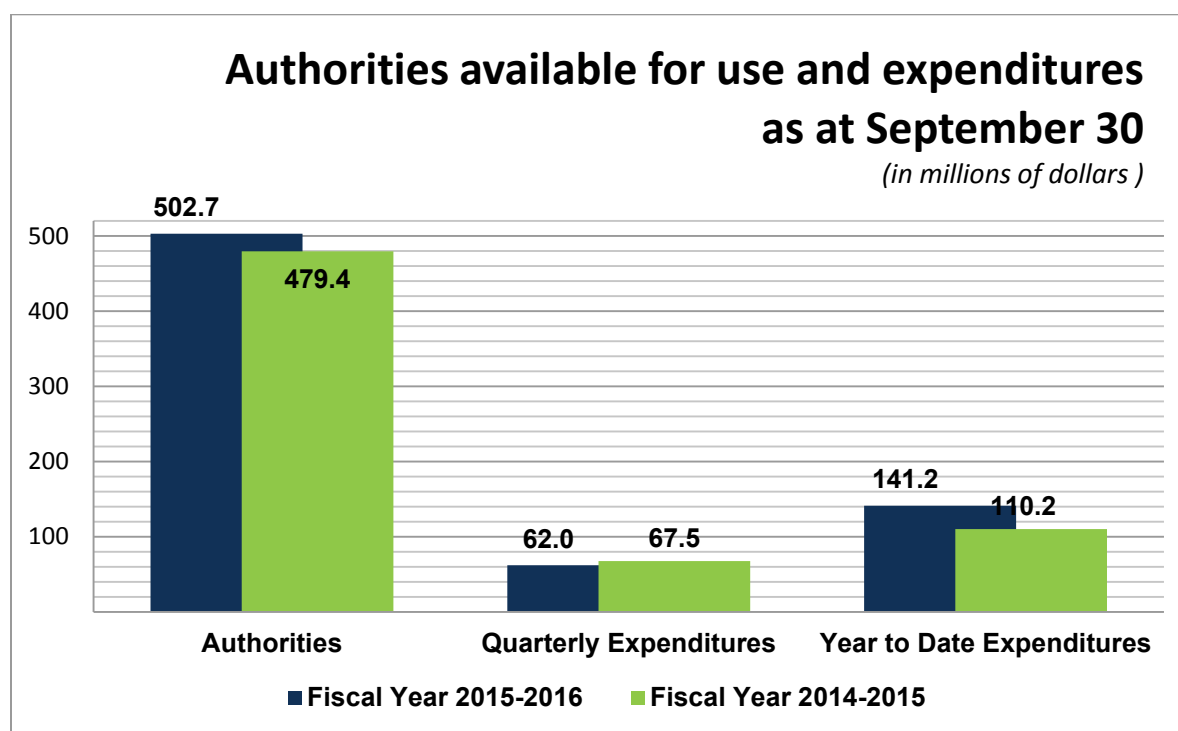
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting. 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, 2015.

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 2015-2016 and 2014-2015.

The total vote available for use as at September 30, 2015 is \$502.7 million, and represents an increase of \$23.4 million compared to the same period of the previous year.

Authorities (in thousands of dollars)	2015-2016	2014-2015	Variance	%
Vote 1 - Operating expenditures	177,757	163,196	14,561	9 %
Vote 5 - Capital expenditures	269,750	266,888	2,862	1 %
Vote 10 - Grants and contributions	45,356	39,307	6,049	15 %
Contributions to employee benefit plans	9,803	9,919	(116)	- 1 %
Spending of proceeds from the disposal of surplus Crown assets	54	44	10	22 %
Total budgetary authorities	502,720	479,354	23,366	5 %

The increase of \$14.6 million in Vote 1 - Operating Expenditures is mainly explained by the following items:

- An increase of \$8.0 million due to additional funding received in order to provide enhanced space-based Automatic Identification System data services to support the Government of Canada activities for safety and security.
- An increase of \$6.3 million resulting in a transfer from the Capital Expenditures Vote to present the budget required in the proper voted in accordance with the CSA Investment plan.
- An increase of \$0.7 million due to additional funding through the 2015-16 Supplementary Estimates (A) for repairs and upgrades to the David Florida Laboratory as part of the Economic Action Plan – Federal Infrastructure.

The increase of \$2.9 million in Vote 5 - Capital Expenditures is mainly explained by the following items:

- An increase of \$3.3 million due to additional funding through the 2015-16 Supplementary Estimates (A) for repairs and upgrades to the David Florida Laboratory as part of the Economic Action Plan – Federal Infrastructure.
- An increase of \$3.1 million obtained for the project Maritime Monitoring and Messaging Microsatellite (M3MSat) due to increased costs related to the change of launch services provider.
- An increase of \$3.0 million related to the RADARSAT Constellation Mission (RCM). The variation between the two years is due to different needs for cash flows.
- A decrease of \$6.8 million resulting in a transfer from the Capital Expenditures Vote to other budgetary voted to present the budget required in the proper voted in accordance with the CSA Investment plan.

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- A decrease of \$1.5 million since the capital carry forward from 2014-2015 to 2015-2016 was less important than the carry forward from 2013-2014 to 2014-2015.
- The residual difference representing an increase of \$1.8 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 vote transfers or fund carry forwards to another fiscal year.

The increase of \$6.0 million in Vote 10 - Grants and Contributions Expenditures is mainly explained by the following items:

- An increase of \$7.2 million related to cash flow requirements for the Class Contribution and Grant Program to support research, awareness and learning in space science and technology, mainly for the Space Technology Development Program.
- A decrease of \$1.2 million related to cash flow requirements for contributions under the Canada / European Space Agency (ESA) Cooperation Agreement.

2.2 Significant Changes in Quarterly and Year-to-Date Expenditures (Votes Used) between fiscal 2015-2016 and 2014-2015

Quarterly and year-to-date expenditures for the quarter ended September 30, 2015 are of \$61.9 and \$141.2 million, and represent a quarterly decrease of \$5.6 million, but a cumulative increase of \$30.9 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)	2015-2016		2014-2015		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Vote 1 - Operating expenditures	33,693	58,616	33,423	57,924	270	692
Vote 5 - Capital expenditures	23,948	65,635	30,528	34,368	(6,580)	31,267
Vote 10 - Grants and contributions	1,891	12,002	1,103	12,941	788	(939)
Contributions to employee benefit plans	2,451	4,902	2,479	4,959	(28)	(57)
Spending of proceeds from the disposal of surplus Crown assets	-	-	10	14	(10)	(14)
Total budgetary expenditures by Vote	61,983	141,155	67,543	110,206	(5,560)	30,949

The decrease of \$6.6 and an increase of \$31.3 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 and in the project development cycle, in particular for the RCM project, which are an inherent implementation characteristic of the Canadian Space Program.

Expenditures by Standard Object

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

Expenditures by Standard Object <i>(in thousands of dollars)</i>	2015-2016		2014-2015		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Personnel	14,247	32,690	15,374	35,093	(1,127)	(2,403)
Transportation and communications	697	1,327	627	1,199	70	128
Information	3,069	4,867	567	782	2,502	4,085
Professional and special services	17,303	23,917	17,887	23,464	(584)	453
Rentals	568	802	732	991	(164)	(189)
Repair and maintenance	512	824	384	564	128	260
Utilities, materials and supplies	609	894	391	764	218	130
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	21,040	61,722	28,962	30,359	(7,922)	31,363
Transfer payments	1,891	12,002	1,103	12,941	788	(939)
Other subsidies and payments	2,047	2,110	1,516	4,049	531	(1,939)
Total budgetary expenditures by Standard Object	61,983	141,155	67,543	110,206	(5,560)	30,949

- The \$1.1 and \$2.4 million decreases 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 \$2.5 and \$4.1 million increases in quarterly and year-to-date expenditures for the Information standard object is primarily due to additional funding received in order to provide enhanced space-based Automatic Identification System data services to support the Government of Canada activities for safety and security.
- The decrease of \$7.9 and the increase of \$31.4 million 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 and in the project development cycle, in particular for the RCM project, which are an inherent implementation characteristic of the Canadian Space Program.
- The \$1.9 million decrease in year-to-date expenditures for the Other subsidies and payments standard object is due to a one-time transition payment for the implementation of salary payments in arrears by 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, risk of deferral of the use of funds.

The year-to-date expenditures for the 2nd quarter of 2015-16 represent 28% 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.

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 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 2015-16.

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Statement of Authorities (unaudited)
(in thousands of dollars)

Annex 1

	Fiscal Year 2015-2016			Fiscal Year 2014-2015		
	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	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
	\$	\$	\$	\$	\$	\$
Vote 1: Operating expenditures	177,757	33,693	58,616	163,196	33,423	57,924
Vote 5: Capital expenditures	269,750	23,948	65,635	266,888	30,528	34,368
Vote 10: Grants and contributions	45,356	1,891	12,002	39,307	1,103	12,941
Contributions to employee benefit plans	9,803	2,451	4,902	9,919	2,479	4,959
Spending of proceeds from the disposal of surplus Crown assets	54	-	-	44	10	14
Total budgetary authorities	502,720	61,983	141,155	479,354	67,543	110,206

(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)

	Fiscal Year 2015-2016			Fiscal Year 2014-2015		
	Planned expenditures for the year ending March 31, 2016	Used during the quarter ended September 30, 2015	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Used during the quarter ended September 30, 2014	Year to date used at quarter-end
Expenditures:	\$	\$	\$	\$	\$	\$
Personnel	68,156	14,247	32,690	70,032	15,374	35,093
Transportation and communications	3,568	697	1,327	4,405	627	1,199
Information	848	3,069	4,867	2,227	567	782
Professional and special services	152,199	17,303	23,917	112,771	17,887	23,464
Rentals	1,531	568	802	3,986	732	991
Repair and maintenance	8,830	512	824	3,012	384	564
Utilities, materials and supplies	2,294	609	894	3,271	391	764
Acquisition of land, buildings and works	564	-	-	-	-	-
Acquisition of machinery and equipment	215,879	21,040	61,722	236,677	28,962	30,359
Transfer payments	45,356	1,891	12,002	39,307	1,103	12,941
Other subsidies and payments	3,495	2,047	2,110	3,666	1,516	4,049
Total budgetary expenditures	502,720	61,983	141,155	479,354	67,543	110,206