



Canadian Space
Agency Agence spatiale
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Canadian Space Agency

2014-2015

**Quarterly Financial Report
For the Quarter Ended
June 30, 2014**

Canada

Management Statement for the Quarter Ended June 30, 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](#)¹ and 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 June 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.

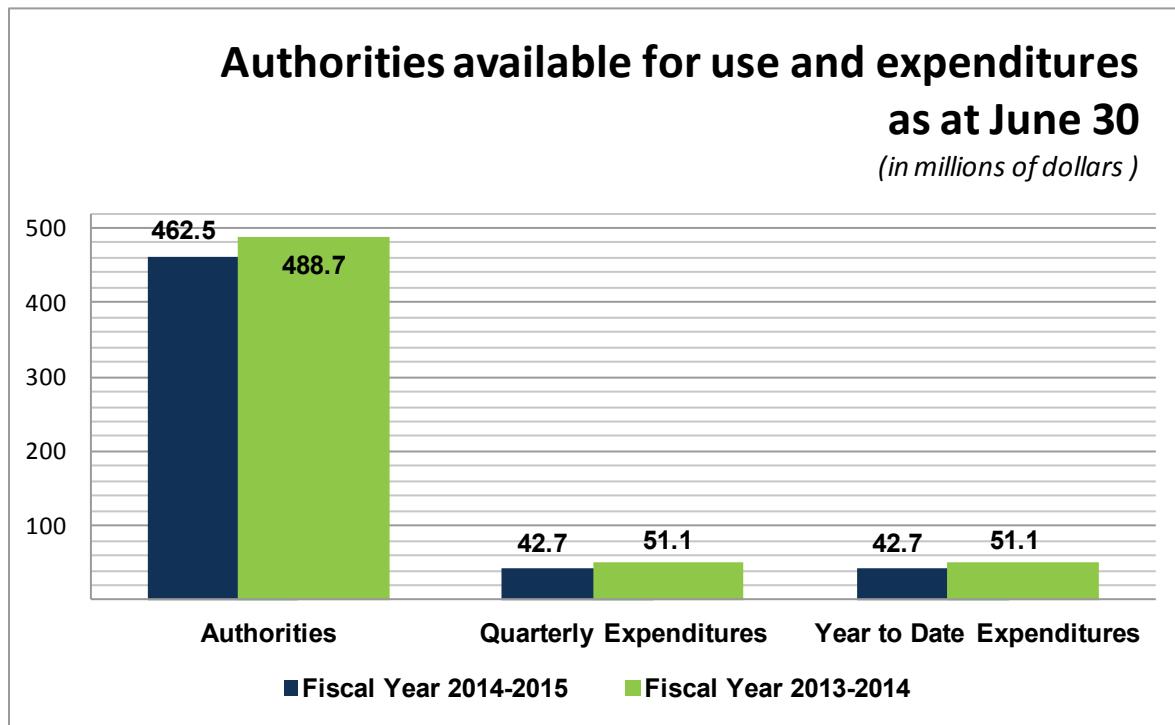
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting. 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 June 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 June 30, 2014 is \$462.5 million and represents a decrease of \$26.2 million over the same period for the previous year.

Authorities (in thousands of dollars)	2014-2015	2013-2014	Variance	%
Vote 1 - Operating expenditures	155,266	171,615	(16,349)	- 10 %
Vote 5 - Capital expenditures	257,956	272,688	(14,732)	- 5 %
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	25	4	21	525 %
Total budgetary authorities	462,473	488,685	(26,212)	- 5 %

The following factors are key in explaining the \$16.3 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 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 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 funds carried forward to another fiscal year.

The following factors are key in explaining the decrease of \$14.7 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.

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- 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 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 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 \$.01 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 June 30, 2014 are of \$42.7 million and represent an \$8.4 million decrease compared to the same period over the previous year.

Expenditures by Vote

Expenditures and expenditure variations by Vote for the quarter ended June 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	24,501	24,501	22,616	22,616	1,885	1,885
Vote 5 - Capital expenditures	3,840	3,840	17,504	17,504	(13,664)	(13,664)
Vote 10 - Grants and contributions	11,838	11,838	8,250	8,250	3,588	3,588
Contributions to employee benefit plans	2,480	2,480	2,687	2,687	(207)	(207)
Spending of proceeds from the disposal of surplus Crown assets	4	4	-	-	4	4
Total budgetary expenditures by Vote	42,663	42,663	51,057	51,057	(8,394)	(8,394)

The following factor is key in explaining the \$1.9 million increase in the use of Vote 1 - Operating expenditures over the same period of the previous year:

- The variations in the payment schedules for Interdepartmental agreements.

The following factor is key in explaining the \$13.7 million decrease in the use of Vote 5 - Capital expenditures:

- The variations in the payment schedules and in the project development cycle, which are an inherent characteristic of the implementation of the Canadian Space Program, in particular the decrease in expenditures related to the implementation phase of the RCM project.

The following factor is key in explaining the \$3.6 million increase in the use of Vote 10 – Grants and contributions:

- The increase is mainly due to the variation in the payments to the ESA in 2014-2015.

Expenditures by Standard Object

Expenditures and expenditure variations by standard object for the quarter ended June 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	19,719	19,719	19,610	19,610	109	109
Transportation and communications	572	572	693	693	(121)	(121)
Information	215	215	347	347	(132)	(132)
Professional and special services	5,577	5,577	5,079	5,079	498	498
Rentals	259	259	239	239	20	20
Repair and maintenance	180	180	510	510	(330)	(330)
Utilities, materials and supplies	373	373	428	428	(55)	(55)
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	1,397	1,397	15,758	15,758	(14,361)	(14,361)
Transfer payments	11,838	11,838	8,250	8,250	3,588	3,588
Other subsidies and payments	2,533	2,533	143	143	2,390	2,390
Total budgetary expenditures by Standard Object	42,663	42,663	51,057	51,057	(8,394)	(8,394)

The \$14.4 million decrease in quarterly expenditures for the Acquisition of machinery and equipment standard object is in part attributable to a phase change for the RCM project.

The \$3.6 million increase in quarterly expenditures for the Transfer payments standard object is in the previous section “Expenditures by vote”, under the paragraph referring to Vote 10 – Grants and Contributions.

The explanation for the majority of the \$2.4 million increase in quarterly 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 \$0.5 million increase in quarterly expenditures for the Professional and special services standard object is attributable to the variations in the payment schedules for services related to 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 1st quarter of 2014-15 represent 9% 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.

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

On April 1, 2014, the President of the CSA, Mr. Natynczyk, made the following appointments at the Executive and Senior Executive levels: Luc Brûlé as Vice-President, Jean-Claude Piedboeuf as Director General, Space Science and Technology and Éric Laliberté as Director General, Space Utilization. Gilles Leclerc completed his assignment as Acting Vice-President and returned to his substantive position as Director General, Space Exploration.

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 2014-2015 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.

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Approval by Senior Officials

Approved by,

The original version was signed by
Walter Natynczyk, August 19, 2014

The original version was signed by
Marie-Claude Guérard, August 19, 2014

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For the quarter ended June 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 June 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 June 30, 2013	Year to date used at quarter-end
	\$	\$	\$	\$	\$	\$
Vote 1: Operating expenditures	155,266	24,501	24,501	171,615	22,616	22,616
Vote 5: Capital expenditures	257,956	3,840	3,840	272,688	17,504	17,504
Vote 10: Grants and contributions	39,307	11,838	11,838	33,630	8,250	8,250
Contributions to employee benefit plans	9,919	2,480	2,480	10,748	2,687	2,687
Spending of proceeds from the disposal of surplus Crown assets	25	4	4	4	-	-
Total budgetary authorities	462,473	42,663	42,663	488,685	51,057	51,057

(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 2014-2015			Fiscal Year 2013-2014		
	Planned expenditures for the year ending March 31, 2015	Used during the quarter ended June 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014	Used during the quarter ended June 30, 2013	Year to date used at quarter-end
Expenditures:	\$	\$	\$	\$	\$	\$
Personnel	70,032	19,719	19,719	72,516	19,610	19,610
Transportation and communications	4,346	572	572	4,098	693	693
Information	2,227	215	215	908	347	347
Professional and special services	104,871	5,577	5,577	106,748	5,079	5,079
Rentals	3,631	259	259	2,347	239	239
Repair and maintenance	3,012	180	180	3,397	510	510
Utilities, materials and supplies	3,271	373	373	2,330	428	428
Acquisition of land, buildings and works	-	-	-	1,110	-	-
Acquisition of machinery and equipment	228,314	1,397	1,397	257,584	15,758	15,758
Transfer payments	39,307	11,838	11,838	33,630	8,250	8,250
Other subsidies and payments	3,462	2,533	2,533	4,017	143	143
Total budgetary expenditures	462,473	42,663	42,663	488,685	51,057	51,057