



Canadian Space  
Agency

Agence spatiale  
canadienne



# **Canadian Space Agency**

**2013-2014**

**Quarterly Financial Report  
For the Quarter Ended  
September 30, 2013**

**Canada**

## **Management Statement for the Quarter Ended September 30, 2013**

### **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](#)<sup>1</sup>, Supplementary Estimates (A), 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 2013-14 [Report on Plans and Priorities](#)<sup>1</sup>.

<sup>1</sup> *The financial data presented as planned expenditures in the 2013-14 Main Estimates and the 2013-14 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 Main Estimates for the entire year, whereas the QFR presents only the authorities granted to date through the Estimates process (i.e. the Main Estimates and the Supplementary Estimates).*

### **1.3 Basis of Presentation**

This quarterly financial report 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 2012-13 and 2013-14. This quarterly financial report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year.

In 2012-13, Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result, the measures announced in the Budget 2012 are not reflected in the 2012-13 Main Estimates. For fiscal year 2012-13, frozen allotments were established by Treasury Board in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012.

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In 2013-14, the changes to departmental authorities were implemented through the Annual Reference Level Update, as approved by Treasury Board, and were reflected in the 2013-14 Main Estimates tabled in Parliament.

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.

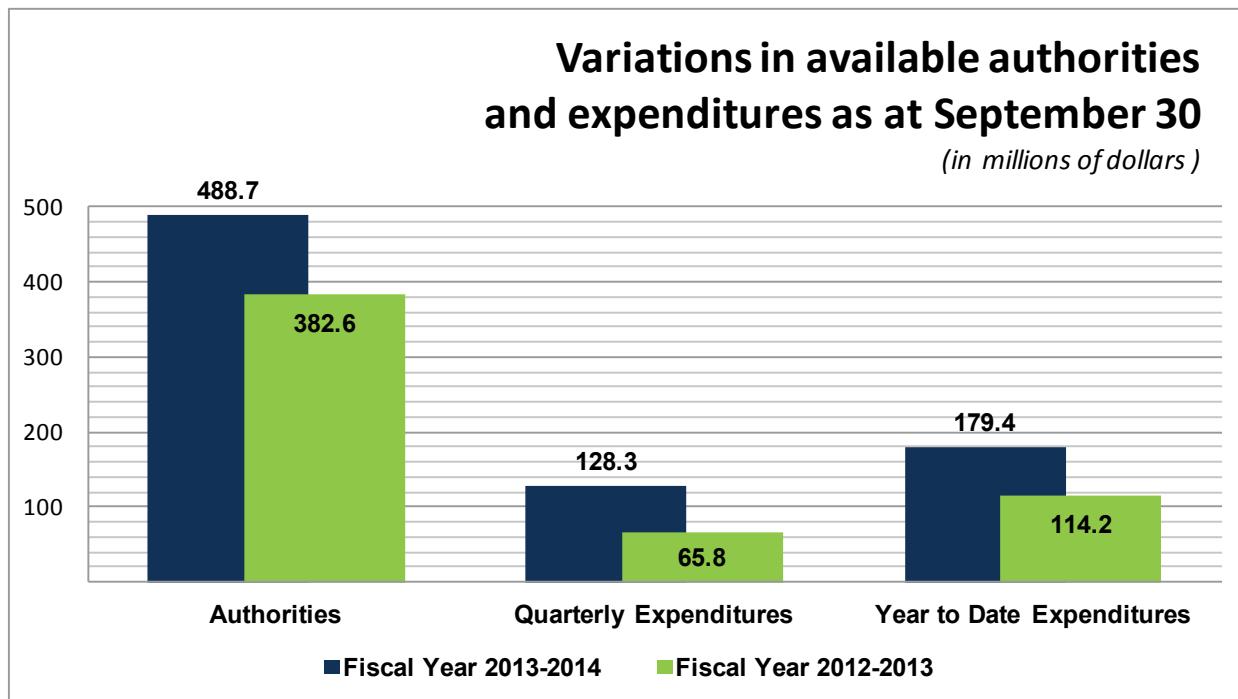
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting. Expenditure basis accounting thus includes disbursements as well as some accruals for salaries and salary allowances.

This quarterly financial report has not been subject to an external audit. However, it has been reviewed by the members of the 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, 2013.

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 2012-2013 and 2013-2014

The total vote available for use as at September 30, 2013 is \$488.7 million and represents an increase of 106.1 million over the same period for the previous year.

<b>Authorities (in thousands of dollars)</b>	<b>2013-2014</b>	<b>2012-2013</b>	<b>Variance</b>	<b>%</b>
Vote 25 - Operating expenditures	171,615	171,675	(60)	0 %
Vote 30 - Capital expenditures	272,688	163,230	109,458	67 %
Vote 35 - Grants and contributions	33,630	36,597	(2,967)	-8 %
Contributions to employee benefit plans *	10,748	11,033	(285)	-3 %
Spending of proceeds from the disposal of surplus Crown assets *	9	17	(8)	-47 %
<b>Total budgetary authorities</b>	<b>488,690</b>	<b>382,552</b>	<b>106,138</b>	<b>28 %</b>

\* Authorities for Contributions to employee benefit plans and authorities for Spending of proceeds from the disposal of surplus Crown assets must be reported separately starting 2013-14. Therefore, statutory authorities have been reclassified for 2012-13.

The following factors are key in explaining the \$60 thousand decrease in Vote 25 - Operating Expenditures :

- A \$3.9 million increase for compensation associated with the renewal of collective agreements.
- A \$2.7 million decrease in Treasury Board's reimbursements for Eligible Paylist Expenditures mainly for parental benefits and severance pay.
- A \$5.7 million decrease due to the fact that amounts were carried forward from 2011-12 to 2012-13 and not to 2013-14.
- An increase of \$ 24.9 million related to multiple changes in cash flows resulting from the fact that the budget needs by vote are not linear from one year to the next requiring transfers between votes or reprofilings to another fiscal year. As part of Budget 2012 announcements the CSA received approval to continue its participation in the International Space Station until 2020. The continued participation required a \$6 million transfer between parliamentary votes in order to cover the system operations common costs. In addition, a \$4.3 million transfer between credits was made to finance the replacement of the space station's cameras as well as increased maintenance of its mobile system. The residual consists of multiple variations inherent to the management of the Canadian Space Program (CSP).
- A decrease of \$20.3 million due to savings realized in the context of the 2012 federal budget Deficit Reduction Action Plan (DRAP) (presented in Section 5. Budget 2012 Implementation).

The following factors are key in explaining the increase of \$109.4 million in Vote 30 - Capital Expenditures :

- A \$112.5 million budget increase over the same period of the previous year allocated for the RADARSAT Constellation Mission (RCM) project as a result of additional funding granted over 6 years (2013-14 to 2018-19) and an increase of \$20.4 million related to the cumulative effect on 2012-13 and 2013-14 of funds carried forward over the years for the RCM project.
- A \$12.3 million decrease related to multiple cash flow variations for various projects and activities such as, Generic Satellite Operations and OSIRIS-REX as well as for the cancellation of the Rendez-Vous System (International Space Station) - Navigation & tech demo inspection project.
- A \$10.7 million decrease over 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 2011-12 to 2012-13 had already been received, whereas the carry forward from 2012-13 to 2013-14 has not yet been granted.

The following factors are key in explaining the decrease of \$3.0 million in Vote 35 - Grants and Contributions :

- A \$6.4 million increase related to the cumulative effect on 2012-13 and 2013-14 of reprofiling of funds over the years for contributions for the purpose of the Canada / European Space Agency (ESA) Cooperation Agreement.
- A \$9.3 million budget decrease over the previous fiscal year for the purpose of the Canada / ESA Cooperation Agreement was attributable to the evolution in ESA's implementation of various programs in which Canada participates.
- A \$3.5 million increase in the Grants and Contributions Program to support research, awareness and education in space science and technology. This increase is due to adjustments in the source of funding for some programs previously carried out specifically with the operating vote, whereas the delivery method now also requires the grant and contribution vote.
- A \$3.8 million decrease due to savings realized in the context of the 2012 federal budget Deficit Reduction Action Plan (DRAP) (presented in Section 5. Budget 2012 Implementation).

## 2.2 Significant Changes in Quarterly and Year to Date Expenditures (Votes Used)

Quarterly and year to date expenditures for the quarter ended September 30, 2013 are respectively of \$128.3 and \$179.4 million and represent a \$62.5 and \$65.2 million increase 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 <i>(in thousands of dollars)</i>	2013-2014		2012-2013		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Vote 25 - Operating expenditures**	31,819	54,435	37,920	66,009	(6,101)	(11,574)
Vote 30 - Capital expenditures	84,382	101,886	14,798	23,786	69,584	78,100
Vote 35 - Grants and contributions	9,439	17,689	10,327	18,885	(888)	(1,196)
Contributions to employee benefit plans *	2,687	5,374	2,758	5,516	(71)	(142)
Spending of proceeds from the disposal of surplus Crown assets *	2	2	8	16	(6)	(14)
<b>Total budgetary expenditures by Vote</b>	<b>128,329</b>	<b>179,386</b>	<b>65,811</b>	<b>114,212</b>	<b>62,518</b>	<b>65,174</b>

\* Authorities for Contributions to employee benefit plans and authorities for Spending of proceeds from the disposal of surplus Crown assets must be reported separately starting in 2013-14. Therefore, expenditures related to statutory authorities have been reclassified for 2012-13. \*\* Operating expenditures have been reclassified.

The following factors are key in explaining the \$6.1 and 11.6 million quarterly and year to date decrease in the use of vote 25 - Operating expenditures over the same period of the previous year :

- The end of the activities derived from the Budget 2009 Economic Action Plan, whose purpose was to support the Canadian industry.
- The end of Radarsat 1 operations, Canada's first earth observation satellite.
- The reduction of operating activities attributable to the implementation of the decisions announced in the context of the 2012 federal budget Deficit Reduction Action Plan (DRAP) (presented in Section 5. Budget 2012 Implementation).

The following factors are key in explaining the \$69.6 and \$78.1 million quarterly and year to date increases in the use of vote 30 - Capital expenditures :

- The increase in expenditures related to the development phase of the RCM project.
- 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.

The following factors are key in explaining the \$0.9 and \$1.2 million quarterly and year to date decreases in the use of vote 35 – Grants and contributions :

- The decrease in the amounts paid to the ESA partly due to the variation in the exchange rates.
- The variation in the payment schedules for the Class Grant and Contributions Program to support research, awareness and learning in space science and technology in 2013-14.

### **Expenditures by Standard Object**

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

<b>Expenditures by Standard Object</b> <i>(in thousands of dollars)</i>	<b>2013-2014</b>		<b>2012-2013</b>		<b>Variance</b>	
	<b>Quarterly</b>	<b>Year to date</b>	<b>Quarterly</b>	<b>Year to date</b>	<b>Quarterly</b>	<b>Year to date</b>
Personnel	17,275	36,885	19,257	40,257	(1,982)	(3,372)
Transportation and communications	845	1,538	979	1,847	(134)	(309)
Information	723	1,070	296	515	427	555
Professional and special services	16,905	21,984	22,374	34,249	(5,469)	(12,265)
Rentals	832	1,071	591	936	241	135
Repair and maintenance	1,042	1,552	146	300	896	1,252
Utilities, materials and supplies	373	801	861	1,173	(488)	(372)
Acquisition of land, buildings and works	0	0	0	0	0	0
Acquisition of machinery and equipment	78,973	94,731	8,829	13,586	70,144	81,145
Transfer payments	9,439	17,689	10,327	18,885	(888)	(1,196)
Other subsidies and payments	1,922	2,065	2,151	2,464	(229)	(399)
<b>Total budgetary expenditures by Standard Object</b>	<b>128,329</b>	<b>179,386</b>	<b>65,811</b>	<b>114,212</b>	<b>62,518</b>	<b>65,174</b>

The decreases in the level of quarterly and year to date expenditures for the Personnel and Transportation and communications standard objects are mainly attributable to the implementation of decisions announced in the context of the 2012 federal budget Deficit Reduction Action Plan (DRAP) (presented in Section 5. Budget 2012 Implementation).

The \$5.5 and \$12.3 million decreases in quarterly and year to date expenditures for the Professional and special services standard object and the \$70.1 and \$81.1 million quarterly and year-to-date increases for the Acquisition of machinery and equipment standard object are attributable to the change in phases for the RCM project as well as the variation in the payment schedule for other contracts related to the implementation of the Canadian Space Program.

A change in the basis of accounting method for the recording of expenditures for the processing of Radarsat 2 images mainly explains the quarterly and year-to-date variances for the Utilities, materials and supplies (-\$0.5 and -\$0.4 million) and information (\$0.4 and \$0.6 million) standard objects.

### **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 2<sup>nd</sup> quarter of 2013-14 represents 36.7% of our authorities whereas 50% of our fiscal year has passed. This situation is similar to that of the previous fiscal year and represents no concerns.

From the Canada / ESA Cooperation Agreement also arises 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, its activity plans, its 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**

Several important changes in personnel have occurred during the second quarter. General (retired) John Walter Natynczyk, former Chief of Defence Staff, became President of the CSA, August 6, 2013. Mr. Natynczyk made the following appointments at the Executive and Senior Executive levels : Gilles Leclerc as Acting Vice-President, Colleen D'Iorio as Director General, Plans and Programs, Alison Tait as Senior Executive Advisor, Policy and Jean-Claude Piedboeuf as Acting 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 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 year of implementation in 2012-13, the CSA achieved savings of approximately \$7.9 million. Savings will increase to \$24.7 million in 2013-14 to reach ongoing savings of \$29.5 million by 2014-15.

The variations in authorities for fiscal year 2013-14 compared to the previous fiscal year are explained by the following :

- Vote 25 – Operating expenditures, decrease of \$20.3 million including a \$3.2 million for salaries.
- Vote 35 – Grants and contributions, decrease of \$3.8 million in regards to savings for the CSA Grant and Contribution Programs.
- Statutory authority - Contributions to employee benefit plans, decrease of \$0.6 million.

At the end of the second quarter, the main decrease in expenditures arising for the savings measures announced in Budget 2012 are reflected in Vote 25 – Operating expenditures in several standard objects including 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, November 26, 2013

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Walter Natynczyk                              Date  
President  
Longueuil, Quebec

The original version was signed by  
Marie-Claude Guérard, November 26, 2013

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Marie-Claude Guérard, CPA CGA              Date  
Chief Financial Officer  
Longueuil, Quebec

**CANADIAN SPACE AGENCY**  
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**For the quarter ended September 30, 2013**  
**Statement of Authorities (unaudited)**  
(in thousands of dollars)

Annex 1

	<b>Fiscal Year 2013-2014</b>			<b>Fiscal Year 2012-2013</b>		
	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	Total available for use for the year ending March 31, 2013 (1, 2, 3)	Used during the quarter ended September 30, 2012 (4)	Year to date used at quarter-end (4)
	\$	\$	\$	\$	\$	\$
Vote 25: Operating expenditures	171,615	31,819	54,435	171,675	37,920	66,009
Vote 30: Capital expenditures	272,688	84,382	101,886	163,230	14,798	23,786
Vote 35: Grants and contributions	33,630	9,439	17,689	36,597	10,327	18,885
Contributions to employee benefit plans	10,748	2,687	5,374	11,033	2,758	5,516
Spending of proceeds from the disposal of surplus Crown assets	9	2	2	17	8	16
<b>Total budgetary authorities</b>	<b>488,690</b>	<b>128,329</b>	<b>179,386</b>	<b>382,552</b>	<b>65,811</b>	<b>114,212</b>

- (1) Includes only Authorities available for use and granted by Parliament at quarter-end.
- (2) Total available for use does not reflect measures announced in Budget 2012.
- (3) Statutory authorities have been reclassified. Authorities for Contributions to employee benefit plans and authorities for Spending of proceeds from the disposal of surplus Crown assets are presented separately starting 2013-14.
- (4) Operating expenditures, expenditures for the Contributions to employee benefit plans and expenditures from the proceeds from the disposal of surplus Crown assets have been reclassified.

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**Departmental budgetary expenditures by Standard Object (unaudited)**  
(in thousands of dollars)

Annex 2

	<b>Fiscal Year 2013-2014</b>			<b>Fiscal Year 2012-2013</b>		
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013 (1)	Expended during the quarter ended September 30, 2012	Year to date used at quarter-end
<b>Expenditures:</b>	\$	\$	\$	\$	\$	\$
Personnel	72,516	17,275	36,885	76,440	19,257	40,257
Transportation and communications	4,098	845	1,538	5,581	979	1,847
Information	908	723	1,070	1,140	296	515
Professional and special services	106,753	16,905	21,984	187,015	22,374	34,249
Rentals	2,347	832	1,071	1,522	591	936
Repair and maintenance	3,397	1,042	1,552	3,869	146	300
Utilities, materials and supplies	2,330	373	801	2,814	861	1,173
Acquisition of land, buildings and works	1,110	0	0	1,207	0	0
Acquisition of machinery and equipment	257,584	78,973	94,731	62,893	8,829	13,586
Transfer payments	33,630	9,439	17,689	36,597	10,327	18,885
Other subsidies and payments	4,017	1,922	2,065	3,474	2,151	2,464
<b>Total budgetary expenditures</b>	<b>488,690</b>	<b>128,329</b>	<b>179,386</b>	<b>382,552</b>	<b>65,811</b>	<b>114,212</b>

(1) Planned expenditures do not reflect measures announced in Budget 2012.