



Canadian Space
Agency

Agence spatiale
canadienne



Canadian Space Agency

2013-2014

Quarterly Financial Report

For the Quarter Ended June 30, 2013

Canada

Management Statement for the Quarter Ended June 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](#)¹ 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 2013-2014 [Report on Plans and Priorities](#)¹.

¹ *The financial data presented as planned expenditures in the 2013-2014 Main Estimates and the 2013-2014 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 to date for the 2013-2014 fiscal year. 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 2012-2013, 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 2012-2013, frozen allotments were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012.

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In 2013-2014, the changes to departmental authorities were implemented through the Annual Reference Level Update, as approved by Treasury Board, and were reflected in the 2013-2014 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.

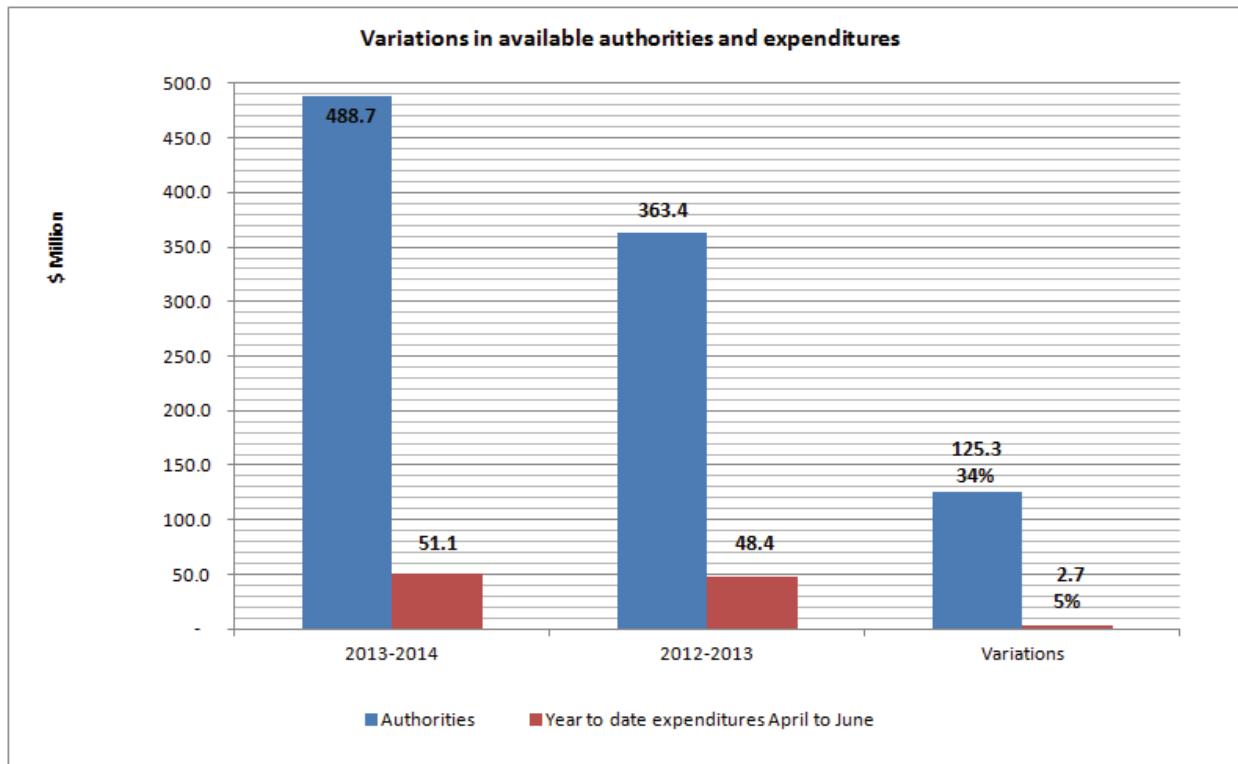
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting. Expenditure basis accounting thus includes disbursements as well as some expenditures incurred 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 year to date and actual expenditures for the quarter ended June 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 by the CSA for the year ending March 31, 2014 is \$488.7 million and represents an increase of 125.3 million over the same period for the previous year. The most significant changes are as follows :

Authorities (<i>in thousands of dollars</i>)	2013-14	2012-13	Variance	%
Vote 25 - Operating expenditures	171,615	163,210	8,405	5 %
Vote 30 - Capital expenditures	272,688	152,535	120,153	79 %
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 *	4	11	(7)	-64 %
Total budgetary authorities	488,685	363,386	125,299	34 %

* 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 2013-2014. Therefore, statutory authorities have been reclassified for 2012-2013.

The following factors are key in explaining the increase of \$8.4 million in Vote 25 - Operating Expenditures :

- ✓ A \$3.9 million increase for compensation associated with the renewal of collective agreements. In accordance with the cost containment measures announced in Budget 2010, departments and agencies have had to absorb the costs associated with the renewal of collective agreements with respect to existing reference levels until fiscal year 2012-2013 (that is no compensation from the Treasury Board Secretariat).
- ✓ A net increase of \$24.9 million including \$6.0 million related to the announcement in Budget 2012 to continue our participation in the International Space Station until 2020. This participation comes with a new obligation for Canada, which is to cover the common system operations costs. In addition, \$4.3 million is attributable to the need to replace the cameras of the space station as well as increased maintenance of the mobile system. These items have therefore increased our operating vote. The residual consists of multiple variations inherent to the management of the Canadian Space Program (CSP) resources. They result from the fact that the budget needs by vote are not linear from one year to the other requiring budget transfers between votes or reprofiling of funds in another fiscal year.
- ✓ A decrease of \$20.3 million due to savings in the context of the 2012 federal budget spending review which includes a \$3.2 million related to salaries.

The following factors are key in explaining the increase of \$120.2 million in Vote 30 - Capital Expenditures :

- ✓ A \$112.5 million budget increase compared to the previous year allocated for the RADARSAT Constellation Mission (RCM) project as a result of additional funding

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granted over 6 years (2013-2014 to 2018-2019) 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.

- ✓ A \$12.3 million decrease related to multiple cash flow variations for various projects such as, Generic Satellite Operations, Matmos, OSIRIS-REX Rendez-Vous System (International Space Station) - Navigation & tech demo inspection.

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 2012-2013 and 2013-2014 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 \$3.8 million decrease due to savings realized in the context of the 2012 federal budget spending review for the Grants and Contributions Programs.
- ✓ A \$3.5 million increase in the Grants and Contributions Programs 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 now also in the form of transfer payments.

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

Year to date and quarterly expenditures for the quarter ended June 30, 2013 are \$51.1 million and represent a \$2.7 million increase 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 (in thousands of dollars)	2013-14	2012-13	Variance	%
Vote 25 - Operating expenditures **	22,616	28,089	(5,473)	-19 %
Vote 30 - Capital expenditures	17,504	8,988	8,516	95 %
Vote 35 - Grants and contributions	8,250	8,558	(308)	-4 %
Contributions to employee benefit plans *	2,687	2,758	(71)	-3 %
Spending of proceeds from the disposal of surplus Crown assets *	0	8	(8)	-100 %
Total budgetary expenditures	51,057	48,401	2,656	5 %

* 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 2013-2014. Therefore, expenditures related to statutory authorities have been reclassified for 2012-2013. ** Operating expenditures have been reclassified.

The \$5.5 million decrease in the use of vote 25 - Operating expenditures, over the same period last year is partly explained by the reduction of our operating expenditures as a result of the implementation of decisions announced in the Budget 2012 Deficit Reduction Action Plan (DRAP) as well as the change in payment schedules compared to the same period last year.

The \$8.5 million increase in the use of vote 30 - Capital expenditures, over the same period last year is mainly due to the increase in expenditures related to the development phase of the RCM project. The variation in the payment schedules and in the project development cycle, which are an inherent characteristic of the implementation of the Canadian Space Program, also explain the increase in expenses in the first quarter of 2013-2014.

Expenditures by Standard Object

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

Expenditures (in thousands of dollars)	2013-14	2012-13	Variance	%
Personnel	19,610	21,000	(1,390)	-7 %
Transportation and communications	693	868	(175)	-20 %
Information	347	219	128	58 %
Professional and special services	5,079	11,875	(6,796)	-57 %
Rentals	239	345	(106)	-31 %
Repair and maintenance	510	154	356	231 %
Utilities, materials and supplies	428	312	116	37 %
Acquisition of land, buildings and works	0	0	0	N/A
Acquisition of machinery and equipment	15,758	4,757	11,001	231 %
Transfer payments	8,250	8,558	(308)	-4 %
Other subsidies and payments	143	313	(170)	-54 %
Total budgetary expenditures	51,057	48,401	2,656	5 %

The \$1.4 million decrease in quarterly expenditures for the Personnel standard object is mainly due to workforce downsizing arising from recent government-wide reviews.

The \$6.8 million decrease in quarterly expenditures for the Professional and special services standard object is partly attributable to the end of the definition phase activities 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.

The \$11 million increase in quarterly expenditures for the Acquisition of machinery and equipment standard object is related to the implementation of the RCM project development phase.

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 2013-2014 represents 10.4% of our authorities whereas 25% 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

A significant change in personnel occurred during the first quarter: Mr. Steve MacLean left the CSA June 4, 2013. General (retired) Walter John Natynczyk, former Chief of Defence Staff, will become President of the CSA, effective August 6, 2013. Mr. Gilles Leclerc assumes the interim until Mr. Natynczyk's arrival.

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 saving of \$29.5 million by 2014-15.

The decrease in authorities over the same period of the previous year are reflected in Vote 25 – Operating Expenditures for an amount of \$20.3 million including an amount of \$3.2 million for salaries, in Vote 35 – Grants and contributions for an amount of \$3.8 million and in the statutory authority Contributions to employee benefit plans for an amount of \$0.6 million.

During the first quarter, the decrease in expenditures over the same period of the previous year are mainly reflected in Vote 25 – Operating expenditures and in the standard object Personnel for an amount of \$1.4 million.

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 21, 2013

Walter Natynczyk Date
President
Longueuil, Quebec

The original version was signed by
Marie-Claude Guérard, August 21, 2013

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

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Annex 1

Quarterly Financial Report

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Statement of Authorities (unaudited)

Fiscal year 2013-2014 (in thousands of dollars)

	Fiscal Year 2013-2014			Fiscal Year 2012-2013		
	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	Total available for use for the year ending March 31, 2013 (1, 2, 3)	Used during the quarter ended June 30, 2012 (4)	Year to date used at quarter-end (4)
Vote 25: Operating expenditures	\$ 171,615	\$ 22,616	\$ 22,616	\$ 163,210	\$ 28,089	\$ 28,089
Vote 30: Capital expenditures	272,688	17,504	17,504	152,535	8,988	8,988
Vote 35: Grants and contributions	33,630	8,250	8,250	36,597	8,558	8,558
Contributions to employee benefit plans	10,748	2,687	2,687	11,033	2,758	2,758
Spending of proceeds from the disposal of surplus Crown assets	4	0	0	11	8	8
Total budgetary authorities	488,685	51,057	51,057	363,386	48,401	48,401

(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 2013-2014.

(4) Operating expenditures and Spending from the disposal of surplus Crown assets have been reclassified. Expenditures for the Contributions to employee benefit plans and the Spending of proceeds from the disposal of surplus Crown assets are presented separately starting 2013-2014.

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Annex 2

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Departmental budgetary expenditures by Standard Object (unaudited)

Fiscal year 2013-2014 (in thousands of dollars)

	Fiscal Year 2013-2014			Fiscal Year 2012-2013		
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013 (1)	Expended during the quarter ended June 30, 2012	Year to date used at quarter-end
Expenditures:						
Personnel	72,516	19,610	19,610	73,720	21,000	21,000
Transportation and communications	4,098	693	693	5,479	868	868
Information	908	347	347	1,140	219	219
Professional and special services	106,748	5,079	5,079	181,276	11,875	11,875
Rentals	2,347	239	239	1,416	345	345
Repair and maintenance	3,397	510	510	3,869	154	154
Utilities, materials and supplies	2,330	428	428	2,640	312	312
Acquisition of land, buildings and works	1,110	0	0	1,207	0	0
Acquisition of machinery and equipment	257,584	15,758	15,758	52,762	4,757	4,757
Transfer payments	33,630	8,250	8,250	36,597	8,558	8,558
Other subsidies and payments	4,017	143	143	3,280	313	313
Total budgetary expenditures	488,685	51,057	51,057	363,386	48,401	48,401

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