



Canadian Space  
Agency

Agence spatiale  
canadienne



# **Canadian Space Agency**

**2018-2019**

**Quarterly Financial Report**

**For the Quarter Ended**

**June 30, 2018**

## Management Statement for the Quarter Ended June 30, 2018

### 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 [2018-2019 Main Estimates](#)<sup>1</sup>.

#### 1.1 Mandate and Program Activities

The objectives 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 technologies provide social and economic benefits for Canadians.*

More information is available on the CSA's [mandate](#) and Program Activities in the [2018-19 Departmental Plan](#)<sup>1</sup>.

<sup>1</sup> *The financial data presented as planned expenditures in the Main Estimates (ME) and the Departmental Plan may differ from the authorities available presented in this Quarterly Financial Report (QFR). The Departmental Plan 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).*

#### 1.2 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 year 2018-2019 compared to 2017-2018. 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.

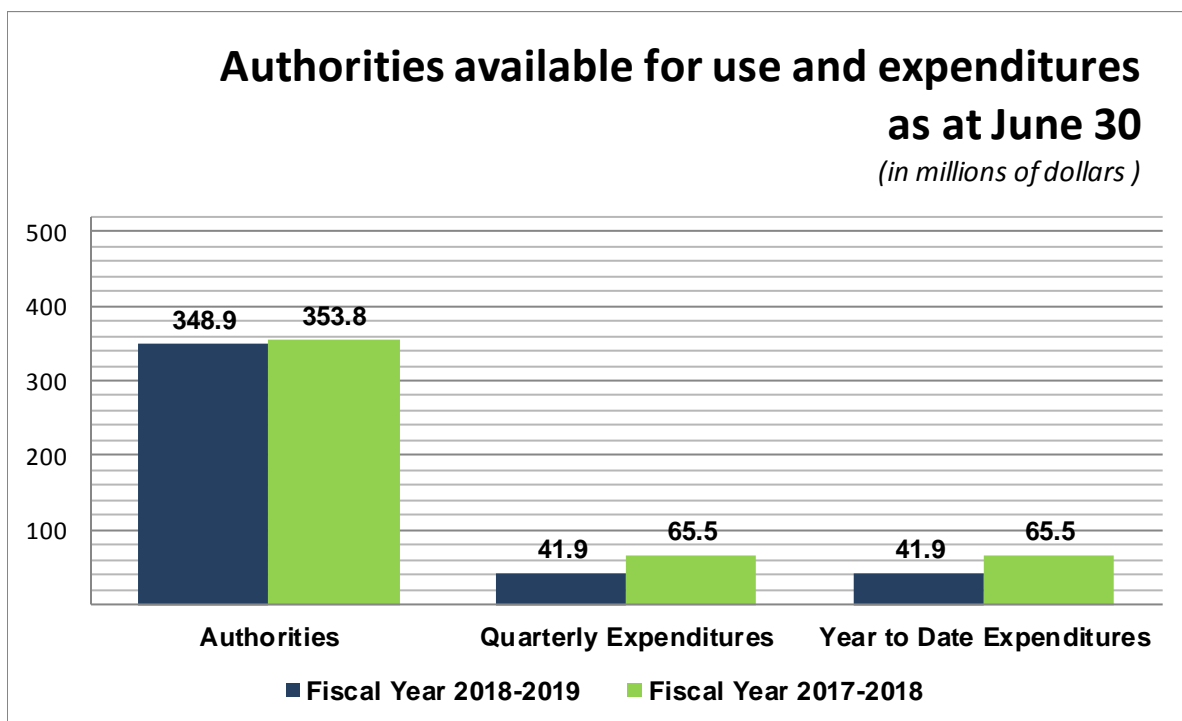
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting. Partial accrual method of accounting 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, 2018.

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 2018-2019 and 2017-2018.

The total vote available for use as at June 30, 2018 is \$348.9 million, and represents a decrease of \$4.9 million compared to the same period of the previous year.

Authorities (in thousands of dollars)	2018-2019	2017-2018	Variance	%
Vote 1 - Operating expenditures	170,770	161,269	9,501	6%
Vote 5 - Capital expenditures	112,229	122,420	(10,191)	(8%)
Vote 10 - Grants and contributions	56,411	60,966	(4,555)	(7%)
Contributions to employee benefit plans	9,463	9,155	308	3%
Spending of proceeds from the disposal of surplus Crown assets	20	28	(8)	(30%)
<b>Total budgetary authorities</b>	<b>348,893</b>	<b>353,838</b>	<b>(4,945)</b>	<b>(1%)</b>

The increase of \$9.5 million in Vote 1 - Operating expenditures is mainly explained by the following items:

- An increase of \$15.1 million due to additional funding received to extend Canada's participation in the International Space Station (ISS) mission from 2021 to 2024.
- An decrease of \$2.0 million due to a budgetary transfer from the Operating Vote to the Grants and contributions Vote for the Space technologies development program.
- The residual difference consists 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.

The decrease of \$10.2 million in Vote 5 - Capital expenditures is mainly explained by the following items:

- A decrease of \$7.5 million due to the end of the additional funding obtained for items in Budget 2016 related to the security enhancement at John H. Chapman Space Center as well as the purchase and installation of absorber material for the David Florida Laboratory (DFL) Anechoic Chamber.
- A decrease of \$4.4 million compared to the previous year due to the end of the additional funding obtained for the David Florida Laboratory (DFL) infrastructure and corresponding equipment to maintain its space capabilities and improve compliance with applicable building codes and standards.
- An increase of \$2.6 million due to different cash flow requirements for Surface Water & Ocean Topography (SWOT-C) project related activities.
- The residual difference consists 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.

The decrease of \$4.6 million in Vote 10 - Grants and Contributions expenditures is mainly explained by the following items:

- A decrease of \$5.0 million over the same period last year, due to the funding profile of the additional funding obtained in the 2015 Budget for the Contribution Program under the Canada-European Space Agency Cooperation Agreement for the Advanced Research in Telecommunications Systems (ARTES) program.
- An increase of \$2.0 million due to a budgetary transfer from the Operating Vote to the Grants and contributions Vote for the Space technologies development program.
- The residual difference consists 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.

## 2.2 Significant Changes in Quarterly and Year-to-Date Expenditures (Votes Used) between fiscal 2018-2019 and 2017-2018

Quarterly and year-to-date expenditures for the quarter ended June 30, 2018 are of \$41.9 million and represent a decrease, quarterly and year to date, of \$23.6 million compared to the same period of the previous year.

### Expenditures by Vote as at June 30

Expenditures by Vote (in thousands of dollars)	2018-2019		2017-2018		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Vote 1 - Operating expenditures	23,496	23,496	24,777	24,777	(1,281)	(1,281)
Vote 5 - Capital expenditures	2,692	2,692	30,497	30,497	(27,805)	(27,805)
Vote 10 - Grants and contributions	13,340	13,340	7,913	7,913	5,427	5,427
Contributions to employee benefit plans	2,366	2,366	2,289	2,289	77	77
Spending of proceeds from the disposal of surplus Crown assets	6	6	12	12	(6)	(6)
<b>Total budgetary expenditures by Vote</b>	<b>41,900</b>	<b>41,900</b>	<b>65,488</b>	<b>65,488</b>	<b>(23,588)</b>	<b>(23,588)</b>

The decrease of \$1.3 million in the quarterly and year to date expenditures in Vote 1 – Operating expenditures, is mainly explained by the following:

- A decrease of \$3.8 million due to variation in the payment schedules for the implementation cycle of activities related to ISS.
- An increase of \$1.8 million due to variation in the payment schedules for the Payments in Lieu of Taxes Program (PILT).

→ An increase of \$0.9 million in salary expenses due to the ratification of collective agreements.

The decrease of \$27.8 million in the quarterly and year to date expenditures in Vote 5 - Capital expenditures, is mainly explained by the following:

→ The variations the payment schedules for the RADARSAT Constellation Mission (RCM) project.

The increase of \$5.4 million in the quarterly and year to date expenditures in Vote 10 – Grants and contributions, is mainly explained by the following:

→ The variations in the payment schedules to the European Space Agency (ESA) as well as the Class Grant Program to Support Research, Awareness and Learning in Space Science and Technology.

### **Expenditures by Standard Object as at June 30**

<b>Expenditures by Standard Object</b> <i>(in thousands of dollars)</i>	<b>2018-2019</b>		<b>2017-2018</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	18,882	18,882	17,972	17,972	910	910
Transportation and communications	796	796	754	754	42	42
Information	561	561	515	515	46	46
Professional and special services	4,304	4,304	8,408	8,408	(4,104)	(4,104)
Rentals	285	285	369	369	(84)	(84)
Repair and maintenance	609	609	660	660	(51)	(51)
Utilities, materials and supplies	604	604	303	303	301	301
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	554	554	28,559	28,559	(28,005)	(28,005)
Transfer payments	13,352	13,352	7,913	7,913	5,439	5,439
Other subsidies and payments	1,953	1,953	35	35	1,918	1,918
<b>Total budgetary expenditures by Standard Object</b>	<b>41,900</b>	<b>41,900</b>	<b>65,488</b>	<b>65,488</b>	<b>(23,588)</b>	<b>(23,588)</b>

The \$0.9 million increase in quarterly and year to date expenditures for the Personnel standard object is primarily due to:

→ An increase in salary expenses due to the ratification of collective agreements during the previous fiscal year.

The \$4.1 million decrease in quarterly and year to date expenditures for the Professional and special services standard object is primarily due to:

→ A variation in the payment schedules related to the Space Station.

The \$28.0 million decrease in quarterly and year to date expenditures for the Acquisition of machinery and equipment standard object is primarily due to:

- The budget changes and consequently the variations in the payment schedules for the RCM project.

The \$5.4 million increase in quarterly and year to date expenditures for the Transfer payments standard object is primarily due to:

- The variations in the payment schedules to the European Space Agency (ESA) as well as the Class Grant Program to Support Research, Awareness and Learning in Space Science and Technology.

The \$1.9 million increase in quarterly and year to date expenditures for the Other subsidies and payments standard object is primarily due to:

- A variation in the payment schedules for the Payments in Lieu of Taxes Program (PILT).

### **3. Risks and Uncertainties**

The year-to-date expenditures for the 1<sup>st</sup> quarter of 2018-2019 represent 12% of authorities whereas 25% of fiscal year has passed. The level of expenditure is lower than the 2017-2018 fiscal year (19%) and similar to the 2016-2017 fiscal year (12%) 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.

The specific nature of the Canadian Space Program confronts the CSA with issues related to the advanced technologies used in space missions as well as the international aspect of some projects. For Canada, activities are often carried out in partnership with other spacefaring nations, to share the costs and leverage capabilities. The international nature and technical challenges associated with developing and implementing disruptive technologies, in collaboration with multiple partners, generate risks in the delivery of projects and therefore financial risks associated with the use of funds such as the deferral of funds and costs increase.

Risks also arise from the Canada / European Space Agency (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 on by space programs of its key partners (National Aeronautics and Space Administration (NASA), ESA and other space agencies). In addition, the CSA implemented a new investment governance and monitoring framework and rigorous project management practices are in place. These initiatives allow the CSA to track and report on the progress of its commitments, assess the effectiveness of its work, and align its resources with priorities.

Furthermore, CSA manages its financial risks and uncertainties related to Phoenix by adopting risk mitigation strategies. There are a number of actions that CSA has taken to date to help stabilize the pay system, and ensure that employees are paid accurately and on time. As one of

the departments whose accounts have not yet migrated to the Pay Centre, compensation services remain on site. The compensation team, which fluctuates to meet demand, monitors closely for payroll inaccuracies and communicates directly with employees to provide clarification and to take swift action to rectify issues, if needed. The team also participates actively in various working groups and other forums led by Treasury Board Secretariat (TBS) and/or Public Services and Procurement Canada (PSPC). Beyond this, Finance staff regularly perform salary reconciliations to monitor and correct expense variances.

#### **4. Significant Changes in Relation to Operations, Personnel and Programs**

A significant change in personnel occurred during the first quarter. Two senior leaders exchanged their positions on May 22<sup>nd</sup> : Marie-Claude Guérard became the Director General of Space Science and Technology and Jean-Claude Piedboeuf became the CSA's Chief Financial Officer.

#### **Approval by Senior Officials**

Approved by,

The original version was signed by  
Sylvain Laporte, August 20, 2018

\_\_\_\_\_ Date  
Sylvain Laporte  
President  
Longueuil, Quebec

The original version was signed by  
Jean-Claude Piedboeuf, August 16, 2018

\_\_\_\_\_ Date  
Jean-Claude Piedboeuf, B. Ing., Ph.D.  
Chief Financial Officer  
Longueuil, Quebec



**CANADIAN SPACE AGENCY**  
**Quarterly Financial Report**  
**For the quarter ended June 30, 2018**  
**Statement of Authorities (unaudited)**  
(in thousands of dollars)

Annex 1

	<b>Fiscal Year 2018-2019</b>			<b>Fiscal Year 2017-2018</b>		
	Total available for use for the year ending March 31, 2019 (1)	Used during the quarter ended June 30, 2018	Year to date used at quarter-end	Total available for use for the year ending March 31, 2018 (1)	Used during the quarter ended June 30, 2017	Year to date used at quarter-end
	\$	\$	\$	\$	\$	\$
Vote 1: Operating expenditures	170,770	23,496	23,496	161,269	24,777	24,777
Vote 5: Capital expenditures	112,229	2,692	2,692	122,420	30,497	30,497
Vote 10: Grants and contributions	56,411	13,340	13,340	60,966	7,913	7,913
Contributions to employee benefit plans	9,463	2,366	2,366	9,155	2,289	2,289
Spending of proceeds from the disposal of surplus Crown assets	20	6	6	28	12	12
<b>Total budgetary authorities</b>	<b>348,893</b>	<b>41,900</b>	<b>41,900</b>	<b>353,838</b>	<b>65,488</b>	<b>65,488</b>

(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, 2018**

**Departmental budgetary expenditures by Standard Object (unaudited)**

(in thousands of dollars)

	<b>Fiscal Year 2018-2019</b>			<b>Fiscal Year 2017-2018</b>		
	Planned expenditures for the year ending March 31, 2019	Used during the quarter ended June 30, 2018	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Used during the quarter ended June 30, 2017	Year to date used at quarter-end
<b>Expenditures:</b>	\$	\$	\$	\$	\$	\$
Personnel	71,722	18,882	18,882	67,470	17,972	17,972
Transportation and communications	5,180	796	796	4,497	754	754
Information	3,199	561	561	3,044	515	515
Professional and special services	178,034	4,304	4,304	121,464	8,408	8,408
Rentals	1,841	285	285	2,950	369	369
Repair and maintenance	1,441	609	609	3,137	660	660
Utilities, materials and supplies	1,742	604	604	1,851	303	303
Acquisition of land, buildings and works	50	-	-	445	-	-
Acquisition of machinery and equipment	22,538	554	554	81,096	28,559	28,559
Transfer payments	56,411	13,352	13,352	60,966	7,913	7,913
Other subsidies and payments	6,735	1,953	1,953	6,918	35	35
<b>Total budgetary expenditures</b>	<b>348,893</b>	<b>41,900</b>	<b>41,900</b>	<b>353,838</b>	<b>65,488</b>	<b>65,488</b>