



Canadian Space Agency
Agence spatiale
canadienne



Canadian Space Agency

2019-2020

Quarterly Financial Report

For the Quarter Ended

September 30, 2019

Management Statement for the Quarter Ended September 30, 2019

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 [2019-2020 Main Estimates](#)¹.

1.1 Mandate and Program Activities

The Canadian Space Agency's (CSA) mandate 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 technologies provide social and economic benefits for Canadians.*

More information is available on the CSA's [mandate](#) and on the departmental results framework in the [2019-20 Departmental Plan](#)¹.

¹ *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 this 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 September 30 for fiscal year 2019-2020 compared to 2018-2019. 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.

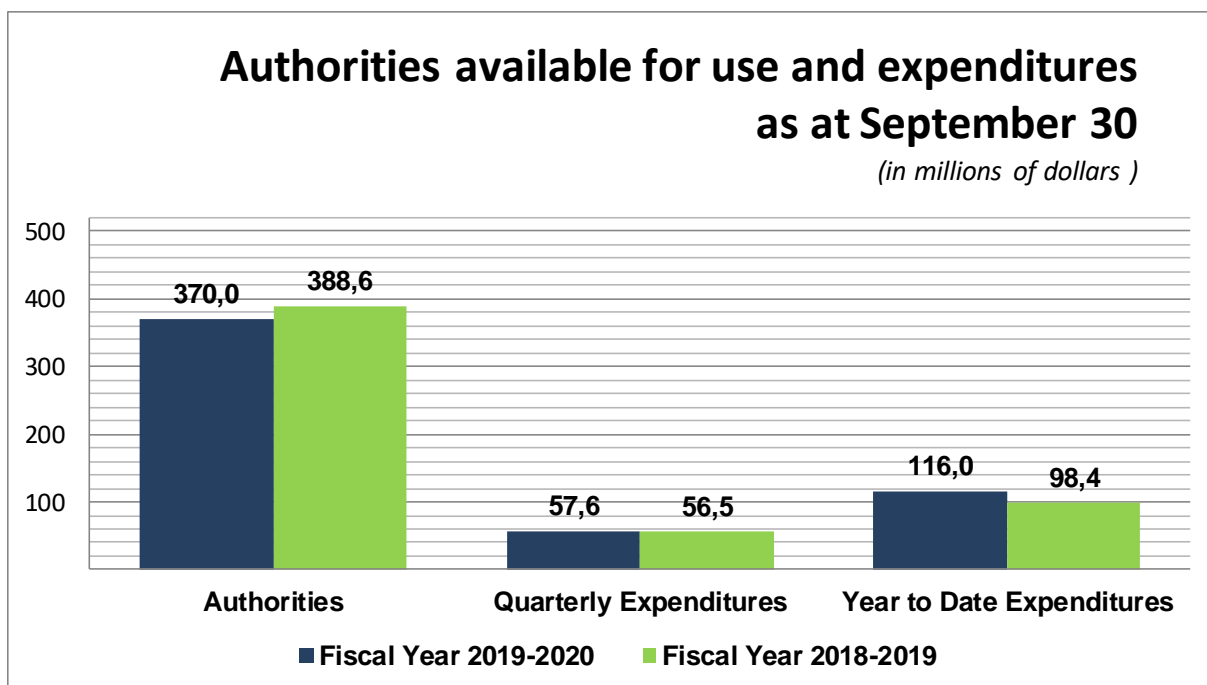
The CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, which is, a partial accrual method of accounting. The 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 was 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 elements 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, 2019.

The following graph provides an overview of the variations in the available authorities and the 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 the Authorities (Total Votes Available for Use) between fiscal years 2019-2020 and 2018-2019.

The total votes available for use as at September 30, 2019 is \$370.0 million, which represents a decrease of \$18.6 million compared to the same period in the previous year.

Authorities (in thousands of dollars)	2019-2020	2018-2019	Variance	%
Vote 1 - Operating expenditures	187 346	176 829	10 517	6%
Vote 5 - Capital expenditures	113 647	145 922	(32 275)	(22%)
Vote 10 - Grants and contributions	58 696	56 411	2 285	4%
Contributions to employee benefit plans	10 312	9 463	849	9%
Spending of proceeds from the disposal of surplus Crown assets	3	20	(17)	(85%)
Total budgetary authorities	370 004	388 645	(18 641)	(5%)

The increase of \$10.5 million in Vote 1 - Operating expenditures is mainly explained by the following items:

- An increase of \$9.4 million as a result of additional funding received to extend Canada's participation in the International Space Station (ISS) mission from 2021 to 2024.
- An increase of \$1.1 million as a result of funding received from Treasury Board for collective agreements ratification.

The decrease of \$32.3 million in Vote 5 - Capital expenditures is mainly explained by the following items:

- A decrease of \$27.4 million due to different cash flow requirements for Radarsat Constellation Mission (RCM) project related activities.
- A decrease of \$3.9 million due to different cash flow requirements for Life Science Research System (LSRS) project related activities.
- A decrease of \$2.6 million due to different cash flow requirements for Surface Water & Ocean Topography (SWOT-C) project related activities.
- An increase of \$7.8 million due to additional funding obtained for Quantum Encryption and Science Satellite (QEYSSat) project.
- 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 increase of \$2.3 million in Vote 10 - Grants and Contributions expenditures is mainly explained by the following items:

- An increase of \$2.6 million due to different anticipated cash flow requirements for the Contribution Program under the Canada-European Space Agency (ESA) Cooperation Agreement.
- 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 the Quarterly and Year-to-Date Expenditures (Votes Used) between fiscal years 2019-2020 and 2018-2019

The quarterly and year-to-date expenditures for the quarter ended September 30, 2019 are of \$57.6 and \$116.0 million which represents a quarterly increase of \$1.1 million and a year to date increase of \$17.6 million compared to the same period in the previous year.

Expenditures by Vote as at September 30

Expenditures by Vote <i>(in thousands of dollars)</i>	2019-2020		2018-2019		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Vote 1 - Operating expenditures	38 340	64 506	38 712	62 208	(372)	2 298
Vote 5 - Capital expenditures	8 868	30 618	10 300	12 992	(1 432)	17 626
Vote 10 - Grants and contributions	7 794	15 714	5 118	18 458	2 676	(2 744)
Contributions to employee benefit plans	2 578	5 156	2 366	4 732	212	424
Spending of proceeds from the disposal of surplus Crown assets	-	-	7	13	(7)	(13)
Total budgetary expenditures by Vote	57 580	115 994	56 503	98 403	1 077	17 591

The increase of \$2.3 million in the year to date expenditures in Vote 1 – Operating expenditures, is mainly explained by the following:

- The variations in the payment schedules for carrying out contractual activities for the maintenance and operations of the International Space Station (ISS), for Space Technologies Development Program and for Earth Observation Government Related Initiatives as well as an increase of full time equivalent (FTEs) in place and retroactive and interdepartmental salary payments.

The decrease of \$1.4 million in the quarterly expenditures and the increase of \$17.6 million in the year to date expenditures in Vote 5 - Capital expenditures, are mainly explained by the following:

- A quarterly decrease due to the variations in the payment schedules for Space Exploration activities as well as the maintenance and operations of the David Florida Laboratory (DFL) building infrastructure.

→ A year to date increase due to the variations in the payment schedules for the RADARSAT Constellation Mission (RCM).

The increase of \$2.7 million in the quarterly expenditures and the decrease of \$2.7 million in the year to date expenditures in Vote 10 – Grants and contributions, are mainly explained by the following:

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

Expenditures by Standard Object as at September 30

Expenditures by Standard Object <i>(in thousands of dollars)</i>	2019-2020		2018-2019		Variance	
	Quarterly	Year to date	Quarterly	Year to date	Quarterly	Year to date
Personnel	19 421	39 218	18 297	37 179	1 124	2 039
Transportation and communications	1 056	2 039	1 131	1 927	(75)	112
Information	175	607	846	1 407	(671)	(800)
Professional and special services	19 556	27 938	22 006	26 310	(2 450)	1 628
Rentals	1 129	1 384	579	864	550	520
Repair and maintenance	656	878	1 047	1 656	(391)	(778)
Utilities, materials and supplies	612	1 375	342	946	270	429
Acquisition of land, buildings and works	-	-	37	37	(37)	(37)
Acquisition of machinery and equipment	5 334	24 989	7 077	7 631	(1 743)	17 358
Transfer payments	7 794	15 714	5 106	18 458	2 688	(2 744)
Other subsidies and payments	1 847	1 852	35	1 988	1 812	(136)
Total budgetary expenditures by Standard Object	57 580	115 994	56 503	98 403	1 077	17 591

The \$1.1 and \$2.0 million increases in quarterly and year to date expenditures for the Personnel standard object are primarily due to:

→ The expenditure variations related to the increase of full time equivalent (FTEs) in place, retroactive and interdepartmental salary payments.

The \$2.5 million decrease in quarterly expenditures and the \$1.6 million increase in year to date expenditures for the Professional and special services standard object are primarily due to:

→ The variations in the payment schedules for carrying out contractual activities for the maintenance and operations of the International Space Station (ISS) and Space Technologies Development Program.

The \$1.7 million decrease in quarterly expenditures and the \$17.4 million increase in year to date expenditures for the Acquisition of machinery and equipment standard object are primarily due to:

→ A quarterly expenditures decrease due to the variations in the payment schedules for carrying out contractual activities for the maintenance and operations of the International Space Station (ISS).

- A year to date increase due to the variations in the payment schedules for the RADARSAT Constellation Mission (RCM).

The \$2.7 million increase in quarterly expenditures and the \$2.7 million decrease in year to date expenditures for the Transfer payments standard object are primarily due to:

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

The \$1.8 million increase in quarterly 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 2nd quarter of 2019-2020 represent 31% of the authorities whereas 50% of the fiscal year has passed. The level of expenditures is slightly higher than it was in the 2018-2019 fiscal year (25%) and is similar to the expenditure level in 2017-2018 (29%) which represents no concerns. The situation concerning the cumulative expenditures will be restored at year-end when the accruals are recorded, in accordance with 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 in space must be carried out in partnership with other spacefaring nations, using innovative and cost-efficient technologies. 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 increases.

Risks also arise from the Canada / European Space Agency (ESA) Cooperation Agreement. They include variations in amounts payable resulting from 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 these risks, the CSA regularly reviews its project portfolio, activity plans, schedules and financial management strategies to adjust to changes brought on by the space programs of its key partners (National Aeronautics and Space Administration (NASA), ESA and other space agencies). In addition, rigorous project management practices are in place. These initiatives allow the CSA to track and report on the progress of its commitments, to assess the effectiveness of its work, and to align its resources with its priorities.

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

CANADIAN SPACE AGENCY
Quarterly Financial Report
For the quarter ended September 30, 2019
Statement of Authorities (unaudited)

Annex 1

(in thousands of dollars)

	Fiscal Year 2019-2020			Fiscal Year 2018-2019		
	Total available for use for the year ending March 31, 2020 (1)	Used during the quarter ended September 30, 2019	Year to date used at quarter-end	Total available for use for the year ending March 31, 2019 (1)	Used during the quarter ended September 30, 2018	Year to date used at quarter-end
	\$	\$	\$	\$	\$	\$
Vote 1: Operating expenditures	187,346	38,340	64,506	176,829	38,712	62,208
Vote 5: Capital expenditures	113,647	8,868	30,618	145,922	10,300	12,992
Vote 10: Grants and contributions	58,696	7,794	15,714	56,411	5,118	18,458
Contributions to employee benefit plans	10,312	2,578	5,156	9,463	2,366	4,732
Spending of proceeds from the disposal of surplus Crown assets	3	-	-	20	7	13
Total budgetary authorities	370,004	57,580	115,994	388,645	56,503	98,403

(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 September 30, 2019

Departmental budgetary expenditures by Standard Object (unaudited)

(in thousands of dollars)

	Fiscal Year 2019-2020			Fiscal Year 2018-2019		
	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended September 30, 2019	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2019	Expended during the quarter ended September 30, 2018	Year to date used at quarter-end
Expenditures:	\$	\$	\$	\$		\$
Personnel	77,801	19,421	39,218	71,722	18,297	37,179
Transportation and communications	4,281	1,056	2,039	5,180	1,131	1,927
Information	1,824	175	607	3,199	846	1,407
Professional and special services	164,464	19,556	27,938	134,207	22,006	26,310
Rentals	2,983	1,129	1,384	1,841	579	864
Repair and maintenance	3,379	656	878	1,441	1,047	1,656
Utilities, materials and supplies	1,702	612	1,375	1,742	342	946
Acquisition of land, buildings and works	650	-	-	4,032	37	37
Acquisition of machinery and equipment	51,177	5,334	24,989	102,135	7,077	7,631
Transfer payments	58,696	7,794	15,714	56,411	5,106	18,458
Other subsidies and payments	3,047	1,847	1,852	6,735	35	1,988
Total budgetary expenditures	370,004	57,580	115,994	388,645	56,503	98,403