



National Research Council Canada

Statement outlining results, risks and significant changes in operations, personnel and programs

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1. Introduction

The Government of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference. These financial statements have been prepared to respond to these requirements. This Departmental Quarterly Financial Report (QFR) reflects the results of the current fiscal period in relation to the [Main Estimates](#). The QFR should be read in conjunction with the Main Estimates, the Federal Budget ([Budget 2016](#), [Budget 2017](#), [Budget 2018](#) and [Budget 2019](#)) as well as [Canada's COVID-19 Economic Response Plan](#). They have been prepared by management as required by section 65.1 of the [Financial Administration Act \(R.S.C., 1985, c. F-11\)](#) and in the form and manner prescribed by the Treasury Board of Canada Secretariat. Although these statements have not been subject to an external audit or review, the National Research Council of Canada (NRC) attests that they are an accurate and true reflection of the financial position for the period ended June 30, 2020.

1.1 NRC mandate

The NRC exists under the [National Research Council Act \(R.S.C., 1985, c. N-15\)](#) and is a Departmental corporation named in Schedule II of the [Financial Administration Act \(R.S.C., 1985, c. F-11\)](#). The mission of the NRC is to have an impact by advancing knowledge, applying leading-edge technologies, and working with other innovators to find creative, relevant and sustainable solutions to Canada's current and future economic, social and environmental challenges.

Under the [National Research Council Act \(R.S.C., 1985, c. N-15\)](#), the NRC is responsible for:

- undertaking, assisting or promoting scientific and industrial research in fields of importance to Canada
- providing vital scientific and technological services to the research and industrial communities;
- investigating standards and methods of measurement
- working on the standardization and certification of scientific and technical apparatus, instruments and materials used or usable by Canadian industry
- operating and administering any astronomical observatories established or maintained by the Government of Canada
- establishing, operating and maintaining a national science library
- publishing and selling or otherwise distributing such scientific and technical information as the Council deems necessary

Further details on the NRC's legislative framework, authority, mandate and program activities can be found in Part II of the Main Estimates and the [Departmental Plan](#).



1.2 Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the NRC's spending authorities granted by Parliament and those used by the NRC consistent with the Main Estimates for 2020-21 and Canada's COVID-19 Economic Response Plan. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use for spending authorities.

The authority of Parliament is required before moneys can be spent by the Government of Canada. 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 (pursuant to paragraph 5(1)(e) of the *National Research Council Act (R.S.C., 1985, c. N-15)*, the NRC has authority to expend revenues it has received through the conduct of its operations).

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act (R.S.C., 1985, c. F-11)* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government of Canada to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

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

2. Highlights of fiscal quarter and fiscal year-to-date (YTD) results

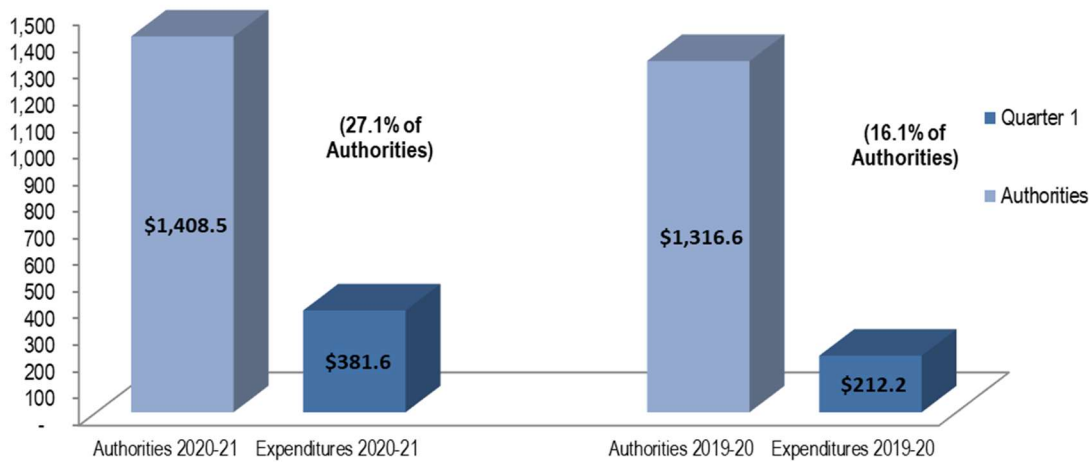
This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on June 30, 2020 compared with the [previous fiscal year](#). This section should be read in conjunction with the NRC's tables entitled Statement of Authorities and Departmental budgetary expenditures by Standard Object found on the last 2 pages of this report.



2.1 Authorities and expenditures

The following graph provides a comparison of the budgetary authorities and expenditures as of June 30, 2020 and those as of June 30, 2019.

Comparison of Budgetary Authorities and Expenditures
as of June 30, 2020 and June 30, 2019
(in millions of dollars)



As shown in the graph above, the NRC’s expenditures totalled \$381.6M during the first quarter of 2020–21 which represents an increase of \$169.4M over the first quarter of 2019-20. Higher expenditures are attributable to increases of \$172.5M in other statutory expenses mainly related to the Industrial Research Assistance Program – Innovative Assistance Program which is part of NRC’s COVID-19 response and an increase of \$5.3M in combined operating and statutory spendable revenue expenditures, offset mainly by a decrease of \$9.0M in the Industrial Research Assistance Program contributions to firms. Refer to 2.3 Significant changes to budgetary expenditures for additional details.

2.2 Significant changes to authorities

As of June 30, 2020, the authorities were \$1,408.5M, representing an increase of \$91.9M (7.0%) in comparison to the 2019-20 authorities of the same period.

The increase of \$91.9M in authorities is mainly explained by the following items:

- Increase of \$327.4M for the funding of the NRC’s response to COVID-19. NRC received \$250.M for the Industrial Research Assistance Program – Innovative Assistance Program to help high-potential firms, support jobs and keep valuable intellectual property in Canada and \$15.0M for the Youth Employment Strategy and Skills Program through the Public Health Events of National Concern Payment Act. NRC also received \$15.0M to launch an NRC IRAP-Innovative Solutions Canada COVID initiative, \$14.9M for the NRC Pandemic Response Challenge and \$43.9M over



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two years (\$32.5M in 2020-21 and \$11.4M in 2021-22) for the re-engineering of the NRC Royalmount facility in Montreal into a Good Manufacturing Practice (GMP) scale-up facility for vaccine development and manufacturing.

- Increase of \$20.5M in compensation allocation related to the signing of collective bargaining agreements;
- An increase of \$5.6M for the Collaborative Science, Technology and Innovation Program due to the revised financial profile of the program resulting from the reprofile of the 2018-19 lapsed funding;
- An increase of \$4.5M for the construction and commissioning of the International Thirty Meter Telescope due revised financial profile of the program; as well
- An increase of \$3.5M to support TRIUMF, as announced in Budget 2019; offset by
- A decrease of \$22.8M related to the statutory revenue carry-forward, and
- As at June 30th, 2020, only nine twelfth of NRC's 2020-21 Main Estimates voted appropriations were released. Consequently, \$243.1M (\$113.7M in operating expenditures, \$14.1M in capital expenditures and \$115.3M in grants and contributions expenditures) have not been supplied due to amended House of Commons Standing Orders.

The following table summarizes the significant changes to NRC authorities:

Significant Changes to Authorities (unaudited)

For the year ending March 31, 2021 - As of June 30, 2020

(in millions of dollars)

	Vote 1 Operating	Vote 5 Capital	Vote 10 Grants & Contributions	Statutory Revenues	Contributions to EBP	Statutory - Other	Total
Authorities – Total available for use for the year ending March 31, 2020 - As of June 30, 2019							1,316.6
National Research Council of Canada - COVID-19 Response Funding	20.6	21.0	20.0	-	0.8	265.0	327.4
Compensation Allocation	20.5	-	-	-	-	-	20.5
Collaboration Science, Technology and Innovation Program	-	-	5.6	-	-	-	5.6
Thirty Meter Telescope Observatory	-	-	4.5	-	-	-	4.5
TRIUMF	-	-	3.5	-	-	-	3.5
Other	(2.3)	(1.9)	(1.3)	-	1.8	-	(3.7)
Statutory Revenue Carry-Forward Adjustment	-	-	-	(22.8)	-	-	(22.8)
Supply Adjustment for the 2020-21 Main Estimates	(113.7)	(14.1)	(115.3)	-	-	-	(243.1)
Total increase (decrease) in authorities in comparison to prior year	(74.9)	5.0	(83.0)	(22.8)	2.6	265.0	91.9

**Authorities – Total available for use for the year ending March 31, 2021 -
As of June 30, 2020**

1,408.5



2.3 Significant changes to budgetary expenditures

This section should be read in conjunction with the NRC's tables entitled Statement of Authorities and Departmental budgetary expenditures by Standard Object both located at the end of this report.

2.3.1 Variances in year-to-date expenditures

As of June 30, 2020, year-to-date expenditures were \$381.6M, representing an increase of \$169.4M (79.3%) in comparison to the 2019-20 expenditures of the same period. This increase is mostly attributable to the following items:

- Other statutory expenses for transfer payments associated to NRC's COVID-19 response increased by \$172.5M for Industrial Research Assistance Program – Innovative Assistance Program;
- Combined operating and statutory expenditures increased by \$5.3M compared with the same period of the previous fiscal year. This change is mainly attributable to an increase in personnel costs of \$10.4M, not including employee benefits cost, as a result of renewed collective agreements, offset by decreases of \$3.3M in transportation and communication and \$1.7M in utilities, materials and supplies.
- Transfer payments consisting of Grants and Contributions (G&C) expenditures decreased by \$8.7M compared with the same period in the previous year. This change is principally attributable to a decrease of IRAP Contributions to Firms of \$9.0M.

3. Risks and uncertainties

In the first quarter, the NRC continued to monitor the action plans set out in its refreshed Corporate Risk Profile. Going forward, the following three corporate risks will continue to be a main point of focus: collaboration management, financial stability, and protection of information assets. The impact of COVID-19 is being monitored as part of the corporate risk action plan progress tracking to determine effects on the current risks and identify potential new risks that may need to be managed throughout the remainder of the fiscal year. One evolving risk being tracked closely are revenue reductions. Moving to telework, and focusing capacity on COVID-19 related work combined with the sudden downturn in the economy will result in reduced revenue generating activity for NRC as the year progresses, which will likely result in NRC revenue shortfalls for the fiscal year.



4. Significant changes in relation to operations, personnel and programs

As part of operating in the COVID environment, the NRC is focusing its efforts on three key priorities: protecting employees; protecting the health and safety of Canadians; and supporting the needs of clients. The following highlights operational and program changes in Q1.

- To protect the health and safety of employees, 83% of the NRC workforce was transitioned to telework by the end of the quarter, with the remaining 17% working on site full-time or intermittently to perform essential tasks such as client service and maintenance of research equipment and facilities. The NRC optimized telework capacity by investing in network licenses, virtual tools such as MS Teams and BBM Enterprise, and additional equipment, in order to help staff stay connected and engaged. The NRC also increased mental health and safety awareness by introducing webinars for supervisors on managing virtual teams, expanding the Wellness and Mental Health portal, providing ergonomic tips for home offices and routine tracking of potential cases of COVID-19. Supervisors and employees were also provided with online tools and resources for wellness strategies and support.
- In support of reducing the impact of COVID-19 and stimulating recovery in small businesses, the NRC received government funds to:
 - Received over 680 requests for assistance or advice.
 - Launched an NRC IRAP-Innovative Solutions Canada COVID initiative (\$15.0M), and an NRC Pandemic Response Challenge Program (\$14.9M) to challenge the market to solve COVID needs.
 - Re-engineer the NRC Royalmount facility in Montreal into a Good Manufacturing Practice (GMP) and scale-up facility for vaccine development and manufacturing (\$43.9M over 2 years).
 - On April 17, 2020, the Prime Minister announced the NRC IRAP Innovation Assistance Program (\$250M) to allow small and medium-sized Canadian businesses unable to secure funding under existing programs and subsidies to apply for financial assistance under this new program starting April 22. This support is enabling NRC IRAP to help more than 1,000 firms and maintain 10,000 jobs.
 - The NRC established agreements with various partners to develop COVID-19 vaccines and therapies (e.g. VBI Vaccines Inc.) and partner with other companies as they advance their vaccine candidates this year.
 - To provide employment opportunities and skills development to students, recent graduates and post-doctoral fellows facing hardship due to COVID-19, increased funding



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of \$15M was announced for NRC IRAP's Youth Employment Program and an additional \$7.5M for student and post-doctoral hires at the NRC.

As part of its ongoing business activities, the NRC took occupancy of the Mississauga advanced materials research facility on April 1, 2020. The facility will be a national centre for accelerated materials discovery and innovation, with a focus on collaborative development, scale-up and transition to industry of AI-driven, smart (computer-enabled) automation, materials for clean energy, and "smart materials for smart objects".

Approved by senior officials

Approved by:

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Chief Financial Officer

Ottawa, Canada



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Statement of Authorities (unaudited)

For the quarter ended June 30, 2020

	Fiscal Year 2020-21 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2021*	Used during the quarter ended June 30, 2020	Year to date used at quarter-end
Vote 1 - Operating expenditures	361,641	104,312	104,312
Vote 5 - Capital expenditures	63,300	7,926	7,926
Vote 10 - Grants and contributions	365,852	54,717	54,717
Statutory revenue **	288,920	26,398	26,398
Statutory EBP	63,784	15,751	15,751
Statutory - Other ***	265,000	172,535	172,535
Total Budgetary authorities	1,408,497	381,639	381,639

	Fiscal Year 2019-20 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2020 *	Used during the quarter ended June 30, 2019	Year to date used at quarter-end
Vote 1 - Operating expenditures	436,504	106,935	106,935
Vote 5 - Capital expenditures	58,320	7,981	7,981
Vote 10 - Grants and contributions	448,814	63,428	63,428
Statutory revenue **	311,745	18,511	18,511
Statutory EBP	61,237	15,309	15,309
Total Budgetary authorities	1,316,620	212,164	212,164

* Includes only Authorities available for use and granted by Parliament at quarter-end.

** Includes Statutory Revenue available for use in future years pursuant to paragraph 5(1)(e) of the National Research Council Act (R.S.C., 1985, c. N-15).

*** Includes payments pursuant to section 2 of the Public Health Events of National Concern Payments Act and the Canada Emergency Response Benefit Act.



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Departmental budgetary expenditures by Standard Object (unaudited)

For the quarter ended June 30, 2020

	Fiscal Year 2020-21 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2021*	Used during the quarter ended June 30, 2020	Year to date used at quarter-end
Expenditures:			
Personnel	385,952	122,101	122,101
Transportation and communications	25,649	213	213
Information	3,882	200	200
Professional and special services	94,554	8,582	8,582
Rentals	18,803	2,198	2,198
Purchased repair and maintenance	24,783	2,115	2,115
Utilities, materials and supplies	88,080	3,962	3,962
Acquisition of land, buildings and works	49,915	1,897	1,897
Acquisition of machinery and equipment	46,798	11,746	11,746
Transfer payments	630,852	227,252	227,252
Other subsidies and payments	39,229	1,373	1,373
Total net budgetary expenditures	1,408,497	381,639	381,639
	Fiscal Year 2019-20 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2020 *	Used during the quarter ended June 30, 2019	Year to date used at quarter-end
Expenditures:			
Personnel	461,480	111,638	111,638
Transportation and communications	25,489	3,468	3,468
Information	2,536	318	318
Professional and special services	107,323	8,335	8,335
Rentals	16,137	2,941	2,941
Purchased repair and maintenance	29,105	2,914	2,914
Utilities, materials and supplies	66,612	5,612	5,612
Acquisition of land, buildings and works	48,562	3,447	3,447
Acquisition of machinery and equipment	59,380	8,033	8,033
Transfer payments	448,814	63,428	63,428
Other subsidies and payments	51,182	2,030	2,030
Total net budgetary expenditures	1,316,620	212,164	212,164

* Includes only Authorities available for use and granted by Parliament at quarter-end.