



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of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference.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](#), [Supplementary Estimates \(A\)](#) and [Supplementary Estimates \(B\)](#). 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 December 31, 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; and
- 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, 2020-21 Supplementary Estimates (A) and 2020-21 Supplementary Estimates (B), 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

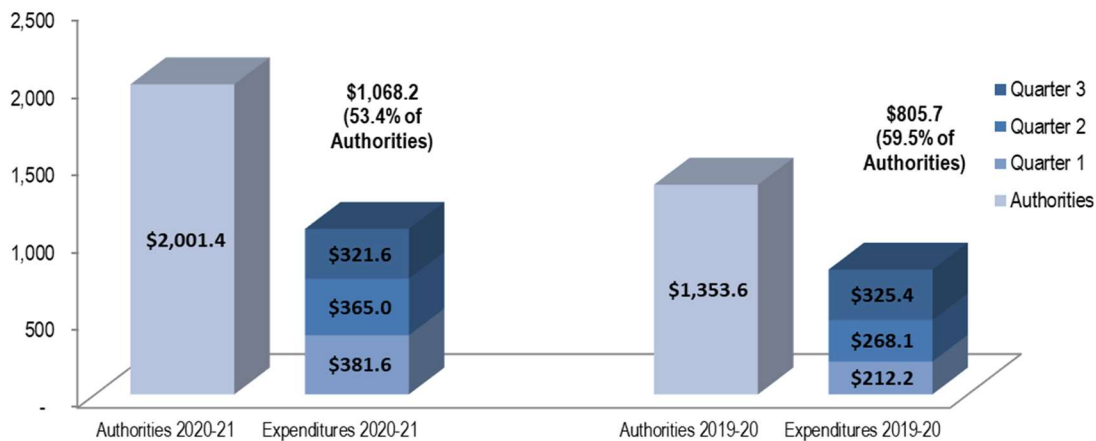
This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on December 31, 2020 compared with the [previous fiscal year](#). This section should be read in conjunction 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 December 31, 2020 and those as of December 31, 2019.

Comparison of Budgetary Authorities and Expenditures
as of December 31, 2020 and December 31, 2019
(in millions of dollars)



As shown in the graph above, the NRC’s expenditures totalled \$321.6M during the third quarter of 2020–21 which represents a decrease of \$3.8M over the third quarter of 2019-20. Lower expenditures are mainly attributable to a decrease of \$36.4M in combined operating and statutory spendable revenue expenditure and a decrease of \$0.9M in grants and contributions expenditures offset by an increase of \$25.1M in other statutory expenses mainly related to the Industrial Research Assistance Program – Innovation Assistance Program and the new Biologics Manufacturing Centre which is part of NRC’s COVID-19 response, and an increase of \$8.0M in capital expenditures. Refer to 2.3 Significant changes to budgetary expenditures for additional details.

2.2 Significant changes to authorities

As of December 31, 2020, the authorities were \$2,001.4M, representing an increase of \$647.8M (47.9%) in comparison to the 2019-20 authorities of the same period.

The increase of \$647.8M in authorities is mainly explained by the following items:

- Increase of \$456.7M for the funding of the NRC’s response to COVID-19. NRC received \$374.2M for the Industrial Research Assistance Program – Innovation Assistance Program to help high-potential firms, support jobs and keep valuable intellectual property in Canada, \$40.0M to build a new Biologics Manufacturing Centre, \$33.5M to support businesses that are in the early stage of COVID-19 vaccine and therapeutic development and \$9.0M for the Youth Employment and



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Skills Strategy Program. These funds were received through the *Public Health Events of National Concern Payment Act*;

- Capital authorities increased by \$77.6M. The variance is mainly caused by an increase of \$50.0M to build a new Biologics Manufacturing Centre, an increase of \$21.0M 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 and the capital budget carry-forward of \$7.8M; and
- Transfer payments consisting of Grants and Contributions (G&C) authorities increased by \$102.9M. The variance is mainly a result of funding in the amount of \$33.5M for medical countermeasures to COVID-19, an increase of \$31.0M for the targeted extension of the Industrial Research Assistance Program – Innovation Assistance Program, an increase of \$6.0M for the Youth Employment and Skills Strategy Program, an increase of \$15.0M to launch an NRC IRAP-Innovative Solutions Canada COVID initiative and an increase of \$5.0M for the NRC Pandemic Response Challenge Program.

The following table summarizes the significant changes to NRC authorities since the quarter ended September 30th, 2020:

Significant Changes to Authorities (unaudited)

For the year ending March 31, 2021 - As of December 31, 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, 2021 - As of September 30, 2020							1,625.2
National Research Council of Canada - COVID-19 Response Funding	5.9	50.0	68.5	-	0.5	-	124.9
Compensation Allocations and Reimbursement of Paylist Items	5.2	-	-	-	-	-	5.2
Supplementary Estimates (B) - Transfers from Other Government Departments	-	0.7	2.3	-	-	-	3.0
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	124.8	64.8	186.1	-	0.5	-	376.2
Authorities – Total available for use for the year ending March 31, 2021 - As of December 31, 2020							2,001.4



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 *Variations in year-to-date expenditures*

As of December 31, 2020, year-to-date expenditures were \$1,068.2M, representing an increase of \$262.5M (32.6%) in comparison to the 2019-20 expenditures of the same period. This increase is mostly attributable to the following items:

- Other statutory expenses associated to NRC's COVID-19 response increased by \$275.0M. This change is principally attributable to \$255.0M for the Industrial Research Assistance Program – Innovation Assistance Program, \$9.0M for the Youth Employment and Skills Strategy Program, and \$7.2M for the expansion of the Biologics Manufacturing Centre;
- Capital expenditures increased by \$17.9M compared to the same period of the previous fiscal year. The change is mainly attributable to an increase of \$17.1M in professional fees and \$11.7M in acquisition of machinery and equipment, offset by a decrease of \$10.2M in acquisition of land, buildings and works;
- Combined operating and statutory expenditures decreased by \$23.6M compared with the same period of the previous fiscal year. This change is mainly attributable to a decrease of \$11.4M in transportation and communications, a decrease in the acquisition of machinery and equipment of \$8.5M and a decrease in personnel costs of \$5.3M, not including employee benefits cost, offset by an increase of \$3.0M in utilities, materials and supplies; and
- Transfer payments consisting of Grants and Contributions (G&C) expenditures decreased by \$8.2M compared with the same period in the previous year. This change is principally attributable to a decrease of IRAP Contributions to Firms of \$19.2M, offset by an increase of \$4.8M in grants under the Innovative Solutions Canada Program, an increase of \$4.1M in grants and contributions under the Collaborative Science, Technology and Innovation Program, and an increase of \$2.0M in IRAP Contributions to Organizations.

3. Risks and uncertainties

In the third quarter, the NRC continued to assess how COVID-19 has impacted the risks and issues affecting the NRC. Work progressed towards updating the NRC's 2020-21 Corporate Risk and Issues Profile, which continues to focus on the following three corporate risks: collaboration management, financial stability and protection of information assets. Notable amendments to the risk profile include the addition of a financial stability contingency plan and mitigation strategies targeting international collaboration and cyber and physical security. Given that the NRC's shift to a distributed workforce has



introduced a number of new work-related and personal challenges affecting employees, health and wellness continues to be a prominent issue. Enhanced mitigation strategies are required to address the increased pressures associated with the pandemic.

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

On October 6, the NRC's first Departmental Sustainable Development Strategy (DSDS) was tabled in Parliament and went live on the NRC website. Developed through a series of workshops and feedback from across the organization, the NRC's DSDS sets out actions, targets, and performance measures that will contribute to six long-term goals identified in the 2019 to 2022 Federal Sustainable Development Strategy.

On October 23, the Prime Minister announced funding of up to \$23.2 million for NRC IRAP to support six Canadian companies in advancing COVID-19 vaccine candidates in various stages of clinical trials. By providing advisory services, as well as research and development funding, NRC IRAP will assist Canadian industry in the highly competitive global race to develop a viable COVID-19 vaccine.

On November 16, the NRC hosted a virtual event to celebrate the opening of the new advanced materials research facility in Mississauga. Led by the NRC's Energy, Mining and Environment Research Centre, the facility will serve as a national clean energy hub supporting and undertaking foundational research of new materials and transitioning them to industrial use.

On December 18, the Minister of Innovation, Science and Industry announced the appointment of Mitch Davies as the new NRC President for a term effective December 28, 2020 until September 2022. The outgoing acting President, Roger Scott-Douglas, will continue in his role as Secretary of the COVID-19 Vaccine Task Force.



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Approved by senior officials

Approved by:

X

Mitch Davies

President

X

Dale MacMillan

Vice-President, Corporate Services and
Chief Financial Officer

Ottawa, Canada



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Statement of Authorities (unaudited)
For the quarter ended December 31, 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 December 31, 2020	Year to date used at quarter-end
Vote 1 - Operating expenditures	503,613	118,418	343,594
Vote 5 - Capital expenditures	135,933	24,849	57,810
Vote 10 - Grants and contributions	551,976	111,474	262,421
Statutory revenue **	288,920	25,973	82,121
Statutory EBP	64,273	15,751	47,253
Statutory - Other ***	456,680	25,093	275,034
Total Budgetary authorities	2,001,395	321,558	1,068,233

Fiscal Year 2019-20 (in thousands of dollars)			
	Total available for use for the year ending March 31, 2020 *	Used during the quarter ended December 31, 2019	Year to date used at quarter-end
Vote 1 - Operating expenditures	473,182	137,951	355,364
Vote 5 - Capital expenditures	58,320	16,897	39,950
Vote 10 - Grants and contributions	449,105	112,441	270,583
Statutory revenue **	311,745	42,828	93,931
Statutory EBP	61,237	15,309	45,928
Total Budgetary authorities	1,353,589	325,426	805,756

* 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 December 31, 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 December 31, 2020	Year to date used at quarter- end
Expenditures:			
Personnel	519,984	126,650	373,924
Transportation and communications	26,354	525	1,178
Information	3,988	174	612
Professional and special services	110,089	21,178	58,094
Rentals	19,353	2,106	6,208
Purchased repair and maintenance	25,693	4,961	11,310
Utilities, materials and supplies	90,314	14,109	24,930
Acquisition of land, buildings and works	123,075	6,694	12,309
Acquisition of machinery and equipment	73,544	14,476	37,353
Transfer payments	968,636	129,360	530,248
Other subsidies and payments	40,365	1,325	12,067
Total net budgetary expenditures	2,001,395	321,558	1,068,233
Fiscal Year 2019-20 (in thousands of dollars)			
	Total available for use for the year ending March 31, 2020 *	Used during the quarter ended December 31, 2019	Year to date used at quarter- end
Expenditures:			
Personnel	490,997	149,807	377,800
Transportation and communications	25,980	5,101	12,537
Information	2,599	285	1,008
Professional and special services	109,494	19,459	42,942
Rentals	16,520	2,300	7,193
Purchased repair and maintenance	29,598	5,228	11,767
Utilities, materials and supplies	68,020	9,694	22,064
Acquisition of land, buildings and works	49,912	7,909	16,750
Acquisition of machinery and equipment	60,183	11,778	32,845
Transfer payments	449,105	112,441	270,583
Other subsidies and payments	51,181	1,424	10,267
Total net budgetary expenditures	1,353,589	325,426	805,756

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