



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of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference.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](#) and [Supplementary Estimates \(A\)](#). The QFR should be read in conjunction with the Main Estimates, the Federal Budget ([Budget 2016](#), [Budget 2017](#), [Budget 2018](#), [Budget 2019](#) and [Budget 2021](#)) 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, 2021.

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 2021-22, 2021-22 Supplementary Estimates (A) 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

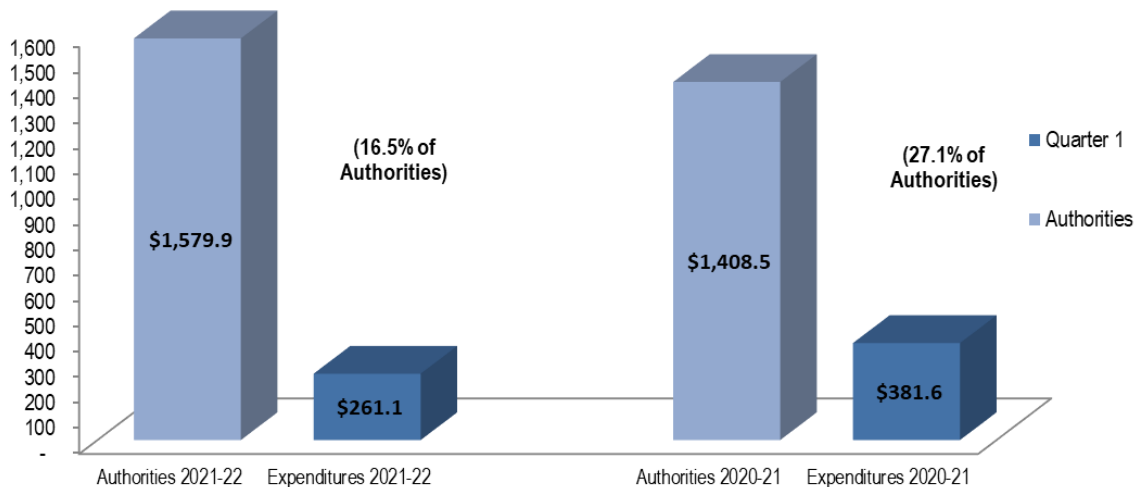
This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on June 30, 2021 compared with the [previous fiscal year](#). This section should be read in conjunction 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, 2021 and those as of June 30, 2020.

**Comparison of Budgetary Authorities and Expenditures
as of June 30, 2021 and June 30, 2020
(in millions of dollars)**



As shown in the graph above, the NRC’s expenditures totalled \$261.1M during the first quarter of 2021–22 which represents a decrease of \$120.5M over the first quarter of 2020–21. Lower expenditures are attributable to a decrease 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, offset mainly by an increase of \$30.2M in Grants and Contributions expenditures and an increase of \$14.5M in capital expenditures. Refer to 2.3 Significant changes to budgetary expenditures for additional details.

2.2 Significant changes to authorities

As of June 30, 2021, the authorities were \$1,579.9M, representing an increase of \$171.4M (12.2%) in comparison to the 2020-21 authorities of the same period.

The increase of \$171.4M in authorities is mainly explained by the following items:

- In prior year, as at June 30th, 2020, only nine twelfth of NRC’s 2020-21 Main Estimates voted appropriations were released. Consequently, \$243.1M were not supplied as of prior year Q1 due to amended House of Commons Standing Orders. As of June 30, 2021, the full supply has been released;



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- As part of NRC's response to COVID-19, NRC received additional Grants & Contribution funding for the Industrial Research Assistance Program, including \$60.0M in additional funding for its Youth Employment Strategy and Skills Program and \$41.0M for the Vaccine & Therapeutics Program;
- Increase of \$35.7M in funding for the completion of NRC's new Biologics Manufacturing Centre (BMC);
- An increase of \$10.9M related to the statutory revenue carry-forward;
- An increase of \$6.5M in compensation allocation related to the signing of collective bargaining agreements; offset by
- A decrease of \$6.2M for the construction and commissioning of the International Thirty Meter Telescope due to the revised financial profile of the program;
- A decrease of \$25.1M in Federal Infrastructure Funding; and
- A decrease of \$200.7M in funding of the NRC's response to COVID-19.

The following table summarizes the significant changes to NRC authorities:

Significant Changes to Authorities (unaudited)
For the year ending March 31, 2022 - As of June 30, 2021
(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 June 30, 2020							1,408.5
Supply Adjustment (2020-21 Main Estimates)	113.7	14.1	115.3	-	-	-	243.1
IRAP Youth Employment Skills Strategy	1.0	-	60.0	-	0.1	-	61.1
IRAP Vaccines & Therapeutics	-	-	41.0	-	-	-	41.0
Royalmount Bio-Manufacturing	13.8	20.0	-	-	1.9	-	35.7
Statutory Revenue Carryforward Adjustment	-	-	-	10.9	-	-	10.9
Compensation Allocation	6.5	-	-	-	-	-	6.5
Other	(6.2)	9.2	1.8	-	0.3	-	5.1
Thirty Meter Telescope Observatory	-	-	(6.2)	-	-	-	(6.2)
Federal Infrastructure	-	(25.1)	-	-	-	-	(25.1)
National Research Council of Canada - COVID-19 Response Funding	(5.6)	0.2	70.1	-	(0.4)	(265.0)	(200.7)
Total increase (decrease) in authorities in comparison to prior year	123.2	18.4	282.0	10.9	1.9	(265.0)	171.4
Authorities – Total available for use for the year ending March 31, 2022 - As of June 30, 2021							1,579.9



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, 2021, year-to-date expenditures were \$261.1M, representing a decrease of \$120.5M (31.6%) in comparison to the 2020-21 expenditures of the same period. This decrease is mostly attributable to the following items:

- Other statutory expenses for transfer payments associated to NRC's COVID-19 response decreased by \$172.5M for Industrial Research Assistance Program – Innovative Assistance Program;
- Transfer payments consisting of Grants and Contributions (G&C) expenditures increased by \$30.2M compared with the same period in the previous year. This change is principally attributable to an increase of TRIUMF Contributions of \$17.0M, an increase of IRAP Contributions to Firms of \$8.0M, and an increase in IRAP's Youth Employment Program Contributions by \$1.6M; and
- Capital expenditures increased by \$14.5M compared with the same period of the previous fiscal year. This change is mainly attributable to an increase in the acquisition of land, buildings and works of \$16.3M, offset by a decrease in the acquisition of machinery and equipment of \$2.1M.

3. Risks and uncertainties

In the first quarter, the NRC updated its Corporate Risk and Issues Profile to reflect the organization's evolving risk context, including implications from the COVID-19 pandemic. The profile is focused on the following risks: collaboration management, financial stability, the protection of information assets and expanded access to highly qualified personnel (an opportunity to be capitalized on). The profile also includes mitigation strategies meant to address ongoing NRC issues, such as IT infrastructure and workplace wellness.

The most significant amendment to the profile was expanding the action plan for the protection of information assets risk to include cyber and physical security considerations, with targeted mitigation activities centred on ensuring NRC security. Efforts are underway to assess and secure the NRC's research IM/IT environment, while ensuring non-sensitive and collaborative research can occur in an agile manner.



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

In April, all NRC senior executives signed a *Commitment of Action toward a Diverse, Inclusive and Anti-Racist NRC*, a pledge that confirms a personal and collective commitment to learn, reflect and take steps to drive positive and enduring change. The NRC recognizes that diversity fuels innovation and endeavours to be a workforce that is representative and inclusive of the people we serve.

The NRC appointed a new Chief Information Officer and Director General of the Knowledge, Information, and Technology Services Branch on April 26. Philippe Johnston brings along extensive experience in secure networks, cyber defense and service digitization from his roles at Transport Canada, Social Sciences and Humanities Research Council, Natural Science and Engineering Research Council, and the Treasury Board Secretariat.

April 27 marked the official launch of Mentoring@theNRC. This new mentorship program, open to all NRC employees across the country, will enable connections between mentors and mentees on a range of topics including career development, managing work-life balance, and acquiring new leadership skills. The “all NRC” program leveraged key learnings from the success of the NRC’s mentorship pilot program focused on women in STEM in NRC Québec offices.

On June 22, the Honourable François-Philippe Champagne, Minister of Innovation, Science and Industry, announced the completion of the construction phase for the NRC’s new Biologics Manufacturing Centre (BMC) in Montréal, Québec. A project that would normally take two years or more to complete, the BMC was constructed in just 10 months – one month ahead of schedule. The BMC is a critical piece of the Canadian biomanufacturing value chain, with the goal of a more resilient Canada.



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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 June 30, 2021

	Fiscal Year 2021-22 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2022*	Used during the quarter ended June 30, 2021	Year to date used at quarter-end
Vote 1 - Operating expenditures	484,741	107,309	107,309
Vote 5 - Capital expenditures	81,720	22,390	22,390
Vote 10 - Grants and contributions	647,864	84,916	84,916
Statutory revenue **	299,821	30,054	30,054
Statutory EBP	65,717	16,399	16,399
Statutory - Other ***	-	-	-
Total Budgetary authorities	1,579,863	261,068	261,068

	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

* 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, 2021

Fiscal Year 2021-22 (in thousands of dollars)			
	Total available for use for the year ending March 31, 2022*	Used during the quarter ended June 30, 2021	Year to date used at quarter- end
Expenditures:			
Personnel	509,277	127,805	127,805
Transportation and communications	26,705	278	278
Information	2,872	129	129
Professional and special services	117,555	8,930	8,930
Rentals	17,021	3,835	3,835
Purchased repair and maintenance	31,137	3,028	3,028
Utilities, materials and supplies	70,261	4,782	4,782
Acquisition of land, buildings and works	38,783	17,610	17,610
Acquisition of machinery and equipment	87,241	7,499	7,499
Transfer payments	647,864	84,916	84,916
Other subsidies and payments	31,147	2,256	2,256
Total net budgetary expenditures	1,579,863	261,068	261,068

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

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