



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of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference.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](#), [Budget 2021](#) and [Budget 2022](#)) 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 September 30, 2022.

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 2022-23, 2022-23 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

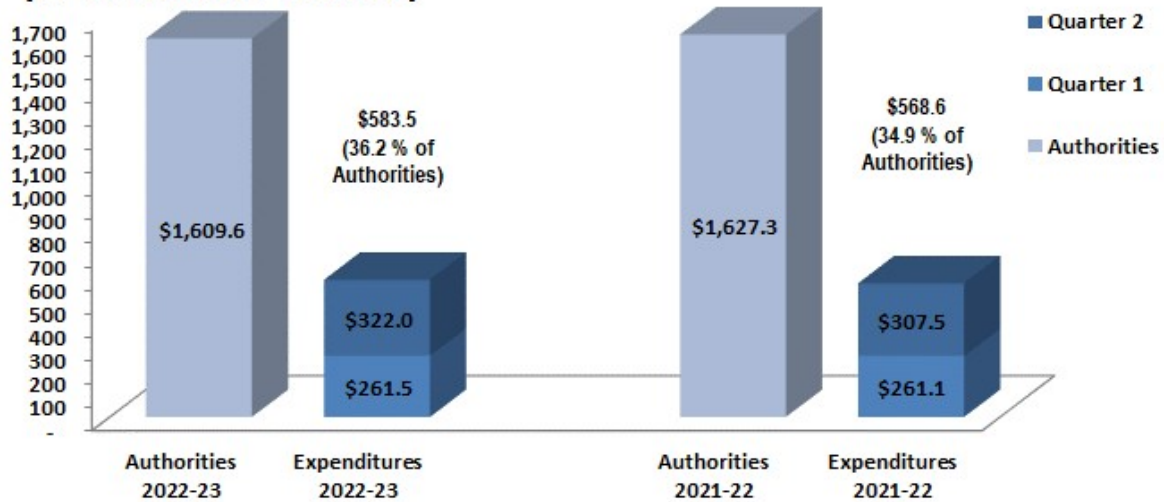
This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on September 30, 2022 compared with the [previous fiscal year](#). This section should be read in conjunction 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 September 30, 2022 and those as of September 30, 2021.

Comparison of Budgetary Authorities and Expenditures as of September 30, 2022 and September 30, 2021 (in millions of dollars)



As shown in the graph above, the NRC's expenditures totalled \$322M during the second quarter of 2022–23 which represents an increase of \$14.5M over the second quarter of 2021-22. The increase in expenditures is mainly attributable to increased transfer payment spending, partially offset by reduced spending on buildings and equipment. Refer to 2.3 Significant changes to budgetary expenditures for additional details.

2.2 Significant changes to authorities

As of September 30, 2022, the authorities were \$1,609.6M, representing a decrease of \$17.7M in comparison to the 2021-22 authorities of the same period.

The decrease of \$17.7M in authorities is mainly explained by the following items:

- New IRAP funding announced in budget 2021 totalling \$132.6M
- An increase of \$24.6M in funding for the construction and commissioning of the International Thirty Meter Telescope due to the revised financial profile of the program;
- \$23M in new funding for the Canadian Photonics Fabrication Centre;



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- An increase of \$8.6M to NRC’s statutory revenue carry-forward;
- \$7.4M in new funding for the Alliance – Quantum Strategy ; offset by
- A decrease of \$159.8M in temporary funding NRC received for COVID-19 Medical Counter Measures; and
- A decrease of \$51.1M funding for IRAP Youth Employment Skills Strategy.

The following table summarizes the significant changes to NRC authorities:

Significant Changes to Authorities (unaudited)

For the year ending March 31, 2023 - As of September 30, 2022

(in millions of dollars)

	Vote 1 Operating	Vote 5 Capital	Vote 10 Grants & Contributions	Statutory Revenues	Contributions to EBP	Total
Authorities – Total available for use for the year ending March 31, 2023 - As of June 30, 2022						1,563.8
Operating and Capital Budget Carry-Forward	19.0	26.8	-	-	-	45.8
Total increase (decrease) in authorities in comparison to prior year	19.0	26.8	-	-	-	45.8
Authorities – Total available for use for the year ending March 31, 2023 - As of September 30, 2022						1,609.6

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 September 30, 2022, year-to-date expenditures were \$583.5M, representing an increase of \$14.9M (2.6%) in comparison to the 2021-22 expenditures of the same period. This increase is mostly attributable to the following items:

- G&C expenditures increased by \$26.0M, mainly due to incremental G&C funding received in Budget 2021.
- Operating expenditures increased by \$7.5M, in part due to the operating costs of the Biologics Manufacturing Centre; offset by



- Capital expenditures decreased by \$17.6M. These expenditures were higher in FY2021-22 due to the construction of the Biologics Manufacturing Centre.

3. Risks and Uncertainties

In the second quarter of 2022–23, risks to the NRC continued to be driven primarily by the lasting economic effects of the pandemic and Russia’s war on Ukraine. Aggressive interest rate hikes to curb historic inflation heightened the risk of recession and the possibility of reduced industry R&D spending in Canada. These economic conditions place downward pressure on the NRC’s revenues and activity with private-sector clients at a time when operating costs are increasing because of inflation, and when the Government of Canada is focused on stimulating business R&D to increase Canadian competitiveness. Cyber security risk remains an area of diligence. Global supply chains continued to face disruptions, impacting the timely delivery of goods and materials for critical NRC projects. Constrained labour market conditions and increasing competition for STEM talent continued to pose challenges for recruitment and retention of highly-skilled employees.

The NRC’s mitigation efforts included: executing an action plan in response to the Russia-Ukraine conflict, securing data and assets, developing a new talent attraction strategy, examining researcher compensation and retirement options, developing a plan to revitalize its network of R&D facilities across Canada, and implementing flexible work arrangements for employees.

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

In July 2022, all commissioning, qualification and validation activities required for the Biologics Manufacturing Centre to proceed to the Health Canada inspection and initiation of the Novavax engineering runs were completed. Following its inspection of the Biologics Manufacturing Centre, Health Canada issued the facility's drug establishment licence on August 5, which demonstrates the facility's compliance with good manufacturing practices to ensure safety of vaccine production for humans.

On September 8, Canada’s head of state, Her Majesty Queen Elizabeth II passed away in Scotland. All public servants including NRC staff joined in a national day of mourning on September 19 to commemorate her 70 years serving the Commonwealth. Following her death, King Charles III ascended to the throne on September 8 and took over official duties as head of state. In recognition of His Majesty King Charles III, the NRC began making the appropriate adjustments to templates and copyright statements.



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On September 23, the NRC renewed its Memorandum of Understanding with South Korea's Institute of Advancement of Technology to help facilitate collaboration between Canadian innovators and partners in South Korea. Over the past 5 years, the partnership has resulted in 20 co-innovation projects valued at over \$40 million, advancing the delivery of the Canadian International Innovation Program, which is co-managed by the NRC and Global Affairs Canada.

Approved by senior officials

Approved by:

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President

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Vice-President, Corporate Services and
Chief Financial Officer

Ottawa, Canada



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Statement of Authorities (unaudited)

For the quarter ended September 30, 2022

Fiscal Year 2022-23 (in thousands of dollars)			
	Total available for use for the year ending March 31, 2023*	Used during the quarter ended September 30, 2021	Year to date used at quarter-end
Vote 1 - Operating expenditures	513,461	136,842	251,487
Vote 5 - Capital expenditures	77,920	15,630	25,498
Vote 10 - Grants and contributions	641,080	118,830	208,976
Statutory revenue **	308,433	33,519	63,141
Statutory EBP	68,716	17,179	34,358
Statutory - Other ***	-	-	-
Total Budgetary authorities	1,609,610	322,000	583,460

Fiscal Year 2021-22 (in thousands of dollars)			
	Total available for use for the year ending March 31, 2022 *	Used during the quarter ended September 30, 2021	Year to date used at quarter-end
Vote 1 - Operating expenditures	502,512	132,508	239,817
Vote 5 - Capital expenditures	111,354	28,633	51,023
Vote 10 - Grants and contributions	647,864	98,151	183,068
Statutory revenue **	299,821	31,761	61,815
Statutory EBP	65,717	16,400	32,799
Statutory - Other ***	-	-	-
Total Budgetary authorities	1,627,268	307,453	568,522

* 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 September 30, 2022

	Fiscal Year 2022-23 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2023*	Used during the quarter ended September 30, 2022	Year to date used at quarter-end
	Expenditures:		
Personnel	526,820	134,330	263,341
Transportation and communications	11,751	2,257	3,679
Information	2,016	295	463
Professional and special services	126,117	15,524	26,830
Rentals	14,777	2,556	5,985
Purchased repair and maintenance	32,689	5,126	8,234
Utilities, materials and supplies	73,307	10,661	18,126
Acquisition of land, buildings and works	46,689	13,549	18,149
Acquisition of machinery and equipment	106,367	11,525	19,874
Transfer payments	641,080	118,830	208,975
Other subsidies and payments	27,995	7,347	9,804
Total net budgetary expenditures	1,609,608	322,000	583,460

	Fiscal Year 2021-22 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2022 *	Used during the quarter ended September 30, 2021	Year to date used at quarter-end
	Expenditures:		
Personnel	509,277	137,000	264,805
Transportation and communications	27,990	705	984
Information	3,011	228	356
Professional and special services	123,197	14,637	23,567
Rentals	17,840	1,415	5,250
Purchased repair and maintenance	32,635	5,600	8,628
Utilities, materials and supplies	73,641	10,800	15,582
Acquisition of land, buildings and works	61,316	12,297	29,907
Acquisition of machinery and equipment	99,350	18,185	25,684
Transfer payments	647,864	98,137	183,054
Other subsidies and payments	31,147	8,449	10,705
Total net budgetary expenditures	1,627,268	307,453	568,522

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