

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

**FUTURE-ORIENTED
FINANCIAL STATEMENTS**

For the year ending March 31, 2014

Statement of Management Responsibility

Management is responsible for these future-oriented financial statements, including responsibility for the appropriateness of the assumptions on which these statements are prepared. These statements are based on the best information available and assumptions adopted as at November 30, 2012, and reflect the plans described in the Report on Plans and Priorities.

Chad Gaffield, PhD, FRSC
President

Jaime W. Pitfield
Chief Financial Officer

Ottawa, Canada

Date: _____

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

Future-Oriented Statement of Financial Position

As at March 31

(in thousands of dollars)

	Estimated Results 2013	Planned Results 2014
Liabilities		
Accounts payable and accrued liabilities [Note 6]	2,626	2,626
Vacation pay and compensatory leave	891	868
Deferred revenue [Note 7]	499	504
Employee future benefits [Note 8]	1,000	1,050
Total net liabilities	<u>5,016</u>	<u>5,048</u>
Financial assets		
Due from the Consolidated Revenue Fund	2,663	2,663
Accounts receivable [Note 9]	1,211	1,211
Advances	11	11
Total net financial assets	<u>3,885</u>	<u>3,885</u>
Net debt	<u>1,131</u>	<u>1,163</u>
Non-financial assets		
Prepaid expenses	139	139
Tangible capital assets [Note 10]	1,958	2,312
Total non-financial assets	<u>2,097</u>	<u>2,451</u>
Net financial position [Note 11]	<u>966</u>	<u>1,288</u>

Information for the year ended March 31, 2013 includes actual amounts from April 1, 2012 to November 30, 2012.

Contractual obligations [Note 12]

The accompanying notes form an integral part of these future-oriented financial statements.

Chad Gaffield, PhD, FRSC
President

Jaime W. Pitfield
Chief Financial Officer

Ottawa, Canada

Date: _____

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

Future-Oriented Statement of Operations and Net Financial Position

For the year ending March 31

(in thousands of dollars)

	Estimated Results 2013	Planned Results 2014
	<u>2013</u>	<u>2014</u>
Expenses		
Indirect Costs	332,124	332,872
Talent	176,063	173,792
Insight	138,018	135,607
Connection	35,290	29,337
Internal Services	19,718	19,002
Total Expenses	<u>701,213</u>	<u>690,610</u>
 Net cost of operations before government funding and transfers	 701,213	 690,610
 Government funding and transfers		
Net cash provided by Government	699,723	686,772
Change in due from the Consolidated Revenue Fund	(1)	0
Common services provided without charge by other government departments	4,048	4,160
Net cost of operations after government funding and transfers	<u>(2,557)</u>	<u>(322)</u>
 Net financial position - Beginning of year	 (1,591)	 966
 Net financial position - End of year	 <u>966</u>	 <u>1,288</u>

Information for the year ended March 31, 2013 includes actual amounts from April 1, 2012 to November 30, 2012.

Segmented information [Note 14]

The accompanying notes form an integral part of these future-oriented financial statements.

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

Future-Oriented Statement of Change in Net Debt For the year ending March 31 (in thousands of dollars)

	Estimated Results 2013	Planned Results 2014
Net cost of operations after government funding and transfers	(2,557)	(322)
Change due to tangible capital :		
Acquisition of tangible capital assets	1,082	914
Amortization of tangible capital assets	(405)	(560)
Total change due to tangible capital assets	<u>677</u>	<u>354</u>
Change due to prepaid expenses	(47)	0
Net increase in net debt	<u>(1,927)</u>	<u>32</u>
Net debt - Beginning of year	3,058	1,131
Net debt - End of year	<u><u>1,131</u></u>	<u><u>1,163</u></u>

Information for the year ended March 31, 2013 includes actual amounts from April 1, 2012 to November 30, 2012.

The accompanying notes form an integral part of these future-oriented financial statements.

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

Future-Oriented Statement of Cash Flows

For the year ending March 31

(in thousands of dollars)

	Estimated Results 2013	Planned Results 2014
Operating activities		
Net cost of operations before government funding and transfers	701,213	690,610
Non-cash items:		
Amortization of tangible capital assets [Note 10]	(405)	(560)
Common services provided without charge by other government departments [Note 13a]	(4,048)	(4,160)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable	(292)	0
Increase (decrease) in advances	0	0
Increase (decrease) in prepaid expenses	(47)	0
Decrease (increase) in accounts payable and accrued liabilities	(187)	0
Decrease (increase) in vacation pay and compensatory leave	15	23
Decrease (increase) in deferred revenue	(3)	(5)
Decrease (increase) in employee future benefits	2,395	(50)
Cash used in operating activities	698,641	685,858
Capital investing activities		
Acquisitions of tangible capital assets	1,082	914
Cash used in capital investing activities	1,082	914
Financing Activities	0	0
Net cash provided by Government of Canada	699,723	686,772

Information for the year ended March 31, 2013 includes actual amounts from April 1, 2012 to November 30, 2012.

The accompanying notes form an integral part of these future-oriented financial statements.

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

Notes to the Future-Oriented Financial Statements

1. Authority and Objectives

The Social Sciences and Humanities Research Council (SSHRC) was established in 1977 by the *Social Sciences and Humanities Research Council Act*, and is a departmental corporation named in Schedule II to the *Financial Administration Act*. SSHRC's purpose is to promote and assist research and scholarship in the social sciences and humanities. SSHRC delivers its objectives under five program activities which are described in the Report on Plans and Priorities.

SSHRC's grants, scholarships and operating expenditures are funded by budgetary lapsing authorities. Employee benefits are funded by statutory authorities.

2. Methodology and Significant Assumptions

The future-oriented financial statements have been prepared on the basis of the government priorities and the plans of SSHRC as described in the Report on Plans and Priorities.

The information in the estimated results for fiscal year 2012-13 is based on actual results as at November 30, 2012 and forecasts for the remainder of the fiscal year. Estimated year end information for 2012-13 is used as the opening position for the 2013-14 planned results, and forecasts have been made for the planned results for the 2013-14 fiscal year.

The main assumptions underlying the forecasts are as follows:

- a) SSHRC's activities will remain substantially the same as for the previous year.
- b) Expenses, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.
- c) Allowances for uncollectibility are based on historical experience. The general historical pattern is expected to continue.

These assumptions are adopted as at November 30, 2012.

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2012-13 and for 2013-14, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these future-oriented financial statements, SSHRC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented financial statements and the historical financial statements include:

- a) The timing and amounts of acquisitions and disposals of tangible capital assets may affect gains/losses and amortization expense.
- b) Implementation of new collective agreements.
- c) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Once the Report on Plans and Priorities is presented, SSHRC will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

4. Summary of significant accounting policies

The future-oriented financial statements have been prepared using the government's accounting policies in effect for the 2012-13 fiscal year as of November 30, 2012. These accounting policies, stated below, are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

a) **Parliamentary authorities**

SSHRC is financed by the government through parliamentary authorities. Financial reporting of authorities provided to SSHRC do not parallel financial reporting according to generally accepted accounting principles, since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Future-Oriented Statement of Operations and Net Financial Position and the Future-Oriented Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a reconciliation between the bases of reporting.

b) **Net cash provided by government**

SSHRC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by SSHRC is deposited to the CRF, and all cash disbursements made by SSHRC are paid from the CRF. The net cash provided by government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the government.

c) Amounts due from the Consolidated Revenue Fund

Amounts due from the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that SSHRC is entitled to draw from the CRF without further parliamentary expenditure authorities to discharge its liabilities.

d) Expenses

Expenses are recorded on an accrual basis.

Grants and scholarships are recognized in the year in which the entitlement of the recipient has been established, when the recipient has met the eligibility criteria, the commitment has been approved, and the payment is due before the end of the fiscal year.

Vacation pay and compensatory leave are accrued as the benefits are earned under the respective terms of employment.

Services provided without charge by other government departments and agencies for accommodation, audit services and the employer's contribution to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

e) Employee future benefits

(i) Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the government. SSHRC's contributions to the Plan are charged to expenses in the year incurred and represent SSHRC's total obligation to the Plan. SSHRC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the government, the Plan's sponsor.

(ii) Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the government as a whole.

f) Accounts receivables

Accounts receivables are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for receivables where recovery is considered uncertain.

g) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of \$5,000 or more are recorded at their acquisition cost. SSHRC does not capitalize intangibles.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Amortization period
Informatics equipment, including standard software issued on desktop computers	3 years
Purchased network software and in-house developed software	5 years
Other equipment	5 years
Furniture	7 years
Motor vehicles	7 years
Leasehold improvements	Lesser of their useful life or the term of the lease

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

5. Parliamentary Authorities

SSHRC receives its funding through annual parliamentary authorities. Items recognized in the Future-Oriented Statements of Operations and Net Financial Position and Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, SSHRC has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

a) Reconciliation of net cost of operations to requested authorities

	Estimated Results 2013	Planned Results 2014
	(thousands of dollars)	
Net cost of operations before government funding and transfers	701,213	690,610
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(405)	(560)
Services provided without charge by other government departments	(4,048)	(4,160)
Decrease (increase) in vacation pay and compensatory leave	15	23
Decrease (increase) in employee future benefits	2,395	(50)
Total items affecting net cost of operations but not affecting authorities	699,170	685,863
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	1,082	914
Increase (decrease) in prepaid expenses	(47)	0
Total items not affecting net cost of operations but affecting authorities	1,035	914
Forecast authorities available	<u>700,205</u>	<u>686,777</u>

Authorities presented reflect current forecasts of statutory items, approved initiatives included and expected to be included in Estimates documents and, when reasonable estimates can be made, estimates of amounts to be allocated from Treasury Board central votes.

b) Authorities requested

	Estimated Results 2013	Planned Results 2014
	(thousands of dollars)	
Authorities requested:		
Vote 95 – Grants & Scholarships	670,769	661,318
Vote 90 - Operating Expenditures	26,740	22,849
Statutory amounts	2,696	2,610
Forecast authorities available	<u>700,205</u>	<u>686,777</u>

6. Accounts payable and accrued liabilities

The following table presents details of SSHRC's accounts payable and accrued liabilities:

	Estimated Results 2013	Planned Results 2014
	(thousands of dollars)	
Accounts payable - Other government departments and agencies	1,362	1,362
Accounts payable - External parties	747	747
Total accounts payable	2,109	2,109
Accrued liabilities	517	517
Total accounts payable and accrued liabilities	2,626	2,626

7. Deferred revenue

Deferred revenue represents the balance, at year-end, of unearned revenues stemming from amounts received from external parties and are restricted in order to fund the expenditures related to specific research projects and stemming from amounts received for fees prior to services being performed. Revenue is recognized in the period in which these expenditures are incurred or in which the service is performed. Details of the transactions related to this account are as follows.

a) Queen's Fellowship Endowment Fund

The Queen's Fellowship Fund consists of a \$250,000 endowment that is restricted for specific purposes in the net financial position (see Note 11). The interest generated on the endowment is used to fund scholarships to graduate students in certain fields of Canadian studies. Details of the transactions related to the endowment are as follows:

	Estimated Results 2013	Planned Results 2014
	(thousands of dollars)	
Opening balance	109	110
Interest received	1	2
Closing balance	110	112

b) Restricted gifts, donations and bequests

Private restricted gifts, donations and bequests consist of funds received for social sciences and humanities research activity special projects. These funds and interest generated thereon are earmarked for these projects. Details of the operations related to the restricted gifts, donations and bequests are as follows:

	Estimated Results 2013	Planned Results 2014
	(thousands of dollars)	
Opening balance	387	389
Interest received	<u>2</u>	<u>3</u>
Closing balance	<u><u>389</u></u>	<u><u>392</u></u>

8. Employee future benefits

a) Pension benefits

SSHRC's employees participate in the Public Service Pension Plan, which is sponsored and administered by the government. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and are indexed to inflation.

Both the employees and SSHRC contribute to the cost of the Plan. The forecast expenses are \$2,013,391 in 2012-13 and \$1,876,668 in 2013-14, representing approximately 1.6 times the contributions of employees.

SSHRC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the government, as the Plan's sponsor.

b) Severance benefits

SSHRC provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation. Information about the severance benefits, estimated as at the date of this statement of operations and net financial position, is as follows:

	Estimated Results 2013	Planned Results 2014
	(thousands of dollars)	
Accrued benefit obligation - Beginning of year	3,395	1,000
Expense for the year	281	450
Benefits paid during the year	(2,676)	(400)
Accrued benefit obligation - End of year	<u>1,000</u>	<u>1,050</u>

9. Accounts receivable

The following table presents details of SSHRC's accounts receivable balances:

	Estimated Results 2013	Planned Results 2014
	(thousands of dollars)	
Receivables - Other government departments and agencies	420	420
Receivables - External parties	791	791
Total accounts receivable	<u>1,211</u>	<u>1,211</u>

10. Tangible Capital Assets

Capital asset class	Cost				Accumulated amortization				Net book value	
	Opening balance	Acquisitions	Disposals and write-offs	Closing balance	Opening balance	Amortization	Disposals and write-offs	Closing balance	2013	2014
Informatics	3,012	660		3,672	2,850	327		3,177	162	495
Software	1,600	229		1,829	1,301	118		1,419	299	410
Other equipment	225	25		250	210	7		217	15	33
Furniture	2,054			2,054	1,680	105		1,785	374	269
Leasehold improvements	1,374			1,374	1,374			1,374	0	0
Motor Vehicle	34			34	3	3		6	31	28
Assets under construction	1,077			1,077				0	1,077	1,077
Total	9,376	914	0	10,290	7,418	560	0	7,978	1,958	2,312

11. Net Financial Position

A portion of SSHRC's net financial position is used for a specific purpose. Related revenues and expenses are included in the Statement of Operations and Net Financial Position.

The Queen's Fellowship Fund is an endowment of \$250,000 established by Parliament by Vote 45a, *Appropriation Act No. 5*, in 1973-74. The interest generated from the endowment is included in deferred revenue [see Note 7]. The endowment itself does not represent a liability to third parties but is restricted for special purposes. The details are as follows:

	Estimated Results 2013	Planned Results 2014
	(thousands of dollars)	
Queen's Fellowship Endowment Fund	250	250
Net financial position excluding Endowment Fund	716	1,038
Net financial position	966	1,288

12. Contractual Obligations

Payments of grants and scholarships extending in future years are subject to the provision of funds by Parliament. The commitments for future years' awards are payable as follows:

	(thousands of dollars)
2013-14	229,273
2014-15	151,788
2015-16	97,303
2016-17	73,815
2017-18 and subsequent years	40,409
Total	592,588

In addition, the nature of SSHRC's operating activities can result in some large multiyear contracts and obligations whereby SSHRC will be committed to make future payments when the services or goods are rendered. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	(thousands of dollars)
2013-14	27
2014-15	6
2015-16	0
2016-17	0
2017-18 and subsequent years	0
Total	33

13. Related party transactions

SSHRC is related as a result of common ownership to all government departments, agencies and Crown Corporations. SSHRC enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, SSHRC received common services which were obtained without charge from other government departments as disclosed below:

a) Common services provided without charge by other government departments

During the year, SSHRC is forecasted to receive services without charge from certain common service organizations, related to accommodation, audit services and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in SSHRC's Future-Oriented Statement of Operations and Net Financial Position as follows:

	Estimated Results 2013	Planned Results 2014
	(thousands of dollars)	
Accommodations	2,650	2,795
Employer's contribution to the health and dental insurance plans	1,308	1,275
Audit Services	90	90
Total	<u>4,048</u>	<u>4,160</u>

The government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada are not included in SSHRC's Future-Oriented Statement of Operations and Net Financial Position.

b) Administration of programs on behalf of other government departments

SSHRC administers funds received from other government departments and agencies to issue grants, scholarships and related payments on their behalf. SSHRC plans to incur expenses of \$213,269,525 in 2013-14 (\$213,269,525 in 2012-13) in funds for grants and scholarships. Forecast and incurred expenses are not reflected in SSHRC's future-oriented financial statements but rather are recorded in the financial statements of the departments or agencies that provided the funds.

SSHRC also recovers administrative fees in some circumstances where a significant administrative burden is incurred by SSHRC for the administration of certain funds on behalf of other government departments and agencies. SSHRC estimates to recover \$99,238 in 2013-14 (\$99,238 in 2012-13). These estimated amounts were netted against SSHRC's operating expenses.

14. Segmented information

Presentation by segment is based on SSHRC's program activity architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in Note 4. The following table presents the forecasted expenses incurred for the main program activities, by major object of expenses. The segment results for the period are as follows:

	2013	2014					TOTAL
	TOTAL	Indirect Costs	Talent	Insight	Connection	Internal Services	
(in thousands of dollars)							
Transfer payments							
Grants & Scholarships	670,769	332,403	169,819	131,365	27,731	0	661,318
Total transfer payments							
Operating Expenses							
Salaries and employee benefits	19,881	447	3,503	3,597	1,437	10,656	19,640
Professional and special services	4,668	13	289	397	104	3,102	3,905
Accommodation and rentals	2,836	1	12	16	4	2,919	2,952
Transportation and communications	1,522	4	97	133	35	1,011	1,281
Amortization	405	0	0	0	0	560	560
Repair and maintenance	566	2	36	49	13	375	475
Information	397	1	25	35	9	263	333
Utilities, materials and supplies	169	1	11	15	4	116	147
Total operating expenses	30,444	469	3,973	4,242	1,606	19,002	29,293
Total Expenses	701,213	332,872	173,792	135,607	29,337	19,002	690,610