Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2025

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

1. Introduction

This Quarterly Financial Report (QFR) has been prepared by management as required by section 65.1 of the Financial Administration Act (FAA) and in the form and manner prescribed by the Treasury Board. It should be read in conjunction with the 2025–26 Main Estimates and Supplementary Estimates (B). This report has not been subject to an external audit or review.

1.1 Authority, mandate and programs

The Natural Sciences and Engineering Research Council of Canada (NSERC) was established in 1978 by the *Natural Sciences and Engineering Research Council Act* and is a departmental corporation named in Schedule II of the FAA. NSERC's purpose is to help make Canada a country of discoverers and innovators for the benefit of all Canadians by supporting post-secondary students and postdoctoral fellows in their advanced studies, funding the research programs of academic researchers, and stimulating partnerships between academia and industry.

Further information on the NSERC mandate and program activities can be found in Part II of the Main Estimates.

1.2 Basis of presentation

Management prepared this quarterly report using an expenditure basis of accounting. The accompanying statement of authorities includes NSERC's spending authorities, as granted by Parliament, and those used by the agency, consistent with the Main Estimates and Supplementary Estimates (B) for fiscal year 2025-26. This quarterly report has been prepared using a special-purpose financial reporting framework designed to meet the financial information needs related to the use of spending authorities.

The authority of Parliament is required before the Government of Canada can spend money. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authorities for specific purposes.

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

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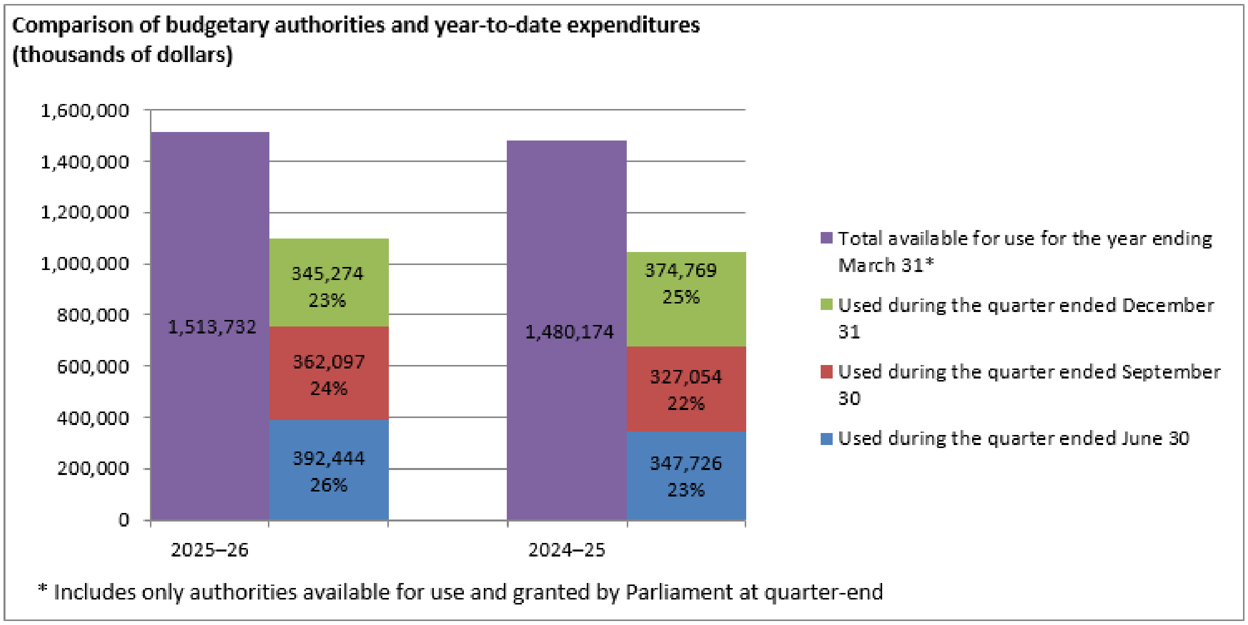
2. Highlights of fiscal quarter and fiscal year-to-date results

This section highlights the significant items that contributed to the change in resources available for the fiscal year, and the actual year-to-date expenditures compared with the same period of the previous fiscal year.

The following graph provides a comparison of budgetary authorities available for the full fiscal year and quarterly budgetary expenditures for the fiscal years 2025–26 and 2024–25.



2.1 Significant changes to budgetary authorities

As of December 31, 2025, NSERC's total available authorities for the fiscal year 2025–26 amounted to $1.514 billion. This represents an overall increase of $33.6 million (2.3%) from the same period in the previous year. The major changes in NSERC's budgetary authorities between the current and previous fiscal years include the following:

- An increase of $24.6 million from Budget 2024 for increasing Core Research Grants.
- A decrease of $7.9 million from Budget 2017 for the Canada 150 Research Chairs program, which is sunsetting this year.
- A decrease of $6.5 million for the transfer of funds related to the College and Community Innovation (CCI) program to the Social Sciences and Humanities Research Council (SSHRC) and the Canadian Institutes of Health Research (CIHR), based on the competition results between the three agencies.
- An increase of $6.0 million for the Canadian post-secondary institutions that were successful in the 2024 Canada Excellence Research Chairs competition.
- A net increase of $5.0 million for quantum-related research initiatives, including initiatives announced in Budget 2022 and the Defence Industrial Strategy, in partnership with the Department of National Defence.

- An increase of $4.8 million from Environment and Climate Change Canada for the Plastics Science and Innovation for a Cleaner and More Sustainable Future initiative.
- A net increase of $4.7 million from Budget 2023 to continue implementing the Lab to Market initiative.
- A net increase of $4.6 million from Budget 2024 for the development of the Tri-agency Grants Management Solution (TGMS), which includes a frozen allotment of $2.0 million.
- A net decrease of $2.8 million from Budget 2023 for the CCI program top-up, which is sunsetting this year.
- An increase of $2.5 million from Budget 2024 for harmonizing the Talent program suite.

2.2 Significant changes to authorities used

Year-to-date spending

The following table provides a comparison of cumulative spending at the end of the third quarter by vote for the current and previous fiscal years.

Year-to-date budgetary expenditures used at quarter end (millions of dollars)	2025–26	2024–25	Variance
Vote 1—Operating expenditures			
Personnel (includes contributions to EBP)	47.8	45.4	2.4
Non-personnel	7.4	5.1	2.3
Vote 5—Grants and scholarships	1,044.6	999.0	45.6
Total budgetary expenditures	**1,099.8**	**1,049.5**	**50.3**

Total budgetary expenditures amounted to $1,099.8 million at the end of the third quarter of 2025–26, compared to $1,049.5 million reported in the same period in the previous fiscal year.

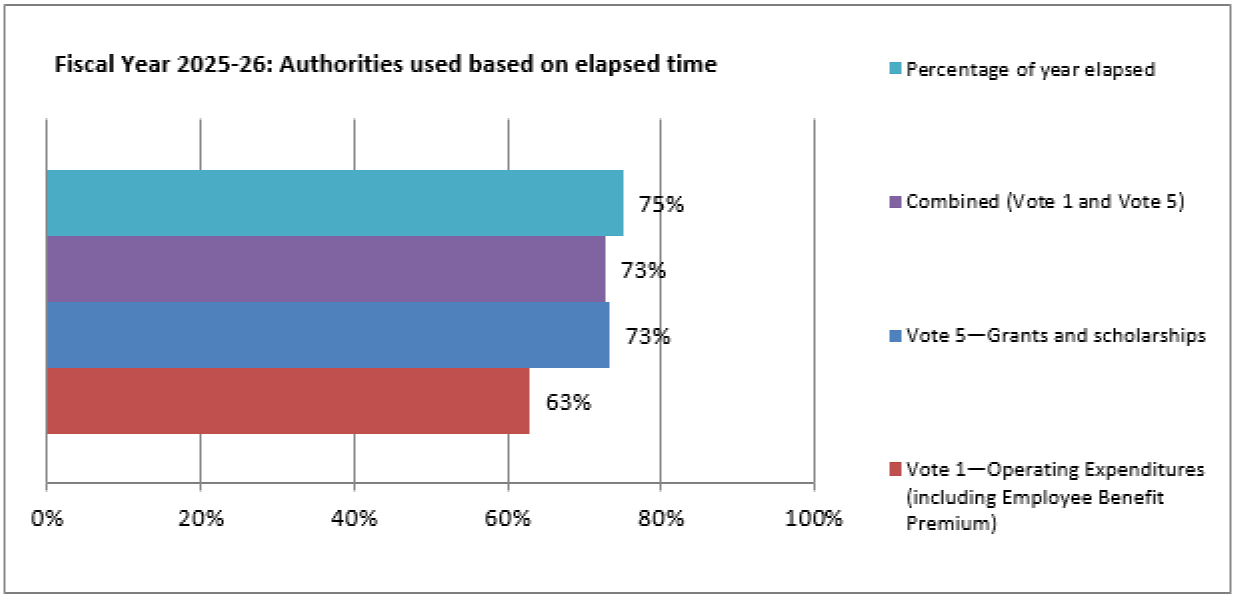
Grants and scholarships

At the end of the third quarter of 2025–26, grants and scholarship expenses increased by $45.6 million compared to those reported in the same period of the previous fiscal year. The increase is mainly due to additional budget authorities (refer to section 2.1) and the timing of award payments.

Operating expenditures

Personnel expenditures, which include contributions to employee benefit plans, have increased by $2.4 million compared to the same period of the previous fiscal year to support the delivery of research grants and scholarships programs and the TGMS project, in line with increased funding detailed in section 2.1.

Total non-personnel expenditures as of the third quarter of 2025–26 increased by $2.3 million compared to the same period of the previous fiscal year. There was a net increase in professional and special services, including an increase in management consulting related to the TGMS project, and a decrease in information technology and telecommunication consulting services, while there was an increase in acquisitions of client software and computer hardware, partially offset by a decrease in rentals of client, application and server software. Please see the departmental budgetary expenditures by standard object table in section 6 for additional details.



The total authorities used at the end of the third quarter ($1,099.8 million) of the fiscal year 2025–26 represent 73% of total available authorities ($1.514 billion).

Quarterly spending

The total authorities used during the third quarter of 2025–26 amounted to $345.3 million, which represents 23% of the total available authorities, 23% of the total authorities for grants and scholarships programs, and 22% of the total authorities for operating expenditures and employee benefits.

Budgetary expenditures used during the third quarter (millions of dollars)	**2025–26**	**2024–25**	**Variance**
Vote 1—Operating expenditures			
Personnel (includes contributions to EBP)	16.3	15.6	0.7
Non-personnel	3.4	1.9	1.5
Vote 5—Grants and scholarships	325.6	357.3	(31.7)
Total budgetary expenditures	**345.3**	**374.8**	**(29.5)**

Grants and scholarships

Transfer payments represent 94% of NSERC's available authorities. Variances in transfer payments stem from the nature of program cycles. During the third quarter of 2025–26, NSERC's transfer payment expenditures decreased by $31.7 million compared to the same quarter of the previous fiscal year.

The decrease in spending is mainly due to the timing of award payments, partially offset by additional budget authorities (refer to section 2.1).

Operating expenditures

Personnel expenditures, which include contributions to employee benefit plans, have increased by $0.7 million compared to the same period of the previous fiscal year mainly for the TGMS project.

During the third quarter of 2025–26, total non-personnel expenditures have increased by $1.5 million compared to the same quarter of the previous year. There was a net increase in professional and special services, including an increase in management consulting related to the TGMS project, and a decrease in information technology and telecommunication consulting services, while there was an increase in acquisitions of client software and computer hardware. Please see the departmental budgetary expenditures by standard object table in section 6 for additional details.

3. Risks and uncertainties

NSERC produces an annual Corporate Risk Profile that includes strategic risks, risk levels and mitigation activities. NSERC has aligned corporate risk management with its integrated planning process to ensure cohesion and executive oversight in the delivery of its mandate.

The 2025–26 risk assessment exercise provided the level of insight required to properly plan risk responses through the allocation of resources, both human and financial, and through the prioritization of activities. Senior management is closely monitoring the following three strategic risks for 2025–26:

i. Technology evolution and operational continuity – There is a risk that IT legacy systems and ongoing technology transitions (TGMS, NSERC website, Access to Information Act and Privacy [ATIP] software, Shared Travel Services) may disrupt operations, impacting continuity and the organization's ability to deliver on results. This risk emphasizes the challenges of evolving technology, including AI adoption, while ensuring uninterrupted operations.

ii. Change and resource management – There is a risk that the pace, frequency and complexity of required change initiatives exceed the availability of financial and human resources, impacting organizational adaptability, resource allocation and capacity to implement changes effectively.

iii. Stakeholder trust and strategic impact – There is a risk that events or shortcomings impacting stakeholders' perception could harm the organization's reputation, eroding stakeholder and public trust and confidence in the organization. There is also a risk of being unable to safeguard the organization's long-term strategic position in the modernized research ecosystem.

4. Significant changes related to operations, personnel and programs

The following significant changes occurred within NSERC during the current quarter in relation to operations, personnel and programs.

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On October 9, 2025, NSERC welcomed its new Chief Information Officer, Deputy Chief Security Officer, and Director General of the Information and Innovative Solutions Division for both NSERC and SSHRC, Stéphane Caron. On the same date, Joann Shields joined the organization as Transformation Lead for the TGMS project.

On October 22, 2025, Professor M. Cynthia Goh was appointed to the advisory position of Scholar-Entrepreneur in Residence for a one-year term. Professor Goh's advice will inform NSERC's efforts to better align partnered research funding with industry needs, strengthen entrepreneurship and impact, build skills for a competitive economy, and help accelerate commercialization.

Budget 2025 announced new investments totalling $1.7 billion through a targeted, one-time initiative to recruit more than a thousand highly qualified international researchers to Canada. In the context of the Comprehensive Expenditure Review, the Federal Budget 2025 established a savings target of two percents of the review base for NSERC, and the other federal research funding agencies, which includes both transfer payment and operating budgets.

On December 9, 2025, the Canada Global Impact+ Research Talent Initiative was launched, which includes the Canada Impact+ Research Chairs program, the Canada Impact+ Emerging Leaders program, and the Canada Impact+ Research Training Awards. This suite of new funding initiatives is designed to attract top global talent to Canada and help drive Canadian innovation, growth and prosperity.

On December 15, 2025, NSERC launched the Discovery Grants Impact Questionnaire (DGIQ). This questionnaire will complement existing evidence by equipping NSERC with important data to better demonstrate the wide-ranging and lasting impacts of discovery research.

Approved by:

Prof. Alejandro Adem, FRSC **President**	**Dominique Osterrath** **Chief Financial Officer and Vice-President, Common Administrative Services Directorate**

Ottawa, Canada
February 27, 2026

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5. Statement of authorities (unaudited)

(in thousands of dollars)	Fiscal year 2025–26			Fiscal year 2024–25		
	Total available for use for the year ending March 31, 2026*	Used during the quarter ended December 31, 2025	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2025*	Used during the quarter ended December 31, 2024	Year-to-date used at quarter-end
Vote 1—Operating expenditures	78,658	17,405	48,380	72,843	15,751	45,391
Vote 5—Grants and scholarships	1,425,794	325,605	1,044,643	1,398,782	357,303	999,013
Budgetary statutory authorities						
Contributions to the employee benefit plan	9,077	2,264	6,792	8,346	1,715	5,145
Spending of revenues pursuant to subsection 4 (2) of the *Natural Sciences and Engineering Research Council Act*	203	-	-	203	-	-
Total budgetary authorities	**1,513,732**	**345,274**	**1,099,815**	**1,480,174**	**374,769**	**1,049,549**

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

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6. Departmental budgetary expenditures by standard object (unaudited)

(in thousands of dollars)	Fiscal year 2025–26			Fiscal year 2024–25		
	Planned expenditures for the year ending March 31, 2026	Expended during the quarter ended December 31, 2025	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2025	Expended during the quarter ended December 31, 2024	Year-to-date used at quarter-end
Expenditures						
Personnel	68,500	16,294	47,815	64,944	15,613	45,427
Transportation and communications	1,518	264	648	1,039	338	641
Information	1,878	83	194	1,616	18	177
Professional and special services	10,428	2,056	4,391	8,279	1,055	2,538
Rentals	3,021	227	586	2,071	269	1,092
Repair and maintenance	248	46	56	176	20	39
Utilities, materials and supplies	108	43	73	80	19	44
Acquisition of machinery and equipment	2,231	656	1,411	3,176	115	560
Other subsidies and payments	6	-	(2)	11	19	18
Transfer payments	1,425,794	325,605	1,044,643	1,398,782	357,303	999,013
Total budgetary expenditures	**1,513,732**	**345,274**	**1,099,815**	**1,480,174**	**374,769**	**1,049,549**