

# Statement of Management Responsibility Including Internal Control Over Financial Reporting

## CANADIAN SPACE AGENCY

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2017, and all information contained in these statements rests with the management of the Canadian Space Agency. These financial statements have been prepared by management using the Government's accounting standards, which are based on the Government's accounting policies and Canadian accounting standards stated in the Public Sector Accounting Handbook.

Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Agency's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the Agency's *Departmental Results Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of Internal Control over Financial Reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Agency; and, through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2017 was completed in accordance with the Treasury Board Policy on Internal Control. The results of this assessment and the action plans are summarized in the annex.

The effectiveness and adequacy of the Agency's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the Agency's operations, and by the Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Deputy Head of the Agency.

The financial statements of the Canadian Space Agency have not been subject to an external audit.

The original version was signed by  
Sylvain Laporte, August 16, 2017

The original version was signed by  
Marie-Claude Guérard, August 16, 2017

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*Sylvain Laporte*  
President  
Longueuil, Canada

Date

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*Marie-Claude Guérard, CPA, CGA*  
Chief Financial Officer  
Longueuil, Canada

Date

# Statement of Financial Position (Unaudited)

## CANADIAN SPACE AGENCY

As at March 31 2017 2016  
 (in thousands of dollars) \$ \$

### Liabilities

Accounts payable and accrued liabilities (note 4)	94,384	106,198
Vacation pay and compensatory leave	4,149	3,616
Deferred revenue (note 5)	50	9
Severance benefits (note 6(b))	2,767	3,602
Contingent liabilities (note 7)	350	-
Other liabilities (note 8)	2,484	2,075
<b>Total net liabilities</b>	<b>104,184</b>	<b>115,500</b>

### Assets

#### Financial assets

Due from the Consolidated Revenue Fund	87,531	96,850
Accounts receivable and advances (note 9)	12,285	12,537
<b>Total gross financial assets</b>	<b>99,816</b>	<b>109,387</b>

#### Financial assets held on behalf of Government

Accounts receivable and advances (note 9)	(1,725)	(1,337)
<b>Total financial assets held on behalf of Government</b>	<b>(1,725)</b>	<b>(1,337)</b>

#### Total net financial assets

98,091 108,050

#### Agency's net debt

6,093 7,450

#### Non-financial assets

Prepaid expenses (note 10)	132,825	175,775
Tangible capital assets (note 11)	1,431,147	1,326,629
Other receivables (note 12)	7,059	7,484
<b>Total non-financial assets</b>	<b>1,571,031</b>	<b>1,509,888</b>

#### Agency's net financial position

1,564,938 1,502,438

Contractual obligations (note 13)

The accompanying notes are an integral part of these financial statements.

The original version was signed by  
Sylvain Laporte, August 16, 2017

The original version was signed by  
Marie-Claude Guérard, August 16, 2017

Sylvain Laporte Date  
 President  
 Longueuil, Canada

Marie-Claude Guérard, CPA, CGA Date  
 Chief Financial Officer  
 Longueuil, Canada

# Statement of Operations and the Agency's Net Financial Position (Unaudited)

## CANADIAN SPACE AGENCY

For the Year Ended March 31

(in thousands of dollars)

	2017 \$ Planned	2017 \$	2016 \$
<b>Expenses</b>			
Space Exploration	156,688	125,374	120,763
Space Data, Information and Services	95,492	87,439	87,703
Future Canadian Space Capacity	67,612	79,965	62,778
Internal Services	50,759	48,607	46,426
Expenses incurred on behalf of Government	-	(2)	-
<b>Total Expenses</b>	<b>370,551</b>	<b>341,383</b>	<b>317,670</b>
<b>Revenues</b>			
Sale of goods and services	1,600	531	398
Location and use of public property	325	272	317
Sale of rights and privileges	100	36	83
Other revenues	40	9,204	3,048
Revenues earned on behalf of Government	(2,065)	(10,007)	(3,824)
<b>Total Revenues</b>	<b>-</b>	<b>36</b>	<b>22</b>
<b>Net cost of operations before government funding and transfers</b>	<b>370,551</b>	<b>341,347</b>	<b>317,648</b>
<b>Government funding and transfers</b>			
Net cash provided by Government		407,669	423,450
Change in due from Consolidated Revenue Fund		(9,319)	(7,587)
Services provided without charge by other government departments (note 14(a))		5,499	5,196
Transfer of the transition payments for implementing salary payments in arrears		(2)	(3)
<b>Total Government funding and transfers</b>		<b>403,847</b>	<b>421,056</b>
<b>Net cost of operations after government funding and transfers</b>		<b>(62,500)</b>	<b>(103,408)</b>
<b>Agency's net financial position - Beginning of year</b>		<b>1,502,438</b>	<b>1,399,030</b>
<b>Agency's net financial position - End of year</b>		<b>1,564,938</b>	<b>1,502,438</b>

Other transactions with related parties (note 14(b))

Segmented information (note 15)

The accompanying notes are an integral part of these financial statements.

# Statement of Change in the Agency's Net Debt (Unaudited)

## CANADIAN SPACE AGENCY

For the Year Ended March 31

(in thousands of dollars)

	2017	2016
	\$	\$
<b>Net cost of operations after government funding and transfers</b>	<b>(62,500)</b>	<b>(103,408)</b>
<b>Change due to tangible capital assets</b>		
Acquisition of tangible capital assets (note 11)	153,586	179,124
Amortization of tangible capital assets (note 11)	(43,604)	(43,445)
Proceeds from disposal of tangible capital assets	(7)	(1)
Net loss on disposal and write-offs of tangible capital assets	(5,457)	(2)
<b>Total change due to tangible capital assets</b>	<b>104,518</b>	<b>135,676</b>
<b>Change due to prepaid expenses</b>	<b>(42,950)</b>	<b>(33,595)</b>
<b>Change due to other receivables</b>	<b>(425)</b>	<b>-</b>
<b>Net decrease in the Agency's net debt</b>	<b>(1,357)</b>	<b>(1,327)</b>
<b>Agency's net debt - Beginning of year</b>	<b>7,450</b>	<b>8,777</b>
<b>Agency's net debt - End of year</b>	<b>6,093</b>	<b>7,450</b>

The accompanying notes are an integral part of these financial statements.

# Statement of Cash Flows (Unaudited)

## CANADIAN SPACE AGENCY

For the Year Ended March 31

(in thousands of dollars)

	2017	2016
	\$	\$
<b>Operating Activities</b>		
Net cost of operations before government funding and transfers	341,347	317,648
<b>Non-cash items:</b>		
Amortization of tangible capital assets (note 11)	(43,604)	(43,445)
Net loss on disposal and write-offs of tangible capital assets	(5,457)	(2)
Services provided without charge by other government departments (note 14(a))	(5,499)	(5,196)
Transition payments for implementing salary payments in arrears	2	3
<b>Variations in Statement of Financial Position:</b>		
Increase (decrease) in accounts receivable and advances	(640)	291
Decrease in prepaid expenses	(42,950)	(33,595)
Decrease in other receivables	(425)	-
Decrease in accounts payable and accrued liabilities	11,814	9,000
Increase in vacation pay and compensatory leave	(533)	(64)
Decrease (increase) in deferred revenue	(41)	83
Decrease in severance benefits	835	171
Increase in contingent liabilities	(350)	-
Increase in other liabilities	(409)	(567)
<b>Cash used in operating activities</b>	<b>254,090</b>	<b>244,327</b>
<b>Capital Investing Activities</b>		
Acquisition of tangible capital assets (note 11)	153,586	179,124
Proceeds from disposal of capital assets	(7)	(1)
<b>Cash used in capital investing activities</b>	<b>153,579</b>	<b>179,123</b>
<b>Net cash provided by Government of Canada</b>	<b>407,669</b>	<b>423,450</b>

The accompanying notes are an integral part of these financial statements.

# Notes to the Financial Statements (Unaudited)

## CANADIAN SPACE AGENCY

For the Year Ended March 31

### 1. Authority and Objectives

The Canadian Space Agency "Agency" was decreed a "Department" on March 1st, 1989. The Agency is a division of the public service named in Schedule I.1 of the Financial Administration Act. The Agency is part of the Ministerial Portfolio of Innovation, Science and Economic Development, which represents the Agency in Parliament and in Cabinet.

The *Canadian Space Agency Act* that received Royal Assent in 1990 attributes four main functions to the Agency:

- Assist the Minister to coordinate the space policies and programs of the Government of Canada;
- Plan, direct, manage and implement programs and projects relating to scientific or industrial space research and development and the application of space technology;
- Promote the transfer and diffusion of space technology to and throughout Canadian industry; and
- Encourage commercial exploitation of space capabilities, technology, facilities and systems.

The objectives of the Canadian Space Agency are "to promote the peaceful use and development of space, to advance the knowledge of space through science and to ensure that space science and technologies provide social and economic benefits for Canadians".

According to the approved Program Alignment Architecture (PAA), the Statement of Operations and the Agency's Net Financial Position is detailed by the following Programs (Business Lines):

#### *Space Exploration*

This Program provides valuable Canadian science, signature technologies and qualified astronauts to international space exploration endeavours. This Program contributes to the Government of Canada's Strategy Mobilizing Science and Technology to Canada's Advantage. It fosters the generation of knowledge as well as technological spin-offs that contribute to a higher quality of life for Canadians. It generates excitement within the population in general and contributes to nation-building. This Program appeals to the science and technology communities. It is targeted mostly towards Canadian academia and international space exploration partnerships. Canadian industry also benefits from the work generated within this Program. This Program is delivered with the participation of foreign space agencies and Government of Canada (GoC) organizations. This collaborative effort is formalized under international partnership agreements, contracts, grants or contributions.

#### *Space Data, Information and Services*

This Program includes the provision of space-based solutions (data, information and services) and the progression of their utilization. It also serves to install and run ground infrastructure that processes the data and operates satellites. This Program utilizes space-based solutions to assist Government of Canada (GoC) organizations in delivering growing, diversified or cost-effective programs and services within their mandate, which are related to key national priorities, such as sovereignty, defence, safety and security, resource management, environmental monitoring and the North. It also provides academia with the data required to perform its own research. The services delivered through this Program are rendered, and the data and information are generated and processed, with the participation of the Canadian space industry, academia, GoC organizations, national and international organizations, such as foreign space agencies, not-for-profit organizations, as well as provincial and municipal governments. This collaborative effort is formalized under national and international partnership agreements and contracts. This Program is also funded through the Class Grant and Contribution Program.

#### *Future Canadian Space Capacity*

This Program attracts, sustains and enhances the nation's critical mass of Canadian space specialists, fosters space-related innovation and know-how in Canada, and preserves the nation's space-related facilities capability. In doing so, it encourages private-public collaboration that requires a concerted approach to future space missions. This Program secures the nation's future strategic and ongoing presence in space and helps preserve Canada's capability to deliver internationally renowned space assets for future generations. It is targeted at Canadian academia, industry and youth, as well as users of Canadian space solutions (Government of Canada (GoC) organizations) and international partners. This Program is conducted with the participation of funding agencies, GoC organizations along with government facilities and infrastructure, foreign space agencies, not-for-profit organizations and provincial governments. This collaborative effort is formalized under contracts, grants, contributions or national and international partnership agreements.

#### *Internal Services*

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

# Notes to the Financial Statements (Unaudited)

## CANADIAN SPACE AGENCY

For the Year Ended March 31

## 2. Summary of Significant Accounting Policies

These financial statements have been prepared using the Government's accounting policies stated below, which 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*

The Agency is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Agency 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 Statement of Financial Position and the Statement of Operations and Agency Net Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the two bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Agency Net Financial Position are the amounts reported in the Future-Oriented Statement of Operations included in the 2016-2017 Report on Plans and Priorities. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Agency Net Financial Position and in the Statement of Change in the Agency's Net Debt since the related Future-Oriented statements are no longer produced and therefore, are not included in the 2016-2017 Report on Plans and Priorities.

### *(b) Net cash provided by Government*

The Agency operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Agency is deposited to the CRF and all cash disbursements made by the Agency 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) Due from the Consolidated Revenue Fund (CRF)*

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 the Agency is entitled to draw from the CRF without further authorities to discharge its liabilities.

### *(d) Revenues*

- ✓ Revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.
- ✓ Funds that have been received are recorded as deferred revenue, provided the Agency has an obligation to other parties for the provision of goods, services or the use of assets in the future (note 5).
- ✓ Revenues that are non-respendable are not available to discharge the Agency's liabilities. While the deputy head is expected to maintain accounting control, he has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the entity's gross revenues.

### *(e) Expenses*

Expenses are recorded on the accrual basis:

- ✓ Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or entitlements for the transfer payment program.
- ✓ Vacation pay and compensatory leave are recorded as expenses as benefits are earned by employees under their respective terms of employment.
- ✓ Services provided without charge by other government departments for accommodation and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

# Notes to the Financial Statements (Unaudited)

## CANADIAN SPACE AGENCY

For the Year Ended March 31

## 2. Summary of Significant Accounting Policies (Continued)

### *(f) Employee future benefits (note 6)*

- i Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government of Canada. The Agency's contributions to the Plan are recorded to expenses in the year incurred and represent the Agency's total obligation to the Plan. The Agency's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficits are recognized in the financial statements of the Government of Canada, as 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.

### *(g) Accounts receivables and advances*

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

### *(h) Contingent liabilities*

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements

### *(i) Foreign currency transactions*

Transactions involving foreign currencies are translated into Canadian dollar equivalents using the exchange rates in effect at the time of the transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the exchange rate in effect at year-end. Gains and losses resulting from foreign currency transactions are included in the item "others" in the Statement of Operations and the Agency's Net Financial Position.

### *(j) Tangible capital assets*

All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. The Agency does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

<b>Asset category</b>	<b>Amortization period</b>
Buildings, works and infrastructure	15-40 years
Material and equipment	9-20 years
Computer material	5-10 years
Computer software	3-10 years
Other equipment	3-30 years
Motor vehicles	5 years
Other vehicles	10 years

Assets under construction are accounted for in the applicable capital asset category in the fiscal year in which they become available for use for the production of goods or the provision of services (commissioning) and are only amortized as of that date.

The space assets are not considered operational until they have attained orbit or their expected trajectory or the landing date on the International Space Station.

### *(k) Measurement uncertainty*

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of the statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.



# Notes to the Financial Statements (Unaudited)

## CANADIAN SPACE AGENCY

For the Year Ended March 31

### 3. Parliamentary Authorities

The Agency receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Financial Position, and the Statement of Operations and the Agency's Net Financial Position in one fiscal year may be funded through parliamentary authorities that were authorized in a prior or in the current year or that will be in a future fiscal year. Accordingly, the Agency 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 and to current year parliamentary authorities used*

(in thousands of dollars)	2017 \$	2016 \$
Net cost of operations before government funding and transfers	341,347	317,648
<i>Adjustments for items affecting net cost of operations but not affecting authorities</i>		
<i>Add (Less):</i>		
Amortization of tangible capital assets (note 11)	(43,604)	(43,445)
Revenue not available for spending		
Services provided without charge by other government departments (note 14(a))	(5,499)	(5,196)
Refund of previous years' expenditures	312	1,123
Decrease in severance benefits	835	171
Increase in vacation pay and compensatory leave	(533)	(64)
Increase in contingent liabilities	(350)	-
Net loss on disposal and write-offs of tangible capital assets	(5,457)	(2)
Change in non-monetary exchange CSA/NASA	(410)	-
Additional Data Credit RADARSAT-2	(9,074)	(2,981)
Other	100	13
	<u>277,667</u>	<u>267,267</u>
<i>Adjustments for items not affecting net cost of operations but affecting authorities</i>		
<i>Add (Less):</i>		
Acquisition of tangible capital assets (note 11)	153,586	179,124
Proceeds from disposal of tangible capital assets	(7)	(1)
Decrease in prepaid expenses	(42,950)	(33,595)
Transition payments for implementing salary payments in arrears	2	3
	<u>110,631</u>	<u>145,531</u>
<b>Current year authorities used</b>	<b>388,298</b>	<b>412,798</b>

*(b) Authorities provided and used*

(in thousands of dollars)	2017 \$	2016 \$
<b>Authorities provided</b>		
Vote 1 - Operating expenditures	184,498	191,597
Vote 5 - Capital expenditures	210,228	255,909
Vote 10 - Grants and contributions	55,942	45,356
Statutory amounts	8,681	8,706
	<u>459,349</u>	<u>501,568</u>
<b>Less:</b>		
Authorities available for use in future years	26	16
Lapsed : Operating	14,076	11,227
Lapsed : Capital	56,523	76,702
Lapsed : Grants and contributions	426	789
Lapsed: Proceeds from the disposal of surplus Crown assets	-	36
	<u>71,051</u>	<u>88,770</u>
<b>Current year authorities used</b>	<b>388,298</b>	<b>412,798</b>

# Notes to the Financial Statements (Unaudited)

## CANADIAN SPACE AGENCY

For the Year Ended March 31

### 4. Accounts Payable and Accrued Liabilities

(in thousands of dollars)	2017 \$	2016 \$
Accounts payable - External parties	46,475	60,013
Contractor's holdbacks	3,801	6,726
Accounts payable - Other Departments	704	685
Other accounts payable	20	14
<b>Total accounts payable</b>	<b>51,000</b>	<b>67,438</b>
Accrued liabilities	43,384	38,760
<b>Total accounts payable and accrued liabilities</b>	<b>94,384</b>	<b>106,198</b>

In *Canada's Economic Action Plan 2012*, the Government announced savings measures to be implemented by departments starting in 2012–2013 and extending over the three subsequent fiscal years. To this effect, the Agency has recorded an obligation for termination benefits as part of accrued liabilities to reflect the estimated workforce adjustment costs. The remaining balance of these measures as of March 31, 2017 is \$0 (\$3,983 in 2015-2016).

### 5. Deferred Revenue

Deferred revenue represents the balance at year-end of unearned revenues stemming from amounts received prior to services being performed as part of the activities of RADARSAT-2 to cover expenses related to the reception, archiving, cataloguing and satellite acquisition services and for the preparation of accommodations of MacDonald Dettwiler and Associates Ltd. (MDA) employees. Revenues are recognized in the period that the expenditures are incurred or the service is performed. Details of the transactions related to this account are as follows:

(in thousands of dollars)	2017 \$	2016 \$
Deferred revenue as at April 1st	9	92
Plus: Amounts received	1,820	1,664
Less: Services rendered	1,779	1,747
<b>Deferred revenue as at March 31</b>	<b>50</b>	<b>9</b>

# Notes to the Financial Statements (Unaudited)

## CANADIAN SPACE AGENCY

For the Year Ended March 31

### 6. Employee Future Benefits

#### *(a) Pension benefits*

The Agency's employees participate in the Public Service Pension Plan (the "Plan"), which is sponsored and administered by the Government of Canada. 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 they are indexed to inflation.

Both the employees and the Agency contribute to the cost of the Plan. Due to the amendment of the Public Service Superannuation Act following the implementation of provisions related to the Economic Action Plan 2012, employee contributors have been divided into two groups - Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2016-2017 expense amounts to \$6.0 million (\$6.0 million in 2015-2016). For Group 1 members, the expense represents approximately 1.12 times (1.25 times in 2015-2016) the employee contributions and, for Group 2 members, approximately 1.08 times (1.24 times in 2015-2016) the employee contributions.

The Agency's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficits are recognized in the Financial Statements of the Government of Canada, as the Plan's sponsor.

#### *(b) Severance benefits*

Severance benefits provided to the Agency's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011, the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2017, all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

(in thousands of dollars)	2017	2016
	\$	\$
Accrued benefits obligation, beginning of year	3,602	3,773
Plus: Adjustment for the year	(500)	(36)
Less: Benefits paid during the year	(335)	(135)
Accrued benefits obligation, end of year	2,767	3,602

### 7. Contingent liabilities

Claims have been made against the Agency in the normal course of operations. During 2016-2017, the Agency has recorded an allowance of \$350,000 (\$0 in 2015-2016).

## Notes to the Financial Statements (Unaudited)

### CANADIAN SPACE AGENCY

For the Year Ended March 31

## 8. Other Liabilities

	2017	2016
(in thousands of dollars)	\$	\$
Contractor's holdbacks	2,484	2,075
	<b>2,484</b>	<b>2,075</b>

## 9. Accounts Receivable and Advances

	2017	2016
(in thousands of dollars)	\$	\$
Receivables from other federal departments and organizations	11,916	12,277
Receivables from external entities	331	261
Other receivables and advances	48	7
Less: Allowance for doubtful accounts on receivables from external entities	(10)	(8)
<b>Gross accounts receivable</b>	<b>12,285</b>	<b>12,537</b>
Accounts receivable held on behalf of Government	(1,725)	(1,337)
<b>Net accounts receivable</b>	<b>10,560</b>	<b>11,200</b>

## 10. Prepaid Expenses

	2017	2016
(in thousands of dollars)	\$	\$
RADARSAT-2 prepaid services	131,932	174,627
Other prepaid expenses	893	1,148
	<b>132,825</b>	<b>175,775</b>

### *RADARSAT-2 prepaid services*

Under a private-public partnership agreement, the Agency has invested \$445.9 million in the construction and launch of the RADARSAT-2 satellite. In exchange of its participation, the Agency received credits for the supply of data (imagery) to Canadian Government departments and agencies over the life of the mission. Since the satellite is operational, federal departments and organizations received imagery valued at \$326.1 million (\$274.3 million for 2015-2016). In addition, in 2016-2017, the Agency received additional credits of \$9.1 million (\$3.0 million for 2015-2016), resulting from a contractual arrangement with the supplier.

# Notes to the Financial Statements (Unaudited)

## CANADIAN SPACE AGENCY

For the Year Ended March 31

### 11. Tangible Capital Assets

Cost	Opening Balance as at April 1st, 2016	Acquisitions	Adjustments <sup>(1)</sup>	Disposals and Write-Offs	Closing Balance as at March 31, 2017
(in thousands of dollars)	\$	\$	\$	\$	\$
Land	85	-	-	-	85
Buildings, works and infrastructure	138,955	-	2,291	-	141,246
Material and equipment	42,882	828	-	(1,925)	41,785
Computer material	15,315	47	1,453	(1,740)	15,075
Computer software	11,142	69	906	-	12,117
Other equipment <sup>(2)</sup>	1,367,084	87	5,452	-	1,372,623
Motor vehicles	74	59	(24)	-	109
Other vehicles	455	52	-	(41)	466
Assets under construction	984,832	152,444	(10,102)	(4,958)	1,122,216
	<b>2,560,824</b>	<b>153,586</b>	<b>(24)</b>	<b>(8,664)</b>	<b>2,705,722</b>

Accumulated amortization	Opening Balance as at April 1st, 2016	Amortization	Adjustments	Disposals and Write-Offs	Closing Balance as at March 31, 2017
(in thousands of dollars)	\$	\$	\$	\$	\$
Buildings, works and infrastructure	93,166	4,505	-	-	97,671
Material and equipment	33,189	1,629	-	(1,432)	33,386
Computer material	13,931	477	-	(1,727)	12,681
Computer software	10,354	679	-	-	11,033
Other equipment <sup>(2)</sup>	1,083,213	36,269	-	-	1,119,482
Motor vehicles	35	11	(24)	-	22
Other vehicles	307	34	-	(41)	300
	<b>1,234,195</b>	<b>43,604</b>	<b>(24)</b>	<b>(3,200)</b>	<b>1,274,575</b>

Net book value	Opening Balance as at April 1st, 2016	Closing Balance as at March 31, 2017
(in thousands of dollars)	\$	\$
Land	85	85
Buildings, works and infrastructure	45,789	43,575
Material and equipment	9,693	8,399
Computer material	1,384	2,394
Computer software	788	1,084
Other equipment	283,871	253,141
Motor vehicles	39	87
Other vehicles	148	166
Assets under construction	984,832	1,122,216
<b>Net Book Value</b>	<b>1,326,629</b>	<b>1,431,147</b>

(1) Adjustments include assets under construction of \$10,102,185 that were transferred to the other asset categories upon completion of the following assets: Buildings, works and infrastructure \$2,290,762; computer material \$1,452,970; computer software \$906,003 and other equipment \$5,452,450.

During the year, a motor vehicle in the amount of \$24,248 was transferred to another Department. The net book value is zero since the asset was fully amortized; this transfer is included in the "Adjustments" column.

(2) An adjustment has been made between the Cost Opening Balance and the Accumulated Amortization Opening Balance of the asset category "Other equipment" to correct the presentation of capital assets' previous years write-downs. The net book value remains the same.

# Notes to the Financial Statements (Unaudited)

## CANADIAN SPACE AGENCY

For the Year Ended March 31

### 12. Other Receivables

	2017	2016
(in thousands of dollars)	\$	\$
Non-monetary exchange CSA/NASA	7,059	7,468
Other non-monetary exchange	-	16
	<b>7,059</b>	<b>7,484</b>

#### *Non-monetary exchange CSA/NASA*

Under the International Space Station Agreement, which was executed in 1998, and ratified by Canada in year 2000, following the passing of the Civil International Space Station Agreement Implementation Act, in 1999 the Agency signed a barter agreement with NASA in August 2001, which the fair value was estimated at \$20.8 million U.S. This agreement provided that the Agency would exchange a part of its utilization rights on the International Space Station and agreed to assume repair costs for its Special Purpose Dexterous Manipulator. In return, NASA would provide to the Agency, astronaut training, satellite and launch services. The transactions under this barter agreement took place over the lifetime of the International Space Station. During fiscal years 2002 to 2017, the Agency received all of the astronaut training valued at \$12.6 million CDN and launch services valued at \$5.5 million CDN, and NASA did exercise the option to access its proportion of Canada's utilization rights on the International Space Station valued at \$20.8 million CDN. As at March 31, 2017, the Agency recorded a net value of \$7.1 million CDN as other receivables which corresponds to the residual receivable in regards to the barter agreement and the effect of the variances in the exchange rates. In regards to this barter agreement or other agreements of the same kind that the Agency may enter into with its International Partners under the Agreement on the International Space Station, the Agency was granted an exemption by Treasury Board under the Policy on Accounting for Non-Monetary Transactions and does not have to charge the transactions to its appropriation.

### 13. Contractual Obligations

The nature of the Agency's activities can result in some large multi-year contracts and obligations whereby the Agency will be obligated to make future payments in order to carry out its transfer payment programs, for the construction of assets and for the acquisitions of goods and services. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	2018	2019	2020	2021	2022 & thereafter	Total
(in thousands of dollars)	\$	\$	\$	\$	\$	\$
Construction of assets	85,627	63,069	4,000	-	-	<b>152,696</b>
Transfer payments	21,255	24,405	23,065	17,133	30,599	<b>116,457</b>
Acquisitions of goods and services	38,966	5,012	2,396	-	-	<b>46,374</b>
Total	145,848	92,486	29,461	17,133	30,599	<b>315,527</b>

Contractual obligations for the construction of assets are mostly related to the construction of RADARSAT Constellation. The acquisition of goods and services is mostly related to the Canadian Space Station Program, while obligations for transfer payments are related to the contributions to the European Space Agency.

# Notes to the Financial Statements (Unaudited)

## CANADIAN SPACE AGENCY

For the Year Ended March 31

### 14. Related Party Transactions

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

**(a) Common services provided without charge by other government departments**

During the year, the Agency received services without charge from certain common services organizations, related to accommodation and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in the Agency's Statement of Operations and the Agency's Net Financial Position as follows:

	2017	2016
(in thousands of dollars)	\$	\$
Employer's contribution to the health and dental insurance plans	5,446	4,977
Accommodation	53	207
Legal Services	-	12
	<b>5,499</b>	<b>5,196</b>

The Government has centralized some of its administrative activities in order to optimise the efficiency and the cost-effectiveness of the program delivery to the public. The Government uses central agencies and common services organizations so that one department performs services for all departments and organizations without charge. The costs of these services, such as payroll and cheque issuance services provided by Public Services and Procurement Canada, information technology (IT) infrastructure services in the areas of data centre and network services provided by Shared Services Canada and audit services provided by the Auditor General, are not included in the Agency's Statement of Operations and the Agency's Net Financial Position.

**(b) Other transactions with related parties**

	2017	2016
(in thousands of dollars)	\$	\$
Expenses - other government departments and organizations	26,024	23,417
Revenues - other government departments and organizations	47	13

Expenses and revenues disclosed in section (b) exclude common services provided without charge, which are already disclosed in section (a).

# Notes to the Financial Statements (Unaudited)

## CANADIAN SPACE AGENCY

For the Year Ended March 31

### 15. Segmented Information

Presentation by segment is based on the Agency's Program Alignment Architecture (PAA). The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for main programs, by major object of expense and by revenue type. The results for the period are as follows:

	Space Exploration	Space Data, Information and Services	Future Canadian Space Capacity	Internal Services	2017	2016
	\$	\$	\$	\$	\$	\$
<i>(in thousands of dollars)</i>						
<b>Operating expenses</b>						
Professional and special services	57,833	13,687	17,128	7,756	96,404	100,158
Salaries and employee benefits	20,051	9,432	11,750	25,510	66,743	65,331
Acquisition of machinery and material	3,682	52,013	299	1,096	57,090	38,911
Amortization of tangible capital assets	34,174	3,610	1,288	4,532	43,604	43,445
Loss on disposal and write-offs of tangible capital assets	5,416	-	11	37	5,464	3
Travel and communications	2,324	566	581	670	4,141	3,306
Rentals	271	426	580	2,172	3,449	3,516
Information	125	1,388	23	1,284	2,820	11,264
Purchased repair and maintenance	3	28	147	1,464	1,642	2,632
Utilities, materials and supplies	97	57	294	1,107	1,555	1,709
Other	20	7	16	2,979	3,022	2,851
Expenses incurred on behalf of Government	-	-	-	(2)	(2)	-
<b>Total operating expenses</b>	<b>123,996</b>	<b>81,214</b>	<b>32,117</b>	<b>48,605</b>	<b>285,932</b>	<b>273,126</b>
<b>Transfer payments</b>						
International organizations	-	-	34,500	-	34,500	27,803
Non-Profit Organizations	1,378	5,466	3,799	-	10,643	8,630
Industry	-	759	9,509	-	10,268	8,111
Individuals	-	-	40	-	40	-
<b>Total transfer payments</b>	<b>1,378</b>	<b>6,225</b>	<b>47,848</b>	<b>-</b>	<b>55,451</b>	<b>44,544</b>
<b>Total expenses</b>	<b>125,374</b>	<b>87,439</b>	<b>79,965</b>	<b>48,605</b>	<b>341,383</b>	<b>317,670</b>
<b>Revenues</b>						
Sale of goods and services	-	-	531	-	531	398
Lease and use of public property	-	25	-	247	272	317
Sale of rights and privileges	-	9	27	-	36	83
Gain on disposal of tangible assets	-	-	-	7	7	1
Other revenues	2	9,156	-	39	9,197	3,047
Revenues earned on behalf of Government	(1)	(9,190)	(558)	(258)	(10,007)	(3,824)
<b>Total Revenues</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>35</b>	<b>36</b>	<b>22</b>
<b>Net cost of operations</b>	<b>125,373</b>	<b>87,439</b>	<b>79,965</b>	<b>48,570</b>	<b>341,347</b>	<b>317,648</b>



# Notes to the Financial Statements (Unaudited)

CANADIAN SPACE AGENCY

For the Year Ended March 31

## 16. Comparative information

Comparative figures have been reclassified in order to comply with the current year's presentation.