



Canadian Space
Agency

Agence spatiale
canadienne



Canadian Space Agency

2011-2012

Quarterly Financial Report

For the Quarter Ended September 30, 2011

Management Statement for the Quarter Ended September 30, 2011

Introduction

This quarterly financial report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly financial report should be read in conjunction with the Main Estimates.

Raison d'Être and Responsibilities

The mandate of the Canadian Space Agency (CSA) is *to promote the peaceful use and development of space, to advance the knowledge of space through science and to ensure that space science and technology provide social and economic benefits for Canadians.*

The CSA is achieving this mandate in cooperation with other government departments/agencies, industries, and universities, as well as international partners. In addition to delivering its own programs, the CSA is responsible for coordinating all federal civil space-related policies and programs pertaining to science and technology research, industrial development, and international cooperation.

All CSA's program activities contribute to a single strategic outcome: *Canada's exploration of space, provision of space services and development of its space capacity meet the nation's needs for scientific knowledge, innovation and information.*

To learn more about the Canadian Space Agency' mandate, consult the following site:

<http://www.asc-csa.gc.ca/eng/about/mission.asp>

Basis of Presentation

This quarterly financial report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Canadian Space Agency's spending authorities granted by Parliament and those used by the Agency, consistent with the Main Estimates and Supplementary Estimates for the 2011-2012 fiscal year. This quarterly financial report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. 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.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government 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 CSA uses the full accrual method of accounting to prepare and present its annual financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis, that is, a partial accrual method of accounting. Expenditure basis accounting thus includes disbursements, but also some expenditures incurred for salaries and salary allowances.

This quarterly report has not been subject to an external audit or review.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

The CSA is funded mainly through a stable budget of less than \$300 million a year. Any amount over and above the CSA's stable budget comes from ad hoc funding for specific initiatives, in accordance with government budget announcements, or from the reprofiling of funds.

The field of space is characterized by a long-term cycle for the development of projects and initiatives, unique and leading-edge technologies, high risk and uncertain timeframes. In addition, since the Canadian Space Plan is based on international cooperation, the CSA has no control over the schedules imposed by international partners and must deal with an international decision-making process which is not always harmonised with Canada's budget cycle.

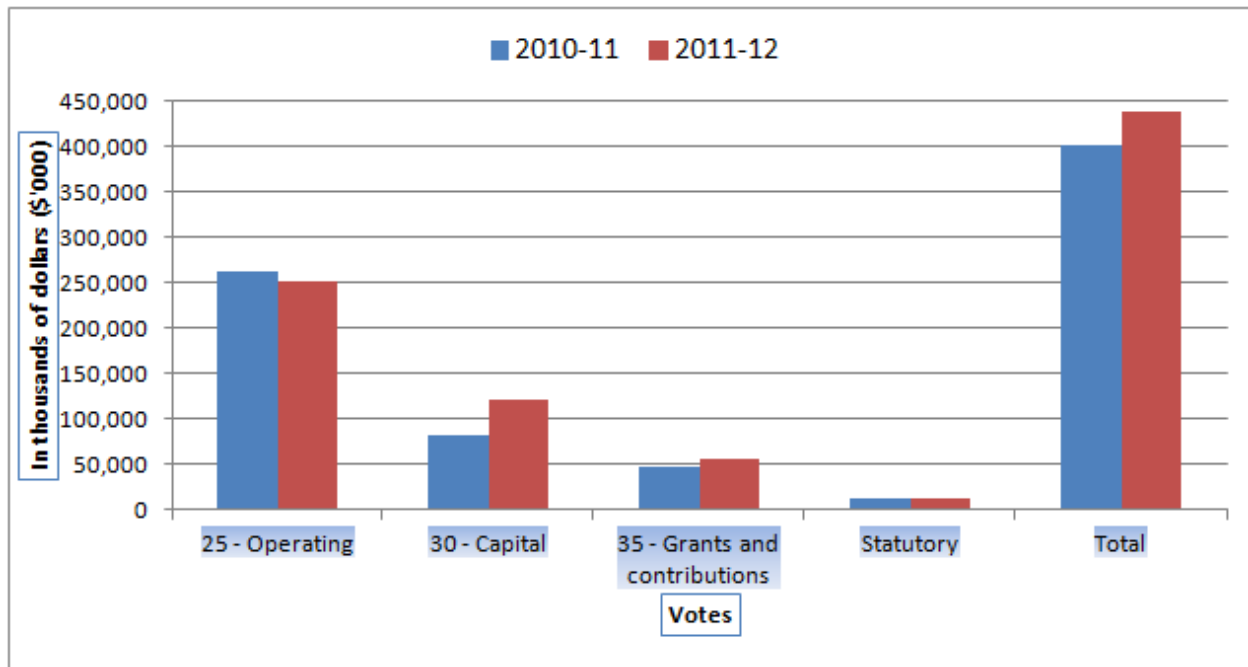
In conclusion, the variations described in the sections that follow are inherent to the characteristics suitable for the implementation of the Canadian Space Plan, thus do not represent any stakes and must not be interpreted otherwise.

Statement of Authorities

Total vote available for use for the year ending March 31, 2012

The total vote available for use to the Canadian Space Agency for the year ending March 31, 2012 is \$439.0 million, an increase of \$37.8 million (9.4%) over the same period for the previous year.

Variations in total vote available for use as at September 30



The variation in total vote available for use between the 2010-2011 and 2011-2012 fiscal years is attributable mainly to the 2009 and 2010 Budget announcements related to the Economic Action Plan and development of the RADARSAT Constellation Mission (RCM), as well as to the cumulative impact of the reprofiling of funds.

The following factors are key in explaining the decrease of \$12.7 million in Vote 25 – Operating Expenditures:

- Funding for the Mobile Maintenance System (MMS) exploration program was revised downward and the budget was reduced by \$5.1 million. This program is Canada’s contribution to the International Space Station (ISS).
- A \$3.3 million decrease results from implementation of the CSA’s contribution to the Economic Action Plan in Budget 2009 to support the Canadian industry (combined effect of the \$110 million received over three years and the funds invested by the CSA, together with the cumulative impact of the reprofiling of the related funds).
- A \$3.1 million decrease in the budget reprofiled from 2010-2011 to 2011-2012 as compared to that reprofiled from 2009-2010 to 2010-2011 as a result of proactive management of expenditures and commitments in 2010-2011.

The following factors are key in explaining the increase of almost \$40.0 million in Vote 30 – Capital Expenditures:

Canadian Space Agency

Quarterly Financial Report

For the quarter ended September 30, 2011

- An increase of \$30.0 million over the previous fiscal year as a result of additional budgets allocated over five years under Budget 2010 to pursue development of the Radarsat Constellation Mission (RCM).
- An increase of \$2.5 million over the previous fiscal year resulting from a transfer from National Defence in connection with the Radarsat Constellation Mission (RCM).
- An increase of \$7.2 million over the previous fiscal year in the development project portfolio resulting from the reprofiling of funds from unused risk envelopes from 2010-2011 to 2011-2012 and the delays in certain tasks.

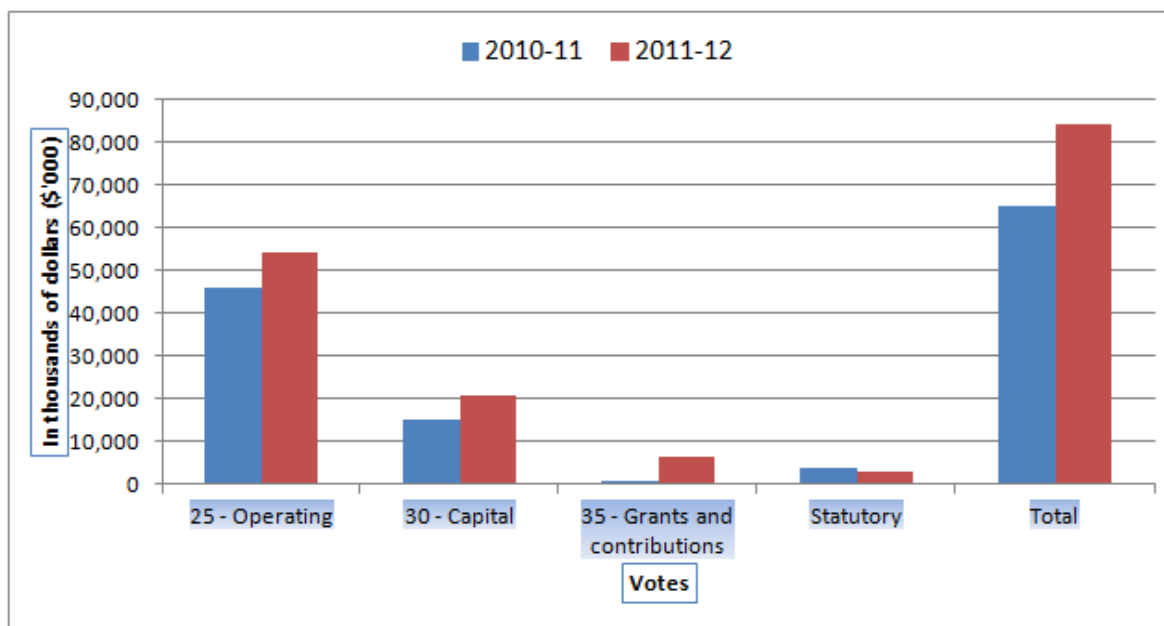
The following factors are key in explaining the increase of \$9.9 million in Vote 35 – Grants and Contributions:

- An increase of \$9.6 million for Canada's contribution to the European Space Agency (ESA) program, resulting from the cumulative effect of reprofiling funds related to fluctuations in exchange rates between the Canadian dollar and the euro and variations in the inflation rate, combined with cash flow management and internal reallocation of various elements of the Canadian Space Program.

Vote used during the quarter ended September 30, 2011

The vote used during the quarter ended September 30, 2011 totalled \$83.9 million and represents an increase of \$19.2 million (29.6%) over the corresponding period of the previous year.

Variations in vote used for the quarter ended September 30



Canadian Space Agency

Quarterly Financial Report

For the quarter ended September 30, 2011

The increase of \$8.4 million in the use of Vote 25 – Operating Expenditures at the end of the quarter ending September 30, 2011, compared to the same quarter of 2010, is attributable mainly to the inherent features of implementation of the Canadian Space Plan, including variations in payment schedules, procurement methods and billing schedules, implementation of the Budget 2009 Economic Plan and the normal increase in compensation.

The increase of \$5.8 million in the use of Vote 30 – Capital Expenditures at the end of the quarter ending September 30, 2011, compared to the same quarter of 2010, is attributable to the variations inherent in the development project portfolio, where the use of the vote depends on payment schedules, cash flow fluctuations, receipt of the required authorities, project development stages, schedules imposed by international partners, types of contract established and the billing schedule of the industry, as well as the continued development of the Radarsat Constellation Mission (RCM), as announced in Budget 2010.

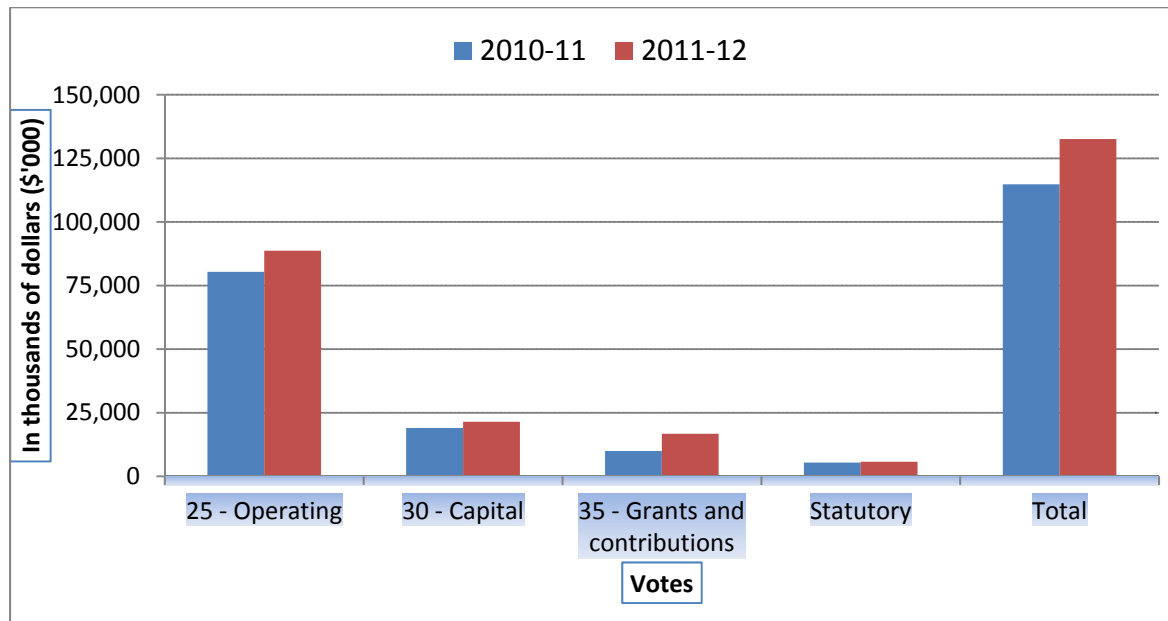
The increase of \$5.6 million in the use of Vote 35 – Grants and Contributions for the quarter ending September 30, 2011, compared to the same quarter of 2010, is attributable mainly to an increase in Canada's contributions to the programs of the European Space Agency (ESA), resulting from the increase in the exchange rate (euro as compared to the Canadian dollar) and an additional payment in 2011-2012 to re-establish an equitable industrial return among ESA member states.

Year to date vote used at quarter-end

The year to date vote used at the end of the quarter ending September 30, 2011 is \$132.6 million, or 30.2% of total vote available for the fiscal year, similar to the total vote used for 2010-2011, which was 28.6%. Thus, for 2011-2012, the CSA does not anticipate any lapsed funding over and above the carry forward mechanisms for the operating budget and the capital budget.

The total vote used at the end of the second quarter of 2011-2012 represented an increase of \$17.8 million over the same period for the previous fiscal year.

Variations in year to date vote used for the quarter ended September 30



The \$8.3 million increase in total use of Vote 25 – Operating Expenditures at the end of the quarter ending September 30, 2011, compared to total use at the end of the same quarter of 2010, is attributable mainly to the same factors mentioned under the heading Vote used for the quarter ended September 30, 2011.

The \$2.4 million increase in the total use of Vote 30 – Capital Expenditures at the end of the quarter ending September 30, 2011, compared to total use at the end of the same quarter of 2010, is attributable to the variations inherent in the development project portfolio, where the use of the vote depends on payment schedules, cash flow fluctuations, receipt of the required authorities, project development stages, schedules imposed by international partners, types of contract established and the billing schedule of the industry.

The explanations for the \$6.8 million increase in the total use of Vote 35 Grants and Contributions at the end of the quarter ending September 30, 2011, compared to total use at the end of the same quarter of 2010, include the reasons identified for the increase in Vote 35 – Grants and Contributions under the heading Vote used during the quarter ended September 30, 2011, as well as an increase of \$550,000 in the Class Grant and Contribution Program to Support Research, Awareness and Learning in Space Science and Technology in 2011-2012, where a number of agreements have been added since 2010-2011.

Departmental Budgetary Expenditures by Standard Object

Planned expenditures for the year ending March 31, 2012

Planned expenditures by standard object for the fiscal year ending March 31, 2012 are \$439.0 million, an increase of \$37.8 million (9.4%) compared to the previous fiscal year. The reasons are the same as those listed under the heading Total vote available for use for the year ending March 31, 2012.

This increase in planned expenditures compared to the previous fiscal year results mainly from an increase of \$22.1 million in expenditures related to the acquisition of machinery and equipment, an increase of \$9.9 million in transfer payments and a \$1.4 million increase for rental charges.

The \$22.1 million increase for the acquisition of machinery and equipment is mainly attributable to the share of the \$30 million for 2011-2012 in Budget 2010 allocated for continued development of the Radarsat Constellation Mission (RCM) under this standard object.

The increase in planned expenditures is \$9.9 million for transfer payments and the explanations are those identified for the increase in Vote 35 – Grants and Contributions in the section on Total vote available for use for the year ending March 31, 2012.

The following factors are key in explaining the \$1.4 million increase in planned expenditures for rental charges:

Year-round equipment rental for the Cosmomania exhibit project, the acquisition and maintenance of numerous licences for the Oracle system, the acquisition of software and the amounts allocated to the Government Related Initiatives Program.

Expended during the quarter ended September 30, 2011

Total expended during the quarter ended September 30, 2011 is \$83.9 million, an increase of \$19.2 million (29.6%) over the same period of the previous fiscal year.

The increase of \$1.3 million in the Personnel standard object during the quarter ended September 30, 2011, compared to the same quarter of 2010-2011, is attributable mainly to the increase in the number of full-time equivalents and to collective agreements, including the requirement to make immediate payments of separation and severance pay following changes in the referred collective agreements.

The \$8.6 million increase in the Professional and Special Services standard object during the quarter ended September 30, 2011, compared to the same quarter of 2010-2011, is explained mainly by the implementation of the initiatives announced in Budgets 2009 and 2010, that is, the Economic Action Plan and continued development of the Radarsat Constellation Mission (RCM).

Canadian Space Agency

Quarterly Financial Report

For the quarter ended September 30, 2011

The \$2.4 million increase in the acquisition of machinery and equipment standard object for the quarter ended September 30, 2011, compared to the same quarter of 2010-2011, is attributable mainly to the development stage of earth observation projects.

The \$5.6 million increase in the Transfer Payments standard object during the quarter ended September 30, 2011, compared to the same quarter of 2010-2011, is explained by the same factors identified for the increase in Vote 35 – Grants and Contributions in the section on Vote used for the quarter ended September 30, 2011.

Year to date expended at quarter-end

Total expenditures at the end of the quarter ended September 30, 2011 are \$132.6 million, an increase of \$17.8 million (15.5%) over the same period of the previous fiscal year.

The increase of \$3.8 million in total expenditures for the Personnel standard object at the end of the quarter ended September 30, 2011, compared to the same quarter of 2010-2011, is attributable mainly to the increase in the number of full-time equivalents and to collective agreements, including the requirement to make immediate payments of separation and severance pay following changes in the referred collective agreements.

The \$9.8 million increase in the Professional and Special Services standard object at the end of the quarter ended September 30, 2011, compared to the same quarter of 2010-2011, is explained mainly by the various cash flow fluctuations associated with implementation of the initiatives announced in Budgets 2009 and 2010, that is, the Economic Action Plan and continued development of the Radarsat Constellation Mission (RCM).

The \$1.8 million decrease in the Acquisition of machinery and equipment standard object at the end of the quarter ended September 30, 2011, compared to the same quarter of 2010-2011, is attributable mainly to lower payments for the James Webb Space Telescope (JWST), based on the cash flow fluctuations required for the project.

The \$6.8 million increase in the Transfer payments standard object at the end of the quarter ended September 30, 2011, compared to the same quarter of 2010-2011, is explained by the same factors identified for the increase in Vote 35 – Grants and Contributions in the section on Total vote used for the quarter ended September 30, 2011.

Risks and Uncertainties

Characteristics of implementation of the Canadian Space Plan

Risks and uncertainties related to variations in authorities and expenditures stem from factors inherent to the development of the space sector.

1 - International co-operation is essential to the implementation of the Agency's programs, because partnerships with other space-faring nations make it possible to share technical expertise, knowledge and infrastructure.

The Canadian Space Agency also relies on partnerships with Canadian businesses and universities to turn scientific and technological advances into innovative products and services. The domestic market is relatively small and the viability of Canada's space sector depends on its positioning on international markets.

This is why the Agency must often review its project portfolio, activity plans, schedules and financial management strategies to adjust to changes in the space programs of its key partners (National Aeronautics and Space Administration (NASA), the European Space Agency (ESA) and other space agencies).

2 - Space projects use innovative technologies that are, at times, first tested under the rigorous conditions of space. The technical challenges are such that delays are commonly experienced in developing technology, to mitigate the risk of its use or implementation in a space mission.

Consequently, the Agency must often review its schedules and financial management strategies to adjust to delays incurred in implementing its projects or those of its partners. This results in recurring annual underutilization and cumulative carry-forward of funds.

3 - This quarterly financial report reflects the results of the current fiscal period in relation to the Main Estimates, adjusted for the new votes allocated to the CSA (reprofiling of the operating budget and the capital budget) during the second quarter.

Budget 2010 announced that departmental operating budgets for 2011-2012 and 2012-2013 would be frozen at 2010-2011 levels.

Following the freeze in the operating budget and the 1.5% cut in salary increases announced in Budget 2010, a wage ceiling has been established to ensure that these new requirements can be met.

Significant Changes in Relation to Operations, Personnel and Programs

There were no major changes in operations, personnel and programs in the second quarter of 2011-2012.

Approval by Senior Officials

Approved by,

The original version was signed by

Steve MacLean November 24, 2011

Steve MacLean Date
President
Longueuil, Quebec

The original version was signed by

Marie-Claude Guérard November 24, 2011

Marie-Claude Guérard, CGA Date
Chief Financial Officer
Longueuil, Quebec

CANADIAN SPACE AGENCY

Quarterly Financial Report

For the quarter ended September 30, 2011

Statement of Authorities (unaudited)

Fiscal year 2011-2012 (in thousands of dollars)

	Fiscal Year 2011-2012			Fiscal Year 2010-2011		
	Total available for use for the year ending March 31, 2012* \$	Used during the quarter ended September 30, 2011 \$	Year to date used at quarter-end \$	Total available for use for the year ending March 31, 2011* \$	Used during the quarter ended September 30, 2010 \$	Year to date used at quarter-end \$
Vote 25: Operating expenditures	249,963	54,034	88,677	262,680	45,629	80,393
Vote 30: Capital expenditures	121,345	20,672	21,434	81,394	14,830	19,009
Vote 35: Grants and contributions	56,223	6,343	16,725	46,327	711	9,962
Budgetary statutory authorities	11,509	2,876	5,751	10,810	3,602	5,401
Total authorities	439,040	83,925	132,587	401,211	64,772	114,765

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

CANADIAN SPACE AGENCY

Quarterly Financial Report

For the quarter ended September 30, 2011

Departmental budgetary expenditures by Standard Object (unaudited)

Fiscal year 2011-2012 (in thousands of dollars)

	Fiscal Year 2011-2012			Fiscal Year 2010-2011		
	Planned expenditures for the year ending March 31, 2012 \$	Expended during the quarter ended September 30, 2011 \$	Year to date used at quarter-end \$	Planned expenditures for the year ending March 31, 2011 \$	Expended during the quarter ended September 30, 2010 \$	Year to date used at quarter-end \$
Expenditures:						
Personnel	75,393	20,127	42,699	74,279	18,817	38,935
Transportation and communications	9,693	1,718	3,069	9,691	1,506	3,158
Information	2,495	584	805	3,668	429	698
Professional and special services	235,814	49,259	60,628	231,839	40,635	50,791
Rentals	2,208	475	914	781	313	485
Repair and maintenance	3,646	507	966	1,918	1,717	1,984
Utilities, materials and supplies	3,169	1,411	1,883	3,181	1,276	1,878
Acquisition of land, buildings and works	1,004	0	0	2,086	0	0
Acquisition of machinery and equipment	45,332	1,440	2,217	23,231	-1,021	4,011
Transfer payments	56,223	6,343	16,725	46,327	711	9,962
Other subsidies and payments	4,063	2,061	2,681	4,210	389	2,863
Total budgetary expenditures	439,040	83,925	132,587	401,211	64,772	114,765