

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

FINANCIAL STATEMENTS

For the year ended March 31, 2017

Statement of Management Responsibility Including Internal Control Over Financial Reporting

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 Natural Sciences and Engineering Research Council (NSERC). These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. 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 NSERC's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in NSERC's *Departmental Performance 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 NSERC 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* and the results and action plans are summarized in the annex.

Deloitte LLP, NSERC's independent auditors, have expressed an opinion on the fair presentation of the financial statements of NSERC that does not include an audit opinion on the annual assessment of the effectiveness of NSERC's internal controls over financial reporting.

Original signed by

B. Mario Pinto, Ph.D., FCIC, FRSC
President

Ottawa, Canada

August 3, 2017

Original signed by

Patricia Sauvé-McCuan
Chief Financial Officer

Independent Auditor's Report

To the Natural Sciences and Engineering Research Council and the Minister of Industry

We have audited the accompanying financial statements of the Natural Sciences and Engineering Research Council (the "Council"), which comprise the statement of financial position as at March 31, 2017, and the statement of operations and departmental net financial position, the statement of change in departmental net debt and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

August 3, 2017

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

Statement of Financial Position

As at March 31

(in thousands of dollars)

	2017	2016
Liabilities		
Accounts payable and accrued liabilities [Note 4]	5,385	4,879
Vacation pay and compensatory leave	2,079	2,138
Deferred revenue [Note 5]	25	-
Employee future benefits [Note 6b]	767	860
Total net liabilities	8,256	7,877
Financial assets		
Due from the Consolidated Revenue Fund	3,958	2,661
Accounts receivable and advances [Note 7]	1,960	2,706
Total net financial assets	5,918	5,367
Departmental net debt	2,338	2,510
Non-financial assets		
Prepaid expenses	393	136
Tangible capital assets [Note 8]	4,825	6,588
Total non-financial assets	5,218	6,724
Departmental net financial position	2,880	4,214

Contractual obligations and commitments [Note 9]

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

Original signed by

B. Mario Pinto, Ph.D., FCIC, FRSC
President

Ottawa, Canada

August 3, 2017

Original signed by

Patricia Sauvé-McCuan
Chief Financial Officer

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

Statement of Operations and Departmental Net Financial Position
For the year ended March 31
(in thousands of dollars)

	2017 Planned Results	2017	2016
Expenses			
Discovery	435,129	503,359	454,074
Innovation	376,168	392,195	368,713
People	287,565	274,050	272,904
Internal Services	28,936	26,396	24,519
Total Expenses	1,127,798	1,196,000	1,120,210
Revenues			
Miscellaneous revenues	379	172	86
Revenues earned on behalf of Government	-	-	(1)
Total Revenues	379	172	85
Net cost of operations before government funding and transfers	1,127,419	1,195,828	1,120,125
Government funding and transfers			
Net cash provided by Government of Canada		1,185,745	1,113,298
Change in Due from the Consolidated Revenue Fund		1,297	(1,350)
Services provided without charge by other government departments [Note 10a]		7,452	6,944
Transfer of the transition payments for implementing salary payments in arrears		-	(20)
Total Government funding and transfers		1,194,494	1,118,872
Net cost of operations after government funding and transfers		(1,334)	(1,253)
Departmental net financial position - Beginning of year		4,214	5,467
Departmental net financial position - End of year		2,880	4,214

Segmented information [Note 11]

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

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

Statement of Change in Departmental Net Debt
For the year ended March 31
(in thousands of dollars)

	2017	2016
Net cost of operations after government funding and transfers	1,334	1,253
Change due to tangible capital assets		
Acquisition of tangible capital assets [Note 8]	103	588
Amortization of tangible capital assets [Note 8]	(1,789)	(1,851)
Proceeds from disposal of tangible capital assets	-	1
Net loss on disposal of tangible capital assets [Note 8]	(77)	-
Total change due to tangible capital assets	(1,763)	(1,262)
Change due to prepaid expenses	257	(206)
Net decrease in departmental net debt	(172)	(215)
Departmental net debt - Beginning of year	2,510	2,725
Departmental net debt - End of year	2,338	2,510

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

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

Statement of Cash Flows
For the year ended March 31
(in thousands of dollars)

	2017	2016
Operating activities		
Net cost of operations before government funding and transfers	1,195,828	1,120,125
Non-cash items:		
Amortization of tangible capital assets [Note 8]	(1,789)	(1,851)
Services provided without charge by other government departments [Note 10a]	(7,452)	(6,944)
Loss on disposal of tangible capital assets	(77)	-
Transfer of the transition payments for implementing salary payments in arrears [Note 11]	-	20
Variations in Statement of Financial Position:		
Decrease (increase) in accounts payable and accrued liabilities	(506)	536
Decrease (increase) in vacation pay and compensatory leave	59	(17)
Increase in deferred revenue	(25)	-
Decrease in employee future benefits	93	273
Increase (decrease) in accounts receivable and advances	(746)	773
Increase (decrease) in prepaid expenses	257	(206)
Cash used in operating activities	1,185,642	1,112,709
Capital investing activities		
Acquisition of tangible capital assets [Note 8]	103	588
Proceeds from disposal of tangible capital asset	-	1
Cash used in capital investing activities	103	589
Financing activities	-	-
Net cash provided by Government of Canada	1,185,745	1,113,298

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

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31

1. Authority and Objectives

The Natural Sciences and Engineering Research Council (NSERC) was established in 1978 by the *Natural Sciences and Engineering Research Council Act*, and is a departmental corporation named in Schedule II to the *Financial Administration Act*. NSERC's purpose is to help make Canada a country of discoverers and innovators for the benefit of all Canadians, by supporting students, postdoctoral fellows, university professors and university-industry research partnerships. NSERC's grants, scholarships and operating expenditures are funded by budgetary lapsing authorities. Employee benefits are funded by statutory authorities. NSERC delivers its objectives under four programs:

a) Discovery

This program supports the creation of new knowledge and maintenance of a high quality Canadian-based research capacity in natural sciences and engineering through grants to researchers. The advancement of knowledge generated by these grants is necessary to fuel a strong research and innovation system in Canada that is globally competitive. Academic researchers receive funding to support the timely acceleration of research programs, the purchase or development of research equipment, or the facilitation of effective access to major and unique research resources.

b) Innovation

This program fosters partnerships in natural sciences and engineering that facilitates the transfer of knowledge and skills to the user sector through awards that support research projects and network activities intended for socioeconomic impact. The partnerships encouraged and enabled by these awards also increase the commercialization of Canada's research through new products, services and processes for the benefit of all Canadians.

c) People

This program supports the attraction, retention and development of highly qualified people in natural sciences and engineering in Canada through Chairs programs, fellowships, scholarships and stipends. These activities are essential to building the human capital required to enable a strong, globally competitive research and innovation system in Canada. Researchers, students and young people benefit from the grant funding which supports postsecondary university research and outreach activities at universities, museums, science centres, and community-based organizations.

d) Internal Services

NSERC and Social Sciences and Humanities Research Council (SSHRC) share internal services for general administration, human resources, finance, awards administration, information management and technology, program evaluation and audit services. This common

administrative services model has proven highly efficient for the two federal granting agencies. In addition, NSERC has its own corporate services to address the agency's distinct needs in terms of governance, policy, planning, statistics, performance measurement, communications and international relations. Internal Services provide support to the organization as a whole in the form of operations and maintenance funds. They are necessary to support the delivery of programs and other corporate obligations and include activities that apply across the organization, rather than those that support a specific program.

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.

Significant accounting policies are as follows:

a) Parliamentary authorities

NSERC 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 Operations and Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Departmental net Financial Position are the amounts reported in the future-oriented Statement of Operations included in the *2016-17 Report on Plans and Priorities*. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental net Financial Position and in the Statement of Change in Departmental net Debt because these amounts were not included in NSERC's *2016-17 Report on Plans and Priorities*.

Liquidity risk is the risk that the NSERC will encounter difficulty in meeting its obligations associated with financial liabilities. NSERC's objective for managing liquidity risk is to manage operations and cash expenditures within the appropriation authorized by Parliament or allotment limits approved by the Treasury Board.

Each year, NSERC presents information on planned expenditures to Parliament through the tabling of Estimates publications. These estimates result in the introduction of supply bills (which, once passed into legislation, become appropriation acts) in accordance with the reporting cycle for government expenditures. NSERC exercises expenditure initiation processes such that unencumbered balances of budget allotments and appropriations are monitored and reported on a regular basis to help ensure sufficient authority remains for the entire period and appropriations are not exceeded.

Consistent with Section 32 of the *Financial Administration Act*, NSERC's policy to manage liquidity risk is that no contract or other arrangement providing for a payment shall be entered into with respect to any program for which there is an appropriation by Parliament or an item

included in estimates presented before the House of Commons to which the payment will be charged unless there is a sufficient unencumbered balance available out of the appropriation or an item to discharge any debt that, under the contract or other arrangement, will be incurred during the fiscal year in which the contract or other arrangement is entered into.

NSERC's risk exposure and its objectives, policies and processes to manage and measure this risk did not change significantly from the prior year.

b) Net cash provided by Government of Canada

NSERC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by NSERC is deposited to the CRF, and all cash disbursements made by NSERC 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 other government departments.

c) 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. Due from the CRF represent the net amount of cash that NSERC is entitled to draw from the CRF without further authorities, to discharge its liabilities. This amount is not considered to be a financial instrument.

d) Revenues

Miscellaneous revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. These revenues are recognized in the period in which the related expenses are incurred.

Included in miscellaneous revenue are revenues that are spendable and non-spendable. Non-spendable revenue are not available to discharge NSERC's liabilities. While the Deputy Heads are expected to maintain accounting control, they have no authority regarding the disposition of non-spendable revenues. As a result, non-spendable revenues are considered to be earned on behalf of the government and are therefore presented as a reduction of the agency's gross revenues.

e) Expenses

Expenses are recorded on an accrual basis.

Grants and scholarships (transfer payments) are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program.

Vacation pay and compensatory leave are accrued as the 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. These amounts are also presented as government funding.

f) Employee future benefits

(i) Pension benefits: Eligible employees participate in the Public Service Pension Plan (the Plan), a multiemployer pension plan administered by the Government. NSERC's contributions to the Plan are charged to expenses in the year incurred and represent NSERC's total obligation to the Plan. NSERC'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.

g) Accounts receivable and advances

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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. NSERC is not exposed to significant credit risk. Accounts receivable and advances are due on demand. The majority of accounts receivable and advances are due from other government departments and agencies where there is minimal potential risk of loss. The maximum exposure NSERC has to credit risk is equal to the carrying value of its accounts receivable and advances.

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) Tangible capital assets

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

Tangible capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss

is recognized when their carrying value exceeds the total undiscounted cash flows expected for their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

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

Asset class	Amortization period
Informatics equipment	3 years
Software (purchased and in-house developed)	5 years
Other equipment	5 years
Furniture	7 years
Leasehold improvements	Lesser of the remaining term of lease or useful life of the improvement

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.

j) Related party transactions

Costs of services provided without charge from common service organizations are recorded in the Statement of Operations and Departmental net Financial Position as both government funding and program expenses.

k) Future accounting changes

In April 2017, the Treasury Board Secretariat renewed its financial management policy suite to reduce the administrative burden generated by existing policies. As a result of this initiative, six new directives were put in place to replace existing policy instruments. The new *Directive on Accounting Standards*, effective April 1st, 2017, replaces *Treasury Board Accounting standard 1.2: Departmental and Agency Financial statements* (April 1, 2012). As such, NSERC's financial statements for fiscal year 2017-18 and onwards will be presented as per the new policy suite, including the *Directive on Accounting Standards*. NSERC does not anticipate significant changes to the presentation of the financial statements.

l) Measurement uncertainty

The preparation of these 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 these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee future benefits and the useful life and valuation of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, are recorded in the financial statements in the year in which they become known.

3. Parliamentary Authorities

NSERC receives its funding through annual parliamentary authorities. Items recognized in the Statement of Financial Position and in the Statement of Operations and Departmental net Financial Position one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, NSERC has a different net cost 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 current year authorities used

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	1,195,828	1,120,125
Adjustments for items affecting net cost of operations but not affecting authorities:		
Miscellaneous revenues	172	-
Amortization of tangible capital assets [Note 8]	(1,789)	(1,851)
Services provided without charge by other government departments [Note 10a)]	(7,452)	(6,944)
Net loss on disposal of tangible capital assets	(77)	-
Decrease (increase) in vacation pay and compensatory leave	59	(17)
Decrease in employee future benefits	93	273
Refunds of prior years' expenditures	<u>4,027</u>	<u>3,567</u>
Total items affecting net cost of operations but not affecting authorities	(4,967)	(4,972)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets [Note 8]	103	588
Salary overpayment	40	-
Proceeds from disposal of tangible capital asset	-	1
Increase (decrease) in prepaid expenses	257	(206)
Transfer of the transition payments for implementing salary payments in arrears	<u>-</u>	<u>20</u>
Total items not affecting net cost of operations but affecting authorities	400	403
Current year authorities used	<u><u>1,191,261</u></u>	<u><u>1,115,556</u></u>

b) Authorities provided and used

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Authorities provided:		
Vote 5 - Grants	1,142,127	1,069,269
Lapsed : Grants	(60)	(1,135)
Frozen allotment	-	(89)
	<u>1,142,067</u>	<u>1,068,045</u>
Vote 1 – Operating expenditures	47,698	45,727
Lapsed : Operating	(1,221)	(1,235)
Frozen allotment	(2,527)	(2,094)
	<u>43,950</u>	<u>42,398</u>
Statutory contributions to employee benefit plans	5,072	5,113
Spending of revenues pursuant to subsection 4 (2) of the Natural Sciences and Engineering Research Council Act	172	-
Current year authorities used	<u><u>1,191,261</u></u>	<u><u>1,115,556</u></u>

4. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are measured at cost. The following table presents details of NSERC's accounts payable and accrued liabilities:

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Accounts payable - Other government departments and agencies	685	508
Accounts payable - External parties	1,816	1,913
Total accounts payable	<u>2,501</u>	<u>2,421</u>
Accrued liabilities	2,884	2,458
Total accounts payable and accrued liabilities	<u><u>5,385</u></u>	<u><u>4,879</u></u>

5. Deferred revenue

Deferred revenue represents the balance at year-end of unearned revenues stemming from amounts received from external parties that are restricted in order to fund the expenditures related to specific events 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.

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Deferred revenue - Beginning of year	-	-
Amounts received	25	-
Revenue recognized	-	-
Deferred revenue - End of year	<u>25</u>	<u>-</u>

6. Employee future benefits

a) Pension benefits

NSERC's employees participate in 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 NSERC contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Canada's Economic Action Plan 2012 (EAP2012), 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 \$3,533,498 (\$3,524,902 in 2015-2016).

NSERC'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.

b) Severance benefits

Severance benefits provided to the employees of NSERC 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:

	<u>2017</u>	<u>2016</u>
	(thousands of dollars)	
Accrued benefit obligation - Beginning of year	860	1,133
Expense (gain) for the year	32	(20)
Benefits paid during the year	(125)	(253)
Accrued benefit obligation - End of year	<u>767</u>	<u>860</u>

7. Accounts receivable and advances

The following table presents details of NSERC's balance of accounts receivable and advances:

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Accounts receivables from:		
Other government departments and agencies	1,369	2,202
External parties	551	528
Employees	40	-
Allowance for doubtful accounts on receivables from external parties	-	(26)
Net accounts receivable	<u>1,960</u>	<u>2,704</u>
Advances	-	2
Accounts receivable and advances	<u>1,960</u>	<u>2,706</u>

NSERC has no allowance for doubtful accounts on receivables from external parties.

8. Tangible capital assets

(in thousands of dollars)

Capital asset class	Cost					Accumulated amortization					Net book value	
	Opening balance	Acquisitions	Adjustments (1)	Disposals and Write-Offs	Closing balance	Opening balance	Amortization	Adjustments (1)	Disposals and Write-Offs	Closing balance	2017	2016
Informatics	5,893	73	(21)		5,945	5,685	161	(21)		5,825	120	208
Software	13,831	22		(144)	13,709	7,777	1,519		(68)	9,228	4,481	6,054
Other equipment	549				549	334	54			388	161	215
Furniture	4,106			(1)	4,105	4,030	47			4,077	28	76
Leasehold improvements	3,801	8			3,809	3,766	8			3,774	35	35
Total	28,180	103	(21)	(145)	28,117	21,592	1,789	(21)	(68)	23,292	4,825	6,588

(1) Effective March 2017, NSERC transferred informatics equipment with a net book value of \$Nil to SSHRC.

9. Contractual obligations and commitments

Payments of grants and scholarships extending into future years are subject to the provision of funds by Parliament. As of March 31, 2017, the commitments for future years' awards are payable as follows:

	(in thousands of dollars)
2017-18	1,003,484
2018-19	785,696
2019-20	549,868
2020-21	404,572
2021-22 and thereafter	431,628
Total	<u><u>3,175,248</u></u>

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

	(in thousands of dollars)
2017-18	2,326
2018-19	565
2019-20	221
2020-21	143
Total	<u><u>3,255</u></u>

10. Related party transactions

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

a) Common services provided without charge by other government departments

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

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Accommodations	4,384	4,126
Employer's contribution to the health and dental insurance plans	<u>3,068</u>	<u>2,818</u>
Total	<u><u>7,452</u></u>	<u><u>6,944</u></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 Services and Procurement Canada are not included in NSERC's Statement of Operations and Departmental net Financial Position.

b) Administration of programs on behalf of other government departments

NSERC administers funds received from other government departments and agencies to issue grants, scholarships and related payments on their behalf. During the year, NSERC administered \$12,141,172 (\$19,798,715 in 2015-2016) in funds for grants and scholarships. These expenses are reflected in the financial statements of the departments or agencies that provided the funds and are not recorded in these financial statements.

NSERC also recovers administrative fees in some circumstances where a significant administrative burden is incurred by NSERC for the administration of certain funds on behalf of other government departments and agencies. These amounted to \$298,118 during the year (\$428,567 in 2015-2016) and were netted against NSERC's operating expenses.

11. Segmented Information

Presentation by segment is based on NSERC's program alignment architecture. 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 for the main programs, by major object of expenses. The segment results for the period are as follows:

(in thousands of dollars)

	Discovery	Innovation	People	Internal Services	2017 Total	2016 Total
Transfer payments						
Grants & scholarships	493,726	375,069	269,324	-	1,138,119	1,064,682
Operating expenses						
Salaries and employee benefits	8,023	15,217	4,129	13,932	41,301	40,078
Accommodation and rentals	28	48	10	5,337	5,423	5,408
Professional and special services	870	323	114	2,885	4,192	3,371
Transportation and communications	657	1,199	386	618	2,860	3,035
Amortization of tangible capital assets	-	-	-	1,789	1,789	1,851
Information	41	316	80	1,073	1,510	914
Utilities, materials and supplies	14	23	7	513	557	745
Repair and maintenance	-	-	-	215	215	126
Other	-	-	-	34	34	-
Total operating expenses	9,633	17,126	4,726	26,396	57,881	55,528
Total expenses	503,359	392,195	274,050	26,396	1,196,000	1,120,210
Revenues						
Miscellaneous revenues	-	-	-	172	172	86
Revenues earned on behalf of Government	-	-	-	-	-	(1)
Total revenues	-	-	-	172	172	85
Net cost of operations before government funding and transfers	503,359	392,195	274,050	26,224	1,195,828	1,120,125