

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

FINANCIAL STATEMENTS

For the year ended March 31, 2013



INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the Natural Sciences and Engineering Research Council, which comprise the statement of financial position as at 31 March 2013, and the statement of operations and net financial position, statement of change in net debt and 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Natural Sciences and Engineering Research Council as at 31 March 2013, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Marise Bédard, CPA, CA
Principal
for the Auditor General of Canada

17 June 2013
Ottawa, Canada

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, 2013 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, with due consideration given 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 the conducting of an annual risk-based assessment of the effectiveness of the ICFR system.

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

A risk-based assessment of the ICFR system for the year ended March 31, 2013 was completed in accordance with the Treasury Board *Policy on Internal Control*. The results and action plans are summarized in the annex.

The Office of the Auditor General, the independent auditor for the Government of Canada, has 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.

James S. Edwards
Vice-President and Chair of Council

Jaime W. Pitfield
Chief Financial Officer

Ottawa, Canada

June 17, 2013

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

Statement of Financial Position

As at March 31

(thousands of dollars)

	<u>2013</u>	<u>2012</u>
Liabilities		
Accounts payable and accrued liabilities [Note 4]	3,772	3,460
Vacation pay and compensatory leave	2,166	2,259
Employee future benefits [Note 5]	<u>1,495</u>	<u>6,387</u>
Total net liabilities	7,433	12,106
Financial assets		
Due from the Consolidated Revenue Fund	2,795	2,497
Accounts receivable [Note 6]	1,215	1,782
Advances	<u>35</u>	<u>17</u>
Total net financial assets	4,045	4,296
Net debt	<u>3,388</u>	<u>7,810</u>
Non-financial assets		
Prepaid expenses	382	241
Tangible capital assets [Note 7]	<u>4,349</u>	<u>2,445</u>
Total non-financial assets	4,731	2,686
Net financial position	<u><u>1,343</u></u>	<u><u>(5,124)</u></u>

Contingent liabilities [Note 8]

Contractual obligations [Note 9]

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

James S. Edwards
Vice-President and Chair of Council

Jaime W. Pitfield
Chief Financial Officer

Ottawa, Canada

June 17, 2013

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

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

	2013 Planned Results	2013	2012
Expenses			
Fund Basic Research	366,986	369,344	357,890
Fund University-Industry-Government Partnerships	172,105	184,916	185,161
Support Students and Fellows	153,103	138,747	143,192
Attract and Retain Faculty	142,030	134,645	137,034
Fund Research in Strategic Areas	106,741	101,215	107,846
Support for Research Equipment and Major Resources	43,047	60,251	66,479
Support Commercialization	37,138	50,743	58,088
Internal Services	29,725	28,215	31,054
Promote Science and Engineering	5,831	5,039	5,174
Total Expenses	1,056,706	1,073,115	1,091,918
Revenues			
Miscellaneous revenues	0	4	4
Revenues earned on behalf of Government	0	(4)	(4)
Total Revenues	0	0	0
Net cost of operations before government funding and transfers	1,056,706	1,073,115	1,091,918
Government funding and transfers			
Net cash provided by Government of Canada	1,055,314	1,072,371	1,085,424
Change in due from the Consolidated Revenue Fund	0	298	(1,134)
Common services provided without charge by other government departments [Note 10a]	6,800	6,913	6,647
Transfer of assets from other government departments	0	0	12
Net cost of operations after government funding and transfers	(5,408)	(6,467)	969
Net financial position - Beginning of year	(4,598)	(5,124)	(4,155)
Net financial position - End of year	810	1,343	(5,124)

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 Net Debt
For the year ended March 31
(thousands of dollars)**

	<u>2013</u> Planned Results	<u>2013</u>	<u>2012</u>
Net cost of operations after government funding and transfers	(5,408)	(6,467)	969
Change due to tangible capital assets			
Acquisition of tangible capital assets	1,523	2,809	1,028
Amortization of tangible capital assets	(961)	(905)	(1,736)
Net gain (loss) on disposal of tangible capital assets including adjustments	0	2	(6)
Proceeds from disposal of tangible capital assets	0	(2)	0
Transfer of assets from other government departments	0	0	12
Total change due to tangible capital assets	<u>562</u>	<u>1,904</u>	<u>(702)</u>
Change due to prepaid expenses	0	141	(15)
Net increase (decrease) in net debt	<u>(4,846)</u>	<u>(4,422)</u>	<u>252</u>
Net debt - Beginning of year	7,571	7,810	7,558
Net debt - End of year	<u><u>2,725</u></u>	<u><u>3,388</u></u>	<u><u>7,810</u></u>

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
(thousands of dollars)

	2013	2012
Operating activities		
Net cost of operations before government funding and transfers	1,073,115	1,091,918
Non-cash items:		
Amortization of tangible capital assets [Note 7]	(905)	(1,736)
Gain (loss) on disposal of tangible capital assets	2	(6)
Common services provided without charge by other government departments [Note 10a)]	(6,913)	(6,647)
Variations in Statement of Financial Position:		
Decrease in accounts receivable	(567)	(254)
Increase (decrease) in advances	18	(37)
Increase (decrease) in prepaid expenses	141	(15)
Decrease (increase) in accounts payable and accrued liabilities	(312)	1,502
Decrease (increase) in vacation pay and compensatory leave	93	(480)
Decrease in employee future benefits	4,892	151
Cash used in operating activities	1,069,564	1,084,396
Capital investing activities		
Acquisition of tangible capital assets	2,809	1,028
Proceeds from disposal of tangible capital asset	(2)	0
Cash used in capital investing activities	2,807	1,028
Financing activities	0	0
Net cash provided by Government of Canada	1,072,371	1,085,424

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 nine programs:

a) Fund Basic Research

This program promotes and enables global excellence in discovery research in Canada. NSERC's discovery based programs support long term, ongoing programs of research as well as shorter term research projects.

b) Fund University-Industry-Government Partnerships

This program fosters collaborations between university researchers and industry, as well as other sectors, to develop and transfer new knowledge to Canadian based organizations.

c) Support Students and Fellows

This program supports training of highly qualified people through programs of scholarships, fellowships and stipends.

d) Attract and Retain Faculty

This program aims to attract and retain some of the world's most accomplished and promising researchers for faculty positions in Canadian universities.

e) Fund Research in Strategic Areas

This program funds activities and research projects in selected areas of national importance and in emerging areas that are of potential significance to Canada.

f) Support for Research Equipment and Major Resources

This program helps to support the acquisition, maintenance and operation of research equipment and major research resources.

g) Support Commercialization

This program supports the development of commercially promising technologies and promotes the transfer of knowledge and technologies to Canadian companies for commercialization.

h) 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, 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, program evaluation, performance measurement, communications and international relations.

i) Promote Science and Engineering

This program stimulates the public's interest in science, math and engineering and encourages the next generation of students to consider careers in these fields, helping to ensure that Canada has an ongoing supply of future discoverers and innovators.

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

NSERC is financed by the government through parliamentary authorities. Financial reporting of authorities provided to NSERC 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 in the Statement of Operations and Net 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 Statement of Operations and Net Financial Position are the amounts reported in the future-oriented statement of operations included with NSERC's *2012-13 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 then 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 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 departments of the government.

c) Amounts due from the Consolidated Revenue Fund

Amounts due from the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that 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.

Revenues that are non-respendable are not available to discharge NSERC's liabilities. While the Interim President 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 and are therefore presented in reduction of the entity's gross revenues.

e) Expenses

Expenses are recorded on the accrual basis.

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

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

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

f) Employee future benefits

(i) Pension benefits: Eligible employees participate in the Public Service Pension 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 receivables

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

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 are due on demand. The majority of accounts receivable are due from other government of Canada 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 receivables.

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 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 initial cost of \$5,000 or more are recorded at their acquisition cost. NSERC does not capitalize intangibles.

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

Asset class	Amortization period
Informatics equipment, including standard software issued on desktop computers	3 years
Purchased network software and in-house developed software	5 years
Other equipment	5 years
Furniture	7 years
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) 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 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 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

	2013	2012
	(thousands of dollars)	
Net cost of operations before government funding and transfers	1,073,115	1,091,918
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(905)	(1,736)
Gain (loss) on disposal of tangible capital assets	2	(6)
Services provided without charge by other government departments	(6,913)	(6,647)
Decrease (increase) in vacation pay and compensatory leave	93	(480)
Decrease (increase) in employee future benefits	4,892	151
Refunds of prior years' expenditures	2,747	1,523
Other adjustments	1	0
Total items affecting net cost of operations but not affecting authorities	1,073,032	1,084,723
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	2,809	1,028
Proceeds from disposal of tangible capital asset	(2)	0
Increase (decrease) in prepaid expenses	141	(15)
Total items not affecting net cost of operations but affecting authorities	2,948	1,013
Current year authorities used	1,075,980	1,085,736

b) Authorities provided and used

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Authorities provided:		
Vote 80 - Grants	1,024,465	1,037,114
Less: Lapse	<u>(1,736)</u>	<u>(949)</u>
Grants expenditures	1,022,729	1,036,165
Vote 75 – Operating expenditures	50,424	46,894
Less: Operating lapse	(2,446)	(2,506)
Frozen allotment	<u>(129)</u>	<u>(85)</u>
Operating expenditures	47,849	44,303
Statutory contributions to employee benefit plans	5,402	5,268
Current year authorities used	<u><u>1,075,980</u></u>	<u><u>1,085,736</u></u>

4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are measured at cost, the majority of which are due within six months of year-end.

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

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Accounts payable - Other government departments and agencies	703	335
Accounts payable - External parties	<u>2,187</u>	<u>2,117</u>
Total accounts payable	2,890	2,452
Accrued liabilities	882	1,008
Total accounts payable and accrued liabilities	<u><u>3,772</u></u>	<u><u>3,460</u></u>

5. Employee Future Benefits

a) Pension benefits

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

Both the employees and NSERC contribute to the cost of the Plan. The 2012-13 expense amounts to \$3,857,228 (\$3,787,683 in 2011-12), which represents approximately 1.7 times (1.8 times in 2011-12) the contributions by employees.

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

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

As part of terms and conditions negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation. Information about the severance benefits, measured as at March 31, is as follows:

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Accrued benefit obligation - Beginning of year	6,387	6,538
Expense (gain) for the year	(646)	970
Benefits paid during the year	<u>(4,246)</u>	<u>(1,121)</u>
Accrued benefit obligation - End of year	<u><u>1,495</u></u>	<u><u>6,387</u></u>

6. Accounts Receivable

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

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Receivables - Other government departments and agencies	921	925
Receivables - External parties	<u>309</u>	<u>875</u>
Subtotal	1,230	1,800
Allowance for doubtful accounts on receivables from external parties	(15)	(18)
Net accounts receivable	<u><u>1,215</u></u>	<u><u>1,782</u></u>

7. Tangible Capital Assets
(thousands of dollars)

Capital asset class	Cost				Accumulated amortization			Net book value		
	Opening balance	Acquisitions	Disposals and write-offs	Closing balance	Opening balance	Amortization	Disposals and write-offs	Closing balance	2013	2012
Informatics	5,837	125	(36)	5,926	5,014	443	(36)	5,421	505	823
Software	6,292	61	0	6,353	5,963	120	0	6,083	270	329
Other equipment	229	112	0	341	216	7	0	223	118	13
Furniture	4,121	0	(6)	4,115	3,361	300	(6)	3,655	460	760
Leasehold improvements	3,736	16	0	3,752	3,685	35	0	3,720	32	51
Assets under construction	469	2,495	0	2,964	0	0	0	0	2,964	469
Total	20,684	2,809	(42)	23,451	18,239	905	(42)	19,102	4,349	2,445

8. Contingent Liability

NSERC, along with two of its employees, was served with a statement of claim for breach of contract and defamation, for a potential total of \$33.5 million by a researcher whose grants had been terminated following university findings of misconduct and findings by NSERC that the researcher had violated its policies. Given the relatively early stage of the proceedings, the likelihood of an adverse outcome cannot be assessed at present. No liability has been recognized in these financial statements in relation to this contingency.

9. Contractual Obligations

Payments of grants and scholarships extending into future years are subject to the provision of funds by Parliament. As of March 31, 2013, the commitments for future years' awards are payable as follows:

	(thousands of dollars)
2013-14	878,369
2014-15	660,738
2015-16	430,157
2016-17	261,088
2017-18 and subsequent years	147,890
Total	<u><u>2,378,242</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. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	(thousands of dollars)
2013-14	179
2014-15	111
2015-16	67
2016-17	25
2017-18 and subsequent years	0
Total	<u><u>382</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, audit services 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 Net Financial Position as follows:

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Accommodations	4,122	3,963
Employer's contribution to the health and dental insurance plans	2,700	2,594
Audit Services	91	90
Total	<u><u>6,913</u></u>	<u><u>6,647</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 Works and Government Services Canada are not included in NSERC's Statement of Operations and 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 \$12,626,771 (\$13,024,263 in 2011-12) 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 \$401,742 during the year (\$537,951 in 2011-12) 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:

	Fund Basic Research	Fund University-Industry-Government Partnerships	Support Students and Fellows	Attract and Retain Faculty	Fund Research in Strategic Areas	Support for Research Equipment and Major Resources	Support Commercialization	Internal Services	Promote Science and Engineering	2013 Total	2012 Total
Transfer payments											
Grants & Scholarships	363,415	176,470	135,818	133,440	98,489	59,183	48,354	0	4,972	1,020,141	1,034,752
Operating expenses											
Salaries and employee benefits	5,087	6,767	2,609	1,081	2,437	918	2,094	16,607	59	37,659	40,199
Accommodation and rentals	30	32	10	2	5	5	4	4,872	0	4,960	4,393
Professional and special services	185	665	64	37	82	33	109	3,539	2	4,716	6,014
Transportation and communications	619	894	243	79	189	111	176	833	6	3,150	3,623
Utilities, materials and supplies	1	31	0	6	12	0	5	899	0	954	732
Amortization of tangible capital assets	0	0	0	0	0	0	0	905	0	905	1,736
Information	7	57	3	0	1	1	1	505	0	575	334
Repair and maintenance	0	0	0	0	0	0	0	55	0	55	129
Loss on disposal of tangible capital assets	0	0	0	0	0	0	0	0	0	0	6
Total operating expenses	5,929	8,446	2,929	1,205	2,726	1,068	2,389	28,215	67	52,974	57,166
Total expenses	369,344	184,916	138,747	134,645	101,215	60,251	50,743	28,215	5,039	1,073,115	1,091,918
Revenues											
Miscellaneous revenues	0	0	2	0	0	0	0	2	0	4	4
Revenues earned on behalf of government	0	0	(2)	0	0	0	0	(2)	0	(4)	(4)
Total revenues	0	0	0	0	0	0	0	0	0	0	0
Net cost from continuing operations	369,344	184,916	138,747	134,645	101,215	60,251	50,743	28,215	5,039	1,073,115	1,091,918