

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

FINANCIAL STATEMENTS

For the year ended March 31, 2019



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Natural Sciences and Engineering Research Council and the Minister of Science and Minister of Sport

Opinion

We have audited the financial statements of the Natural Sciences and Engineering Research Council (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and departmental net financial position for the year then ended
- the statement of change in departmental net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its net cost of operations, its changes in departmental net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

August 7, 2019

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, 2019, 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 Results Reports*, 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, 2019 was completed in accordance with the Treasury Board *Policy on Financial Management* and the results and action plans are summarized in the annex.

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

KPMG 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

Digvir S. Jayas

Interim President

Original signed by

Patricia Sauvé-McCuan

Chief Financial Officer

Ottawa, Canada

August 7, 2019

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

Statement of Financial Position

As at March 31

(in thousands of dollars)

	<u>2019</u>	<u>2018</u>
Liabilities		
Accounts payable and accrued liabilities [Note 4]	7,859	37,248
Vacation pay and compensatory leave	2,343	2,279
Deferred revenue [Note 5]	-	2
Employee future benefits [Note 6b]	606	757
Total net liabilities	<u>10,808</u>	<u>40,286</u>
Financial assets		
Due from the Consolidated Revenue Fund	4,515	35,750
Accounts receivable and advance [Note 7]	3,926	1,827
Total net financial assets	<u>8,441</u>	<u>37,577</u>
Departmental net debt	<u>2,367</u>	<u>2,709</u>
Non-financial assets		
Prepaid expenses	288	292
Tangible capital assets [Note 8]	2,263	3,533
Total non-financial assets	<u>2,551</u>	<u>3,825</u>
Departmental net financial position	<u><u>184</u></u>	<u><u>1,116</u></u>

Contractual obligations and commitments [Note 9]

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

Original signed by

Digvir S. Jayas
Interim President

Ottawa, Canada

August 1, 2019

Original signed by

Patricia Sauvé-McCuan
Chief Financial Officer

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL
Statement of Operations and Department Net Financial Position
For the year ended March 31
(in thousands of dollars)

	<u>2019</u>	<u>2019</u>	<u>2018</u>
	Planned Results		
Expenses			
Funding Natural Sciences and Engineering Research and Training	1,234,800	1,305,214	1,196,488
Internal Services	26,570	29,849	27,930
Total Expenses	<u>1,261,370</u>	<u>1,335,063</u>	<u>1,224,418</u>
Revenues			
Miscellaneous revenues	179	178	425
Total Revenues	<u>179</u>	<u>178</u>	<u>425</u>
Net cost of operations before government funding and transfers	<u>1,261,191</u>	<u>1,334,885</u>	<u>1,223,993</u>
Government funding and transfers			
Net cash provided by Government of Canada		1,357,730	1,182,445
Change in Due from the Consolidated Revenue Fund		(31,235)	31,792
Services provided without charge by other government departments [Note 10a]		7,458	7,992
Total Government funding and transfers		<u>1,333,953</u>	<u>1,222,229</u>
Net cost of operations after government funding and transfers		(932)	(1,764)
Departmental net financial position - Beginning of year		1,116	2,880
Departmental net financial position - End of year		<u>184</u>	<u>1,116</u>

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)

	<u>2019</u>	<u>2018</u>
Net cost of operations after government funding and transfers	932	1,764
Change due to tangible capital assets		
Acquisition of tangible capital assets [Note 8]	413	377
Amortization of tangible capital assets [Note 8]	(1,683)	(1,665)
Net loss on disposal of tangible capital assets	-	(4)
Total change due to tangible capital assets	<u>(1,270)</u>	<u>(1,292)</u>
Increase (decrease) in prepaid expenses	(4)	(101)
Net increase (decrease) in departmental net debt	<u>(342)</u>	<u>371</u>
Departmental net debt - Beginning of year	2,709	2,338
Departmental net debt - End of year	<u><u>2,367</u></u>	<u><u>2,709</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

(in thousands of dollars)

	<u>2019</u>	<u>2018</u>
Operating activities		
Net cost of operations before government funding and transfers	1,334,885	1,223,993
Non-cash items:		
Amortization of tangible capital assets [Note 8]	(1,683)	(1,665)
Services provided without charge by other government departments [Note 10a]	(7,458)	(7,992)
Loss on disposal of tangible capital assets	-	(4)
Variations in Statement of Financial Position:		
Decrease (increase) in accounts payable and accrued liabilities [Note 4]	29,389	(31,863)
Decrease in deferred revenue [Note 5]	2	23
Decrease in employee future benefits [Note 6b]	151	10
Increase in vacation pay and compensatory leave	(64)	(200)
Increase (decrease) in accounts receivable and advances [Note 7]	2,099	(133)
Decrease in prepaid expenses	(4)	(101)
Cash used in operating activities	1,357,317	1,182,068
Capital investing activities		
Acquisition of tangible capital assets [Note 8]	413	377
Cash used in capital investing activities	413	377
Financing activities	-	-
Net cash provided by Government of Canada	<u>1,357,730</u>	<u>1,182,445</u>

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. Due to a change in the reporting structure of programs effective for the 2018-2019 fiscal year, NSERC delivers its objectives through the following programs:

a) Funding Natural Sciences and Engineering Research and Training

NSERC, through grants, fellowships and scholarships, promotes and supports research and research training in the natural sciences and engineering to develop talent, generate discoveries, and support innovation in pursuit of economic, environmental and social outcomes for Canadians.

b) 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. 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 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

Natural Sciences and Engineering Research Council
Notes to the Financial Statements
For the Year Ended March 31

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 *2018-19 Departmental Plan*. 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 *2018-19 Departmental Plan*.

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 of the Government.

c) Amounts due from the CRF

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

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. Revenues are then 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 revenues are not available to discharge NSERC’s liabilities. While the President is 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 of Canada 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.

Natural Sciences and Engineering Research Council
Notes to the Financial Statements
For the Year Ended March 31

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: The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits 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) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements and accompanying notes at March 31. 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.

Natural Sciences and Engineering Research Council
Notes to the Financial Statements
For the Year Ended March 31

j) Related party transactions

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- i) Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.
- ii) Certain services received on a without charge basis are recorded for departmental financial statement purposes at the carrying amount. Other related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

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 in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, NSERC has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

Natural Sciences and Engineering Research Council
Notes to the Financial Statements
For the Year Ended March 31

a) Reconciliation of net cost of operations to current year authorities used

	<u>2019</u>	<u>2018</u>
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	1,334,885	1,223,993
Adjustments for items affecting net cost of operations but not affecting authorities:		
Miscellaneous revenues	178	425
Amortization of tangible capital assets	(1,683)	(1,665)
Services provided without charge by other government departments [Note 10a]	(7,458)	(7,992)
Loss on disposal of tangible capital assets	-	(4)
Increase in vacation pay and compensatory leave	(64)	(200)
Decrease in employee future benefits	151	10
Bad debts expense	(9)	-
Refunds of prior years' expenditures	3,704	4,310
Other adjustments	(1)	(2)
Total items affecting net cost of operations but not affecting authorities	<u>(5,182)</u>	<u>(5,118)</u>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets [Note 7]	413	377
Increase (decrease) in salary overpayment	38	(9)
Decrease in prepaid expenses	(4)	(101)
Total items not affecting net cost of operations but affecting authorities	<u>447</u>	<u>267</u>
Current year authorities used	<u><u>1,330,150</u></u>	<u><u>1,219,142</u></u>

Natural Sciences and Engineering Research Council
Notes to the Financial Statements
For the Year Ended March 31

b) Authorities provided and used

	<u>2019</u>	<u>2018</u>
	(in thousands of dollars)	
Authorities provided:		
Vote 5 - Grants	1,277,817	1,167,082
Vote 1 – Operating expenditures	51,310	50,498
Statutory contributions to employee benefit plans	5,568	5,440
Spending of revenues pursuant to subsection 4 (2) of the Natural Sciences and Engineering Research Council Act	174	424
Spending of proceeds from disposition of crown assets	1	-
Less:		
Authorities available for future years	(2,905)	(821)
Lapsed : Grants	(937)	(1,489)
Lapsed : Operating	(878)	(1,992)
Current year authorities used	<u><u>1,330,150</u></u>	<u><u>1,219,142</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>2019</u>	<u>2018</u>
	(in thousands of dollars)	
Accounts payable - Other government departments and agencies	777	1,134
Accounts payable - External parties	2,169	32,707
Total accounts payable	<u>2,946</u>	<u>33,841</u>
Accrued liabilities	4,913	3,407
Total accounts payable and accrued liabilities	<u><u>7,859</u></u>	<u><u>37,248</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. Details of the transactions related to this account are as follows:

Natural Sciences and Engineering Research Council
Notes to the Financial Statements
For the Year Ended March 31

	<u>2019</u>	<u>2018</u>
	(in thousands of dollars)	
Opening balance	2	25
Amounts received	-	2
Revenue recognized	<u>(2)</u>	<u>(25)</u>
Net closing balance	<u>-</u>	<u>2</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 Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2018-2019 expense amounts to \$3,882,819 (\$3,704,740 in 2017-2018). NSERC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Consolidated Financial Statements of the Government of Canada, 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, 2019, all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

Natural Sciences and Engineering Research Council
Notes to the Financial Statements
For the Year Ended March 31

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

	<u>2019</u>	<u>2018</u>
	(in thousands of dollars)	
Accrued benefit obligation - Beginning of year	757	767
Expense (gain) for the year	(38)	87
Benefits paid during the year	(113)	(97)
Accrued benefit obligation - End of year	<u><u>606</u></u>	<u><u>757</u></u>

7. Accounts receivable and advances

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

	<u>2019</u>	<u>2018</u>
	(in thousands of dollars)	
Receivables - Other government departments and agencies	3,319	1,489
Receivables - External parties	539	308
Receivables - Employees	68	30
Net accounts receivable	<u><u>3,926</u></u>	<u><u>1,827</u></u>

NSERC has no allowance for doubtful accounts on receivables from all sources.

Natural Sciences and Engineering Research Council
Notes to the Financial Statements
For the Year Ended March 31

8. 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.

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
Computer hardware	3 years
Computer purchased and developed software	5 years
Machinery and equipment	5 years
Other equipment (including 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.

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	2019	2018
(in thousands of dollars)										
Computer hardware	6,183	153		6,336	5,895	113		6,008	328	288
Computer purchased and developed software	13,821	18		13,839	10,714	1,499		12,213	1,626	3,107
Machinery and equipment	576	14		590	464	48		512	78	112
Other equipment (including furniture)	4,100	-		4,100	4,100	-		4,100	-	-
Leasehold improvements	3,809	228		4,037	3,783	23		3,806	231	26
Total	28,489	413	-	28,902	24,956	1,683	-	26,639	2,263	3,533

Natural Sciences and Engineering Research Council
Notes to the Financial Statements
For the Year Ended March 31

9. Contractual obligations and commitments

Payments of grants and scholarships extending into future years are subject to the provision of funds by Parliament.

The nature of NSERC's operating activities can result in some large multi-year contracts and obligations whereby NSERC will be obligated to make future payments in order to carry out its transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	2020	2021	2022	2023	2024 and subsequent	Total
	(in thousands of dollars)					
Grants & Scholarships	1,072,609	845,357	606,324	403,692	187,179	3,115,161
Operating	5,750	253	85	23	-	6,111
Total	1,078,359	845,610	606,409	403,715	187,179	3,121,272

10. Related party transactions

NSERC is related as a result of common ownership to all government departments, agencies and Crown corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual.

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:

	2019	2018
	(in thousands of dollars)	
Accommodations	4,298	4,472
Employer's contribution to the health and dental insurance plans	3,160	3,520
Total	7,458	7,992

Natural Sciences and Engineering Research Council
Notes to the Financial Statements
For the Year Ended March 31

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 \$4.8 million (\$8.8 million in 2017-18) 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 \$101 thousand during the year (\$201 thousand in 2017-18) and were netted against NSERC's operating expenses.

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11. Segmented Information

Presentation by segment is based on NSERC's Departmental Results Framework. 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 and by major type of revenue. The segment results for the period are as follows:

(in thousands of dollars)	Funding Natural Sciences and Engineering Research and Training	Internal Services	2019 Total	2018 Total
Transfer payments				
Grants & scholarships	1,270,309	-	1,270,309	1,161,450
Operating expenses				
Salaries and employee benefits	30,611	15,383	45,994	47,423
Accommodation and rentals	88	5,523	5,611	5,692
Professional and special services	1,420	3,761	5,181	3,560
Transportation and communications	2,623	879	3,502	2,756
Amortization of tangible capital assets	-	1,683	1,683	1,665
Information	59	1,148	1,207	1,264
Utilities, materials and supplies	36	91	127	444
Acquisition of machinery and equipment	49	1,286	1,335	-
Repair and maintenance	9	95	104	116
Other	10	-	10	48
Total operating expenses	34,905	29,849	64,754	62,968
Total expenses	1,305,214	29,849	1,335,063	1,224,418
Revenues				
Miscellaneous revenues	-	178	178	425
Total revenues	-	178	178	425
Net cost of operations before government funding and transfers	1,305,214	29,671	1,334,885	1,223,993