

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

FINANCIAL STATEMENTS

For the year ended March 31, 2012

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, 2012 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 fulfil 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, 2012 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.

Dr. Suzanne Fortier
President

Jaime W. Pitfield
Chief Financial Officer

Ottawa, Canada

June 11, 2012

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

Statement of Financial Position

As at March 31
(thousands of dollars)

	2012	2011
		Restated [Note 12]
Liabilities		
Accounts payable and accrued liabilities [Note 4]	3,460	4,962
Vacation pay and compensatory leave	2,259	1,779
Employee future benefits [Note 5]	6,387	6,538
Total net liabilities	12,106	13,279
Financial assets		
Due from the Consolidated Revenue Fund	2,497	3,631
Accounts receivable [Note 6]	1,782	2,036
Avances	17	54
Total net financial assets	4,296	5,721
Net debt	7,810	7,558
Non-financial assets		
Prepaid expenses	241	256
Tangible capital assets [Note 7]	2,445	3,147
Total non-financial assets	2,686	3,403
Net financial position	(5,124)	(4,155)

Contingent liabilities [Note 8]
Contractual obligations [Note 9]

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

Dr. Suzanne Fortier
President

Jaime W. Pitfield
Chief Financial Officer

Ottawa, Canada

June 11, 2012

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

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

	2012	2012	2011
	Planned Results		Restated [Note 12]
Expenses			
Fund Basic Research	358,916	357,890	357,133
Fund University-Industry-Government Partnerships	167,716	185,161	172,662
Support Students and Fellows	149,846	143,192	150,239
Attract and Retain Faculty	152,993	137,034	131,081
Fund Research in Strategic Areas	116,667	107,846	109,451
Support for Research Equipment and Major Resources	37,979	66,479	70,947
Support Commercialization	55,009	58,088	53,234
Internal Services	29,768	31,054	31,462
Promote Science and Engineering	5,549	5,174	5,311
Total Expenses	1,074,443	1,091,918	1,081,520
Revenues			
Interest revenues	0	4	2
Revenues earned on behalf of Government	0	(4)	(2)
Total Revenues	0	0	0
Net cost of operations before government funding and transfers	1,074,443	1,091,918	1,081,520
Government funding and transfers			
Net cash provided by Government		1,085,424	1,073,576
Change in due from the Consolidated Revenue Fund		(1,134)	931
Common services provided without charge by other government departments [Note 10a)]		6,647	6,387
Transfer of assets from other government departments		12	0
Net cost of operations after government funding and transfers		969	626
Net financial position - Beginning of year		(4,155)	(3,529)
Net financial position - End of year		(5,124)	(4,155)

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>2012</u>	<u>2011</u>
Net cost of operations after government funding and transfers	969	626
Change due to tangible capital assets		
Acquisition of tangible capital assets	1,028	1,329
Amortization of tangible capital assets	(1,736)	(2,065)
Net loss on disposal of tangible capital assets including adjustments	(6)	(1)
Transfer of assets from other government departments	12	0
Total change due to tangible capital assets	<u>(702)</u>	<u>(737)</u>
Change due to prepaid expenses	(15)	114
Net increase in net debt	<u>252</u>	<u>3</u>
Net debt - Beginning of year	7,558	7,555
Net debt - End of year	<u><u>7,810</u></u>	<u><u>7,558</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)

	2012	2011
		Restated [Note 12]
Operating activities		
Net cost of operations before government funding and transferts	1,091,918	1,081,520
Non-cash items:		
Amortization of tangible capital assets [Note 7]	(1,736)	(2,065)
Loss on disposal of tangible capital assets	(6)	(1)
Common services provided without charge by other government departments [Note 10a)]	(6,647)	(6,387)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable	(254)	831
Increase (decrease) in advances	(37)	(287)
Increase (decrease) in prepaid expenses	(15)	114
Decrease (increase) in accounts payable and accrued liabilities	1,502	(1,442)
Decrease (increase) in vacation pay and compensatory leave	(480)	(128)
Decrease (increase) in employee future benefits	151	92
Cash used in operating activities	1,084,396	1,072,247
Capital investing activities		
Acquisitions of tangible capital assets	1,028	1,329
Cash used in capital investing activities	1,028	1,329
Financing Activities	0	0
Net cash provided by Government of Canada	1,085,424	1,073,576

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 program activities:

a) Fund Basic Research

Invest in discovery through grants focusing on basic research activities.

b) Attract and Retain Faculty

Aim to attract and retain faculty.

c) Support Students and Fellows

Support training of highly qualified personnel through scholarship and fellowship programs.

d) Fund University-Industry-Government Partnerships

Foster collaborations between university researchers and other sectors, including government and industry, in order to develop new knowledge and expertise, and to transfer this knowledge and expertise to Canadian-based organizations.

e) Fund Research in Strategic Areas

Fund project research of national importance and in emerging areas that are of potential significance to Canada.

f) Support for Research Equipment and Major Resources

Help to support the establishment, maintenance and operation of the research equipment, major research resources and research capacity necessary to carry out high quality research in the natural sciences and engineering.

g) Support Commercialization

Support innovation and promote the transfer of knowledge and technology to Canadian companies.

h) Internal Services

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

i) Promote Science and Engineering

Encourage popular interest in science, math and engineering and aim to develop science, math and engineering abilities in Canadian youth.

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 *2011-12 Report on Plans and Priorities*.

b) Net cash provided by government

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.

d) Revenues

Revenues consist of interest on overdue accounts receivable and are accounted for as earned.

Revenues that are non-respendable are not available to discharge NSERC's liabilities. While the president is expected to maintain accounting control, she 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.

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

	<u>2012</u>	<u>2011</u>
	(thousands of dollars)	
Net cost of operations before government funding and transfers	1,091,918	1,081,520
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(1,736)	(2,065)
Loss on disposal of tangible capital assets	(6)	(1)
Services provided without charge by other government departments	(6,647)	(6,387)
Decrease (increase) in vacation pay and compensatory leave	(480)	(128)
Decrease (increase) in employee future benefits	151	92
Refunds of prior years' expenditures	1,523	1,526
Other adjustments	0	(57)
Total items affecting net cost of operations but not affecting authorities	<u>1,084,723</u>	<u>1,074,500</u>
Adjustments for items not affecting net cost of operations but affecting authorities		
Acquisitions of tangible capital assets	1,028	1,329
Increase (decrease) in prepaid expenses	(15)	114
Total items not affecting net cost of operations but affecting authorities	<u>1,013</u>	<u>1,443</u>
Current year authorities used	<u><u>1,085,736</u></u>	<u><u>1,075,943</u></u>

b) Authorities provided and used

	<u>2012</u>	<u>2011</u>
	(thousands of dollars)	
Authorities provided:		
Vote 80 - Grants	1,037,114	1,027,985
Less: Lapse	(949)	(479)
Frozen allotment	0	(329)
Grants expenditures	<u>1,036,165</u>	<u>1,027,177</u>
Vote 75 – Operating expenditures	46,894	46,952
Less: Operating lapse	(2,506)	(2,738)
Frozen allotment	(85)	(315)
Operating expenditures	<u>44,303</u>	<u>43,899</u>
Statutory contributions to employee benefit plans	5,268	4,867
Current year authorities used	<u><u>1,085,736</u></u>	<u><u>1,075,943</u></u>

4. Accounts Payable and Accrued Liabilities

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

	<u>2012</u>	<u>2011</u>
	(thousands of dollars)	
Accounts payable - Other government departments and agencies	335	1,167
Accounts payable - External parties	2,117	3,142
Total accounts payable	<u>2,452</u>	<u>4,309</u>
Accrued liabilities	1,008	653
Total accounts payable and accrued liabilities	<u><u>3,460</u></u>	<u><u>4,962</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 2011-12 expense amounts to \$3,787,683 (\$3,416,305 in 2010-11), which represents approximately 1.8 times (1.9 times in 2010-11) 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:

	2012	2011
	(thousands of dollars)	
Accrued benefit obligation - Beginning of year	6,538	6,630
Expense for the year	970	92
Benefits paid during the year	(1,121)	(184)
Accrued benefit obligation - End of year	<u>6,387</u>	<u>6,538</u>

6. Accounts Receivable

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

	<u>2012</u>	<u>2011</u>
	(thousands of dollars)	
Receivables - Other government departments and agencies	925	1,229
Receivables - External parties	875	825
Subtotal	<u>1,800</u>	<u>2,054</u>
Allowance for doubtful accounts on receivables from external parties	(18)	(18)
Net accounts receivable	<u><u>1,782</u></u>	<u><u>2,036</u></u>

7. Tangible Capital Assets
(thousands of dollars)

Capital asset class	Cost					Accumulated amortization					Net book value	
	Opening balance	Acquisitions	Adjustments*	Disposals and write-offs	Closing balance	Opening balance	Amortization	Adjustments*	Disposals and write-offs	Closing balance	2012	2011
Informatics	5,488	435	86	172	5,837	4,571	529	86	172	5,014	823	917
Software	6,191	101	0	0	6,292	5,771	192	0	0	5,963	329	421
Other equipment	254	0	2	27	229	236	5	2	27	216	13	19
Furniture	4,154	0	31	64	4,121	2,984	417	19	59	3,361	760	1,169
Leasehold improvements	3,713	23	0	0	3,736	3,092	593	0	0	3,685	51	621
Assets under construction	0	469	0	0	469	0	0	0	0	0	469	0
Total	19,800	1,028	119	263	20,684	16,654	1,736	107	258	18,239	2,445	3,147

*NSERC received assets with a net book value of \$11,971 from the Social Sciences and Humanities Research Council. This transfer is included in the adjustment columns.

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, 2012, the commitments for future years' awards are payable as follows:

	(thousands of dollars)
2012-13	898,110
2013-14	668,508
2014-15	464,652
2015-16	275,452
2016-17 and subsequent years	191,033
Total	<u>2,497,755</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)
2012-13	180
2013-14	140
2014-15	66
2015-16	33
2016-17 and subsequent years	25
Total	<u>444</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:

	2012 (thousands of dollars)	2011
Accommodations	3,963	3,873
Employer's contribution to the health and dental insurance plans	2,594	2,426
Audit Services	90	88
Total	<u>6,647</u>	<u>6,387</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 \$13,024,263 (\$13,964,814 in 2010-11) 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 \$537,951 during the year (\$538,034 in 2010-11) and were netted against NSERC's operating expenses.

11. Segmented information

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

	(thousands of dollars)										
	Fund Basic Support	Fund University- Industry- Government Partnerships	Support Student s and Fellows	Attract and Retain Faculty	Fund Research in Strategic Areas	Support for Research Equipment and Major Resources	Support Commer- cialization	Internal Services	Promote Science and Engineering	2012 TOTAL	2011 TOTAL
Transfer payments											
Grants & Scholarships	351,569	176,160	139,791	135,861	105,185	65,341	55,747	0	5,098	1,034,752	1,025,763
Operating expenses											
Salaries and employee benefits	5,378	6,732	3,061	1,037	2,340	969	2,020	18,594	68	40,199	36,591
Professional and special services	145	1,165	44	32	74	26	95	4,432	1	6,014	7,379
Accommodation and rentals	22	37	10	2	5	4	5	4,308	0	4,393	4,262
Transportation and communications	773	984	286	102	241	139	220	871	7	3,623	3,855
Amortization of tangible capital assets	0	0	0	0	0	0	0	1,736	0	1,736	2,065
Utilities, materials and supplies	0	10	0	0	0	0	0	722	0	732	487
Information	3	73	0	0	1	0	1	256	0	334	421
Repair and maintenance	0	0	0	0	0	0	0	129	0	129	696
Loss on disposal of tangible capital assets	0	0	0	0	0	0	0	6	0	6	1
Total operating expenses	6,321	9,001	3,401	1,173	2,661	1,138	2,341	31,054	76	57,166	55,757
Total expenses	357,890	185,161	143,192	137,034	107,846	66,479	58,088	31,054	5,174	1,091,918	1,081,520
Revenues											
Interest revenues	0	0	4	0	0	0	0	0	0	4	2
Revenues earned on behalf of government	0	0	(4)	0	0	0	0	0	0	(4)	(2)
Total revenues	0	0	0	0	0	0	0	0	0	0	0
Net cost from continuing operations	357,890	185,161	143,192	137,034	107,846	66,479	58,088	31,054	5,174	1,091,918	1,081,520

12. Accounting Changes

During 2011-12, amendments were made to *Treasury Board Accounting Standard 1.2 – Departmental and Agency Financial Statements* to improve financial reporting by government departments and agencies. The amendments are effective for financial reporting of fiscal year ending March 31, 2012, and later. The significant changes to NSERC's financial statements are described below. These changes have been applied retroactively, and comparative information for 2010-11 has been restated.

Net Debt (calculated as liabilities less financial assets) is now presented in the Statement of Financial Position. Accompanying this change, NSERC now presents a Statement of Change in Net Debt and no longer presents a Statement of Equity of Canada.

Revenue and related accounts receivable are now presented net of non-respendable amounts in the Statement of Financial Position and Statement of Operations and Net Financial Position. The effect of this change was to increase net cost of operations after government funding and transfers by \$4,000 for 2012 (\$2,000 for 2011).

Government funding and transfers, as well as the credit related to services provided without charge by other government departments are now recognized in the Statement of Operations and Net Financial Position below "Net cost of operations before government funding and transfers." In previous years, NSERC recognized these transactions directly in the Statement of Equity of Canada. The effect of this change was to decrease the net cost of operations after government funding and transfers by \$1,091,203 for 2012 (\$1,080,063 for 2011).

	2011 (thousands of dollars)		2011
	As previously stated	Effect of change	Restated
Statements of Financial Position:			
Financial position	(4,155)	0	(4,155)
Statement of Operations and Net Financial Position:			
Revenues	2	(2)	0
Expenses	1,081,520	0	1,081,520
Government Funding and Transfers			
Net cash provided by government	0	1,073,576	1,073,576
Change in due from Consolidated Revenue Fund	0	931	931
Services provided without charge by other government departments	0	6,387	6,387

13. Comparative Information

Comparative figures have been reclassified to conform to the current year's presentation.