

**NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL**

**UNAUDITED FUTURE-ORIENTED  
STATEMENT OF OPERATIONS**

For the year ending March 31, 2015

**Natural Sciences and Engineering Research Council**  
**Unaudited Future-Oriented Statement of Operations**  
**For the year ending March 31**

|   | <b>Estimated<br/>Results<br/>2013-14</b> | <b>Planned<br/>Results<br/>2014-15</b> |
|---|--|--|
|   | (in thousands of dollars)                |  |
| <b>Expenses</b>   |  |  |
| Discovery   | 393,288                                  | 394,559                                |
| Innovation  | 376,382                                  | 370,030                                |
| People  | 276,170                                  | 276,331                                |
| Internal Services   | 30,115                                   | 27,517                                 |
| <b>Total Expenses</b>   | <u>1,075,955</u>                         | <u>1,068,437</u>                       |
| <b>Revenues</b>   |  |  |
| Miscellaneous revenues  | 0  | 0                                      |
| Revenues earned on behalf of Government   | 0  | 0                                      |
| <b>Total Revenues</b>   | <u>0</u>                                 | <u>0</u>                               |
| <b>Net cost of operations before government funding and transfers</b>               | <u>1,075,955</u>                         | <u>1,068,437</u>                       |
| <b>Government funding and transfers</b>   |  |  |
| Net cash provided by Government   | 1,070,877                                | 1,063,864                              |
| Change in due from the Consolidated Revenue Fund                                    | 179                                      | 0                                      |
| Common services provided without charge by<br>other government departments [Note 6] | 6,709                                    | 6,785                                  |
| <b>Net cost of operations after government funding and transfers</b>                | <u>(1,810)</u>                           | <u>(2,212)</u>                         |

Information for the year ended March 31, 2014 includes actual amounts from April 1, 2013 to November 30, 2013.

Segmented information [Note 7]

The accompanying notes form an integral part of this future-oriented financial statement.

# NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

## Notes to the Unaudited Future-Oriented Statement of Operations

### 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 delivers its objective under four program activities which are described in the Report on Plans and Priorities.

NSERC's grants, scholarships and operating expenditures are funded by budgetary lapsing authorities. Employee benefits are funded by statutory authorities.

### 2. Methodology and Significant Assumptions

The future-oriented statement of operations has been prepared on the basis of government priorities and the plans of NSERC as described in the Report on Plans and Priorities.

The information in the estimated results for fiscal year 2013-14 is based on actual results as at November 30, 2013 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for the 2014-15 fiscal year.

The main assumptions underlying the forecasts are as follows:

- a) NSERC's activities will remain substantially the same as for the previous year.
- b) Expenses, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.

These assumptions are adopted as at November 30, 2013.

### 3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2013-14 and for 2014-15, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this future-oriented statement of operations, NSERC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented statement of operations and the historical statement of operations include:

- a) The timing and amount of acquisitions and disposals of tangible capital assets may affect gains/losses and amortization expense.
- b) Implementation of new terms and conditions of employment.
- c) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Once the Report on Plans and Priorities is tabled, NSERC will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

#### **4. Summary of Significant Accounting Policies**

The future-oriented statement of operations has been prepared using the government's accounting policies in effect for the 2013-14 fiscal year as of November 30, 2013. These accounting policies, stated below, 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 Future-Oriented Statement of Operations are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a reconciliation between the bases of reporting.

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 parliamentary expenditure authorities to discharge its liabilities.

d) **Expenses**

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.

Operating expenses are recorded on an accrual basis.

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

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

e) 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.

f) Tangible capital assets

All tangible capital 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 their useful life or the term of the lease |

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.

**5. Parliamentary Authorities**

NSERC receives its funding through annual parliamentary authorities. Items recognized in the Future-Oriented Statement of Operations 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:

**a) Reconciliation of net cost of operations to requested authorities**

|   | <u>Estimated</u><br><u>2013-14</u> | <u>Planned</u><br><u>2014-15</u> |
|---|------------------------------------|----------------------------------|
|   | (in thousands of dollars)          |                                  |
| Net cost of operations before government funding and transfers                        | 1,075,955                          | 1,068,437                        |
| Adjustments for items affecting net cost of operations but not affecting authorities: |                                    |                                  |
| Amortization of tangible capital assets   | (734)                              | (945)                            |
| Services provided without charge by other government departments                      | (6,709)                            | (6,785)                          |
| Decrease (increase) in vacation pay and compensatory leave                            | 43                                 | 22                               |
| Decrease (increase) in employee future benefits                                       | (95)                               | 100                              |
| Total items affecting net cost of operations but not affecting authorities            | <u>1,068,460</u>                   | <u>1,060,829</u>                 |
| Adjustments for items not affecting net cost of operations but affecting authorities: |                                    |                                  |
| Acquisitions of tangible capital assets   | 2,336                              | 3,035                            |
| Increase (decrease) in prepaid expenses   | <u>(89)</u>                        | <u>0</u>                         |
| Total items not affecting net cost of operations but affecting authorities            | 2,247                              | 3,035                            |
| <b>Forecast authorities available</b>   | <u><u>1,070,707</u></u>            | <u><u>1,063,864</u></u>          |

Authorities presented reflect current forecasts of statutory items, approved initiatives included and expected to be included in Estimates documents and, when reasonable estimates can be made, estimates of amounts to be allocated from Treasury Board central votes.

## b) Authorities requested

|                                       | Estimated<br>2013-14      | Planned<br>2014-15 |
|---------------------------------------|---------------------------|--------------------|
|                                       | (in thousands of dollars) |                    |
| Authorities requested:                |                           |                    |
| Vote 80 - Grants                      | 1,020,154                 | 1,015,471          |
| Vote 75 – Operating expenditures      | 45,377                    | 43,466             |
| Statutory amounts                     | 5,176                     | 4,927              |
| <b>Forecast authorities available</b> | <u>1,070,707</u>          | <u>1,063,864</u>   |

## 6. 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 from other government departments as disclosed below.

### a) Common services provided without charge by other government departments

During the year, NSERC is forecasted to receive 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 Future-Oriented Statement of Operations as follows:

|  | Estimated<br>2013-14      | Planned<br>2014-15 |
|--|---------------------------|--------------------|
|  | (in thousands of dollars) |                    |
| Accommodations   | 4,184                     | 4,247              |
| Employer's contribution to the health and dental insurance plans | <u>2,525</u>              | <u>2,538</u>       |
| <b>Total</b>   | <u>6,709</u>              | <u>6,785</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 Future-Oriented Statement of Operations.

## 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. NSERC plans to incur expenses of \$13,498,019 in 2014-15 (\$13,498,019 in 2013-14) in funds for grants and scholarships. Forecast and incurred expenses are not reflected in NSERC's future-oriented financial statements but rather are recorded in the financial statements of the departments or agencies that provided the funds.

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 federal government departments and agencies. NSERC estimates to recover \$576,018 in 2014-15 (\$576,018 in 2013-14). These estimated amounts were netted against NSERC's operating expenses.

## 7. 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 4. The following table presents the forecasted expenses incurred for the main program activities, by major object of expenses. The segment results for the period are as follows:

|                                   | 2013-14          | 2014-15        |                |                |                   | TOTAL            |
|-----------------------------------|------------------|----------------|----------------|----------------|-------------------|------------------|
|                                   | TOTAL            | Discovery      | Innovation     | People         | Internal Services |                  |
| (in thousands of dollars)         |                  |                |                |                |                   |                  |
| <b>Transfer payments</b>          |                  |                |                |                |                   |                  |
| Grants & Scholarships             | 1,020,154        | 388,958        | 353,732        | 272,781        | 0                 | 1,015,471        |
| <b>Total transfer payments</b>    |                  |                |                |                |                   |                  |
| <b>Operating Expenses</b>         |                  |                |                |                |                   |                  |
| Salaries and employee benefits    | 38,042           | 4,963          | 12,311         | 3,284          | 17,193            | 37,751           |
| Professional and special services | 5,492            | 270            | 1,690          | 113            | 2,174             | 4,247            |
| Accommodation and rentals         | 5,980            | 90             | 557            | 37             | 4,965             | 5,649            |
| Transportation and communications | 4,073            | 204            | 1,276          | 85             | 1,642             | 3,207            |
| Amortization                      | 734              | 0              | 0              | 0              | 945               | 945              |
| Repair and maintenance            | 50               | 4              | 22             | 1              | 29                | 56               |
| Information                       | 1,064            | 52             | 328            | 22             | 422               | 824              |
| Utilities, materials and supplies | 366              | 18             | 114            | 8              | 147               | 287              |
| <b>Total operating expenses</b>   | <b>55,801</b>    | <b>5,601</b>   | <b>16,298</b>  | <b>3,550</b>   | <b>27,517</b>     | <b>52,966</b>    |
| <b>Total Expenses</b>             | <b>1,075,955</b> | <b>394,559</b> | <b>370,030</b> | <b>276,331</b> | <b>27,517</b>     | <b>1,068,437</b> |