

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

**UNAUDITED FUTURE-ORIENTED
STATEMENT OF OPERATIONS**

For the year ending March 31, 2020

**Natural Sciences and Engineering Research Council
Future-Oriented Statement of Operations (unaudited)**

For the year ending March 31

(in thousands of dollars)

	Forecast results 2018-19	Planned results 2019-20
Expenses		
Funding Natural Sciences and Engineering		
Research and Training	1,308,998	1,336,936
Internal Services	<u>28,238</u>	<u>26,540</u>
Total Expenses	<u>1,337,236</u>	<u>1,363,476</u>
Revenues		
Miscellaneous revenues	<u>179</u>	<u>179</u>
Total Revenues	<u>179</u>	<u>179</u>
Net cost of operations	<u><u>1,337,057</u></u>	<u><u>1,363,297</u></u>

The accompanying notes form an integral part of this Future-Oriented Statement of Operations.

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

Notes to the Future-Oriented Statement of Operations (unaudited)

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 objectives under two Core Responsibilities which are described in the Departmental Plan.

NSERC's grants, scholarships and operating expenditures are annually funded by voted budgetary 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 departmental plans as described in the Departmental Plan.

The information in the forecast results for fiscal year 2018-19 is based on actual results as at November 30, 2018 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for fiscal year 2019-20.

The main assumptions underlying the forecasts are as follows:

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

These assumptions are made as at November 30, 2018.

3. Variations and Changes to the Forecast Financial Information

Although every attempt has been made to forecast final results for the remainder of 2018-19 and for 2019-20, actual results achieved for both years are likely to differ 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 about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

Factors that could lead to material differences between the Future-Oriented Statement of Operations and the historical statement of operations include:

- the timing and the amount of acquisitions and disposals of property, plant and equipment, which may affect gains, losses and amortization expense;
- the implementation of new terms and conditions of employment;
- economic conditions, which may affect both the amount of revenue earned and the collectability of accounts receivable; and
- other changes to the operating budget, such as new initiatives or technical adjustments later in the fiscal year.

After the Departmental Plan is tabled in Parliament, NSERC will not be updating the forecasts for any changes in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Results Report.

4. Summary of Significant Accounting Policies

The Future-Oriented Statement of Operations has been prepared using the Government of Canada's accounting policies in effect for fiscal year 2018-19, and is 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) Expenses

Grants and scholarships (transfer payments) are recognized as an expense in the year in which the entitlement of the recipient has been established, the transfer is authorized and all eligibility criteria have been met.

Operating expenses are recorded when goods are received or services are rendered, on an accrual basis. Vacation pay and compensatory leave are accrued as the benefits are earned under the respective terms of employment. Services provided without charge by other government departments and agencies for accommodation and the employer's contribution to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

Expenses also include provisions to reflect changes in the value of assets, including provisions for bad debt on accounts receivable and amortization of tangible capital assets which 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
Motor vehicles	7 years
Leasehold improvements	Lesser of their useful life or the term of the lease

b) Revenues

Revenues are recognized in the period in which the related transactions or the event that gives rise to the revenues occurred. Respendable revenues are revenues provided under a revolving fund or a net-voting authority and are netted against the costs of operations.

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

Deferred revenue consists of amounts received in advance of the delivery of goods and rendering of services that will be recognized as revenue in a subsequent fiscal year as it is earned.

Other revenues are recognized in the period the event giving rise to the revenues occurred. Revenues that are non-respendable are not available to discharge the department's liabilities. Although the deputy head is expected to maintain accounting control, he or she has no authority over the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the department's gross revenues.

5. Parliamentary Authorities

NSERC is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to NSERC differs from financial reporting according to generally accepted accounting principles because authorities are based mainly on cash flow requirements. 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 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 Requested Authorities
(in thousands of dollars)**

	Forecast results 2018-19	Planned results 2019-20
Net cost of operations before government funding and transfers	1,337,057	1,363,297
Adjustments for items affecting net cost of operations but not affecting authorities:		
Revenues	179	179
Amortization of tangible capital assets	(1,664)	(1,665)
Services provided without charge by other government departments	(7,383)	(7,714)
Increase in vacation pay and compensatory leave	(82)	(162)
Decrease in employee future benefits	(4)	(14)
Refund of previous years' expenditures	2,542	2,542
Total items affecting net cost of operations but not affecting authorities	(6,412)	(6,834)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	377	377
Decrease in prepaid expenses	(31)	-
Total items not affecting net cost of operations but affecting authorities	346	377
Requested authorities	<u>1,330,991</u>	<u>1,356,840</u>

**b) Authorities requested
(in thousands of dollars)**

	Forecast results 2018-19	Planned results 2019-20
Authorities requested:		
Vote 05 – Grants & scholarships	1,276,537	1,296,775
Vote 01 – Operating expenditures	51,310	53,905
Statutory amounts:		
Contributions to employee benefits plan	5,271	5,981
Spending of revenues pursuant to subsection 4(2) of the NSERC Act	179	179
	1,333,297	1,356,840
Less:		
Authorities available for future years	(2,306)	-
Total authorities requested	<u>1,330,991</u>	<u>1,356,840</u>