

NATURAL SCIENCES AND ENGINEERING RESEARCH COUNCIL

**UNAUDITED FUTURE-ORIENTED
STATEMENT OF OPERATIONS**

For the year ending March 31, 2017

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

	Estimated Results 2015-16	Planned Results 2016-17
	(in thousands of dollars)	
Expenses		
Discovery	434,248	435,129
Innovation	375,476	376,168
People	285,028	287,565
Internal Services	30,293	28,936
Total Expenses	<u>1,125,045</u>	<u>1,127,798</u>
Revenues		
Miscellaneous revenues	179	379
Revenues earned on behalf of Government	-	-
Total Revenues	<u>179</u>	<u>379</u>
Net cost of operations	<u>1,124,866</u>	<u>1,127,419</u>

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 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 the plans of NSERC as described in the Report on Plans and Priorities.

The information in the estimated results for fiscal year 2015-16 is based on actual results as at December 31, 2015 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for the 2016-17 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 December 31, 2015.

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2015-16 and for 2016-17, 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 2015-16 fiscal year as of December 31, 2015. 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, and the employer's contribution to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

e) 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.

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
Motor vehicles	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

	Estimated 2015-16	Planned 2016-17
	(in thousands of dollars)	
Net cost of operations	1,124,866	1,127,419
Adjustments for items affecting net cost of operations but not affecting authorities:		
Revenues	179	379
Amortization of tangible capital assets	(583)	(583)
Services provided without charge by other government departments	(6,691)	(6,759)
Increase in vacation pay and compensatory leave	(21)	(21)
Decrease (increase) in employee future benefits	194	166
Severance and parental benefits paid by NSERC	(796)	(796)
Total items affecting net cost of operations but not affecting authorities	(7,718)	(7,614)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	389	389
Decrease in prepaid expenses	65	—
Total items not affecting net cost of operations but affecting authorities	454	389
Forecasted current year lapse	2,179	(9)
Requested authorities	<u>1,119,781</u>	<u>1,120,185</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

	<u>Estimated 2015-16</u>	<u>Planned 2016-17</u>
	(in thousands of dollars)	
Authorities requested:		
Vote 05 – Grants & Scholarships	1,069,179	1,071,265
Vote 01 – Operating Expenditures	45,403	43,402
Statutory authorities		
Contributions to employee benefits plan	5,020	5,139
Spending of revenues pursuant to subsection 4(2) of the <i>Natural Sciences and Engineering Research Council Act</i>	179	379
Forecast authorities available	<u>1,119,781</u>	<u>1,120,185</u>