

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

**FUTURE-ORIENTED
FINANCIAL STATEMENTS**

For the year ending March 31, 2013

Statement of Management Responsibility

Management is responsible for these future-oriented financial statements, including responsibility for the appropriateness of the assumptions on which these statements are prepared. These statements are based on the best information available and assumptions adopted as at January 31, 2012, and reflect the plans described in the Report on Plans and Priorities.

Approved by:

Chad Gaffield, PhD, FRSC
President

Jaime Pitfield
Vice-President, Common Administrative Services
Chief Financial Officer

Ottawa, Canada

Date: _____

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

Future-Oriented Statement of Financial Position

As at March 31

(in thousands of dollars)

	Estimated Results 2012	Planned Results 2013
	<u>2012</u>	<u>2013</u>
ASSETS		
Financial assets		
Due from the Consolidated Revenue Fund	2,969	2,969
Accounts receivable [Note 6]	1,945	1,945
Advances	19	19
Total financial assets	<u>4,933</u>	<u>4,933</u>
Non-financial assets		
Prepaid expenses	119	119
Tangible capital assets [Note 7]	1,868	2,343
Total non-financial assets	<u>1,987</u>	<u>2,462</u>
	<u>6,920</u>	<u>7,395</u>
LIABILITIES AND EQUITY OF CANADA		
Liabilities		
Accounts payable and accrued liabilities [Note 8]	3,147	3,147
Vacation pay and compensatory leave	917	880
Deferred revenue [Note 9]	497	502
Employee future benefits [Note 10]	3,376	906
	<u>7,937</u>	<u>5,435</u>
Equity of Canada [Note 11]	<u>(1,017)</u>	<u>1,960</u>
	<u>6,920</u>	<u>7,395</u>

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to January 31, 2012.

Contractual obligations [Note 12]

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

Chad Gaffield, PhD, FRSC
President

Ottawa, Canada

Jaime Pitfield
Vice-President, Common Administrative Services
Chief Financial Officer

Date: _____

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

Future-Oriented Statement of Operations
For the year ending March 31
(in thousands of dollars)

	Estimated Results 2012	Planned Results 2013
Expenses		
Indirect Costs of Research	332,171	332,855
Talent	182,092	178,319
Insight	132,445	130,358
Connection	35,471	30,692
Internal Services	20,787	20,241
Total Expenses	702,966	692,465
Net cost of operations	702,966	692,465

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to January 31, 2012.

Segmented information [Note 14]

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

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

Future-Oriented Statement of Equity of Canada For the year ending March 31 (in thousands of dollars)

	Estimated Results 2012	Planned Results 2013
	<u>2012</u>	<u>2013</u>
Equity of Canada, beginning of year	(964)	(1,017)
Net cost of operations	(702,966)	(692,465)
Net cash provided by Government	698,830	691,120
Change in due from the Consolidated Revenue Fund	(3)	-
Services provided without charge by other government departments [Note 13a)]	4,086	4,322
Equity of Canada, end of year	<u>(1,017)</u>	<u>1,960</u>

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to January 31, 2012.

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

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

Future-Oriented Statement of Cash Flow For the year ending March 31 (in thousands of dollars)

	Estimated Results 2012	Planned Results 2013
	<u>2012</u>	<u>2013</u>
Operating activities		
Net cost of operations	702,966	692,465
Non-cash items:		
Amortization of tangible capital assets [Note 7]	(616)	(494)
Services provided without charge by other government departments [Note 13a)]	(4,086)	(4,322)
Variations in Future-Oriented Statement of Financial Position:		
Decrease in accounts receivable	(290)	-
Decrease in prepaid expenses	(55)	-
Decrease in accounts payable and accrued liabilities	6	-
Decrease (increase) in vacation pay and compensatory leave	(192)	37
Increase in deferred revenue	(5)	(5)
Decrease in employee future benefits	149	2,470
Cash used in operating activities	<u>697,877</u>	<u>690,151</u>
Capital investing activities		
Acquisitions of tangible capital assets	<u>953</u>	<u>969</u>
Cash used in capital investing activities	953	969
Financing activities	-	-
Net cash provided by Government of Canada	<u><u>698,830</u></u>	<u><u>691,120</u></u>

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to January 31, 2012.

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

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

Notes to the Future-Oriented Financial Statements

1. Authority and Objectives

The Social Sciences and Humanities Research Council (SSHRC) was established in 1977 by the *Social Sciences and Humanities Research Council Act*, and is a departmental corporation named in Schedule II to the *Financial Administration Act*. SSHRC's purpose is to promote and assist research and scholarship in the social sciences and humanities. SSHRC delivers its objectives under five program activities which are described in the Report on Plans and Priorities.

SSHRC'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 financial statements have been prepared on the basis of the government priorities and the plans of SSHRC as described in the Report on Plans and Priorities.

The main assumptions are as follows:

- a) SSHRC'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.
- c) Allowances for uncollectibility are based on historical experience. The general historical pattern is expected to continue.
- d) Estimated year end information for 2011-12 is used as the opening position for the 2012-13 planned results.

These assumptions are adopted as at January 31, 2012.

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2011-12 and for 2012-13, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these future-oriented financial statements, SSHRC 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 financial statements and the historical financial statements include:

- a) The timing and amounts of acquisitions of tangible capital assets may affect gains/losses and amortization expense.
- b) Implementation of new collective agreements.
- c) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.
- d) The implementation of the deficit reduction action plan.

Once the Report on Plans and Priorities is presented, SSHRC will not be updating the forecasts for any changes to authorities 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 financial statements have been prepared in accordance with the Treasury Board accounting policies in effect for the 2011-12 fiscal year as of January 31, 2012. These accounting policies, stated below, are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

Significant accounting policies are as follows:

- a) **Parliamentary authorities** — SSHRC is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to SSHRC 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 and the Future-Oriented Statement of Financial Position 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** — SSHRC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by SSHRC is deposited to the CRF, and all cash disbursements made by SSHRC 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** 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 SSHRC is entitled to draw from the CRF without further parliamentary expenditure authorities to discharge its liabilities.
- d) **Expenses are recorded on an 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 under the respective terms of employment.

Services provided without charge by other government departments 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 of SSHRC participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. SSHRC's contributions to the Plan are charged to expenses in the year incurred and represent SSHRC's total obligation to the Plan. Current legislation does not require SSHRC to make contributions for any actuarial deficiencies of the Plan.
 - ii. Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. 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 of Canada as a whole. As part of the collective agreement negotiations with certain employee groups and changes to conditions of employment, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes will be 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.
- f) 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.

- g) 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. SSHRC 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

SSHRC receives most of its funding through expenditure authorities provided by Parliament. Items recognized in the Future-Oriented Statements of Operations and Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, SSHRC 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) Authorities requested

	Estimated Results 2012	Planned Results 2013
	(in thousands of dollars)	
Authorities requested		
Vote 95 – Grants	671,107	661,839
Vote 90 – Operating expenditures	25,064	26,486
Statutory amounts	2,948	2,800
Forecast authorities available	<u>699,119</u>	<u>691,125</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) Reconciliation of net cost of operations to requested authorities:

	Estimated Results 2012	Planned Results 2013
	(in thousands of dollars)	
Net cost of operations	702,966	692,465
Adjustments for items affecting net cost of operations but not affecting authorities:		
Decrease (increase) in vacation pay and compensatory leave	(192)	37
Amortization of tangible capital assets	(616)	(494)
Services provided without charge by other government departments	(4,086)	(4,322)
Decrease in employee future benefits	149	2,470
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	953	969
Decrease in prepaid expenses	(55)	-
Forecast authorities available	<u>699,119</u>	<u>691,125</u>

6. Accounts receivable

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

	Estimated Results 2012	Planned Results 2013
	(in thousands of dollars)	
Receivables from other government departments and agencies	625	625
Receivables from external parties	<u>1,320</u>	<u>1,320</u>
	<u>1,945</u>	<u>1,945</u>

7. Tangible Capital Assets

<i>(In thousands of dollars)</i>	Cost				Accumulated Amortization				Net Book Value	
	Opening balance	Acquisitions	Disposals and write-offs	Closing balance	Opening balance	Amortization	Disposals and write-offs	Closing balance	2012	2013
Informatics	3,199	291		3,490	2,649	200		2,849	550	641
Software	2,021	678		2,699	1,220	220		1,440	801	1,259
Other Equipment	212			212	208	1		209	4	3
Furniture	2,055			2,055	1,550	70		1,620	505	435
Leasehold improvements	1,374			1,374	1,374			1,374	-	-
Motor Vehicle	31			31	23	3		26	8	5
Total	8,892	969	-	9,861	7,024	494	-	7,518	1,868	2,343

8. Accounts payable and accrued liabilities

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

	Estimated Results 2012	Planned Results 2013
	(in thousands of dollars)	
Accounts payable to other government departments and agencies	1,885	1,885
Accounts payable to external parties	1,262	1,262
	<u>3,147</u>	<u>3,147</u>

9. Deferred revenue

Deferred revenue represents the balance, at year-end, of restricted and earmarked funds that have been received for a specified purpose.

a) Queen's Fellowship Endowment Fund

The Queen's Fellowship Fund consists of a \$250,000 endowment which is restricted for specific purposes in the Equity of Canada (see Note 11). The interest generated on the endowment is used to fund scholarships to graduate students in certain fields of Canadian studies. Details of the transactions related to the endowment are as follows:

	Estimated Results 2012	Planned Results 2013
	(in thousands of dollars)	
Balance, beginning of year	108	111
Interest received	<u>2</u>	<u>2</u>
Balance, end of year	<u><u>110</u></u>	<u><u>113</u></u>

b) Restricted gifts, donations and bequests

Private restricted gifts, donations and bequests consist of funds received for special projects in the field of social sciences and humanities research activities. These funds and interest generated thereon are earmarked for these projects. Details of the operations related to the restricted gifts, donations and bequests are as follows:

	Estimated Results 2012	Planned Results 2013
	(in thousands of dollars)	
Balance, beginning of year	384	386
Funds received	-	-
Interest received	3	3
Fellowships paid	-	-
Balance, end of year	<u><u>387</u></u>	<u><u>389</u></u>

10. Employee future benefits

Employees of SSHRC are entitled to specific benefits on or after termination or retirement, as provided for under various collective agreements or conditions of employment.

a) Pension benefits

SSHRC'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 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 are indexed to inflation.

Both the employees and SSHRC contribute to the cost of the Plan. The forecast expenses are \$2,119,663 in 2011-12 and \$2,013,391 in 12-2013, representing approximately 1.6 times the contributions of employees.

SSHRC'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 of Canada, as the Plan's sponsor.

b) Severance benefits

SSHRC provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about severance benefits, estimated as at the date of this statement of operations, is as follows:

	Estimated Results 2012	Planned Results 2013
	(in thousands of dollars)	
Accrued benefit obligation, beginning of year	3,525	3,376
Expense for the year	411	100
Expected benefits payments during the year	(560)	(2,570)
Accrued benefit obligation, end of year	<u>3,376</u>	<u>906</u>

11. Equity of Canada

The Queen's Fellowship Fund is an endowment of \$250,000 established by Parliament by Vote 45a, *Appropriation Act No. 5*, in 1973-74. The interest generated from the endowment is included in deferred revenue [see Note 9a)]. The endowment itself does not represent a liability to third parties but is restricted for special purposes. The details of the Equity of Canada are as follows:

	Estimated Results 2012	Planned Results 2013
	(in thousands of dollars)	
Queen's Fellowship Endowment Fund	250	250
Equity of Canada excluding Endowment Fund	(1,267)	1,710
Equity of Canada	<u>(1,017)</u>	<u>1,960</u>

12. Contractual Obligations

Payments of grants and scholarships extending in future years are subject to the provision of funds by Parliament. The commitments for future years' awards are payable as follows:

(in thousands of dollars)

2012-13	233,458
2013-14	153,318
2014-15	81,589
2015-16	58,469
2016-17 and subsequent years	57,359
Total	<u>584,193</u>

In addition, the nature of SSHRC's operating activities can result in some large multiyear contracts and obligations whereby SSHRC will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)

2012-13	45
2013-14	17
2014-15	-
2015-16	-
2016-17 and subsequent years	-
Total	<u>62</u>

13. Related party transactions

SSHRC is related as a result of common ownership to all Government of Canada departments, agencies and Crown Corporations. SSHRC enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, SSHRC received common services which were obtained without charge from other Government departments as disclosed below:

a) Common services provided without charge by other government departments

During the year, SSHRC is forecasted to receive services without charge from certain common service organizations, related to accommodation, audit services and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in SSHRC's Future-Oriented Statement of Operations as follows:

	Estimated Results 2012	Planned Results 2013
	(in thousands of dollars)	
Accommodation	2,512	2,879
Employer's contribution to the health and dental insurance plans	1,483	1,352
Audit Services	91	91
Total	<u>4,086</u>	<u>4,322</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 SSHRC's Future-Oriented Statement of Operations.

b) Administration of programs on behalf of other government departments

SSHRC administers funds received from other government departments and agencies to issue grants, scholarships and related payments on their behalf. SSHRC plans to incur expenses of \$213,269,525 in 2012-13 (\$213,269,525 in 2011-12) in funds for grants and scholarships. Forecast and incurred expenses are not reflected in SSHRC's future-oriented financial statements but rather are recorded in the financial statements of the departments or agencies that provided the funds.

SSHRC also recovers administrative fees in some circumstances where a significant administrative burden is incurred by SSHRC for the administration of certain funds on behalf of other government departments and agencies. SSHRC estimates to recover \$99,238 in 2012-13 (\$99,238 in 2011-12). These estimated amounts were netted against SSHRC's operating expenses.

14. Segmented information

Presentation by segment is based on SSHRC'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 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						
	2012	Indirect Costs	Talent	Insight	Connection	Internal Services	TOTAL
Transfer payments							
Grants & Scholarships	671,107	332,403	174,319	126,049	29,068	-	661,839
Total transfer payments							
Operating Expenses							
Salaries and employee benefits	22,075	431	3,582	3,774	1,456	11,283	20,526
Professional and special services	4,184	14	195	126	48	3,833	4,216
Accommodation and rentals	2,692	-	1	34	4	3,023	3,062
Transportation and communications	1,263	7	199	373	114	584	1,277
Repair and maintenance	521	-	-	-	-	532	532
Amortization of tangible capital assets	616	-	-	-	-	494	494
Information	377	-	23	2	2	358	385
Utilities, materials and supplies	131	-	-	-	-	134	134
Total operating expenses	31,859	452	4,000	4,309	1,624	20,241	30,626
Total Expenses	702,966	332,855	178,319	130,358	30,692	20,241	692,465

(in thousands of dollars)

15. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation. In 2012-13, SSHRC will adopt a new Program Activity Architecture. The information presented in these future-oriented financial statements is based on this new architecture.