

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

FINANCIAL STATEMENTS

For the year ended March 31, 2017

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, 2017, and all information contained in these statements rests with the management of the Social Sciences and Humanities Research Council (SSHRC). 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, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of SSHRC's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in SSHRC'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 SSHRC and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2017 was completed in accordance with the Treasury Board *Policy on Internal Control* and the results and action plans are summarized in the annex.

Deloitte LLP, SSHRC's independent auditors, have expressed an opinion on the fair presentation of the financial statements of SSHRC that does not include an audit opinion on the annual assessment of the effectiveness of SSHRC's internal controls over financial reporting.

Original Signed by

Dr. Ted Hewitt
President

Original Signed by

Patricia Sauvé-McCuan
Chief Financial Officer

Ottawa, Canada

August 3, 2017



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Independent Auditor's Report

To the Social Sciences and Humanities Research Council and the Minister of Industry

We have audited the accompanying financial statements of the Social Sciences and Humanities Research Council (the "Council"), which comprise the statement of financial position as at March 31, 2017, and the statement of operations and departmental net financial position, the statement of change in departmental net debt and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

August 3, 2017

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

Statement of Financial Position

As at March 31

(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
Liabilities		
Accounts payable and accrued liabilities [Note 4]	3,425	3,306
Vacation pay and compensatory leave	851	848
Deferred revenue [Note 5]	477	495
Employee future benefits [Note 6b]	335	351
Total net liabilities	<u>5,088</u>	<u>5,000</u>
Financial assets		
Due from the Consolidated Revenue Fund	3,296	2,996
Accounts receivable and advances [Note 7]	958	976
Total net financial assets	<u>4,254</u>	<u>3,972</u>
Departmental net debt	<u>834</u>	<u>1,028</u>
Non-financial assets		
Prepaid expenses	240	126
Tangible capital assets [Note 8]	2,758	3,696
Total non-financial assets	<u>2,998</u>	<u>3,822</u>
Departmental net financial position [Note 9]	<u><u>2,164</u></u>	<u><u>2,794</u></u>

Contractual obligations and commitments [Note 10]

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

Original signed by

Dr. Ted Hewitt
President

Ottawa, Canada
August 3, 2017

Original signed by

Patricia Sauvé-McCuan
Chief Financial Officer

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

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

	2017 <u>Planned Results</u>	2017 <u></u>	2016 <u></u>
Expenses			
Research Support Fund	341,692	368,641	340,659
Talent	173,034	171,149	168,289
Insight	158,789	179,826	161,791
Connection	28,534	33,412	32,993
Canada First Research Excellence Fund (CFREF)	2,310	8,059	2,590
Internal Services	20,315	17,178	16,800
Total Expenses	<u>724,674</u>	<u>778,265</u>	<u>723,122</u>
Revenues			
Miscellaneous revenues	95	205	68
Total Revenues	<u>95</u>	<u>205</u>	<u>68</u>
Net cost of operations before government funding and transfers	<u>724,579</u>	<u>778,060</u>	<u>723,054</u>
Government funding and transfers			
Net cash provided by Government of Canada		772,336	718,318
Change in Due from the Consolidated Revenue Fund		300	(661)
Common services provided without charge by other government departments [Note 11a)]		4,794	4,431
Transfer of the transition payments for implementing salary payments in arrears		-	(11)
Total Government funding and transfers		<u>777,430</u>	<u>722,077</u>
Net cost of operations after government funding and transfers		(630)	(977)
Departmental net financial position - Beginning of year		2,794	3,771
Departmental net financial position - End of year		<u>2,164</u>	<u>2,794</u>

Segmented information [Note 12]

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

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

Statement of Change in Departmental Net Debt

For the year ended March 31

(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
Net cost of operations after government funding and transfers	630	977
Change due to tangible capital assets		
Acquisition of tangible capital assets [Note 8]	82	352
Amortization of tangible capital assets [Note 8]	(970)	(986)
Net loss on disposal of tangible capital assets including adjustments [Note 8]	(34)	-
Proceeds from disposal of tangible capital assets [Note 8]	<u>(16)</u>	<u>-</u>
Total change due to tangible capital assets	(938)	(634)
Change due to prepaid expenses	114	(255)
Net increase (decrease) in Departmental net debt	<u>(194)</u>	<u>88</u>
Departmental net debt - Beginning of year	<u>1,028</u>	<u>940</u>
Departmental net debt - End of year	<u><u>834</u></u>	<u><u>1,028</u></u>

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

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

Statement of Cash Flows
For the year ended March 31
(in thousands of dollars)

	2017	2016
Operating activities		
Net cost of operations before government funding and transfers	778,060	723,054
Non-cash items:		
Amortization of tangible capital assets [Note 8]	(970)	(986)
Net loss on disposal of tangible capital assets [Note 8]	(34)	
Common services provided without charge by other government departments [Note 11a)]	(4,794)	(4,431)
Transfer of the transition payments for implementing salary payments in arrears	-	11
Variations in Statement of Financial Position:		
Decrease (increase) in accounts payable and accrued liabilities	(119)	208
Increase in vacation pay and compensatory leave	(3)	(69)
Decrease in deferred revenue	18	17
Decrease in employee future benefits	16	43
Increase (decrease) in accounts receivable and advances	(18)	374
Increase (decrease) in prepaid expenses	114	(255)
Cash used in operating activities	772,270	717,966
Capital investing activities		
Acquisition of tangible capital assets [Note 8]	82	352
Proceeds from disposal of tangible capital asset [Note 8]	(16)	-
Cash used in capital investing activities	66	352
Financing activities	-	-
Net cash provided by Government of Canada	772,336	718,318

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

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31

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's grants, scholarships and operating expenditures are funded by budgetary lapsing authorities. Employee benefits are funded by statutory authorities. SSHRC delivers its objectives under five programs:

a) Research Support Fund

This program provides support to institutions in the form of grants in the social sciences and humanities, natural sciences and engineering, and health. This program is necessary to build institutional capacity for the conduct of research and research-related activities to maximize the investment of publicly funded academic research. This program helps to offset the central and departmental administrative costs that institutions incur in supporting research, which are not attributable to specific research projects.

b) Talent

This program provides support to graduate students and postdoctoral fellows in the form of fellowships, and to researchers in postsecondary institutions in the form of grants that cover salary and the direct costs of research. This program is necessary in order to attract, retain and develop talent in the social sciences and humanities, to cultivate leaders within academia and across the public, private and not-for-profit sectors, and to build centres of world-class research excellence at Canadian postsecondary institutions.

c) Insight

This program provides grants to support research in the social sciences and humanities conducted by scholars and researchers working as individuals, in teams and in formal partnerships among the academic, public, private and/or not-for-profit sectors and to support the building of institutional research capacity. This program is necessary to build knowledge and understanding about people, societies and the world, as well as to inform the search for solutions to societal challenges.

d) Connection

This program provides funding (grants and operational) to support the multidirectional flow, exchange and co-creation of knowledge in the social sciences and humanities among researchers and diverse groups of policy-makers, business leaders, community groups, educators and the media working as individuals, in teams, in formal partnerships and in networks. This program is necessary to help stimulate leading-edge, internationally competitive research in areas critical to

Canada, build multisectoral partnerships and accelerate the use of multidisciplinary research results by organizations that can harness them for Canadian economic and social development.

e) Canada First Research Excellence Fund

The Canada First Research Excellence Fund (CFREF) is a new Government of Canada research funding initiative aimed at boosting the capacity of Canadian post-secondary institutions to achieve global leadership in research areas that will create long-term economic advantages for Canada. The CFREF will support competitively selected Canadian research institutions in their pursuit of excellence and leadership in a highly competitive global environment. Through the Fund's significant and sustained support, our post-secondary institutions will be positioned to compete with the best in the world for talent, international partnership opportunities and to make breakthrough discoveries.

f) Internal Services

SSHRC and Natural Sciences and Engineering Research Council (NSERC) share internal services for general administration, human resources, finance, awards administration, information management and technology, program evaluation and audit services. This common administrative services model has proven highly efficient for the two federal granting agencies. In addition, SSHRC has its own corporate services to address the agency's distinct needs in terms of governance, policy, planning, statistics, performance measurement, communications and international relations. Internal Services provide support to the organization as a whole in the form of operations and maintenance funds. They are necessary to support the delivery of programs and other corporate obligations and include activities that apply across the organization, rather than those that support a specific program.

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.

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 Statement of Operations and Departmental Net Financial Position and in the Statement of 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 "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the *2016-17 Report on Plans and Priorities*. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Net Debt because these amounts were not included in SSHRC's *2016-17 Report on Plans and Priorities*.

Liquidity risk is the risk that the SSHRC will encounter difficulty in meeting its obligations associated with financial liabilities. SSHRC's objective for managing liquidity risk is to manage operations and cash expenditures within the appropriation authorized by Parliament or allotment limits approved by the Treasury Board.

Each year, SSHRC presents information on planned expenditures to Parliament through the tabling of Estimates publications. These estimates result in the introduction of supply bills (which, once passed into legislation, become appropriation acts) in accordance with the reporting cycle for government expenditures. SSHRC exercises expenditure initiation processes such that unencumbered balances of budget allotments and appropriations are monitored and reported on a regular basis to help ensure sufficient authority remains for the entire period and appropriations are not exceeded.

Consistent with Section 32 of the *Financial Administration Act*, SSHRC's policy to manage liquidity risk is that no contract or other arrangement providing for a payment shall be entered into with respect to any program for which there is an appropriation by Parliament or an item included in estimates presented before the House of Commons to which the payment will be charged unless there is a sufficient unencumbered balance available out of the appropriation or item to discharge any debt that, under the contract or other arrangement, will be incurred during the fiscal year in which the contract or other arrangement is entered into.

SSHRC's risk exposure and its objectives, policies and processes to manage and measure this risk did not change significantly from the prior year.

b) Net cash provided by Government of Canada

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) 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 SSHRC is entitled to draw from the CRF without further authorities to discharge its liabilities. This amount is not considered to be a financial instrument.

d) Revenues

Miscellaneous revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

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.

Included in miscellaneous revenue are revenues that are spendable and non-spendable. Non-spendable revenue are not available to discharge SSHRC's liabilities. While the Deputy Heads are expected to maintain accounting control, they have no authority regarding the disposition of non-spendable revenues. As a result, non-spendable revenues are considered to be earned on behalf of the government and are therefore presented as a reduction of the agency's gross revenues.

e) Expenses

Expenses are recorded on the accrual basis.

Grants and scholarships (transfer payments) are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program.

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, and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost. These amounts are also presented as government funding.

f) Employee future benefits

(i) Pension benefits: Eligible employees participate in the Public Service Pension Plan (the 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. 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, 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 receivable and advances

Accounts receivables and advances are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for receivables and advances where recovery is considered uncertain.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. SSHRC is not exposed to significant credit risk. Accounts receivable and advances are due on demand. The majority of accounts receivable and advances are due from Canadian universities and other government departments and agencies

where there is minimal potential risk of loss. The maximum exposure the entity has to credit risk is equal to the carrying value of its accounts receivable and advances.

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 if 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 individual initial cost of \$5,000 or more are recorded at their acquisition cost. SSHRC does not capitalize intangibles.

Tangible capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected for their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Amortization of tangible capital assets is performed on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Amortization period
Informatics equipment	3 years
Software (purchased and in-house developed)	5 years
Other equipment	5 years
Furniture	7 years
Motor vehicles	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) Related party transactions

Costs of services provided without charge from common service organizations are recorded in the Statement of Operations and Departmental Net Financial Position as both government funding and program expenses.

k) Future accounting changes

In April 2017, the Treasury Board Secretariat renewed its financial management policy suite to reduce the administrative burden generated by existing policies. As a result of this initiative, six new directives were put in place to replace existing policy instruments. The new Directive on Accounting Standards, effective April 1st, 2017, replaces Treasury Board Accounting standard 1.2: Departmental and Agency Financial statements (April 1, 2012). As

such, SSHRC's financial statements for fiscal year 2017-18 and onwards will be presented as per the new policy suite, including the Directive on Accounting Standards. SSHRC does not anticipate significant changes to the presentation of the financial statements.

1) 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 lives and valuation 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

SSHRC receives its funding through annual parliamentary authorities. Items recognized in the Statement of Financial Position and in the Statement of Operations and Departmental Net Financial Position one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, SSHRC 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>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	778,060	723,054
Adjustments for items affecting net cost of operations but not affecting authorities:		
Revenues	205	-
Amortization of tangible capital assets [Note 8]	(970)	(986)
Loss on disposal of tangible capital assets	(40)	-
Services provided without charge by other government departments [Note 11a)]	(4,794)	(4,431)
Increase in vacation pay and compensatory leave	(3)	(69)
Decrease in employee future benefits	16	43
Refunds of prior years' expenditures	3,259	2,391
Total items affecting net cost of operations but not affecting authorities	<u>(2,327)</u>	<u>(3,052)</u>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets [Note 8]	82	352
Salary overpayments	25	-
Increase in prepaid expenses	114	(255)
Transfer of the transition payments for implementing salary payments in arrears	<u>-</u>	<u>11</u>
Total items not affecting net cost of operations but affecting authorities	221	108
Current year authorities used	<u><u>775,954</u></u>	<u><u>720,110</u></u>

b) Authorities provided and used

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Authorities provided:		
Vote 5 - Grants	749,471	694,097
Less: Lapse	(795)	(334)
Frozen allotment		(50)
Grants expenditures	<u>748,676</u>	<u>693,713</u>
Vote 1 – Operating expenditures	26,479	24,400
Less: Operating lapse	(829)	(130)
Frozen allotment	(1,424)	(692)
Operating expenditures	<u>24,226</u>	<u>23,578</u>
Statutory contributions to employee benefit plans	2,872	2,819
Spending of revenues pursuant to subsection 4 (2) of the Social Sciences and Humanities Research Council Act	<u>180</u>	<u>-</u>
Current year authorities provided and used	<u><u>775,954</u></u>	<u><u>720,110</u></u>

4. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are measured at cost. The following table presents details of SSHRC's accounts payable and accrued liabilities:

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Accounts payable:		
Other government departments and agencies	1,408	1,176
External parties	<u>542</u>	<u>921</u>
Total accounts payable	1,950	2,097
Accrued liabilities	1,475	1,209
Total accounts payable and accrued liabilities	<u><u>3,425</u></u>	<u><u>3,306</u></u>

5. Deferred revenue

Deferred revenue represents the balance at year-end of unearned revenues stemming from amounts received from external parties and interest earned on endowment funds not yet expensed that are restricted in order to fund the expenditures related to specific research projects. Deferred revenue also stems from amounts received for fees prior to services being performed. Revenue is recognized in the period in which these expenditures are incurred or in which the service is performed.

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Queen's Fellowship Endowment Fund	103	111
Restricted gifts, donations and bequests	<u>374</u>	<u>384</u>
Total deferred revenue	<u><u>477</u></u>	<u><u>495</u></u>

6. Employee future benefits

a) Pension benefits

SSHRC's employees participate in the 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 SSHRC contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Canada's Economic Action Plan 2012 (EAP2012), employee contributors have been divided into

two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The expense for 2016-17 amounts to \$2,001,001 (\$1,943,769 in 2015-2016). 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, the Plan's sponsor.

b) Severance benefits

Severance benefits provided to the employees of SSHRC were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2012, the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2017, all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Accrued benefit obligation - Beginning of year	351	394
Expense (gain) for the year	(7)	26
Benefits paid during the year	(9)	(69)
Accrued benefit obligation - End of year	<u>335</u>	<u>351</u>

7. Accounts receivable and advances

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

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Accounts receivable:		
Other government departments and agencies	604	624
External parties	329	352
Employees	25	-
Accounts receivable	<u>958</u>	<u>976</u>

SSHRC has no allowance for doubtful accounts on receivables from external parties.

8. Tangible capital assets
(in thousands of dollars)

Capital asset class	Cost					Accumulated amortization					Net book value	
	Opening balance	Acquisitions	Adjustments (1)	Disposals and Write-offs	Closing balance	Opening balance	Amortization	Adjustments	Disposals and Write-offs	Closing balance	2017	2016
Informatics	2,899	43	21		2,963	2,819	36	21		2,876	87	80
Software	5,654	14		(62)	5,606	2,238	856		(23)	3,071	2,535	3,416
Other equipment	359			(5)	354	264	33		(5)	292	62	95
Furniture	2,048			(1)	2,047	2,000	36		(1)	2,035	12	48
Leasehold improvements	1,404	25			1,429	1,385	4			1,389	40	19
Motor vehicles	54			(27)	27	16	5		(16)	5	22	38
Total	12,418	82	21	(95)	12,426	8,722	970	21	(45)	9,668	2,758	3,696

(1) Effective March 2017, SSHRC received informatics equipment with a net book value of \$Nil from NSERC.

9. Net financial position

A portion of SSHRC's departmental net financial position is used for a specific purpose. Related revenues and expenses are included in the Statement of Operations and Departmental Net Financial Position.

The Queen's Fellowship Endowment 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 [Note 5]. The endowment itself does not represent a liability to third parties but is restricted for special purposes. Activity in the account is as follows:

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Queen's Fellowship Endowment Fund	250	250
Departmental net financial position excluding Endowment Fund	<u>1,914</u>	<u>2,544</u>
Departmental net financial position	<u><u>2,164</u></u>	<u><u>2,794</u></u>

10. Contractual obligations and commitments

Payments of grants and scholarships extending into future years are subject to the provision of funds by Parliament. As of March 31, 2017, the commitments for future years' awards are payable as follows:

	(in thousands of dollars)
2017-18	620,202
2018-19	472,242
2019-20	304,977
2020-21	188,206
2021-22 and thereafter	<u>206,801</u>
Total	<u><u>1,792,428</u></u>

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

	(in thousands of dollars)
2017-18	1,477
2018-19	216
2019-20	31
2020-21	<u>22</u>
Total	<u><u>1,746</u></u>

11. Related party transactions

SSHRC is related as a result of common ownership to all government 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 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, SSHRC 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 SSHRC's Statement of Operations and Departmental Net Financial Position as follows:

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Accommodations	3,049	2,882
Employer's contribution to the health and dental insurance plans	<u>1,745</u>	<u>1,549</u>
Total	<u><u>4,794</u></u>	<u><u>4,431</u></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 Services and Procurement Canada are not included in SSHRC's Statement of Operations and Departmental Net Financial Position.

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. During the year, SSHRC administered \$322,671,884 (\$277,972,750 in 2015-2016) 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.

12. Segmented information

Presentation by segment is based on SSHRC'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 2. The following table presents the expenses incurred for the main program, by major object of expenses. The segment results for the period are as follows:

(in thousands of dollars)

	Research Support Fund	Talent	Insight	Connection	CFREF	Internal Services	2017	2016
Transfer payments								
Grants & Scholarships	368,385	165,375	172,515	31,834	7,399	-	745,508	691,393
Operating expenses								
Salaries and employee benefits	224	5,116	6,186	1,315	573	9,789	23,203	22,236
Accommodation and rentals	-	16	17	14	1	3,572	3,620	3,702
Professional and special services	11	238	549	91	32	1,732	2,653	2,329
Transportation and communications	18	204	368	58	51	317	1,016	1,079
Information	3	187	182	93	2	404	871	939
Amortization of tangible capital assets	-	-	-	-	-	970	970	986
Utilities, materials and supplies	-	9	9	6	1	261	286	382
Repair and maintenance	-	4	-	1	-	133	138	76
Total operating expenses	256	5,774	7,311	1,578	660	17,178	32,757	31,729
Total expenses	368,641	171,149	179,826	33,412	8,059	17,178	778,265	723,122
Revenues								
Miscellaneous revenues	-	-	-	-	-	205	205	68
Total revenues	-	-	-	-	-	205	205	68
Net cost of operations before government funding and transfers	368,641	171,149	179,826	33,412	8,059	16,973	778,060	723,054