

[ ANNUAL REPORT ]

2003-2004

SOCIAL SCIENCES AND HUMANITIES  
RESEARCH COUNCIL OF CANADA



Social Sciences and Humanities  
Research Council of Canada

Conseil de recherches en  
sciences humaines du Canada

Canada



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The Honourable David Emerson,  
Ministry of Industry  
Ottawa, ON Canada

Sir,

Pursuant to Section 21 of the *Social Sciences and Humanities Research Council Act, 1976-77*, I am pleased to submit the 26th annual report of the Social Sciences and Humanities Research Council of Canada.

Yours very truly,

A handwritten signature in black ink, appearing to read 'M. Renaud', with a stylized flourish at the end.

Marc Renaud  
President  
July 31, 2004

### **We build understanding**

The Social Sciences and Humanities Research Council of Canada (SSHRC) is an arm's-length federal agency that promotes and supports university-based research and training in the social sciences and humanities.

SSHRC funds research that helps Canadians better understand an increasingly complex world. SSHRC-funded research helps Canada create effective public policy, compete in a global knowledge-based economy, educate our children, improve health care and build vibrant communities.

Since its creation by an Act of Parliament 26 years ago, SSHRC has grown into one of the world's most respected research funding agencies. Today, through a rigorous, internationally recognized peer-review process, SSHRC grants and fellowships assist nearly 5,000 researchers and graduate students every year.

As an arm's-length agency, SSHRC has full authority to make its own programming and funding decisions. Its programs support an enormous range of research in more than 30 disciplines: from archaeology, psychology and education to economics, literature and law. SSHRC-funded scholars explore the nature of humanity, society and thought itself, while large multidisciplinary teams conduct much-needed fieldwork in communities across the country.

More than half of all SSHRC awards help Canadian graduate students, postdoctoral researchers and new faculty build Canadian expertise and competitiveness by creating training opportunities in Canada for the next wave of innovative thinkers.

SSHRC also administers the Canada Research Chairs, a \$900-million program that will establish 2000 senior research professorships at universities by 2005. Since the program's launch in 2000, more than 1,030 researchers have taken up their new positions at universities across Canada. This program helps keep research jobs and expertise in Canada, increases national research capacity and gives Canadians the tools they need to succeed in a knowledge economy.

### Clients

Full-time faculty in the social sciences and humanities: 18,000

PhD students in the social sciences and humanities: 12,300

Master's students in the social sciences and humanities: 28,600

Number of disciplines supported by SSHRC: more than 30

### Grants, Fellowships and Scholarships

Applications received, 2003-04: 7643

New grants, fellowships and scholarships awarded, 2003-04: 2728

### Research Communication

Conferences and congresses funded in 2003-04: 145

Scholarly books published yearly through SSHRC's Aid to Scholarly Publications program: 150

*Detailed information regarding the winners of recent SSHRC competitions, including the names of the principal researchers, their institutional affiliations, the titles of the research projects, the duration of grants and the total amounts awarded, is available online at:*

*[http://www.sshrc.ca/web/winning/comp\\_results\\_e.asp](http://www.sshrc.ca/web/winning/comp_results_e.asp).*

### **From Granting Council to Knowledge Council**

The year was a particularly challenging and active one as SSHRC not only celebrated its 25<sup>th</sup> anniversary and launched a number of exciting new prizes and programs, but also undertook an exhaustive national consultation and planning exercise to rethink and restructure its organization and programs to better respond to a rapidly changing research and social environment.

Beginning with a nation-wide series of campus consultations, SSHRC is exploring its role not only as an active and essential player in funding research and scholarship, but also its potential role as a knowledge broker or facilitator to ensure understanding gained through research makes its way to decision-makers, other researchers and Canadians from all walks of life.

Several studies are underway to explore priority areas, including analysis of the “small grants” model, an exploration of new programs to support training environments and an evaluation of international collaboration. In the summer of 2004, a special program will be launched to develop research clusters that will leverage Canadian expertise and explore many issues of importance to Canadians. The particular needs of new researchers and small universities are also being explored.

During the summer of 2004, SSHRC will expand its consultations to include community groups, think tanks, labour organizations, industry and non-governmental associations, and others who use and apply knowledge and understanding generated through research.

While consultation results won't be available until fall 2004, these discussions represent an important first step in SSHRC's transformation from a granting council to a knowledge council.

## Grants and Awards

To celebrate its 25<sup>th</sup> anniversary, SSHRC launched and awarded two new prizes to recognize outstanding Canadian researchers. The SSHRC Gold Medal for Achievement in Research (\$100,000) was awarded to internationally-renowned McGill University emeritus professor of philosophy, Charles Taylor.

University of Ottawa communications professor Darin Barney received the new researcher Aurora Prize (\$25,000) for his work on the relationship between technology—especially the Internet—and democracy.

The prizes can only be used for scholarly activities.

Due to the success of these prizes and the importance of celebrating Canada's best researchers and scholars, the Gold Medal and Aurora Prize will be awarded annually. The 2004 Gold Medal competition was launched in December 2003. As in 2003, the Aurora Prize will be awarded to the best new researcher in the year's Standard Research Grants competition. The prize winners will receive their awards at a special event in October 2004.

The Taylor Fellowship, awarded each year to the most outstanding candidate in SSHRC's annual doctoral awards competition, was also presented at the 25th anniversary gala event. It was awarded to Tessa Hebb, a doctoral candidate at the University of Oxford.

As part of the Canada Graduate Scholarships (CGS) program, launched in 2003, SSHRC awarded some 800 master's students with one-year, \$17,500 scholarships. Later that fall, SSHRC held its second master's scholarship competition, offering 1000 new awards to students across the country, and launched the CGS doctoral scholarships, three-year awards worth \$35,000 a year. In subsequent years, SSHRC will award 1200 master's scholarships and 400 new doctoral scholarships each year.

Finally, this past year the Council established a new prize to honour the most outstanding recipient of the SSHRC postdoctoral fellowship. The inaugural prize, valued at \$10,000, will be awarded in 2005.



## Program Changes

In response to February's federal budget requesting the three granting councils to increase support for Northern research, SSHRC developed and launched the new Northern Research Development Program modeled on SSHRC's longstanding Research Development Initiatives.

Council also approved a plan to explore new joint initiatives that would expand research on the economic, social, ecological and political challenges and opportunities facing Canada's North and its residents.

In addition, SSHRC launched a new program to support research on Aboriginal issues. Research areas include urban issues, economic development, environment, education, research ethics, intellectual/cultural property, and Aboriginal languages and cultures.

The program was developed after nation-wide consultations with more than 500 researchers, students, policy makers and community leaders from Canada's First Nation, Inuit, Métis and non-Aboriginal communities. The program

supports the creation of new knowledge, encourages postgraduate training among Aboriginal students and scholars, and builds partnerships among Aboriginal and non-Aboriginal researchers.

This past year the new Research/Creation Grants in Fine Arts program marked the first time that faculty members who combine artistic practice with scholarly research have qualified for SSHRC funding.

Two new programs emerged under the Initiative on the New Economy (INE). The Canada Project Research Initiative funds policy-relevant research on Canada's national competitiveness and position in the world and the Skills Research Initiative supports policy-relevant research on skills and highly qualified people.

In addition, in August 2004, SSHRC will implement significant improvements to the Aid to Occasional Research Conferences and International Congresses in Canada program. The changes are designed to better serve research communication needs.

Three new joint initiatives were also launched during the year. The Essential Skills program, designed and funded in partnership with Human Resources and Skills Development Canada, supports research that helps Canadians acquire workplace and general life skills and assembles grant holders in workshops to maximize knowledge sharing and dissemination.

Developed in partnership with the National Secretariat on Homelessness, the Homelessness and Diversity Issues in Canada program supports research on homelessness in its relation to a wide variety of marginalized sub-populations.

Last but not least, the Multiculturalism Issues in Canada program, a joint initiative with Canadian Heritage, supports research on diverse issues that arise out of Canada's increasingly multicultural and multiethnic population.

SSHRC is an arm's-length federal agency, created by Parliament in 1977 to promote and support research in the social sciences and humanities.

Governed by a 22-member board that reports to Parliament through the minister of industry, SSHRC forms intellectual and financial partnerships with public and private sector organizations to focus research and aid the development of better policies and practices in key areas of Canada's social, cultural and economic life.

## **Council Members**

SSHRC Council meets regularly to set policy and program priorities, to allocate budgets and to advise the minister of industry and Parliament on research policy for social sciences and humanities disciplines.

## **Peer Review**

SSHRC awards its grants and fellowships through an independent, national, peer-review process designed to ensure excellence. Peer review is universally recognized as the most objective and effective way to allocate public research funds.

Each year, volunteer selection committees totaling some 300 Canadian scholars and experts assess thousands of research proposals. Based on academic excellence, the importance of the research to the advancement of knowledge and other key criteria, they recommend which projects to fund. Nine thousand other Canadian and international experts provide written assessments of proposals to help the review committees in their decision-making.

## Council members

**Marc Renaud**

President, SSHRC

**Penelope M. Ayre Rowe**

Vice-President, SSHRC

Chief Executive Officer, Community Services Council  
of Newfoundland and Labrador

St. John's, Newfoundland and Labrador

**Mary A. Blackstone**

Department of Theatre

University of Regina

**Marcel Boyer**

Département de sciences économiques

Université de Montréal

**Tim Brodhead**

President and Chief Executive Officer

The J.W. McConnell Family Foundation

Montréal, Québec

**Sean Caulfield**

Canada Research Chair in Printmaking  
Department of Art and Design  
University of Alberta

**Richard Cloutier**

École de psychologie  
Université Laval

**William Coleman**

Director  
Institute on Globalization and the Human Condition  
McMaster University

**Jean-Douglas Comeau**

Director  
Écoles d'immersion  
Université Sainte-Anne

**Andrée Courtemanche**

Département d'histoire et de géographie  
Université de Moncton

**Mary M. Crossan**

Richard Ivey School of Business  
The University of Western Ontario

**John de la Mothe**

Faculty of Administration  
University of Ottawa

**Yves Gingras**

Director, Centre interuniversitaire de recherche  
sur la science et la technologie (CIRST)  
Université du Québec à Montréal

**Karen R. Grant**

Vice-Provost, Academic Affairs  
University of Manitoba

**Greg R. Halseth**

Canada Research Chair in Rural and Small Town Studies  
Department of Geography  
University of Northern British Columbia

**Linda Hughes**

Publisher, The Edmonton Journal  
Edmonton, Alberta

**Camille Limoges**

Independent scholar and consultant  
Outremont, Québec

**James R. Miller**

Canada Research Chair in Native-Newcomer Relations  
Department of History  
University of Saskatchewan

**Keren Rice**

Canada Research Chair in Linguistics and Aboriginal Studies  
Department of Linguistics  
University of Toronto

**Stan M. Shapson**

Vice-President, Research and Innovation  
York University

**Martin Taylor**

Vice-President, Research  
University of Victoria

**Vianne Timmons**

Vice-President, Academic Development  
University of Prince Edward Island

**Catherine Wilson**

Department of Philosophy  
The University of British Columbia

**ASSOCIATE MEMBERS**

**Alan Bernstein**

President  
Canadian Institutes of Health Research  
Ottawa, Ontario

**Tom Brzustowski**

President  
Natural Sciences and Engineering Research Council  
Ottawa, Ontario

## Financial Statements

For the year ended March 31, 2004

### Statement of management responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements of the Social Sciences and Humanities Research Council for the year ended March 31, 2004 and all information contained in this report rests with the management of the Council.

We have prepared these financial statements in accordance with Treasury Board of Canada accounting standards which are based upon Canadian generally accepted accounting principles, using management's best estimates and judgements where appropriate. These statements should be read within the context of the significant accounting policies set out in Note 2 of the financial statements.

To fulfil these accounting and reporting responsibilities, the Council maintains a set of accounts which provides a centralized record of the Council's financial transactions. Financial information contained in the ministerial statements and elsewhere in the *Public Accounts of Canada* is consistent with these financial statements.

The Council's Common Administrative Services Directorate develops and disseminates financial management and accounting policies, and issues specific directives which maintain standards of accounting and financial management. The Council maintains systems of financial management and internal control which gives due consideration to costs, benefits and risks. They are designed to provide reasonable assurance that transactions are properly authorized by Parliament and are



executed in accordance with the *Financial Administration Act* and the prescribed regulations, and are properly recorded and controlled so as to maintain accountability of Government funds and safeguard the Council's assets. Financial management and internal control systems are augmented by the maintenance of internal audit programs. The Council also seeks to assure the objectivity and integrity of data in its financial statements by the careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that its regulations, policies, standards and managerial authorities are understood throughout the organization.

The accounting system and financial statements of the Council have evolved over the years to meet the changes in the structure of the grants and scholarships programs and to give improved reporting and control of expenditures relating to those programs.

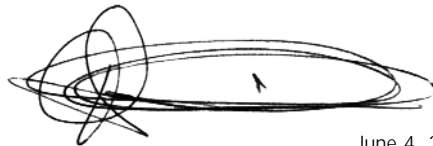
Management presents these financial statements to the Auditor General of Canada who audits them and provides an independent opinion, which has been appended to the financial statements.

Approved by:



June 4, 2004

**Germain Tremblay**  
Director of Finance  
(Senior Full-time Financial Officer)



June 4, 2004

**Michel Cavallin**  
Director General  
Common Administrative Services Directorate  
(Senior Financial Officer)



## AUDITOR'S REPORT

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

I have audited the statement of financial position of the Social Sciences and Humanities Research Council as at March 31, 2004 and the statements of operations, net liabilities and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Nancy Cheng, FCA  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
June 4, 2004

# Statement of financial position

As at March 31

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	<u>2004*</u>	<u>2003*</u>
<b>ASSETS</b>		
<b>Financial assets</b>		
Due from the Consolidated Revenue Fund	3,419	1,878
Accounts receivable (Note 4)	553	376
Advances	<u>4</u>	<u>322</u>
<b>TOTAL FINANCIAL ASSETS</b>	<b><u>3,976</u></b>	<b><u>2,576</u></b>
<b>Non-financial assets</b>		
Prepaid expenses	48	31
Capital assets (Note 5)	<u>1,500</u>	<u>1,275</u>
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b><u>1,548</u></b>	<b><u>1,306</u></b>
	<b><u>5,524</u></b>	<b><u>3,882</u></b>

\* in thousands of dollars

	<u>2004*</u>	<u>2003*</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	3,428	1,938
Employee vacation and compensatory benefits	760	663
Deferred revenue (Note 7)	464	458
Employee severance benefits (Note 8)	1,741	1,663
<b>TOTAL LIABILITIES</b>	<b>6,393</b>	<b>4,722</b>
<b>NET LIABILITIES (Note 9)</b>	<b><u>(869)</u></b>	<b><u>(840)</u></b>
	<b><u>5,524</u></b>	<b><u>3,882</u></b>

\* in thousands of dollars

Contingencies (Note 12)

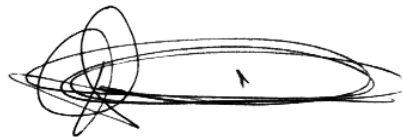
Commitments (Note 13)

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

Approved by the Council:



**Marc Renaud**  
President



**Michel Cavallin**  
Director General  
Common Administrative Services Directorate  
(Senior Financial Officer)

# Statement of operations

For the year ended March 31

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	<u>2004*</u>	<u>2003*</u>
<b>REVENUES</b>		
Donations for research	40	10
Interest on overdue accounts receivable	3	3
Gain on sale of surplus capital assets	2	-
<b>TOTAL REVENUES</b>	<b><u>45</u></b>	<b><u>13</u></b>
<b>EXPENSES</b>		
<b>Grants and Scholarships - Social Sciences and Humanities</b>		
Research grants	77,459	69,121
Research training	48,678	32,283
Strategic	30,324	27,035
Canada Research Chairs	32,167	21,042
Initiative on New Economy	17,469	12,484
Research communication	6,097	5,527
Donations for research	40	10
	<b><u>212,234</u></b>	<b><u>167,502</u></b>
<b>Grants - Indirect Costs of Research Program (Note 14)</b>	<b><u>224,182</u></b>	<b><u>-</u></b>

\* in thousands of dollars

	<u>2004*</u>	<u>2003*</u>
<b>Operations</b> (Note 10)		
Salaries and employee benefits	14,165	13,237
Professional and special services	3,884	3,309
Accommodations and rentals	1,915	1,387
Transportation and communications	1,297	1,320
Information	875	719
Amortization of capital assets	552	503
Utilities, materials and supplies	329	223
Repair and maintenance	303	240
Loss on disposals of capital assets	23	-
	<u>23,343</u>	<u>20,938</u>
<b>TOTAL EXPENSES</b>	<b>459,759</b>	<b>188,440</b>
Refunds of previous years' expenditures	(711)	(598)
<b>NET COST OF OPERATIONS</b>	<u><b>459,003</b></u>	<u><b>187,829</b></u>

\* in thousands of dollars

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

## Statement of net liabilities

For the year ended March 31

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	<u>2004*</u>	<u>2003*</u>
Net liabilities, beginning of year	(840)	(693)
Net cost of operations	(459,003)	(187,829)
Services provided without charge by other government departments (Note 10)	2,557	2,004
Net cash provided by Government (Note 3c)	454,876	184,587
Change in due from the Consolidated Revenue Fund	1,541	1,091
<b>NET LIABILITIES, End of Year</b>	<b><u>(869)</u></b>	<b><u>(840)</u></b>

\* in thousands of dollars

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

## Statement of cash flows

For the year ended March 31

	<u>2004*</u>	<u>2003*</u>
<b>OPERATING ACTIVITIES</b>		
Net cost of operations	459,003	187,829
Non-cash items included in net cost of operations:		
Bad debt expense	-	(11)
Amortization of capital assets (Note 5)	(552)	(503)
Services provided without charge by other government departments (Note 10)	(2,557)	(2,004)
Loss on disposals of capital assets	(23)	-
Variations in Statement of Financial Position:		
Operating accounts receivable	133	(909)
Advances	(318)	263
Prepaid expenses	17	11
Operating accounts payable and accrued liabilities	(1,490)	(366)
Liability for employee vacation and compensatory benefits	(97)	(33)
Deferred revenues	(6)	(15)
Liability for employee severance benefits	(78)	(160)
<b>Cash used in operating activities</b>	<b><u>454,032</u></b>	<b><u>184,102</u></b>

\* in thousands of dollars



	<u>2004*</u>	<u>2003*</u>
<b>INVESTING ACTIVITIES</b>		
Acquisitions of capital assets (Note 5)	<u>844</u>	<u>485</u>
Cash used in investing activities	<u>844</u>	<u>485</u>
<b>Net cash provided by Government</b>	<b><u>454,876</u></b>	<b><u>184,587</u></b>

\* in thousands of dollars

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

# Notes to the Financial Statements

For the year ended March 31 2004

## 01. AUTHORITY AND OBJECTIVE

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*. The objective of the Council is to promote and assist research and scholarships in the social sciences and humanities.

The Council's funding programs provide support through grants, scholarships and fellowships for basic research (by individual researchers and research teams), targeted research (by multidisciplinary teams and research networks), advanced research training (at the doctoral and postdoctoral level) and research communication.

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

## 02. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared on an accrual basis of accounting in accordance with Treasury Board of Canada accounting standards. These standards are based upon Canadian generally accepted accounting principles. The most significant accounting policies are as follows:

**(a) Parliamentary appropriations**

The Government of Canada finances the Council through Parliamentary appropriations. Appropriations provided to the Council do not parallel financial reporting according to generally accepted accounting principles. They are based in large part on cash flow requirements. Items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides information regarding the source and disposition of these authorities and a high-level reconciliation between the two bases of reporting.

**(b) Due from the Consolidated Revenue Fund and net cash provided by Government**

The Council operates within the Consolidated Revenue Fund (CRF). The CRF is administered by the Receiver General for Canada. All cash received by the Council is deposited to the CRF and all cash disbursements made by the Council are paid from the CRF. Due from the Consolidated Revenue Fund represents the amount of cash that the Council is entitled to draw from the CRF, without further appropriations, in order to discharge its liabilities. Net cash provided by government represents all cash disbursements, net of cash receipts, including transactions with departments of the federal government. A corresponding amount is credited directly to the net liabilities.

**(c) Revenues**

Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues. Funds that have been received from external parties for specified purposes are disclosed as deferred revenue. Deferred revenue is recognized as operational revenue when the specified purpose has occurred.

#### (d) Expenses

Expenses are recorded when the underlying transaction or expense occurred subject to the following:

- Grants and scholarships

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.

- Employee severance benefits

The Council provides post-retirement and post-employment benefits to its employees through a severance benefit plan. This benefit plan is not pre-funded and therefore has no assets. The Council calculates a liability and an expense for employee severance benefits using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole. Employee severance benefits on termination of employment represent obligations of the Council that are normally funded through future years' appropriations.

- Vacation and compensatory benefits

Vacation and compensatory pay are expensed in the year that the entitlement occurs.

- Contributions to the Public Service Superannuation Plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Council to the Plan are 2.14 times the employees' contributions on account of current service.

Contributions to the Public Service Superannuation Plan are recognized in the accounts on a current basis. The Council is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account. Actuarial surpluses or deficiencies are recognized and recorded in the consolidated financial statements of the Government of Canada.

- Services provided without charge by other Government departments and agencies

Services provided without charge by other government departments and agencies are recorded as operating expenditures at their estimated fair value and a corresponding amount is credited directly to the net liabilities.

**(e) Refunds of previous years' expenditures and other adjustments**

Refunds of previous years' expenditures are deducted from expenditures. These funds are remitted to the Receiver General for Canada.

**(f) Foreign currency transactions**

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Assets and liabilities denominated in foreign currencies are translated using exchange rates in effect on March 31<sup>st</sup>.

**(g) Accounts receivable**

Accounts receivable are stated as amounts expected to be ultimately realized. An allowance is made for doubtful accounts from external parties for any amounts where the recovery is considered uncertain. No such provision is made for amounts owing from other government departments.

#### **(h) Capital assets**

Capital assets with an acquisition cost of \$2,500 or more are capitalized at cost as well as the standard furniture, equipment and desktop personal computer assigned to each employee due to the material number of such items. The capitalization of software and leasehold improvements has been done on a prospective basis from April 1, 2001. Capital assets are amortized over their estimated useful life on a straight-line basis, using a half-year rule in the year of acquisition and disposal, as follows:

<i>Capital asset class</i>	<i>Amortization period</i>
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
Items acquired under capital leases	Lesser of their useful life or term of the lease
Leasehold improvements	Lesser of their useful life or term of the lease

#### **(i) Measurement uncertainty**

The preparation of 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 allowance for employee severance benefits and the estimated useful lives of capital assets are the most significant items where estimates are used. Actual results could differ from those estimated.

### 03. PARLIAMENTARY APPROPRIATIONS

The operations of the Council are financed through Parliamentary appropriations. These appropriations are recorded as cash provided by government when used; any unused appropriation balances lapse. Items recognized in the Statement of Operations in one year may be funded through Parliamentary appropriations in a different year. The differences are reconciled below:

#### a) Reconciliation of net cost of operations to total Parliamentary appropriations used:

	<u>2004*</u>	<u>2003*</u>
<b>NET COST OF OPERATIONS</b>	459,003	187,829
<b>Adjustments for items not affecting appropriations:</b>		
Add		
Gains on disposals of surplus Crown assets	2	-
Interest on overdue accounts receivable	3	3
Refunds of previous years' expenditures	711	598
Less		
Amortization of capital assets	(552)	(503)
Vacation and compensatory pay liability	(97)	(33)
Services provided without charge by other Government departments and agencies	(2,557)	(2,004)
Severance benefits liability	(78)	(160)
<b>Adjustments for items affecting appropriations:</b>		
Add		
Capital acquisitions	845	485
Prepaid expenses	48	31
Other adjustments	170	(43)
<b>TOTAL PARLIAMENTARY APPROPRIATIONS USED</b>	<u><b>457,498</b></u>	<u><b>186,203</b></u>

\* in thousands of dollars

b) Reconciliation of Parliamentary appropriations voted to Parliamentary appropriations used:

	<u>2004*</u>	<u>2003*</u>
<b>GRANTS AND SCHOLARSHIPS</b>		
	209,947	180,199
Main estimates		
Add	241,741	2,251
Supplementary estimates		
Less	(13,000)	-
Frozen Allotment		
	<u>(2,311)</u>	<u>(14,958)</u>
Grants and scholarships lapse		
Grants and scholarships expenditures	<u>436,377</u>	<u>167,492</u>
<b>OPERATING EXPENDITURES</b>		
	15,455	14,432
Main estimates		
Add	4,384	2,651
Supplementary estimates, salary increments		
Less	(1,020)	(9)
Operating lapse		
Adjustment for retroactive pay liability	<u>177</u>	<u>-</u>
Operating expenditures	18,996	17,074
Statutory contributions to employee benefit plans	2,125	1,637
<b>TOTAL PARLIAMENTARY APPROPRIATIONS USED</b>	<u><b>457,498</b></u>	<u><b>186,203</b></u>

\* in thousands of dollars



c) Reconciliation of net cash provided by Government to Parliamentary appropriations used:

	<u>2004*</u>	<u>2003*</u>
<b>NET CASH PROVIDED BY GOVERNMENT</b>	454,876	184,587
Refunds of prior years' expenditures	711	598
Variation in accounts receivable	(177)	909
Variation in advances	318	(263)
Variation in accounts payable and accrued liabilities	1,490	366
Variation in deferred revenues	6	15
Other adjustments	274	(9)
<b>TOTAL PARLIAMENTARY APPROPRIATIONS USED</b>	<u><b>457,498</b></u>	<u><b>186,203</b></u>

\* thousands of dollars

**04. ACCOUNTS RECEIVABLE**

	<u>2004*</u>	<u>2003*</u>
Other government departments	274	154
Outside parties	286	253
Allowance for doubtful accounts	(7)	(31)
<b>TOTAL ACCOUNTS RECEIVABLE</b>	<u><b>553</b></u>	<u><b>376</b></u>

\* in thousands of dollars

## 05. CAPITAL ASSETS

Capital asset class	2004*				2003*
	Opening Balance	Net additions for the year	Accum. Amort.	Net book value	Net book value
Informatics	1,673	(249)	(902)	552	441
Software	506	142	(238)	411	378
Other equipment	131	(3)	(98)	30	64
Furniture	939	293	(774)	457	267
Motor vehicles	19	(19)	-	-	-
Leasehold-improvements	193	-	(113)	80	125
<b>TOTAL</b>	<b>3,461</b>	<b>164</b>	<b>(2,125)</b>	<b>1,500</b>	<b>1,275</b>

Amortization expense for the period ended March 31, 2004 is \$552,216 (\$502,833 in 2003).

\* in thousands of dollars

## 06. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2004*</u>	<u>2003*</u>
Outside parties	2,176	892
Other government departments	1,252	1,046
<b>TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES</b>	<b><u>3,428</u></b>	<b><u>1,938</u></b>

\* in thousands of dollars

## 07. DEFERRED REVENUE

Deferred revenue represents the balance, at year-end, of the specified purpose accounts which includes transactions related to the Queen's Fellowship Endowment Fund as well as earmarked funds received in the form of private donations and interest generated thereon. These funds must be used for the purposes for which they were received.

### a) Queen's Fellowship Endowment Fund

The Queen's Fellowship Endowment Fund consists of a \$250,000 endowment which has been deposited in the Consolidated Revenue Fund and is internally restricted for specific purposes in the net liabilities (see Note 9). The interest generated on the endowment is used to fund scholarships to graduate students in certain fields of Canadian studies. The balance below is included in the Consolidated Revenue Fund in the name of the Council and appears as Due from the Consolidated Revenue Fund on the Statement of Financial Position. Details of the transactions related to the endowment are as follows:

	<u>2004*</u>	<u>2003*</u>
Balance, beginning of year	52	45
Interest received	8	7
<b>BALANCE, END OF YEAR</b>	<b><u>60</u></b>	<b><u>52</u></b>

\* in thousands of dollars

#### b) Restricted gifts, donations and bequests

Deferred revenue also includes transactions for the receipt, interest generated thereon and disbursements related to private restricted gifts, donations and bequests received for the specified purpose of special projects in the field of social sciences and humanities research activities. The balance below is included in the Consolidated Revenue Fund in the name of the Council and appears as Due from the Consolidated Revenue Fund on the Statement of Financial Position. Details of the operations related to the restricted gifts, donations and bequests are as follows:

	<u>2004*</u>	<u>2003*</u>
Balance, beginning of year	406	398
Restricted donations received	2	12
Interest received	6	6
Fellowships paid	(10)	(10)
<b>BALANCE, END OF YEAR</b>	<b><u>404</u></b>	<b><u>406</u></b>

\* in thousands of dollars

## 08. EMPLOYEE FUTURE BENEFITS

Employees of the Council 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

The Council's contributions to the Public Service Superannuation Account during the year amounted to \$1,359,465 (\$1,408,545 in 2003).

### (b) Severance benefits

The Council provides severance benefits to its employees. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the allowance for employee severance benefits. Information about the plan is as follows:

	<u>2004*</u>	<u>2003*</u>
Liability for employee severance benefits,		
beginning of year	1,663	1,503
Expense for the year	226	170
Benefits paid during the year	(148)	(10)
<b>LIABILITY FOR EMPLOYEE SEVERANCE BENEFITS,</b>		
<b>END OF YEAR</b>	<b><u>1,741</u></b>	<b><u>1,663</u></b>

\* in thousands of dollars

## 09. NET LIABILITIES

The Government of Canada includes in its revenues and expenses, the transactions of certain consolidated accounts established for specified purposes. The Queen's Fellowship Endowment Fund is a consolidated specified purpose account which consists of an endowment of \$250,000. The transactions generated from the endowment are included in deferred revenue (see Note 7a). The endowment itself does not represent a liability to third parties but is internally restricted for specified purposes. The details of the net liabilities are as follows:

	<u>2004*</u>	<u>2003*</u>
Consolidated specified purpose account balance		
– endowment fund	250	250
Net liabilities excluding endowment fund	(1,119)	(1,090)
<b>NET LIABILITIES</b>	<b><u>(869)</u></b>	<b><u>(840)</u></b>

\* in thousands of dollars

## 10. RELATED PARTY TRANSACTIONS

The Council is related in terms of common ownership to all other Government of Canada departments, agencies and Crown Corporations. The Council enters into transactions with these entities in the normal course of business and on normal trade terms applicable to all individuals and enterprises.

During the year, the Council received services without charge, which are recorded at fair value in the financial statements as follows:

	<u>2004*</u>	<u>2003*</u>
Accommodations provided by Public Works and Government Services Canada	1,659	1,170
Contributions covering the employer's share of employees medical and Dental insurance premiums provided by Treasury Board Secretariat	814	766
Other services provided without charge	84	68
<b>TOTAL SERVICES PROVIDED WITHOUT CHARGE</b>	<b><u>2,557</u></b>	<b><u>2,004</u></b>

\* in thousands of dollars

## **11. GRANTS, SCHOLARSHIPS AND OTHER EXPENDITURES ADMINISTERED AND DISBURSED FOR GOVERNMENT DEPARTMENTS AND AGENCIES AND ORGANIZATIONS OUTSIDE THE GOVERNMENT**

Grants, scholarships and other expenditures administered and disbursed by the Council on behalf of government departments and agencies and organisations outside the government, which are not included in the statement of operations, amounted to \$116,149,245 (\$110,475,000 in 2003). Most of these disbursements are made by the Council from funds entrusted to it by government departments and agencies.

The Council receives administrative fees in some circumstances where a significant administrative burden is incurred by the Council for the administration of certain funds on behalf of other government departments and organizations. These amounted to \$404,923 during the year (\$242,829 in 2003).

## **12. CONTINGENCIES**

In the normal course of its operations, the Council becomes involved in various legal actions. Some of these potential liabilities 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 amount can be made, this estimated amount is recorded in the financial statements. In 2001, the Council was served with a statement of claim arising from Employment Equity. The potential liability of the Council and consequent damages arising from such a liability are estimated by management at \$1,920,000. The Council cannot assess the outcome of this complaint on its operations. The effect, if any, of the ultimate resolution of this matter will be accounted for in the year when known.



### 13. COMMITMENTS

Payments of grants and scholarships extending in future years are subject to the provision of funds by Parliament. Future years awards adjudicated prior to March 31, 2004 are payable as follows:

2004–2005	360,868
2005–2006	158,761
2006–2007	99,476
2007–2008	41,616
2008–2009 and subsequent years	21,526

\* in thousands of dollars

In addition, the nature of the Council's operating activities result in some large multi-year contracts and obligations whereby the Council will be committed to make some future payments when the services or goods are rendered. Major operating commitments that can reasonably be estimated are as follows:

2004–2005	23
2005–2006	13
2006–2007	5

\* in thousands of dollars

## 14. INDIRECT COSTS OF RESEARCH PROGRAM

In 2003-2004, the Council was mandated to administer a program for indirect costs of research on behalf of the federal granting agencies (Canadian Institutes of Health Research, Natural Sciences and Engineering Research Council, and the Social Sciences and Humanities Research Council). The program awards annual grants to Canadian community colleges, universities and their affiliated research hospitals and institutions, whose researchers receive funding from at least one of the three federal granting agencies. The purpose of the grants is to defray a portion of the indirect costs associated with federal investments in academic research.