

rpc

SCIENCE & ENGINEERING

RESILIENCE



OUR VISION

For science and technology to drive smart decisions that promote a prosperous and sustainable New Brunswick.

OUR MISSION

To deliver science and technology solutions for the prosperity of New Brunswick.

OUR VALUES

- Safety
- Quality
- Service
- Integrity
- Socially Responsible
- Customer Focused
- Results Driven

2020-2021 BY THE NUMBERS

\$195 MILLION

ECONOMIC IMPACT



1131
CLIENTS SERVED



\$13.6 MILLION
INDUSTRY REVENUE



\$7.7 MILLION
EXPORTED SERVICES



173
HQP EMPLOYED



Note: Economic Impacts Report completed by Laurann Ventures Inc. September 2021



“

OUR PURPOSE IS REALLY SIMPLE. TO PROVIDE THE FRONT OF MODERN SCIENCE AND TECHNOLOGY, [FOR] ASSISTANCE TO THE ECONOMIC AND INDUSTRIAL LIFE OF THE PROVINCE.

”

DR. LES SHEMILT
RPC CHAIRPERSON 1962-1969, MEMBER OF COUNCIL 1962-1980
CBC SPECIAL COVERAGE, GRAND OPENING OF RPC BUILDING # 4, JUNE 5, 1968

2020-2025 STRATEGIC CORPORATE OBJECTIVES

Strategic targets are intended to challenge the organization and provide a basis for planning. The strategic plan provides direction for the organization and has been endorsed by RPC's Board of Directors and the Minister Responsible for RPC.

Sustainable Growth

RPC will continue to diversify and expand its expertise and capacity to deliver excellent service and value for its clients and stakeholders in a fiscally responsible way. Specifically, this means:

- Striving to be operationally self-sustaining,
- Monitoring and anticipating strategic technologies,
- Growing revenue,
- Connecting with clients, adding capability and business development.

Effective Communications

RPC will maintain a high level of effective communication with all stakeholders, including clients, the general public and local, provincial and federal government agencies ensuring an increased overall awareness of RPC's capabilities. Specifically, this means:

- Enhancing strategic communications, formalizing a communications plan and implementing a communications strategy,
- Acting responsibly, with integrity and with respect for our clients' confidentiality,
- Highlighting successes in a way that inspires confidence and showcases New Brunswick's capabilities,
- Continuing to be an active participant and an effective listener with industry and government,
- Recognizing our role to communicate about science and innovation as key to a prosperous economy.

Operational Excellence

RPC will carry out its mandate with appropriate facilities, equipment, people, procedures and fiscal management while maintaining a culture of innovation and quality. Specifically, this means:

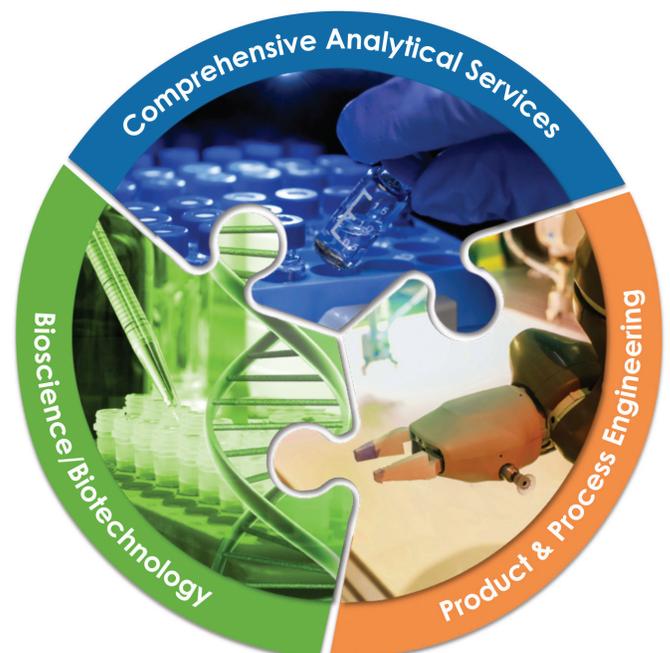
- Developing and executing on a plan for our Fredericton facility to resolve end of life infrastructure, and capacity challenges,
- Providing a safe work environment and emphasizing our safety culture,
- Sustaining our commitment to quality, including enhancing our accredited services, seeking other accreditations,
- Continuing to invest in leading-edge facilities and equipment,
- Completing our new Moncton laboratory and building on capabilities,

- Striving for operational efficiencies,
- Working to offer a wide scope of services to retain work within New Brunswick,
- Employing best practices in fiscal management,
- Continuing improvement in our efforts to attract and retain highly qualified personnel by providing meaningful employment.

Corporate Social Responsibility (CSR)

RPC will continue to be a good corporate citizen, striving to be environmentally conscious, fair with employees, suppliers and stakeholders and supportive of New Brunswick's communities. Specifically, during the planning period, this means:

- Giving back to the community through experiential learning, and charitable efforts,
- Being environmentally conscious,
- Recruiting top talent,
- Complying with laws and implementing an equity, diversity and inclusion (EDI) policy,
- Actively reviewing employee feedback and acting on ideas and concerns to sustain an effective corporate culture,
- Sustaining an emergency response capability,
- Continuous commitment to good corporate governance.



FROM THE CHAIRPERSON AND THE EXECUTIVE DIRECTOR

The past year was one of unprecedented challenges.

While the global pandemic brought the world economy to a virtual standstill, RPC remained operational, meeting the needs of our clients and our Province during this most trying time (*see RPC Remains Fully Operational During COVID-19 Crisis, p. 8*).

RPC encountered numerous challenges as a result of COVID, including a drop in demand for our services, difficulty in sourcing lab supplies, conducting remote quality audits, restricted travel for service technicians and operating a lab facility with the ever-evolving pandemic workplace requirements.

RPC encountered other challenges as well, most notable, an unprecedented flood that destroyed 10,000 SF of space and displaced an additional 10,000 SF for temporary labs (*see Flash Flood: A Story of Resilience, p. 9*). There were supply chain disruptions resulting from container ship accidents and even a nearby active gunman resulting in facility lockdown action.

It was indeed a year like no other, but despite the challenges, there were many positives and progress achieved with strategic initiatives.

An important achievement was the opening of our new Moncton Lab (*see RPC Opens at New Location in Moncton, p. 11*) and the successful completion of several quality audits including ISO 9001:2015 recertification. RPC also successfully completed our upgrade audit for ISO 17025, and have been accredited to ISO 17025:2017. We continued our renewal efforts with instrumentation and facility upgrades, progressed our implementation of our new laboratory information system (LIMS) (*see Leading RPC's Digital Transformation, p. 10*), made progress on new service development, and investigated several options for RPC 3.0 (*see RPC 3.0 on p. 8*). Throughout this challenging year, RPC employees showed they cared, giving back to the community in several initiatives (*see p. 7*).

We are proud of our success, but the most important achievement was maintaining our operations in service of our clients. While many organizations were shutting down, RPC dug in and sustained operations in very difficult conditions. Industries like aquaculture, food and beverage and manufacturing counted on us. Hospitals needed our medical gas inspection services. Municipalities needed to ensure their drinking water was safe. These essential services, and so many more, were sustained throughout the pandemic.

RPC served 1131 clients in 2020-2021, the majority being industry (*see charts on p. 5*). We supported industry's success in developing new products, pursuing new projects, meeting regulatory requirements, improving processes and expanding markets at a time when those services were needed most.

As the economy experienced historic retraction, RPC saw a drop in demand for our services. Operating revenue declined to \$17.5 million, 90% of our 2020 revenue (*see Consolidated Financial Statements, p. 18*). Increasing operating costs due to end-of-life facilities were further impacted by rising costs due to COVID-19. The result was the first financial loss since 2004, and the first year RPC has been unable to be self-sustaining since the elimination of the annual Provincial operating grant in 2008. RPC continues to operate as the only research and technology organization (RTO) in Canada without an annual operating grant.

THE OUTLOOK

The COVID-19 pandemic created turbulent economic conditions. Economists are forecasting recovery in the later half of 2021. Some are predicting a period of sustained economic growth; others are predicting a more conservative return to pre-pandemic levels.

RPC anticipates a recovery in client demand, with the possibility of strong growth in strategic areas. Infrastructure spending and focus on climate change and environmental concerns will result in environmental analytics opportunities. There are signs of a mining recovery, including strategic minerals to support alternate energy applications. Looming labour shortages present an opportunity for RPC's advanced manufacturing services. Finally, we see bioscience as an area of opportunity for strong growth in support of traditional natural resource sectors such as agriculture, aquaculture, and emerging opportunities in biomanufacturing and pharmaceuticals.

There is one certainty with the economic recovery; 'normal' will be different going forward. The role of Research and Technology Organizations (RTOs) will be essential in the recovery, not only in New Brunswick but globally. Challenges that lie ahead include labour shortages, rising health care and senior care costs, supply chain, climate change adaptation, sustainable development ethical business practices and many more. Science, applied research services and technology adoption services that RPC delivers will be crucial to business and government recovery and future prosperity.

**"2020 WAS THE WORST YEAR ON
RECORD FOR CANADA'S ECONOMY.**

IT SHRANK BY 5.4%" - CBC, MARCH 2, 2021

CHART 1: REVENUE SOURCES PROFILE

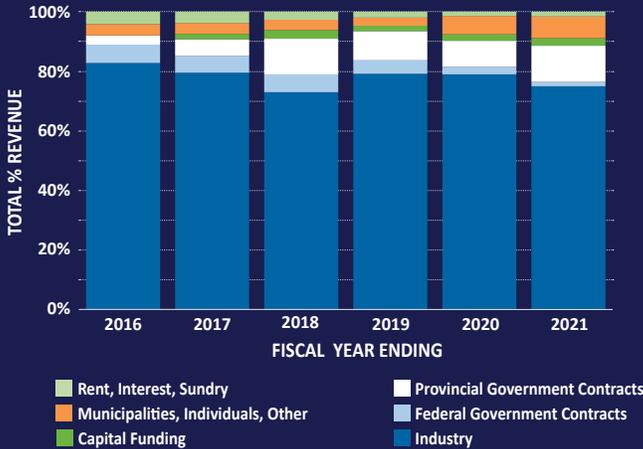


CHART 2: CLIENTS BY LOCATION

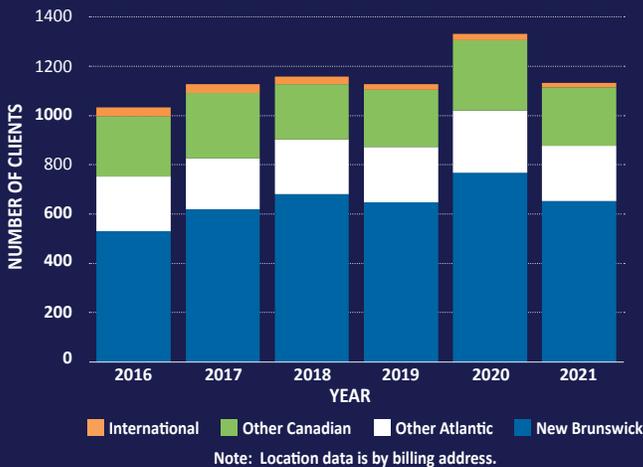
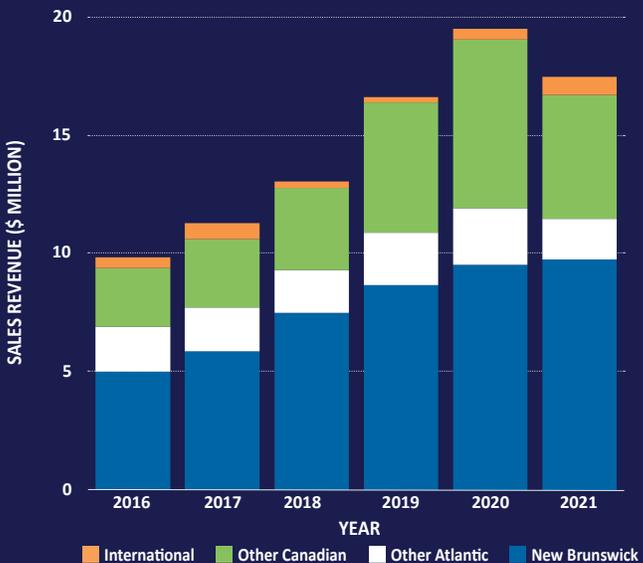


CHART 3: CLIENTS SERVED BY REVENUE



NOTES OF APPRECIATION

Special thanks to the Government of New Brunswick for engaging RPC with COVID briefings, providing guidance and support. We appreciate being included and were impressed with the response.

We are thankful for the support and collaboration of partners including the University of New Brunswick, the Université de Moncton, the New Brunswick Innovation Foundation (NBIF), Opportunities New Brunswick (ONB), the Industrial Research Assistance Program (IRAP), the Atlantic Canada Opportunities Agency (ACOA), the Regional Development Corporation (RDC) and others.

The support of RPC’s board, providing encouragement, leadership, and oversight was invaluable during the past year. In addition to pivoting to the pandemic circumstances, the board progressed key initiatives including a review of governance and updating of RPC bylaws. Thank you for your commitment to RPC and New Brunswick (see *RPC Board of Directors, p. 12*).

Our client base is consistently loyal and an integral part of our success. We are grateful for their confidence and motivated by it. This is especially true during the past year when we all faced enormous challenges.

RPC employees are simply outstanding. Their willingness to adapt and comply throughout the pandemic was exceptional. When the flood hit, there was overwhelming help to recover and universal understanding of the less-than-ideal temporary operating conditions. Thank you for your commitment, your dedication to client service and your loyalty. You are what makes RPC strong (see *2020-2021 Employee Career Milestones, p. 10*).

IN CLOSING

After a challenging year, RPC is looking forward to returning to ‘normal’ operations. Primary challenges will be adjusting to the post-pandemic economy expected in latter 2021 and addressing the RPC Fredericton facility needs.

We fully understand the crucial role RPC, as New Brunswick’s RTO, will play in supporting business during the recovery from the pandemic. Science and applied research will be critical to economic success and essential to competitiveness. Delivering excellent science and effective applied research is RPC’s mandate; we will continue to deliver.

Shelley M. Rinehart

Dr. Shelley Rinehart
Chairperson

Eric Cook

Eric Cook, P.Eng., MBA
Executive Director/CEO

ANNUAL PLAN GOALS 2020 – 2021

RPC's Annual Plan for 2020-2021 is a subsidiary document to the Strategic Plan 2020-2025. The Annual Plan cross-references the strategic corporate objectives and is approved by the board of directors. Progress is summarized below.



2020-2021 ANNUAL PLAN CORPORATE OBJECTIVES

1. Sustainable Growth

KPI 1: Grow Revenue to \$20.0 million

Result: Operating Revenue \$17.5 million. We were unsuccessful in growing revenue during the pandemic and were further impacted with reduced operating capacity due to facility damage from a flood.

KPI 2: Invest \$4 million in new capital

Result: This was achieved with the new Moncton lab, reconstructed basement labs and equipment renewal the major components.

KPI 3: Advance the RPC 3.0 Initiative.

Result: This was progressed with exploration of options, including utilization of existing buildings and a land swap for new construction. We re-acquired subleased land and are now focused on expansion/renovation/demolition at our current site.

KPI 4: Invest in new service development.

Result: Targeted progress was achieved. This initiative is ongoing.

2. Effective Communications

KPI 5: Develop a formal communications strategy.

Result: Progress was delayed, however a path to progress was identified and a resource will be joining RPC in August.

KPI 6: Develop internal KPI communication plan.

Result: Fully complete. A plan was developed and launched in the Spring of 2021.

KPI 7: Sustain communications tools.

Result: Fully complete. Newsletters, town halls (virtual), communications screens, employee engagement committee (EEC) and employee engagement surveys will all be sustained and enhanced during the year. Our EEC was very active with activities such as healthy eating initiatives, mental health awareness, social and charitable efforts.

3. Operational Excellence

KPI 8: Progress LIMS implementation.
Result: Targeted progress fully completed. First module to go live in Summer of 2021.

KPI 9: Pilot innovation impact measurement.
Result: Fully complete. RPC's economic impact was calculated to be \$210 million in 2019-20.

KPI 10: Meet 5S goals.
Result: Fully complete. This will be an ongoing impact but is having a positive impact and is well received.

KPI 11: Corporate governance, specifically updating bylaws.
Result: Fully complete. Revised bylaws submitted for approval.

4. Corporate Social Responsibility

KPI 12: Recycling initiative.
Result: Successfully complete and ongoing. Recycling efforts include batteries, paper, cardboard, beverage containers, plastics, pipette tips, toner cartridges and more. RPC is also implementing greener processes where possible, such as a solvent reduction initiative.

KPI 13: Community charity.
Result: Achieved. RPC met its corporate United Way fundraising goal. Other initiatives included a food bank drive, and support of shelters in Moncton.

KPI 14: Science outreach.
Result: Achieved. RPC provided experiential learning opportunities for science students, supported speaking engagements, and visited a grade 7 science class to lead experiments. We also promoted science through social media channels.



RPC RENEWAL

In 2015, RPC identified renewal as part of its revitalization strategy. RPC was already a capital-intensive business but the strategy was to invest in capital at an accelerated rate with the goal to enhance and upgrade instrumentation and facilities. The organization committed to invest a minimum of \$1 million annually for each of the next 5 years.

By early 2021, RPC had invested a total of just over \$14 million in capital since the initiative was announced. This significant effort was enhanced with funding partners, such as ACOA, where possible. The result is upgraded lab facilities, a new lab in Moncton, and new instrumentation throughout the business positioning us to pursue new opportunities and support our clients with best-in-class resources.



◀ Dr. Diane Botelho and Dr. Chadwick Anderson lead a grade 7 science class at Harold Peterson Middle School.

OVERCOMING CHALLENGES

RPC REMAINS FULLY OPERATIONAL DURING COVID-19 CRISIS

Like all New Brunswickers, RPC embraced the mandated pandemic shutdown with uncertainty, disbelief, but also discipline. We recognized that we had a responsibility to our clients to remain operational. Many of our services are essential to health and safety including water testing, fish health and food testing.

We developed a strategy that reflected the public good aspect of our mandate. The fundamentals included keeping employees safe, being compliant with Public Health and Worksafe NB orders, remaining operational at reduced capacity, and retaining our HQP. Our tactics included all the measures we have all become so familiar with during the pandemic.

There were many challenges from purchasing lab supplies when there was a global shortage, to trying to repair and maintain instruments when the service technicians were unable to travel. Everyone stepped up, and while there were lots of questions, there were few complaints and numerous compliments.

We responded to COVID related inquiries where possible, for example testing hand sanitizer, however, we remained focused on our strategy. We were thankful to be included in the daily calls with the Provincial Government. We were impressed with the professionalism, responsiveness, and commitment of our civil service. It was a privilege to see it in action.

RPC workloads initially dropped to 60% but began a slow rebound. By early May, demand had rebounded to 80% and we had our full workforce on site, practicing the screening, social distancing, good hygiene and other guidance as mandated by the Province. Throughout the year workloads tended to follow the first, second and third waves of COVID as clients shut down or reduced capacity. On average revenues were 90% of target, a significant impact but not significant enough to qualify for COVID relief. With demand down and operating costs up, we experienced a financial loss after many years of successive positive results. At the time of this report, we remain fully operational and poised for the forecasted economic recovery.



▲ EXPERT EYES

Matthew Norman uses HoloLens technology to interface with a remote technician to perform critical maintenance to equipment.



▲ THE SHOW MUST GO ON

Early morning milk sample drop at RPC Fredericton, March 2020.



RPC 3.0 is a project to expand and renew our Fredericton facilities. The concept emerged from our RPC Renewal project and is based on RPC 1.0 which were the construction projects during the 1960s. RPC 2.0, RPC's last capital construction project, was completed in 1987-1990. RPC 3.0 is consistent with capital renewal needs approximately every 30 years. These construction projects require government funding; RPC 1.0 was completed with federal-provincial funding. RPC 2.0, a \$20 million project, was funded by a federal contribution.

The current concept of RPC is for a combination of new construction, renovation, and demolition. The construction estimate is \$35 million. We are seeking Provincial endorsement as a priority project.



FLASH FLOOD: A STORY OF RESILIENCE

On the evening of June 5, 2020, Fredericton experienced an intense storm cell that passed directly over RPC. The extreme weather event quickly overwhelmed the storm drains and a wave of water came through our parking lot, twisting open a steel security door and flooding 10,000 SF of lab space, including newly renovated labs. Located near the highest point in Fredericton, RPC experienced our first flood. Ten inches of storm water, mud and debris filled the lower level in a matter of minutes. Equipment and supplies, including precious PPE, were floating.

Our cleaning team witnessed the event, which was also announced by security alarms triggered by broken doors damaged by the force of the water. There was an immediate response bringing in service providers to safely secure the area, while others began remediation and employees worked to salvage supplies, equipment, and samples. Through word of mouth, over 60 employees were on site throughout the weekend, helping to move equipment and get set up in temporary labs. Suppliers were remarkable with accomplishments such as building and commissioning a temporary HVAC system over the weekend. Our insurance broker provided immediate support and was helpful throughout the remediation and rebuild.

With the help of our employees and service providers, we processed our first sample in our temporary lab Monday morning at 10 AM. There was significant damage that required months to rebuild, but we had lost only 2 hours of productivity.

Throughout the next ten months, the labs were redesigned and rebuilt. COVID-related delays caused numerous challenges. Employees quickly adapted to the temporary labs, and all the inconveniences and inefficiencies that resulted. In March of 2021, we began moving back into what are now some of our most modern labs.

This was an enormous loss, however, we have so much to be thankful for. We are thankful no one was injured. We are grateful for our suppliers, service providers and insurer who supported us. We appreciate the understanding of our clients who were impacted. Most of all, we are thankful for our employees who were essential in minimizing the impact and adapting to the temporary labs. The commitment, compassion and professionalism of RPC employees is remarkable.



RPC EMPLOYEES

2020-2021 RPC MERIT AWARD

LEADING RPC'S DIGITAL TRANSFORMATION

The 2020-2021 RPC Merit Award was presented to our IT team who is successfully leading RPC's digital transformation.

The team is leading numerous transformational initiatives including implementation of Labware (specifically Quality Management System, contract lab and new test construction), automation of dairy sample log in, development of batch-it report generation, development of an automated portal for client sample submission, improvements to cyber security and transition to cloud-based applications to facilitate remote work. These initiatives help to improve productivity, customer service, and quality.



2020-2021 Merit Award Team Members

Front: Matt Ashfield, Kevin Heung, Allan Razon, Mike Connor
Back: Brooks Conklin, Julian Cristian

2020-2021 EMPLOYEE CAREER MILESTONES

RPC has had excellent success in attracting and retaining top talent. We benefit from the skills and experience of long-serving employees. To celebrate this success, RPC recognizes employee service milestones for 5-year increments. This year we recognized the following individuals.

5 Years	Mark MacLean Jordan Bettle Carolyn Kennah	30 Years	Stacey Munn Kirk Kierstead Bev Byers Krista Skinner Troy Young
10 Years	Lisa Banks Steve Holmes Mike Lawlor	35 Years	Brian Bell
15 Years	Jodi Buckingham Matthew Ness		
20 Years	Cathy Hay		
25 Years	John Speelman		

RPC SENIOR MANAGEMENT TEAM (AS OF JUNE 30, 2021)

Executive

Eric Cook, Executive Director/CEO
Dr. Diane Botelho, Chief Science Officer
Bev Corey, Controller
Steve Holmes, Chief Operating Officer
Shelley Janes, Director of Human Resources
Lise Morin, Executive Assistant

Directors

John Aikens, Engineering Services
Matt Ashfield, Information Technology
Dr. Attiq Rehman, Bioscience
Leo Cheung, Process Engineering
Sara Cockburn, Quality and Safety
Peter Crowhurst, Inorganic Analytical Services
Bruce Phillips, Organic Analytical Services

GOVERNANCE

RPC is a New Brunswick Provincial Crown Corporation, created with the Research and Productivity Act on April 13, 1962. On April 1, 2017, Bill 36 identified RPC as a Part IV Crown Corporation.

RPC reports to the Government of New Brunswick through the Minister Responsible For RPC, Minister Dunn. RPC received a mandate letter from Minister Dunn on March 31, 2021. The mandate letter content complements our Strategic Plan 2020-2025 and Annual Plan 2020-2021 and will serve as additional input for our Annual Plan 2021-2022.

RPC is governed by a Board of Directors who provide oversight and strategic input. Directors are appointed based on professional skills in accordance with the Research and Productivity Act. The Board has input and approves the Strategic and Annual Plans. Progress with these plans is included in the Annual Report. Statements are audited by an independent accounting firm, reviewed by the Audit Committee, approved by the RPC Board and approved by the Office of the Auditor General.

Links to the RPC Act, Mandate Letter, Strategic Plan, Annual Plan, Annual Report, and list of the Board of Directors are included on the RPC site www.rpc.ca under the About RPC – Governance section.

RPC reports to the Standing Committee on Crown Corporations as called, and last appeared November 6, 2019. The presentation and questions focused on the 2017-2018 and 2018-2019 reporting years.

There are no outstanding requests, actions, or recommendations from either the Standing Committee on Crown Corporations or the Auditor General's Office.

ABOUT THIS REPORT

The Accountability and Continuous Improvement Act requires that the Minister of the Crown or the Chair of the Crown entity, as the case may be, is accountable for the preparation of the annual report and for achieving the specific goals and objectives of the report. In RPC's case, the Chair, working with the Executive Director, Audit and Risk Committee and Minister Responsible for RPC, is accountable for the preparation of the annual report.

STATUS OF IMPLEMENTATION OF RECOMMENDATIONS FROM THE AUDITOR GENERAL'S REPORT

The Auditor General has recommended Crown agencies report on the status of audit recommendations made by the Office of the Auditor General in their annual reports, specifically, the progress of implementation and implementation status.

The following is a status report on the recommendations from the Auditor General's Report within the last 5 years:

There are no Auditor General recommendations within the past 5 years.



RPC OPENS AT NEW LOCATION IN MONCTON

In May of 2020, RPC moved into its new location at 115A Harrisville Boulevard in Moncton. The new site is popular with clients as it is conveniently located just off the TransCanada Highway in the Caledonia Industrial Park. The facility was renovated to have modern lab finishes and room for future growth.

RPC BOARD OF DIRECTORS (AS OF JUNE 30, 2021)



Dr. Shelley Rinehart
Chairperson, All Committees
Director MBA Program, UNB Saint John



Annette Comeau
Governance and By Nominations Committee, Bylaws Committee
CEO, LearnSphere



Janet Gagnon
HR & Compensation Committee (Chair), Governance and Nominations Committee, By Laws Committee
(Retired) Vice President, ACOA New Brunswick



Dr. Levi Hargrove
Director & Assistant Professor,
Center for Bionic Medicine, Northwestern University



Jeff Jennings
Audit and Risk Management Committee Chair, RPC 3.0 Committee
Owner, Strategic Direction



Cathy LaRochelle
Audit and Risk Management Committee
Deputy Minister, Agriculture, Aquaculture and Fisheries



Tom MacFarlane
RPC 3.0 Committee
Deputy Minister, Natural Resources and Energy Development



Bernard Morin
RPC 3.0 Committee
President, Thermopak



Irene McCardle, CPA, CMA, CFP
RPC 3.0 Committee
Irene McCardle Accounting



Sadie Perron
CEO, Opportunities New Brunswick
Deputy Minister of Economic Development & Small Business



David Rogers
HR & Compensation Committee
Vice President Global Technical Services, McCain Foods Corporate



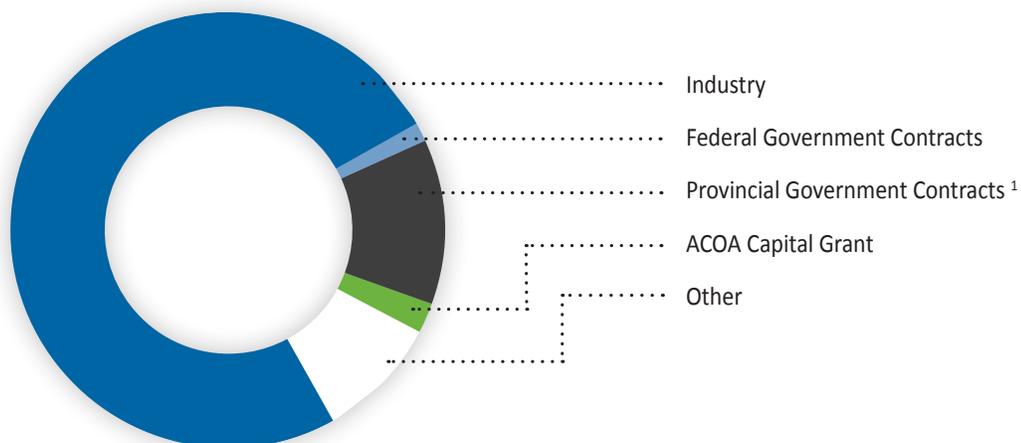
Meaghan Seagrave
HR & Compensation Committee, RPC 3.0 Committees
Executive Director, BioNB

Lise Morin - Corporate Secretary

Bev Corey - Treasurer

REVENUE HIGHLIGHTS

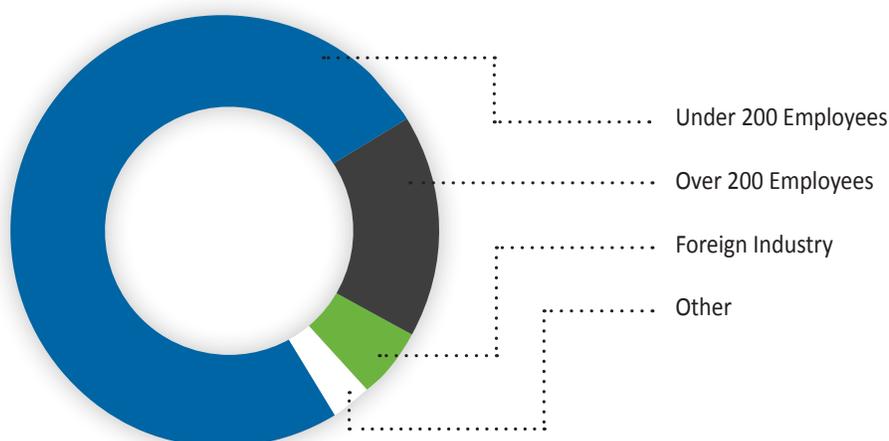
SOURCES OF REVENUE



	2020-2021	2019-2020
Industry	\$ 13,659,553	\$ 15,980,821
Federal Government Contracts	233,102	520,448
Provincial Government Contracts ¹	2,234,193	1,758,002
ACOA Capital Grant	439,157	428,955
Other	1,620,722	1,527,230
Total	\$ 18,186,727	\$ 20,215,456

¹ Excludes provincial crown corporations such as NB Power.

DISTRIBUTION OF INDUSTRIAL REVENUE



	2020-2021	2019-2020
Under 200 Employees	\$ 10,268,634	\$ 10,263,078
Over 200 Employees	2,262,265	3,267,841
Foreign Industry	742,271	374,937
Other	386,383	2,074,965
Total	\$ 13,659,553	\$ 15,980,821



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INDEPENDENT AUDITORS' REPORT

To the Honorable Arlene Dunn and the Chairperson and Members of the New Brunswick Research and Productivity Council

Opinion

We have audited the consolidated financial statements of New Brunswick Research and Productivity Council, (the "Council"), which comprise:

- the consolidated statement of financial position as at March 31, 2021
- the consolidated statement of operations for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Council as at March 31, 2021, and its results of consolidated operations, its consolidated remeasurement gains and losses, its consolidated changes in net assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Council to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Fredericton, Canada

July 9, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021

ASSETS	2021	2020
Current assets		
Cash	\$ -	\$ 1,316,805
Accounts receivable	2,764,995	3,747,269
Work in progress	114,334	261,320
Prepaid expenses	361,590	362,213
	3,240,919	5,687,607
Investments (Note 4)	6,508,430	6,434,950
Capital assets, net (Note 5)	11,674,772	9,777,083
	\$ 21,424,121	\$ 21,899,640

LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS

Current liabilities		
Bank indebtedness (Note 11)	\$ 778,773	\$ -
Accounts payable and accrued liabilities	2,205,195	3,208,059
Deferred revenue	439,418	332,107
	3,423,386	3,540,166
Deferred capital contributions (Note 6)	2,787,378	2,460,764
Employee future benefits (Note 7)	1,417,300	1,440,700
	4,204,678	3,901,464
Net assets		
Unrestricted (deficit)	(1,012,382)	470,646
Internally restricted (Note 8)	5,921,045	6,671,045
Invested in capital assets	8,887,394	7,316,319
	13,796,057	14,458,010
	\$ 21,424,121	\$ 21,899,640

Commitments (Note 12)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Council



Chairperson



Executive Director

**CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2021**

	2021	2020
REVENUE		
Operations	\$ 17,466,398	\$ 19,492,395
Investment	153,596	261,687
Sundry	127,576	32,419
Amortization of deferred capital contributions	439,157	428,955
	18,186,727	20,215,456
 EXPENSE (Note 9)		
Operations	13,132,784	12,492,736
Administration	5,095,859	6,131,883
Amortization of capital assets	1,203,027	1,083,401
Foreign exchange losses (gains)	31,973	(4,547)
Bad debts	25,398	83,967
	19,489,041	19,787,440
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	\$ (1,302,314)	\$ 428,016

The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2021**

	<u>2021</u>	<u>2020</u>
ACCUMULATED REMEASUREMENT GAINS, Beginning of year	\$ 924,609	\$ 1,043,039
Unrealized gains (losses) attributable to:		
Foreign exchange	(2,637)	173,437
Investments	619,996	(214,972)
Amounts reclassified to the statement of operations:		
Realized losses during the year	(8,971)	(72,348)
Foreign exchange (gains) losses	<u>31,973</u>	<u>(4,547)</u>
Change in accumulated remeasurement gains (losses) for the year	<u>640,361</u>	<u>(118,430)</u>
ACCUMULATED REMEASUREMENT GAINS, End of year	<u>\$ 1,564,970</u>	<u>\$ 924,609</u>

The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2021**

	Unrestricted (Deficit)	Internally Restricted (Note 8)	Invested in Capital Assets	Total 2021	Total 2020
BALANCE, Beginning of year	\$ 470,646	\$ 6,671,045	\$ 7,316,319	\$ 14,458,010	\$ 14,148,424
Excess (deficiency) of revenue over expense	(1,302,314)	-	-	(1,302,314)	428,016
Change in accumulated remeasurement gains (losses)	640,361	-	-	640,361	(118,430)
Purchase of capital assets	(3,110,233)	-	3,110,233	-	-
Proceeds on disposal of capital assets	66,654	-	(66,654)	-	-
Amounts funded by capital contributions	765,771	-	(765,771)	-	-
Gain on disposal of capital assets	(57,137)	-	57,137	-	-
Amortization of capital assets	1,203,027	-	(1,203,027)	-	-
Amortization of deferred capital contributions	(439,157)	-	439,157	-	-
Transfer (Note 8)	750,000	(750,000)	-	-	-
BALANCE, End of year	<u>\$ (1,012,382)</u>	<u>\$ 5,921,045</u>	<u>\$ 8,887,394</u>	<u>\$ 13,796,057</u>	<u>\$ 14,458,010</u>

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2021

	2021	2020
CASH PROVIDED BY (USED FOR):		
Operating activities		
Excess (deficiency) of revenue over expense	\$ (1,302,314)	\$ 428,016
Items not involving cash:		
Gain on disposal of capital assets	(57,137)	-
Amortization of capital assets	1,203,027	1,083,401
Amortization of deferred capital contributions	(439,157)	(428,955)
Change in employee future benefits	(23,400)	34,900
Net change in non-cash working capital	624,632	388,697
	5,651	1,506,059
Capital activities		
Purchase of capital assets*	(3,604,545)	(2,557,536)
Proceeds on disposal of capital assets	66,654	-
	(3,537,891)	(2,557,536)
Financing activities		
Capital contributions*	866,786	1,143,127
Investing activities		
Net change in investments	569,876	442,320
NET INCREASE (DECREASE) IN CASH	(2,095,578)	533,970
Cash, Beginning of year	1,316,805	782,835
CASH (BANK INDEBTEDNESS), End of year	\$ (778,773)	\$ 1,316,805

* Purchase of capital assets in the amount of \$170,060 (2020 - \$664,372) is included in accounts payable and accrued liabilities at year end. Capital contributions of \$215,177 are included in accounts receivable at year end (2020 - \$316,192).

During the year the Council paid cash for the purchase of capital assets that was unpaid and included in the accounts payable and accrued liabilities in the prior year, in the amount of \$664,372 (2020 - \$789,984). This cash payment is reflected in the current year's purchase of capital assets.

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

1. PURPOSE OF THE ORGANIZATION

The New Brunswick Research and Productivity Council (the Council) is a government not-for-profit organization incorporated under the Research and Productivity Council Act 1962. The objectives of the Council are to promote, stimulate and expedite continuing improvement in productive efficiency and expansion in the various sectors of the New Brunswick economy. The Council provides independent research, testing and technical services to enterprises primarily within New Brunswick on a fee-for-service basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. A summary of the significant accounting policies used in the preparation of these consolidated financial statements are as follows:

(a) Consolidation policy

Minuvar is inactive and has been since 2000. Accordingly, the Council absorbed all assets of Minuvar as of March 31, 2021.

(b) Revenue recognition

Revenue from operations and sundry are recognized when the services are provided. The value of work completed but not yet billed is reported as work in progress; amounts received, but for which work has not been performed, are reported as deferred revenue.

Investment income includes dividends, interest, and realized gains and losses on investments. All investment income is recognized as revenue in the year it is earned.

The Council follows the deferral method of accounting for grants received for operations and specific projects. Grants to be used for restricted purposes are recognized as revenue in the period in which the related expenditures are incurred. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period. Contributions restricted for the purchase of capital assets are deferred and amortized into revenues on a straight-line basis corresponding with the amortization rates of the related assets. Unrestricted grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Grants approved but not yet received at end of an accounting period are accrued.

(c) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over the estimated useful lives of assets, as follows:

Amortization rates:	Land and buildings	3%
	Operating equipment	12.50%
	Business management systems	12.50%
	Computer equipment	25%
	Vehicle	25%

When a capital asset no longer contributes to the Council's ability to provide services, its carrying amount is written down to its residual value.

(d) Financial instruments

Financial instruments are contracts that establish rights and obligations to receive or deliver economic benefits. Financial assets consist of cash, accounts receivable, investments, and financial liabilities consist of bank indebtedness, accounts payable, and accrued liabilities.

Financial instruments are recorded at fair value on initial recognition. Investments quoted in an active market are measured at fair value. All other financial instruments are measured at cost or amortized cost unless management has elected to carry the instrument at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(d) Financial instruments - continued

Financial instruments measured at fair value are classified as Level 1, 2 or 3 for purposes of describing the basis of the inputs used to measure the fair values of the financial instruments in the fair value measurement category, as described below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

Level 3 – inputs for the assets or liabilities that are not based on observable market data.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the Statement of Remeasurement Gains and Losses. Upon settlement, the cumulative gain or loss is reclassified from the Statement of Remeasurement Gains and Losses to the Statement of Operations. Transaction costs for financial instruments measured at fair value are expensed. Financial assets are assessed annually to determine whether there is any objective evidence of impairment.

(e) Foreign currency

Foreign currency transactions are recorded at the exchange rate at the time of the transactions.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the consolidated financial statement date. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the Statement of Operations and the unrealized balances are reversed from the Statement of Remeasurement Gains and Losses.

(f) Investments

Investments held by the Council include publicly traded short and long-term fixed income and equity securities. Interest on fixed income securities is accrued as earned and reported on the Statement of Operations along with dividends and other investment income. Equity securities are classified as Level 1 according to the fair value hierarchy and are valued at year end quoted closing prices where available. Fixed income securities are classified as Level 2 according to the fair value hierarchy and are valued at year end quoted closing prices where available. Where quoted prices are not available estimated fair values are calculated using comparative securities.

(g) Employee future benefits

i) Pension

Qualifying employees of the Council are members of the New Brunswick Public Service Pension Plan. The plan is a Shared Risk Plan under which contributions are made by both the Council and its employees. The Council is not responsible for any unfunded liability in the plan nor does it have access to any plan surplus. The Council's cost is limited to its annual contributions which were \$1,101,931 for the year ended March 31, 2021 (2020 - \$1,008,173).

Pension administration services are provided by Vestcor Pension Services Corporation at no cost to the Council.

ii) Retirement allowances

Employees who began full-time employment prior to April 1, 2011 are entitled to retirement allowance benefits. The Council recognized a liability and an expense in the period in which employees render services in return for the benefits. The accrued liability for this retirement allowance benefit was determined by an actuarial valuation carried out as of March 31, 2021.

iii) Accrued sick pay benefits

Employees are entitled to sick pay benefits which accumulate but do not vest. The Council recognized a liability and an expense in the period in which employees render services in return for the benefits. The accrued liability for this benefit was determined by an actuarial valuation carried out as of March 31, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(h) Measurement uncertainty

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

Significant estimates included in these consolidated statements include: assumptions used in determining liabilities for retirement allowance and sick pay benefits; accounts receivable which are, or may become uncollectible; the valuation of work in progress and deferred revenue; and the useful life over which capital assets and deferred capital contributions are amortized.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information. Actual results could differ from these estimates.

3. RISK MANAGEMENT

The Council follows a conservative investment policy (Note 4) in order to mitigate financial risk. The Council has no derivative investments and has not entered into hedging transactions to manage risk.

An analysis of significant risks from the Council's financial instruments is provided below:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Council manages this exposure through credit approval procedures for new customers and obtaining advanced payment from high-risk customers. The Council's maximum exposure to credit risk is equal to the receivables balance of \$2,764,995 at March 31, 2021 (2020 - \$3,747,269). The total receivables balance is net of an estimated allowance for doubtful accounts of \$50,000 (2020 - \$148,967).

As of March 31, 2021, \$461,671 (2020 - \$460,999) of accounts receivable were past due, but not impaired.

The Council is also exposed to credit related risk in the event the counterparty to a fixed income security defaults or becomes insolvent. The Council manages this risk by dealing only with reputable banks and financial institutions and following a conservative framework governing the eligible investments, including a required credit rating of A or higher for bond issuers. The maximum exposure to investment credit risk is outlined in Note 4.

Credit risk has increased due to the greater uncertainty surrounding the collectability of accounts receivable because of the economic slowdown and changes in operations caused by COVID-19. The Council is mitigating this risk by closely monitoring these receivables and by entering transactions with credit-worthy counterparties.

b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Organization's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

Market risk has increased due to significant volatility in financial markets. The Council's financial instruments are impacted by greater uncertainty surrounding currency, interest rate and other price volatility due to uncertainty in the environment due to the pandemic. The Council is continually monitoring the impact of market volatility on its financial instruments and will make adjustments to investment strategies as required to reduce the risk on the Council's operations and financial position.

c) Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect future cash flows or fair values of financial instruments. The Council's investments in fixed-income securities bear interest at coupon rates, reducing the impact of rate fluctuations on cash flows. The fair value of these securities may vary with market rates.

The line of credit bears interest at a variable rate, which subjects the Council to cash flow risk.

3. RISK MANAGEMENT - CONTINUED

d) Currency risk

Currency risk arises on financial instruments denominated in a foreign currency. A portion of the Council's investments are equity securities denominated in USD as well as a portion of accounts receivable and payables. The impact of a change in currency rate at March 31, 2021 would be limited to these balances:

Financial instruments denominated in USD

	<u>2021</u>	<u>2020</u>
Cash	\$ 106,401	\$ 117,627
Accounts receivable	157,729	75,690
Equity securities (at cost)	424,265	257,243
Accounts payable	(65,847)	(52,059)
	<u>\$ 622,548</u>	<u>\$ 398,501</u>

e) Other risks

In March 2020, the global outbreak of the novel coronavirus (COVID-19) was declared a pandemic by the World Health Organization. In response to the outbreak, governmental authorities globally introduced various recommendations and measures to try to limit spread of the pandemic, including non-essential business closures, quarantines, travel restrictions, self-isolation, social and physical distancing and shelter-in-place. These measures caused disruptions to businesses globally resulting in an economic slowdown.

The Council developed an operational plan and strategy, which contained the fundamentals continue to operate in accordance with guidelines, to sustain all services, many which are deemed essential but at a reduced capacity, and to retain our highly skilled staff, even if underutilized, to both support the economy and be well positioned for the eventual recovery. Additional cleaning shifts were added to ensure adequate cleaning of high-touch surfaces and protect staff as well as additional costs incurred to mitigate risks of the outbreak. The decline in economic activity translated to a decline in operating revenue which included both a general decline and specific services such as on-site work and applied research projects.

Any prolonged restrictions could disrupt business activities, which could negatively affect one or more factors that are essential for maintaining regular operations of the Council. The ultimate duration and magnitude of the impact on the economy and consequential financial effect on the Council, is unknown at this time.

4. INVESTMENTS

The Council's objective in managing its investments is to remain a sustainable operation while fulfilling its overall mandate to provide independent research, testing and technical services organization.

The Council's investments are managed by a third-party subject to an investment policy with target allocations as follows:

Cash and equivalents	10%
Fixed income	45%
Equity	45%

The target allocations were updated in 2021 to permit greater equity investment, in order to more effectively meet the objective of the investments to optimize the quality long-term income and growth with a conservative risk framework. Previously, the target allocations provided for 55% fixed income and 35% equity. Within the overall objective the portfolio should seek to earn a return equal to the risk-free rate plus inflation over the long run.

4. INVESTMENTS - CONTINUED

Investments in the fair value category	Fair value hierarchy level	2021	2020
Cash and equivalents	Level 1	\$ 543,388	\$ 1,091,952
Equity securities	Level 1	3,146,297	2,052,674
Fixed income securities	Level 2	2,818,745	3,290,324
		<u>\$ 6,508,430</u>	<u>\$ 6,434,950</u>

There were no transfers between Level 1 and Level 2 during the year. Fixed income securities have interest rates from 1.1% to 3.1% (2020 – 1.8% to 3.1%) and mature between April 2022 and March 2026.

5. CAPITAL ASSETS

	2021			2020
	Cost	Accumulated amortization	Net book value	Net book value
Land and buildings	\$ 6,403,438	\$ 2,310,188	\$ 4,093,250	\$ 4,207,321
Operating equipment	8,755,001	4,345,031	4,409,970	3,875,073
Business management systems	333,690	77,772	255,918	277,105
Computer equipment	416,724	273,481	143,243	151,552
Vehicle	111,624	80,471	31,153	53,454
Leasehold improvements	317,749	17,352	300,397	-
Asset under construction	2,440,841	-	2,440,841	1,212,578
	<u>\$ 18,779,067</u>	<u>\$ 7,104,295</u>	<u>\$ 11,674,772</u>	<u>\$ 9,777,083</u>

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions related to capital assets represent the unamortized amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Operations.

	2021	2020
Balance, beginning of the year	\$ 2,460,764	\$ 2,124,204
Contributions	550,594	449,323
Contributions receivable	215,177	316,192
Amounts amortized to revenue	(439,157)	(428,955)
Balance, end of year	<u>\$ 2,787,378</u>	<u>\$ 2,460,764</u>

7. EMPLOYEE FUTURE BENEFITS

(a) Retirement allowances

Those employees who began full-time employment prior to April 1, 2011 are entitled to payment of a retirement allowance based upon one week's pay for each full year of service to a maximum of 25 years. The retirement allowance is paid upon retirement after the age of 55, at the employee's final rate of pay. An actuarial valuation has been completed and forms the basis for the estimated liability reported in these consolidated financial statements.

7. EMPLOYEE FUTURE BENEFITS - CONTINUED

(b) Sick pay benefits

Employees working full-time accumulate sick pay benefits that accumulate at 1.25 days per month and if unused can be carried forward to a maximum of 240 days. An actuarial valuation has been completed and forms the basis for the estimated liability reported in these consolidated financial statements.

Significant economic and demographic assumptions used in the actuarial valuations are:

Actuarial Assumptions

Discount rate	2.45%	(2020 - 2.45%)
Salary increases	3.50%	(2020 - 3.50%)
Retirement age	Age 60	(2020 - Age 60)
Probability of excess sick leave usage	7.00%	(2020 - 6.20%)

	2021			2020		
	Retirement Allowances	Sick Pay Benefits	Total	Retirement Allowances	Sick Pay Benefits	Total
Accrued benefit obligations, April 1	\$ 1,558,700	\$ 180,000	\$ 1,738,700	\$ 1,360,400	\$ 157,700	\$ 1,518,100
Current service cost	56,800	26,500	83,300	48,300	24,500	72,800
Interest on obligations	37,600	3,900	41,500	52,900	6,200	59,100
Benefit payments	(107,800)	(67,700)	(175,500)	(88,100)	(23,600)	(111,700)
Actuarial (gain) loss	(4,700)	85,900	81,200	185,200	15,200	200,400
Accrued benefit obligations, March 31	1,540,600	228,600	1,769,200	1,558,700	180,000	1,738,700
Unamortized actuarial loss	(200,100)	(151,800)	(351,900)	(225,700)	(72,300)	(298,000)
Accrued benefit liability at March 31	\$ 1,340,500	\$ 76,800	\$ 1,417,300	\$ 1,333,000	\$ 107,700	\$ 1,440,700

8. INTERNALLY RESTRICTED NET ASSETS

The Council's board of directors has internally restricted resources amounting to \$5,921,045 as at March 31, 2021 (2020 - \$6,671,045). This internally restricted amount is intended for the acquisition of capital assets and payment of capital obligations and is not available for other purposes without the approval of the board of directors. During the year there was a transfer of \$750,000 to the unrestricted net assets (2020 - \$Nil).

9. EXPENSES

	2021	2020
Personnel	\$ 12,001,604	\$ 11,627,129
Supplies	2,427,015	2,718,471
Rechargeable	1,225,797	1,276,697
Amortization of capital assets	1,203,027	1,083,401
Facilities	940,528	1,020,158
Office	818,817	1,109,169
Professional fees	448,356	497,166
Safety	141,766	49,140
Quality	127,272	155,253
Other	56,868	137,914
Bank charges and interest	40,620	33,522
Foreign exchange losses (gains)	31,973	(4,547)
Bad debt	25,398	83,967
	\$ 19,489,041	\$ 19,787,440

9. EXPENSES - CONTINUED

On June 5, 2020, a violent storm caused flash flooding which has resulted in significant damage to basement level labs. During the year the Council has recognized 70% of the total estimated insurance proceeds in the amount of \$443,317, which \$55,936 is included in accounts receivable.

The costs of new equipment and significant renovations to the existing building were recorded as capital assets which will be depreciated over their estimated useful lives. The repairs performed have been expensed and proceeds in the amount of \$355,509 has been recognized as expense recoveries in facilities expense. The replacement of consumables has been expensed and proceeds in the amount of \$21,154 has been recognized as expense recoveries in supplies expense. Proceeds in the amount of \$66,654 relating to damages to capital assets, resulted in a gain on disposal of capital assets of \$57,137 which is included in sundry income.

10. RELATED PARTY TRANSACTIONS

The Council is a Provincial Crown Corporation, established by the Province of New Brunswick (Province) as described in Note 1. As such, Government departments and agencies as well as other Crown agencies are considered related parties.

During the year, the Council provided services to government departments and Crown agencies of the Province. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	<u>2021</u>	<u>2020</u>
Revenue from services provided for the year		
Government departments and agencies	\$ 1,585,240	\$ 1,537,007
NB Power and related entities	648,953	555,880
	<u>\$ 2,234,193</u>	<u>\$ 2,092,887</u>
Accounts receivable at 31 March		
Government departments and agencies	\$ 157,557	\$ 127,354
NB Power and related entities	84,682	49,446
	<u>\$ 242,239</u>	<u>\$ 176,800</u>

On March 31, 2017, as a result of the Province's Strategic Program Review, the Province transferred to the Council the responsibility of providing lab services on behalf of the Province. As part of this transaction, the ownership of a laboratory building in St. George, NB was transferred to the Council. The building was recognized at the Province's carrying value. The land on which this building was located was not transferred at that time. Effective August 8, 2021 the land was formally transferred to the Council. The Council acquired this land from the Province for nominal consideration and the land was recognized at the Province's carrying amount of \$Nil.

11. BANK INDEBTEDNESS

The Council has a demand operating credit line available in the amount of \$2,000,000 for general business purposes at the bank's prime lending rate. The line of credit is secured by a First General Security Agreement and a Pledge agreement in the amount of \$2,000,000 on the Council's investments.

12. COMMITMENTS

The Council has entered into rental and service agreements. The minimum annual payments over the next five years are as follows: 2022 - \$235,000; 2023 - \$235,000; 2024 - \$72,000; 2025 - \$73,000; and 2026 - \$73,000.