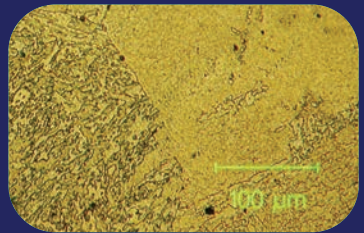
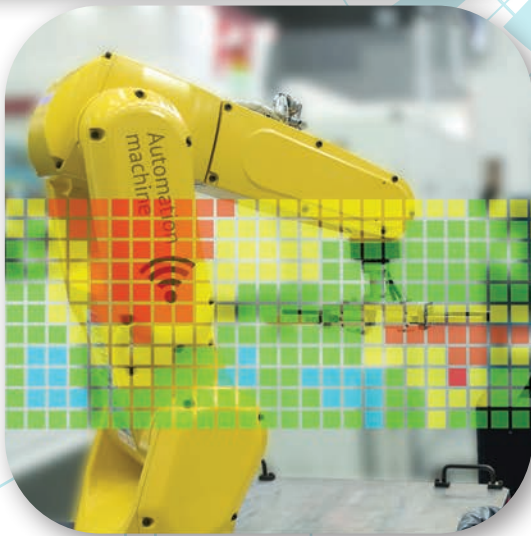
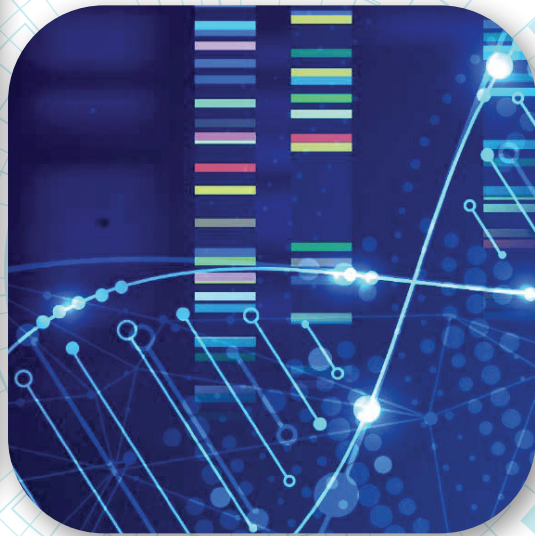


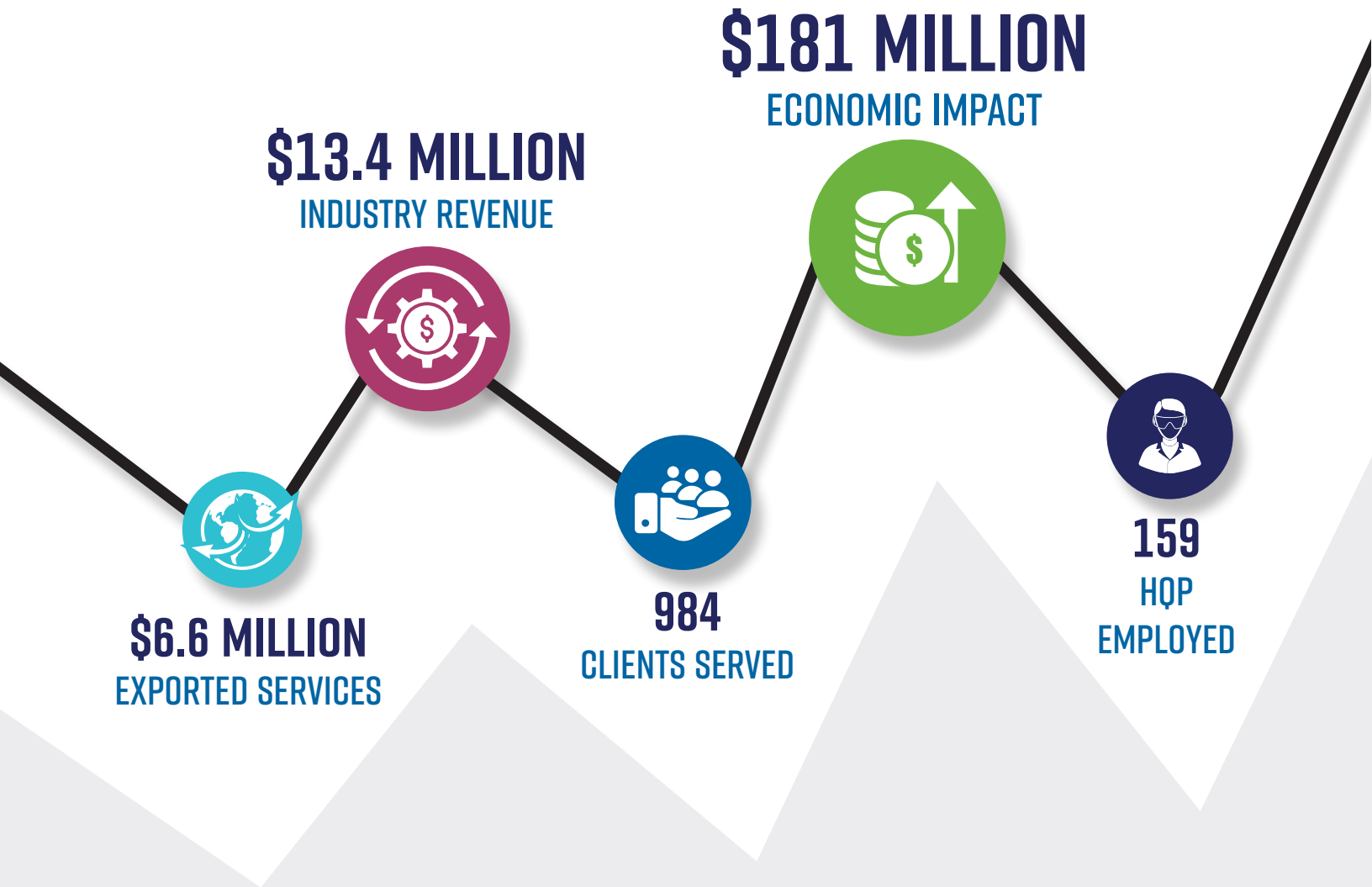
rpc

SCIENCE & ENGINEERING



ANNUAL REPORT 2022-2023

2022-2023 BY THE NUMBERS



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

2020-2025 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

MENTORSHIP OF OUR YOUTH

RPC values and supports the next generation of difference makers through a number of education and mentorship activities. Each year, our scientists and engineers aim to conduct outreach activities to engage our youth. This year, we hosted University of New Brunswick (UNB) students from the Department of Chemistry for an applied chemistry day, where students visited RPC for the entire day learning about applied science. We also hosted an honours student for the academic year to conduct their honours thesis research.



RESEARCH AND TECHNOLOGY ORGANIZATIONS (RTOs)

RTOs are invaluable entities for applying technological knowledge to solve some of society's most pressing challenges. RTOs improve quality of life, build economies, foster our youth, and protect the health of our people and planet.



FROM THE CHAIR AND THE EXECUTIVE DIRECTOR

DEAR VALUED READERS,

It is with great pleasure that we present to you our annual report highlighting the many achievements of our scientists, engineers and support staff. As Board Chair and CEO, we are privileged and proud to share with you the impressive work of our organization during the past year.

Highlighted throughout this report, you will find examples of how our teams continuously pushed their boundaries of knowledge, discovering unique solutions to support our public and private sector clients. Over the past year, RPC was proud to find innovative solutions to address some of society's most pressing concerns.

We are proud of the collaboration fostered within the organization; we applaud our employees for working diligently together, across multiple disciplines and a variety of applications. Our diversity is our strength; the collective expertise and passion amongst our teams is what brings RPC and our clients to new heights each year. As a result of our teams' efforts, we are a robust organization capable of supporting a vast array of industries.

Likewise, it was a fantastic year collaborating with external partners. These relationships have fostered a connective tissue across the ecosystem that we are proud to be a part of. The future is bright; we look forward to strengthening our collaborations as we embark on another year together.

REVENUE SOURCES AND OUR CLIENTS

THE OUTLOOK

Science and engineering play an invaluable role to address the challenges that lie ahead. Within these challenges lies solutions; we are proud to be equipped with the tools necessary to help find these solutions. The path ahead continues to brighten as we strive to learn and apply our knowledge for the betterment of our communities.

NOTES OF APPRECIATION

We extend our deepest gratitude to our dedicated team of employees, our Board of Directors, academic and industrial collaborators, regulators, accrediting bodies, educators, clients, and the Government of New Brunswick. Together we have learned from each other and strengthened our foundation of technological expertise.

IN CLOSING

Although the pandemic, compounded by an unstable economy, continues to impact the organization, we have remained steadfast as an arm for scientific research, regulatory support and engineering solutions. Despite post pandemic challenges, we continued to expand our services by adding several new tests to our scope of accreditation. The pandemic has exposed both weaknesses and strengths; we acknowledge a new reality moving ahead and look forward to the opportunities new challenges bring.



Dr. Shelley Rinehart
Chairperson



Dr. Diane Botelho
Executive Director/CEO

CHART 1: REVENUE SOURCES PROFILE

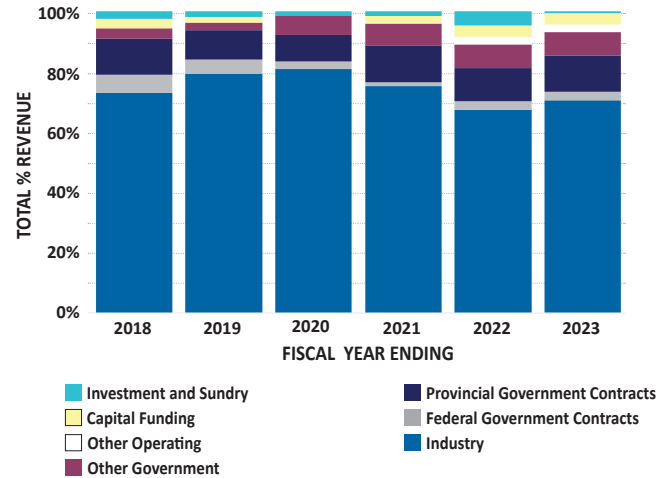


CHART 2: CLIENTS BY LOCATION

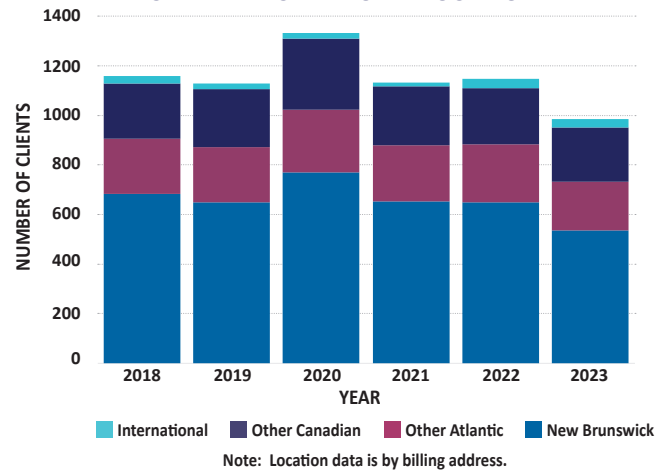
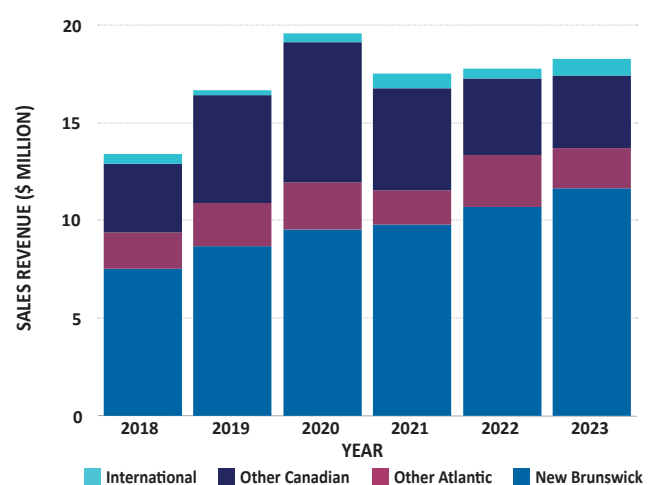
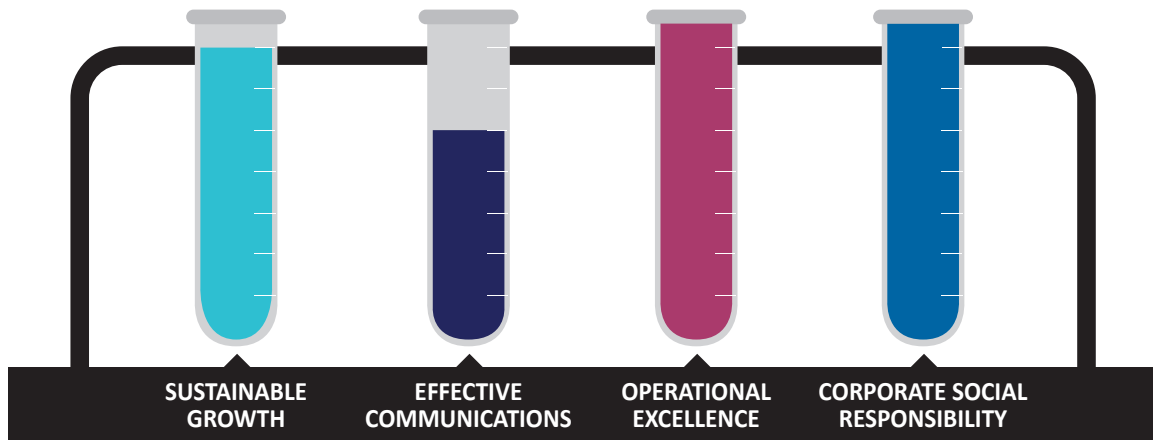


CHART 3: CLIENTS SERVED BY REVENUE



ANNUAL PLAN GOALS 2022 – 2023

RPC'S ANNUAL PLAN FOR 2022-2023 IS A SUBSIDIARY DOCUMENT TO THE 2020-2025 STRATEGIC PLAN. THE ANNUAL PLAN CROSS-REFERENCES THE STRATEGIC CORPORATE OBJECTIVES AND IS APPROVED BY THE BOARD OF DIRECTORS. PROGRESS IS SUMMARIZED BELOW, WITH ADDITIONAL DETAILS PROVIDED THROUGHOUT THIS REPORT.



2022-2023 ANNUAL PLAN CORPORATE OBJECTIVES

1. Sustainable Growth

KPI: Achieve budgeted results

Result: Not Achieved

Operational revenues for fiscal 2023 settled at \$18M for the year, up 4% from fiscal 2022 however, short of target. The primary drivers of the shortfall come from an unprecedented level of bad debt and lower-than-expected sample volumes observed across several industries, a situation shared across a number of sectors in the post-covid environment.

2. Effective Communications

KPI: Completion of a communications plan

Result: In-Progress

Development of a Communications Plan was slowed during the CEO search in recognition of the potential impact of new leadership on strategic direction and organizational structure. With the new CEO now in place, the leadership team is expecting completion of a communications plan in the new fiscal year.

3. Operational Excellence

KPI: Go-live with first laboratory information management system (LIMS) analytical testing module

Result: Achieved

Significant progress was made with several analytical testing modules being commissioned including full implementation of our compressed air and gas services, radon testing and mould testing workflows.

4. Corporate Social Responsibility

KPI: Summary report on CSR

Result: Achieved

Led by a cross-functional team of RPC employees, RPC's first Environment, Social, and Governance (ESG) report was published. This report addresses our governance structure and highlights RPC's focus on a culture of belonging and employee well-being.

RPC: SUPPORTING NEW BRUNSWICK'S PRIORITY SECTORS



FULFILLING OUR MANDATE

Every two years the Minister responsible for RPC provides a mandate letter that guides the strategic direction of the organization. The following provides an overview of activities related to the outcomes identified in the organization's mandate letter.

OPERATIONAL EXCELLENCE

Operational excellence continued to improve as our teams increased cross training efforts and progressed with efficiency-optimization initiatives.

Examples include:

- **Cannabis operational efficiencies:** A project was undertaken in our cannabis lab spaces applying the principles of 5S to improve the efficiency and cleanliness of activities performed in this area. Supplies necessary for each task are now close at hand, eliminating unnecessary movement of the sample throughout the lab. The space is now cleaner, tidier and operates more efficiently. The adoption of 5S principles in this area has improved sample workflow and quality and has allowed the organization to pass cost savings on to our clients, ensuring RPC remains competitive in this space.
- **Electronic weight capture:** Sample weights for some of our largest volume workflows were captured in a database, directly from balances rather than manually documenting this data. The capture of data electronically eliminated the paper-based tracking system for these services as well as eliminated the potential for data transcription errors. The familiarity with electronic data handling this project facilitated has allowed our teams to progress with additional electronic data handling initiatives across the organization.
- **Maintaining certifications and accreditations:** With the support and involvement of all business units, we have been successful with maintaining our ISO 9001, ISO 17020 and ISO 17025 certifications. Moreover, we successfully added several new tests to our scope of accreditation.
- **Transition to rapid methods:** Our microbiologists put extraordinary efforts into transitioning several bioanalytical tests from traditional culture-based methods to more robust, high-throughput molecular diagnostic methods. Converted tests include those conducted for food, feed, water, and cannabis samples.
- **Progress with new LIMS implementation:** Significant progress was made with implementation of our LIMS across several laboratories including our compressed air and gas and industrial hygiene laboratories. In our compressed air and gas laboratory alone, the LIMS implementation has increased productivity by building instrument connectivity to the LIMS and reducing the potential for transcription errors. Based on data gathered from deployment, the organization expects an approximate time savings and efficiency gain of 3.2 hours per laboratory employee per week as the system is deployed.



SUSTAINABLE GROWTH

Several new projects and analytical testing services were developed and implemented including:

- **New radon technology:** Transition to a new technology allowed our Industrial Hygiene team to increase RPC's capabilities for radon analysis in terms of geographical reach and capacity. This new technology will continue to facilitate business growth by expanding beyond borders.
- **New tests for the cannabis industry:** Several new tests were developed and deployed to assist the needs of the cannabis sector.
- **Expansion of research capabilities:** Investment in new research laboratory space and analytical instrumentation has expanded the research team's scope of offerings for a vast spectrum of clients.
- **Psychedelics:** Our scientists and engineers conducted several new projects with psychedelics to assist growth in this newly evolving industry.
- **Factory simulation for productivity assessments:** RPC invested in a new service to assist with the demand for automation and productivity assessments for New Brunswick's small, medium and large enterprises. This service allows RPC's engineers to completely simulate newly proposed processes for businesses before they purchase equipment or make decisions on costly expansions.

- **Next generation sequencing:** Our scientists have established Next-Generation Sequencing (NGS) and bioinformatics as a new service line providing insight into microbial diversity in both biological and environmental samples.
- **New services for the dairy industry:** The past year has seen significant developments in our food chemistry laboratory with several new tests being offered to support the dairy industry.

COMMUNICATIONS AND BUSINESS DEVELOPMENT

- **Social media:** Business development efforts increased significantly to bolster our social media presence across platforms such as LinkedIn, Facebook and Twitter. These activities improved our brand recognition and service awareness.
- **Environmental, Social and Governance report:** With the involvement of a cross-functional team, RPC's first Environment, Social, and Governance (ESG) report was produced. This report addresses our governance structure, but also RPC's focus on a culture of belonging and employee well-being. Through case studies, various philanthropic efforts, and a wide variety of community and government partnerships, the report demonstrates RPC's commitment to education, the environment, and its corporate values of Safety, Quality, Service, Integrity, Corporate Social Responsibility, Customer Focus, and being Results-driven. The report can be viewed at: <https://rpc.ca/english/pdf/RPC-ESG-EN.pdf>



CELEBRATING OUR EMPLOYEES

2022-2023 RPC MERIT AWARDS

The RPC merit award is presented to an individual or team of individuals who make an outstanding contribution or are responsible for a substantial achievement for RPC. The 2022-2023 RPC merit award was presented to two teams this year: our Industrial Hygiene Team and our Microbiology Team.

INDUSTRIAL HYGIENE TEAM - RADON GAS TESTING

The Industrial Hygiene Team was a recipient of the merit award for the development and validation of a new analytical platform for radon gas determination.

The new technology employed by this team enables the organization the ability to expand this service line beyond borders by providing radon testing support to our provincial neighbours (NS, PEI, NFLD), across Canada, and around the world.

Our newly implemented technology is a more efficient analytical platform, carving more capacity for business growth. The efforts of the Industrial Hygiene Team have contributed directly to the organization's strategic objectives of sustainable growth and operational excellence.



2022-2023 Merit Award – Industrial Hygiene Team
Peter Crowhurst, Darren Tarr, Matthew Norman

RPC FREDERICTON MICROBIOLOGY TEAM

The Fredericton Microbiology Team was a recipient of the merit award due to their dedicated efforts to transition to more rapid and efficient analytical platforms.

The microbiology team put extraordinary efforts into transitioning several bioanalytical tests from traditional culture-based methods to more robust, high-throughput molecular diagnostic methods. Converted tests include those conducted for food, feed, water, and cannabis samples.

Conversion to rapid methods has opened doors for RPC to remain competitive across several industries by delivering faster turnaround times and increasing financial margins; a direct contribution to our corporate strategic objectives of sustainable growth and operational excellence.



2022-2023 Merit Award – Microbiology Team
Gillian Travis, Dr. Attiq Rehman, Cathy Hay, Corrie Maston

2022-2023 EMPLOYEE CAREER MILESTONES

RPC is fortunate to have a dedicated and highly qualified staffing complement. Our success in attracting and retaining top talent brings continuity and a deep base of knowledge to our teams. 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 Year Recipients

Matt Ashfield
Sara Cockburn
Neale Currie
James Handrahan
Sarah Lanteigne
Jeffrey LeBlanc
Nick Papageorgiou
Matthew Poole
Andrien Rackov
Lauren Shaw

10 Year Recipient

Alex Kyle

15 Year Recipients

Rachael Arsenault
Darren Tarr
Joshua Perry

20 Year Recipients

Bruce Phillips
Anthony Wilkins

25 Year Recipient

Julian Cristian

30 Year Recipient

Troy Smith



Long-Time Service Award

RPC CEO, Dr. Diane Botelho, presents 30-year service award to recipient Troy Smith.

RPC SENIOR MANAGEMENT TEAM

(AS OF AUGUST 2023)

Executive Management

Dr. Diane Botelho, Executive Director/Chief Executive Officer

Steve Holmes, Chief Operating Officer

Directors

Shawn Wood, Director of Finance and Administration

John Aikens, Director of Engineering Services

Matt Ashfield, Director of Information Technology

Dr. Attiq Rehman, Director of Biosciences

Shelley Janes, Director of Human Resources

Leo Cheung, Director of Process Engineering

Sara Cockburn, Director of Business Growth and Excellence

Peter Crowhurst, Director of Inorganic Analytical Services

Bruce Phillips, Director of Organic Analytical Services

Dr. Andrien Rackov, Director of Research and Controlled Substances

APPOINTMENT OF NEW CHIEF EXECUTIVE OFFICER

Following the retirement of Mr. Eric Cook, the CEO of RPC for over 18 years, the Board engaged in an extensive search for the organization's next CEO. In the Interim, Dr. Diane Botelho and Mr. Steve Holmes served as acting Co-CEOs. The Board engaged Boyden, an executive search firm, to conduct a national search for RPC's next leader. The Board was pleased to welcome Dr. Diane Botelho in June 2023 as the new CEO of RPC.



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 and receives a mandate letter every two years. The mandate letter content compliments our 2020-2025 Strategic Plan.

RPC is governed by a Board of Directors who provide oversight and strategic direction. Directors are appointed by government after consideration of organizational bylaws and skills in accordance with the *Research and Productivity Act*. The Board has input and approves the Strategic and Annual Plans. Statements are audited by an independent accounting firm approved by the Office of the Auditor General, reviewed by the Audit Committee, approved by the RPC Board and provided to the Auditor General's and Comptroller's offices.

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.

ABOUT THIS REPORT

The Accountability and Continuous Improvement Act requires that the Minister of the Crown or the Chair of the Crown 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 that 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 Auditor General's report, volume IV indicated several recommendations for identified crown corporations, none of which applied to RPC.

RPC BOARD OF DIRECTORS

(AS OF JUNE 1, 2023)



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



Ms. Annette Comeau
Chief Executive Officer,
LearnSphere Canada



Dr. Laurier Schramm
President and CEO,
Laurann Ventures Inc.



Ms. Jennifer Hubbard
President and CEO,
Polar Knowledge Canada



Mr. Dan Mills
Deputy Minister,
NB Dept. of Post Secondary Education,
Training and Labour



Ms. Traci Simmons
Chief Executive Officer,
Opportunities New Brunswick



Mr. Kent Estabrooks
Coach,
Future Path Compass Coaching



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



Ms. Cathy LaRochelle
Deputy Minister,
NB Dept. of Agriculture, Aquaculture and
Fisheries



Ms. Irene McCardle, CPA, CMA, CFP
Irene McCardle Accounting



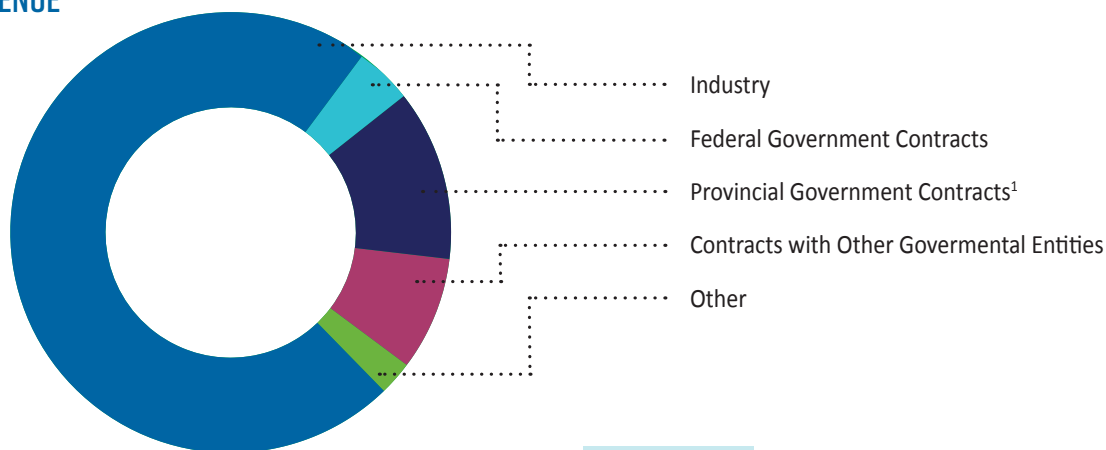
Ms. Meaghan Seagrave
Executive Director,
Bioindustrial Innovation Canada (BIC)



Mr. Shawn Wood
Treasurer
(Non-voting)

REVENUE HIGHLIGHTS (AMOUNTS IN THOUSANDS)

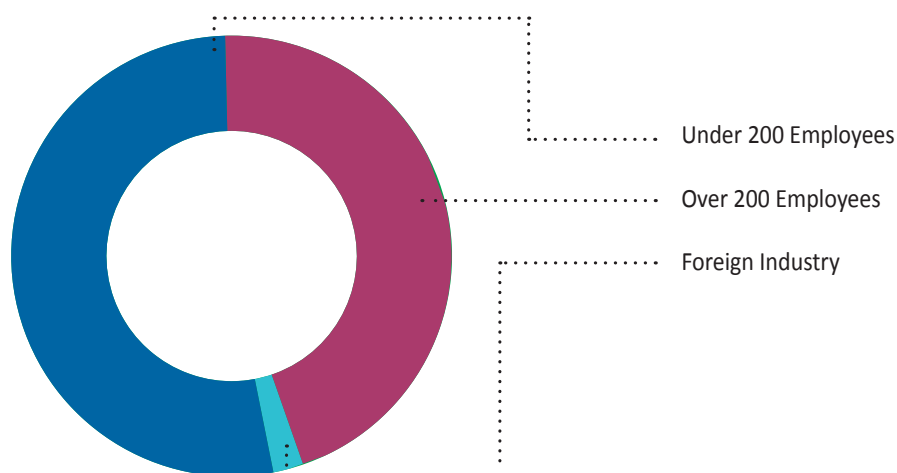
SOURCES OF REVENUE



	2022-2023	2021-2022
Industry	\$ 13,189	\$ 12,971
Federal Government Contracts	774	583
Provincial Government Contracts ¹	2,261	2,123
Contracts with Other Governmental Entities	1,520	1,529
Other	451	488
Total	\$ 18,195	\$ 17,694

¹ Province of New Brunswick contracts only.

DISTRIBUTION OF INDUSTRIAL REVENUE



	2022-2023	2021-2022
Under 200 Employees	\$ 6,935	\$ 7,711
Over 200 Employees	5,999	4,841
Foreign Industry	255	419
Total	\$ 13,189	\$ 12,971

NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL FINANCIAL STATEMENTS

MARCH 31, 2023

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management has prepared the financial statements contained in this annual report in accordance with Canadian public sector accounting standards applicable to government not-for-profit organizations, and the integrity and objectivity of the data in these financial statements are Management's responsibility. The financial statements include some amounts based on Management's estimates and judgment. Financial information presented throughout the annual report is consistent with the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements.

The Council's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Board has established an Audit and Risk Management Committee in accordance with the Council's bylaws. Management does not sit on the Audit and Risk Management Committee; however, the Committee meets with Management and the independent external auditor to review the manner in which the responsibilities for financial statements are being performed and to discuss auditing, internal controls and other relevant financial matters. The Audit and Risk Management Committee has reviewed the financial statements with the external auditor. On the recommendation of the Audit and Risk Management Committee, the Board has approved the financial statements contained in this report.

The financial statements have been audited by KPMG LLP, independent external auditors. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Council's financial statements.



Dr. Diane Bothello
Chief Executive Officer



Shawn Wood, CPA, CA
Director of Finance and Administration



KPMG LLP
Frederick Square
77 Westmorland Street, Suite 700
Fredericton NB E3B 6Z3
Canada
Tel 506-452-8000
Fax 506-450-0072

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 financial position of the Council as at March 31, 2023, and its results of operations, its remeasurement gains and losses, its changes in net assets and its 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.



Page 2

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.

Auditor's 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 auditor's 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.



Page 3

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 auditor's 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 auditor's 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.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants

Fredericton, Canada

July 26, 2023

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31

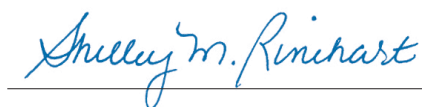
(IN THOUSANDS)

	2023	2022
ASSETS		
Current assets		
Accounts receivable	\$ 2,520	\$ 3,389
Work in progress	213	208
Prepaid expenses	506	311
	<u>3,239</u>	<u>3,908</u>
Investments (Note 5)	4,508	4,607
Capital assets (Note 6)	9,857	12,001
	<u>\$ 17,604</u>	<u>\$ 20,516</u>
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 7)	\$ 64	\$ 1
Accounts payable and accrued liabilities	1,499	1,643
Deferred revenue	530	684
Demand loan (Note 7)	245	315
	<u>2,338</u>	<u>2,643</u>
Deferred capital contributions (Note 8)	2,666	3,157
Employee future benefits (Note 9)	1,497	1,541
Asset retirement obligations (Note 10)	170	-
	<u>6,671</u>	<u>7,341</u>
NET ASSETS		
Unrestricted	\$ 312	\$ 801
Internally restricted (Note 11)	3,845	3,845
Invested in capital assets	6,776	8,529
	<u>10,933</u>	<u>13,175</u>
	<u>\$ 17,604</u>	<u>\$ 20,516</u>

Commitments (Note 12)

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

Approved on behalf of the Council



Chairperson



Executive Director

STATEMENT OF OPERATIONS
FOR THE YEARS ENDED MARCH 31
(IN THOUSANDS)

	2023	2023	2022
	Budget	Actual	Actual
REVENUES			
Operations	\$ 19,069	\$ 18,195	\$ 17,694
Amortization of deferred capital contributions	603	568	482
Investment	107	95	800
Government assistance (Note 8)	-	155	199
Sundry	-	27	142
	<u>\$ 19,779</u>	<u>\$ 19,040</u>	<u>\$ 19,317</u>
EXPENSES (Note 13)			
Operations	\$ 13,365	\$ 12,770	\$ 12,850
Administration	5,199	4,985	5,426
Amortization of capital assets	1,610	1,561	1,404
Bad debts	5	269	13
Foreign exchange (gain) loss	-	(53)	12
Loss on disposal of capital assets	-	53	-
Loss on transfer of facility (Note 14)	-	1,539	-
	<u>20,179</u>	<u>21,124</u>	<u>19,705</u>
DEFICIENCY OF REVENUES OVER EXPENSES	<u>\$ (400)</u>	<u>\$ (2,084)</u>	<u>\$ (388)</u>

STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEARS ENDED MARCH 31
(IN THOUSANDS)

	2023	2022
ACCUMULATED REMEASUREMENT GAINS, Beginning of year as previously reported	\$ 1,332	\$ 1,565
Change in accounting policy (Note 3)	(179)	-
ACCUMULATED REMEASUREMENT GAINS, Beginning of year as restated	\$ 1,153	\$ 1,565
Unrealized gains (losses) attributable to:		
Investments	(181)	433
Foreign exchange	-	(16)
Amounts reclassified to the statement of operations:		
Realized (gains) losses during the year	23	(662)
Foreign exchange losses	-	12
Change in accumulated remeasurement gains and losses	(158)	(233)
ACCUMULATED REMEASUREMENT GAINS, End of Year	<u>\$ 995</u>	<u>\$ 1,332</u>

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

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31
(IN THOUSANDS)

	Unrestricted	Internally Restricted	Invested in Capital Assets	2023	2022
Balance, beginning of year	\$ 801	\$ 3,845	\$ 8,529	\$ 13,175	\$ 13,796
Deficiency of revenues over expenses	(2,084)	-	-	(2,084)	(388)
Change in accumulated remeasurement gains and losses	(158)	-	-	(158)	(233)
Purchase of capital assets	(825)	-	825	-	-
Capital assets funded by capital contributions	77	-	(77)	-	-
Loss on disposal of capital assets	53	-	(53)	-	-
Loss on transfer of facility	1,525	-	(1,525)	-	-
Repayment of demand loan	(70)	-	70	-	-
Amortization of capital assets	1,561	-	(1,561)	-	-
Amortization of deferred capital contributions	(568)	-	568	-	-
Transfers	-	-	-	-	-
Balance, end of year	\$ 312	\$ 3,845	\$ 6,776	\$ 10,933	\$ 13,175

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

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31
(IN THOUSANDS)

	2023	2022
Cash provided by (used for):		
Operating activities		
Deficiency of revenues over expenses	\$ (2,084)	\$ (388)
Items not involving cash:		
Unrealized foreign exchange gains	(58)	-
Loss (gain) on disposal of capital assets	53	(59)
Non-cash component of loss on transfer of facility	1,525	-
Realized loss (gains) on investments	23	(662)
Amortization of capital assets	1,561	1,404
Amortization of deferred capital contributions	(568)	(482)
Net accrual of employee future benefits	(44)	124
Net changes in non-cash working capital	<u>(357)</u>	<u>(225)</u>
	<u>51</u>	<u>(288)</u>
Capital activities		
Purchase of capital assets	(825)	(1,906)
Proceeds on disposal of capital assets	-	65
	<u>(825)</u>	<u>(1,841)</u>
Financing activities		
Proceeds from demand loan	-	350
Repayment of demand loan	(70)	(35)
Capital contributions*	805	262
	<u>735</u>	<u>577</u>
Investing activities		
Purchase of investments	(1,027)	(2)
Proceeds on disposal of investments	1,003	2,332
	<u>(24)</u>	<u>2,330</u>
Net increase (decrease) in cash	(63)	778
Bank indebtedness, beginning of year	(1)	(779)
Bank indebtedness, end of year	<u>\$ (64)</u>	<u>\$ (1)</u>
Supplemental information:		
Interest paid	<u>\$ 18</u>	<u>\$ 22</u>

*Capital contributions of \$77 (2022 - \$805) are included in accounts receivable at year end.

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

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(AMOUNTS IN THOUSANDS)

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 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 financial statements are as follows:

(a) Cash and cash equivalents

Cash consists of cash in banks and includes bank indebtedness. Short term use of the Council's demand operating credit line is considered bank indebtedness. Cash and bank indebtedness are recorded at cost, which approximates market value.

(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 completed, 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 the 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	25-33 years
Operating equipment	8 years
Business management systems	8-15 years
Computer equipment	4 years
Vehicle	4 years
Leasehold improvements	15 years

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 accounts receivable, investments, and financial liabilities consist of bank indebtedness, accounts payable and accrued liabilities, and demand loan. Cost approximates the fair value of the Council's financial instruments, due to their short-term maturities except for investments further described below.

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 financial statement date. Realized and unrealized foreign exchange gains and losses are recognized in the Statement of Operations.

(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 \$1,084 for the year ended March 31, 2023 (2022 - \$1,158).

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. The last full actuarial valuation was carried out as of March 31, 2023.

iii) Accrued sick pay benefits

The Council provides sick leave benefits to employees that is earned at a rate of 1.25 days per month, up to a maximum of 240 days. Unused leave can be carried forward to future periods but do not vest. There is no payout of remaining accumulated sick leave when an employee retires or terminates. 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. The last full actuarial valuation was carried out as of March 31, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(h) Asset retirement obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for the removal of asbestos in buildings owned by the Council has been recognized based on estimated future expenses on removal, expected refurbishment or closure of the buildings.

The liability is discounted using a present value calculation, revalued annually, and adjusted yearly for accretion expense. The recognition of a liability results in an accompanying increase to the respective capital asset. The increase to the capital asset is being amortized in accordance with amortization accounting policies outlined in (c).

(i) Use of estimates

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

Significant estimates included in these 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; asset retirement obligations and the useful life over which capital assets and deferred capital contributions are amortized.

In addition, the Council's implementation of *PS3280 Asset Retirement Obligations* has resulted in the requirement for management to make estimates regarding the useful lives of affected capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

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

3. CHANGE IN ACCOUNTING POLICIES

a) PS3280 – Asset Retirement Obligations:

On April 1, 2022, the Council adopted Public Accounting Standard *PS3280 – Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain capital assets, such as asbestos removal in buildings by public sector entities. The standard was adopted prospectively from the date of adoption.

The Council recognized an asset retirement obligation related to structures owned by the Council that contain asbestos. The liability was measured at April 1, 2022 using a discount rate for 2023 of 2.7%. The buildings in question have an expected remaining useful life of 10 years.

In accordance with the provisions of this new standard, on April 1, 2022, the Council reflected an increase of \$166 to land and buildings and a corresponding asset retirement obligation of \$166 representing the estimated value of the obligation April 1, 2022.

b) PS3450 – Financial Instruments and PS2601 – Foreign Currency Translation:

The Council had previously early adopted this standard in 2012 that provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency balances. Amendments to this standard were adopted on April 1, 2022. As part of the amendments, the Council has elected to include foreign exchange gains and losses directly in the Statement of Operations, including those foreign exchange gains and losses arising prior to settlement or derecognition of the corresponding financial asset or liability. Prior to 2022 foreign exchange gains and losses arising prior to settlement or derecognition of the financial instrument were included on the Statement of Remeasurement Gains and Losses.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(AMOUNTS IN THOUSANDS)

3. CHANGE IN ACCOUNTING POLICIES - CONTINUED

In accordance with the new standard, on April 1, 2022 the council reclassified \$179 from accumulated remeasurement gains and losses within net assets, representing the cumulative unrealized foreign exchange gains arising at the date of election which was April 1, 2022.

4. RISK MANAGEMENT

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 \$2,520 at March 31, 2023 (2022 - \$3,389). The total receivables balance is net of an estimated allowance for doubtful accounts of \$63 (2022 - \$63).

As of March 31, 2023, \$861 (2022 - \$622) of accounts receivable were past due, but not impaired. An analysis of the age of the amounts past due but not impaired is as follows:

	<u>2023</u>	<u>2022</u>
Up to 30 days	\$ 552	\$ 406
Up to 60 days	133	138
Up to 90 days	<u>176</u>	<u>78</u>
Total	<u>\$ 861</u>	<u>\$ 622</u>

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 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 5.

b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Council'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.

The Council follows a conservative investment policy to mitigate financial risks. The Council has no derivative investments and has not entered into hedging transactions to manage risk.

The Council is continually monitoring the impact of market volatility on its financial instruments and will adjust 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. Changes in interest rates can affect the fair value of Council's investments.

The line of credit and demand loan bear interest at variable rates, which subjects the Council to interest rate risks.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(AMOUNTS IN THOUSANDS)

4. 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 U.S. Dollars as well as a portion of accounts receivable and payables. The impact of a change in currency rate at March 31, 2023 would be limited to these balances (in USD):

	<u>2023</u>	<u>2022</u>
Cash	\$ 45	\$ 79
Accounts receivable	58	185
Investments	591	638
Accounts payable and accrued liabilities	(11)	(19)
	<u>\$ 683</u>	<u>\$ 883</u>

5. INVESTMENTS

Investments in the fair value category	Fair value hierarchy level	<u>2023</u>	<u>2022</u>
Equity securities	Level 1	\$ 2,287	\$ 2,413
Fixed income securities	Level 2	<u>2,221</u>	<u>2,194</u>
		<u>\$ 4,508</u>	<u>\$ 4,607</u>

There were no transfers between Level 1 and Level 2 during the year. Fixed income securities have interest rates between 1.1% to 4.4% (2022 – 1.1% to 3.1%) and mature between April 2023 and March 2027.

6. CAPITAL ASSETS

	<u>2023</u>			<u>2022</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land and buildings	\$ 5,690	\$ 2,393	\$ 3,297	\$ 4,879
Operating equipment	10,396	6,013	4,383	5,003
Business management systems	1,970	268	1,702	214
Computer equipment	493	426	67	131
Vehicle	112	112	-	8
Leasehold improvements	318	60	258	279
Asset under construction	<u>150</u>	<u>-</u>	<u>150</u>	<u>1,487</u>
	<u>\$ 19,129</u>	<u>\$ 9,272</u>	<u>\$ 9,857</u>	<u>\$ 12,001</u>

Assets under construction are not subject to amortization until the items in question are production ready and available for use.

7. BANK INDEBTEDNESS AND DEMAND LOAN

The Council has a demand operating credit line available in the amount of \$2,000 for general business purposes at the bank's prime lending rate.

The Council's demand loan bears interest at the bank's prime lending rate plus 1% and is payable in monthly instalments of \$6 through September 2026.

The line of credit and demand loan are secured by a First General Security Agreement and a Pledge agreement in the amount of \$2,000 on the Council's investments.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(AMOUNTS IN THOUSANDS)

8. GOVERNMENT ASSISTANCE AND DEFERRED CAPITAL CONTRIBUTIONS

(a) Government assistance

During the year the Council received government assistance from the Atlantic Canadian Opportunities Agency (“ACOA”) and Regional Development Corporation, Province of New Brunswick (“RDC”), New Brunswick Innovation Foundation (“NBIF”), Province of New Brunswick Environmental Trust Fund (“ETF”) and Province of New Brunswick Department of Post-Secondary Education, Training and Labour (“PETL”) as follows:

	<u>2023</u>	<u>2022</u>
ETF	\$ 64	\$ -
NBIF	30	-
RDC	26	90
PETL	20	-
ACOA	15	109
	<u>\$ 155</u>	<u>\$ 199</u>

Included in accounts receivable is \$107 (2022 – \$199) relating to government assistance. Included in deferred revenue is \$Nil (2022 – \$15) of government assistance received relating to items not yet expensed.

(b) 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.

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 3,157	\$ 2,787
Contributions	-	47
Contributions, receivable	77	805
Amounts amortized to revenue	(568)	(482)
Balance, end of year	<u>\$ 2,666</u>	<u>\$ 3,157</u>

Capital contributions of \$Nil (2022 - \$145) were received or receivable during the year from ACOA related to assistance in acquiring operating equipment and information technology infrastructure. Capital contributions of \$64 (2022 – \$707) were received or receivable during the year from RDC related to laboratory refurbishments and specific operating equipment. Capital contributions of \$13 (2022 – \$Nil) were received or receivable during the year from ETF related to specific operating equipment.

9. 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 financial statements.

(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 financial statements.

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

Discount rate	6.70% (2022- 2.70%)
Salary increases	3.50% (2022 – 3.50%)
Retirement age	Age 60 (2022 – age 60)
Probability of excess sick usage	7% (2022 – 7%)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(AMOUNTS IN THOUSANDS)

9. EMPLOYEE FUTURE BENEFITS - CONTINUED

Information about the Council's employee future benefit obligations as reported on the Statement of Financial Position is as follows:

	2023			2022		
	Retirement Allowances	Sick Pay Benefits	Total	Retirement Allowances	Sick Pay Benefits	Total
Accrued benefit obligations, April 1	\$ 1,572	\$ 251	\$ 1,823	\$ 1,540	\$ 229	\$ 1,769
Current service cost	51	49	100	57	53	110
Interest on obligations	41	6	47	38	6	44
Benefit payments	(135)	(86)	(221)	(30)	(33)	(63)
Actuarial (gain) loss	(423)	(54)	(477)	(33)	(4)	(37)
Accrued benefit obligations, March 31	1,106	166	1,272	1,572	251	1,823
Unamortized actuarial loss	296	(71)	225	(146)	(136)	(282)
Accrued benefit obligations at March 31	\$ 1,402	\$ 95	\$ 1,497	\$ 1,426	\$ 115	\$ 1,541

10. ASSET RETIREMENT OBLIGATIONS

The Council's asset retirement obligations relate to buildings owned and operated by the Council that are known to have asbestos, which represents a health hazard upon disturbing, renovation, removal of the affected parts of the facility or demotion of the building and there is a legal obligation to remove it. Following adoption of *PS3280 – Asset retirement obligations*, the Council recognized an obligation relating to the removal of the asbestos in the buildings estimated at April 1, 2022. The affected buildings or components of the buildings have an expected remaining useful life of 10 years. Estimated costs have been discounted to the present value using a discount rate of 2.70%.

The transition and recognition of asset retirement obligations involved an accompanying increase to the buildings' capital asset values.

Changes to asset retirement obligations are as follows:

	2023	2022
Balance, beginning of year	\$ -	\$ -
Asbestos removal	166	-
Accretion expense	4	-
Balance, end of year	\$ 170	\$ -

11. INTERNALLY RESTRICTED NET ASSETS

The Council's board of directors has internally restricted resources amounting to \$3,845 as at March 31, 2023 (2022 - \$3,845). 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 were no transfers to unrestricted net assets (2022 - \$2,075).

12. COMMITMENTS

The Council has entered into rental and service agreements. The minimum annual payments over the next five years are as follows: 2024 - \$567; 2025 - \$396; 2026 - \$80; 2027 - \$76; and 2028 - \$76.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(AMOUNTS IN THOUSANDS)

13. EXPENSES

Expenses by object are as follows:

	2023	2023	2022
	Budget	Actual	Actual
Personnel	\$ 12,556	\$ 11,724	\$ 12,332
Supplies	3,101	3,041	2,774
Amortization of capital assets	1,610	1,561	1,404
Loss on transfer of facility (Note 14)	-	1,539	-
Facilities	858	937	1,030
Office	426	437	392
Shipping and freight	357	374	353
Bad debts	5	269	13
Subcontractors	299	238	474
Insurance	217	238	203
Other	133	195	89
Quality	226	189	173
Professional fees	124	114	152
Safety	149	100	167
Rechargeable	56	100	72
Interest and bank charges	62	68	65
Loss on disposal of capital assets	-	53	-
Foreign exchange (gain) loss	-	(53)	12
	<u>\$ 20,179</u>	<u>\$ 21,124</u>	<u>\$ 19,705</u>

14. LOSS ON TRANSFER OF FACILITY

In February 2023, the Council consolidated certain of its laboratory operations by closing its facility in St. George New Brunswick. As part of this action, ownership of the facility was transferred to the Province of New Brunswick (the "Province") so that it could repurpose the facility for alternate public benefit. No consideration was received as part of this transfer.

The facility was originally transferred to the Council by the Province in 2017 as part of a restructuring transaction. No consideration was paid for the facility at the time it was transferred to the Council and the asset was recorded at the Province's carrying value.

Included as an expense in the Statement of Operations are the costs associated with closing the facility, moving certain equipment and the net book value of the facility at the time ownership was transferred to the Province. Breakdown of the loss on transfer of facility is as follows:

Net book value of St. George facility	\$ 1,525
Closing and moving costs	14
	<u>\$ 1,539</u>

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

(AMOUNTS IN THOUSANDS)

15. RELATED PARTY TRANSACTIONS

The Council is a Provincial Crown Corporation, established by the Province as described in Note 1. As such, government departments and other crown agencies as well as other crown agencies and corporations of the Province 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>2023</u>	<u>2022</u>
Revenue from services provided during the year:		
Government departments and other crown agencies	\$ 1,397	\$ 1,423
New Brunswick Power Corporation	667	382
Opportunities New Brunswick	-	150
	<u>\$ 2,064</u>	<u>\$ 1,955</u>
Accounts receivable:		
Government departments and other crown agencies	\$ 367	\$ 967
New Brunswick Power Corporation	23	50
Opportunities New Brunswick	-	35
	<u>\$ 390</u>	<u>\$ 1,052</u>
Capital contributions:		
RDC	\$ 64	\$ 797
Government departments and other crown agencies	13	-
	<u>\$ 77</u>	<u>\$ 797</u>
Government assistance		
RDC	\$ 26	\$ 90
Government departments and other crown agencies	114	-
	<u>\$ 140</u>	<u>\$ 90</u>

As further described in Note 14, during the year the Council transferred ownership of its facility in St. George, New Brunswick to the Province. No consideration was received as part of the transaction and a loss recorded in the Statement of Operations, accordingly.

16. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.