

ANNUAL REPORT 2019-2020

rpc
SCIENCE & ENGINEERING



WE TEST THAT.

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

As a high-performing organization, RPC conducts business with the following core values:

- Safety
- Quality
- Service
- Integrity
- Corporate Social Responsibility
- Customer Focused and Results Driven



2019-2020 BY THE NUMBERS

\$210 MILLION
ECONOMIC IMPACT



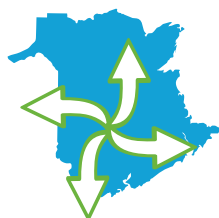
1329
CLIENTS SERVED



\$16 MILLION
INDUSTRY REVENUE



\$10 MILLION
EXPORTED SERVICES



174
HQP EMPLOYED



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,
- Adding capability.

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:

- Developing and implementing a communications strategy,
- Allocating resources and making a sustained effort to communicate,
- 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,
- Recognizing our role to communicate about science and innovation.

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,
- Providing a safe work environment and emphasizing our safety culture,
- Sustaining our commitment to quality, including enhancing our accredited services,
- Continuing to invest in leading-edge facilities and equipment,
- Completing our new Moncton laboratory,
- 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 efforts to be an employer of choice.

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,
- Being environmentally conscious,
- Developing and implementing an equity, diversity and inclusion (EDI) policy,
- Actively reviewing employee feedback and acting on ideas and concerns,
- Sustaining an emergency response capability,
- Monitoring our success in recruiting top talent, and
- Complying with laws and policies.



"Yesterday's innovation is today's routine and tomorrow's obsolescence. We must go forward using our skills and abilities to the very maximum effect."

Dr. Claude Bursill
RPC Executive Director 1963-1983

FROM THE CHAIRPERSON AND THE EXECUTIVE DIRECTOR

RPC served 1329 clients in 2019-2020, enabling their success in developing new products, pursuing new projects, meeting regulatory requirements, improving processes and expanding markets. This impressive client portfolio underscores RPC's relevance, our *raison d'être*.

The 2019-2020 year saw increased demand for RPC services resulting in over 15% growth in total revenue to \$20.2 million (see *Consolidated Statement of Operations*, p. 18). Effective management of operations helped to generate over \$428,000 in positive net income while continuing to invest in new equipment and maintaining an aging, and over-capacity facility in Fredericton.

RPC continues to operate as the only research and technology organization (RTO) in Canada succeeding without an annual operating grant. This past year is the 16th successive year of positive net income, allowing RPC to invest in order to serve our mandate. RPC is a leading example not only for the Province, but for the country.

During the past year, RPC developed the 2020-2025 Strategic Plan. This was a collaborative effort that included input from the Province of NB, the board, employees and our clients. We

also invited external input from Dr. Laurie Schramm, retired CEO from the Saskatchewan Research Council. The result is a documented plan to guide our organization for the next 5 years (see *Strategic Corporate Objectives*, p. 3).

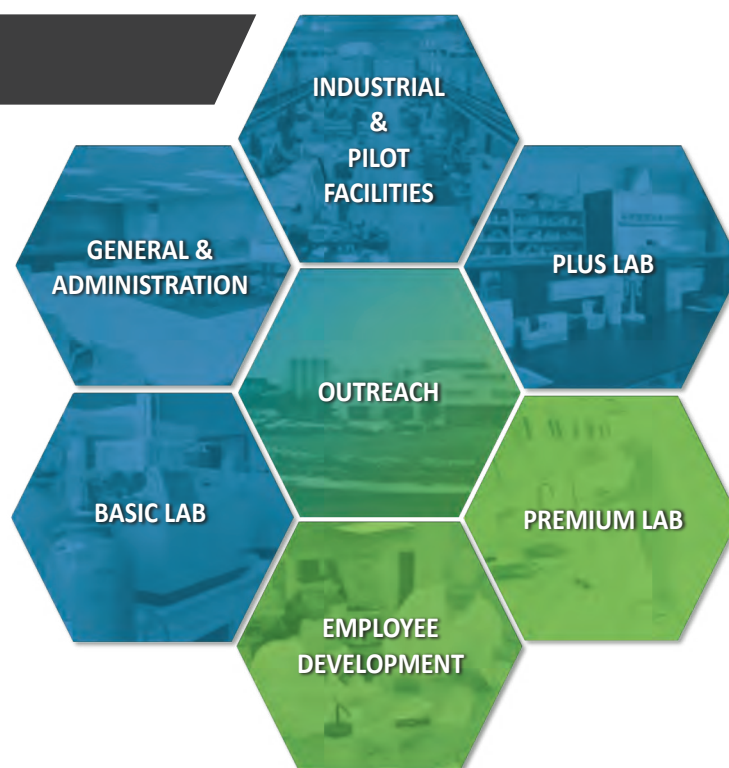
RPC's multi-phase information technology project continued to progress with the successful implementation of Business Central, a modern Enterprise Resource Planning software. Work on the laboratory information management transition continues with the first modules going live later in 2020. Other improvements in networking, servers and cyber security were also implemented.

Significant progress was made with facility improvements, including the renovation of numerous labs at RPC Fredericton and a new facility for RPC Moncton which opened in May 2020. However, with growth comes challenges. The RPC Fredericton facility is now grossly over-capacity, is a barrier to growth and it is becoming a challenge to sustain current levels of operations. Creating an environment that supports continued growth, brings value to New Brunswick and allows RPC to fulfill its mandate requires a new facility. This is a priority for us through a project we call "RPC 3.0 - Our vision for the future".

rpc 3.0

IN BRIEF

- RPC is uniquely successful in self-funding operations through fees for services.
- Federal-Provincial funding supported capital projects RPC 1.0 1964-1968 and RPC 2.0 1987-1990. RPC 3.0 will replace the current Fredericton location.
- RPC 3.0 includes industrial and piloting labs, basic labs, wet labs, research labs, ultratrace labs, biocontainment labs, experiential learning capacity, general office space and public outreach aspects.
- New capabilities include ultratrace which supports climate change and outreach which will embrace experiential learning and public education regarding science & innovation.
- High end labs similar to hospital construction.
- 140,000 ft² building estimated at \$55 million.
- Expect the facility to meet the needs of New Brunswick's RTO for the next 30 years.



THE OUTLOOK

The COVID-19 pandemic which hit New Brunswick in March had a relatively minor impact on RPC's operations for 2019-2020 as it impacted only 3 weeks of the fiscal year. Our strategy was to continue to offer all services, most of them essential, with minimal staffing requirements. This resulted in about 40% of employees on site the first week, but after an initial decline in demand, resources had to be recalled in order to handle workload. The other key strategy was to retain our skilled workforce and avoid layoffs. At the time of this report, workloads had rebounded to near normal levels, however the composition had changed with a general slowdown, with some exceptions, in the applied research and innovation aspects of our business. While the economic outlook is uncertain, demand for RPC's services remain strong, and are even growing in some cases.

As mentioned above, the other key influence with RPC's future is the Fredericton facility. We have been operating in an over-capacity situation for a number of years. Space limitations are restricting our growth and becoming a distraction for resources as we focus increasing effort on building maintenance. A solution for our facility is essential for our future growth and to continue fulfilling our mandate. We have explored a number of options and identified the optimal solution and will be seeking support at the provincial and federal level for RPC 3.0.

NOTES OF APPRECIATION

RPC clients continue to be an integral part of our success. In addition to their business, which is essential, they share their challenges and opportunities thereby driving RPC to be better and to do more. Some clients have been with us since 1962, loyalty rarely seen in these competitive times. We are forever grateful and flattered by your confidence.

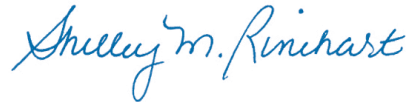
We appreciate the collaboration and support of partners including the University of New Brunswick, the Université de Moncton, the New Brunswick Innovation Foundation (NBIF), Opportunities New Brunswick (ONB), the Industrial Research Assistance Program (IRAP), the Atlantic Canada Opportunities Agency (ACOA) and many others. Thank you for helping our province, and our region, to grow and be competitive.

RPC's volunteer board provides encouragement, leadership, and oversight that contributes to our growth and success. This was especially helpful during the past year with the development of the Strategic Plan for 2020-2025. Thank you for your commitment (*see RPC Board of Directors, p. 12*).

RPC employees continue to propel RPC's success. Their professionalism, flexibility and commitment during the pandemic was yet another illustration that RPC employees are dedicated professionals passionate about their work and our organization. Thank you for your service, your commitment, and your loyalty (*see 2019-2020 Employee Career Milestones, p. 11*).

IN CLOSING

The uncertainty of the pandemic, the looming economic crisis, civil unrest and the need for a new Fredericton facility are all cause for concern, yet we remain optimistic. Demand for RPC's services has never been stronger. We have assembled a talented team that we believe is amongst the best in the country. We have modern instrumentation. We are implementing modern IT systems. We have new service lines under development. These are building blocks that we believe can take RPC to the next level, and that is precisely our goal.



Dr. Shelley Rinehart
Chairperson



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

RPC: A RICH HISTORY

On April 13, 2020, RPC celebrated its 58th year of business. With over half a century of activity, there are a lot of stories to tell.

Did you know that RPC was involved in the development and production of Galleon Ware, a successful oven-to-tableware product that saw sales throughout North America, including distribution by Birks Jewellers?

We use lithium ion batteries everyday; did you know RPC was involved in lithium battery development in the early 1980s?

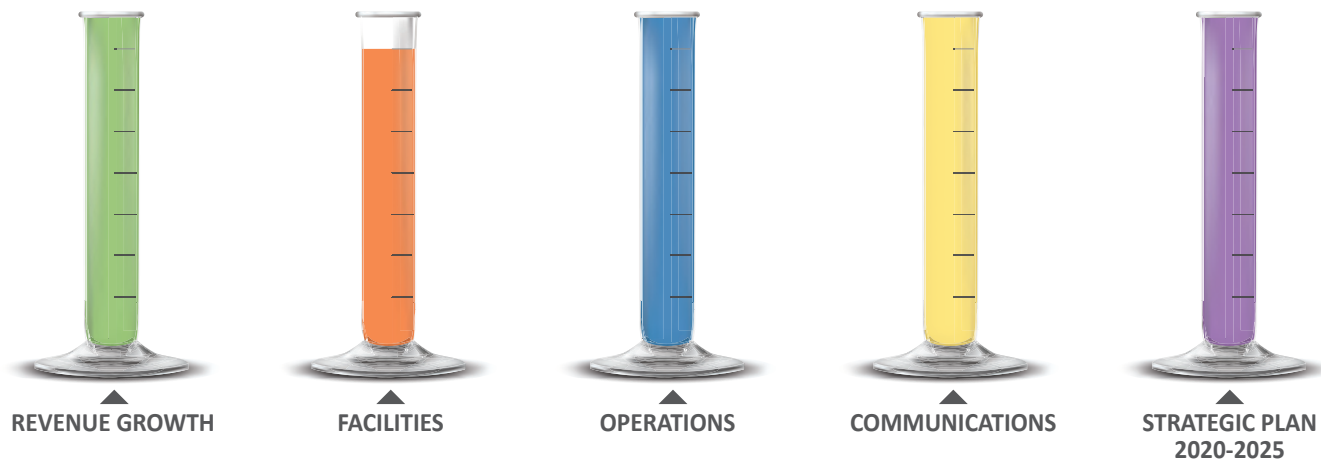
Did you know RPC collaborated with UNB to launch New Brunswick's first business incubator in 1989?

These and other stories are captured in "A History of the Research and Productivity Council", a collaborative effort of Dr. Laurie Schramm and Eric Cook.



ANNUAL PLAN GOALS FOR 2019-2020

RPC's Annual Plan for 2019-2020 is a subsidiary document to the 2015-2020 Strategic Plan. The Annual Plan cross-references the strategic corporate objectives and is approved by the board of directors. Progress is summarized below.



2019-2020 ANNUAL PLAN CORPORATE OBJECTIVES

I. Self-Sustaining financial performance, continued growth in revenue and continued capital investment

- KPI 1: Grow Revenue to \$17.2 million
Result: Fully achieved, revenue over \$20.2 million.
- KPI 2: Profitable Performance
Result: Fully achieved, net income \$428,016.

II. Facilities and resources, including RPC 3.0 and Moncton facilities

- KPI 3: Progress RPC 3.0
Result: Partially complete. Options have been investigated and an optimal solution identified and justified, however funding has not been secured.
- KPI 4: Develop a plan for the Moncton site.
Result: Fully complete. A new site was identified, a plan developed and the new site is operational as of May.
- KPI 5: Fredericton Facility Upgrades
Result: Fully completed annual plans. Maintenance and renovations are ongoing and have become a significant focus of our activity as we attempt to maintain the building fit for purpose. Among many maintenance efforts: completed significant renovations for upgrades industrial hygiene lab, research and development lab, and training room. This will be a sustained effort.

III. Operations including IT replacement project

- KPI 6: Complete Business Central implementation
Result: Fully complete and operational. There will be ongoing customization and optimization for years to come. The effort was a success and recognized with a merit award (*see pg. 10*).
- KPI 7: Complete Cyber Security training
Result: Completed and well received. This is now part of an ongoing effort.

IV. Employee engagement and communications

- KPI 8: Quarterly update for our government stakeholders.
Result: Fully complete. Government newsletter prepared and distributed to all departments several times per year.
- KPI 9: Continue improvements in employee engagement.
Result: Complete. An Employee Engagement Committee was formed, and they organized numerous events throughout the year. Communications screens were installed throughout our facilities. Employee engagement scores high in our employee surveys.

V. Development of an RPC Strategic Plan for 2020-2025

- KPI 10: Utilize a collaborative approach to develop a new strategic plan for 2020-2025.
Result: Fully complete.

CHART 1: REVENUE SOURCES PROFILE

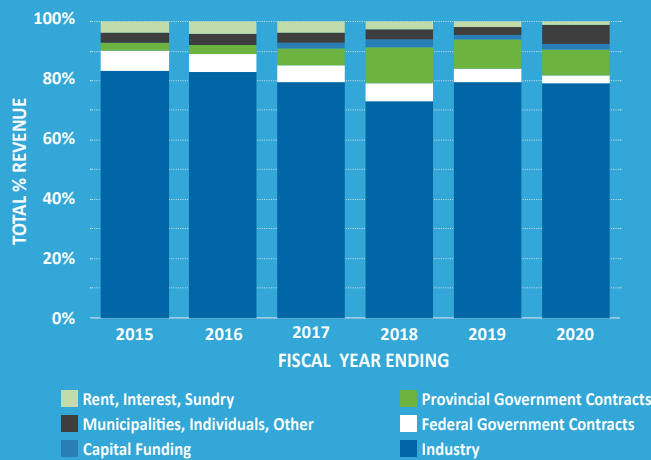


CHART 2: CLIENTS BY LOCATION

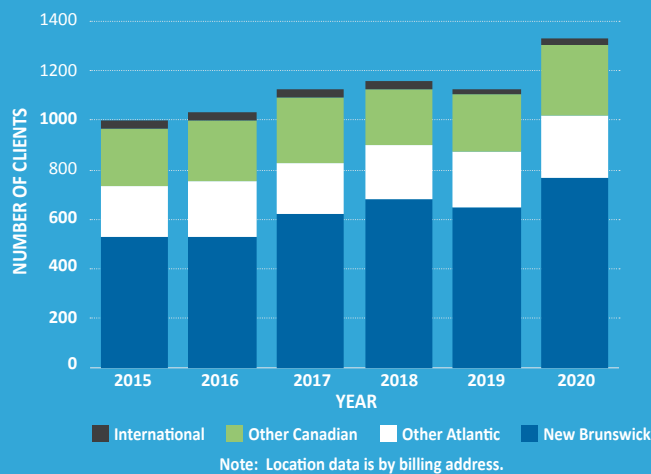
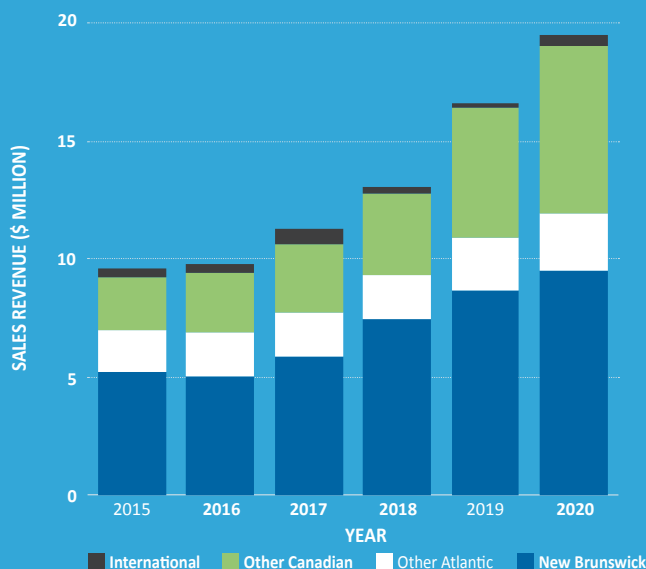


CHART 3: CLIENTS SERVED BY REVENUE



\$1.5 BILLION

RPC: MAKING AN IMPACT

In 2020, RPC participated in a national study on the direct economic impact of Research and Technology Organizations (RTOs) through Innoventures Canada (I-CAN). The study was completed by Laurann Ventures and used a mathematical model with segmented financial data to estimate economic impact.

The analyses reported on the Mandate Effectiveness Ratio (MER), the ratio of economic impact to core operating grant. RPC does not receive an operating grant, resulting in a MER of infinity. The average RTO MER is 9, meaning government operating grants are leveraged an average of 9 times.

RPC's estimated economic impact in 2019-2020 is \$210 million. Comparing this to 16 other RTOs in Canada, this is the 7th highest economic impact, with the Saskatchewan Research Council leading at \$901 million.

The consultant was also engaged to complete a 10-year history of RPC's economic impact. From 2010 to 2020, RPC's economic impact accumulated to an impressive \$1.5 billion.

RPC is proud to be among the top performing RTOs in Canada and especially proud to be making an impact.



PROGRESS WITH 2015 – 2020 STRATEGIC PLAN



1. Revitalization: Position the organization to serve its mandate

To achieve our mandate, we must have qualified people, leading edge equipment, and appropriate facilities. RPC will continue to strategically invest in human capital to support organizational succession planning and strategic growth, both in current areas of expertise and to capitalize on emerging opportunities.

KPI 1: Renewal of existing physical assets, meaning increased annual capital spending on equipment replacement and facilities maintenance. RPC will commit a minimum of \$2.5 million for capital improvements.

Result: Fully complete. RPC, with leveraging from funding partners where possible, invested over \$10 million in capital during the 5-year planning period. Most instruments have been modernized, replaced and updated as have many of our lab facilities.

KPI 2: RPC will pursue a revitalization project. This project will focus on increasing both our capacity and capability.

Result: Partially complete. During this period RPC developed a revitalization plan, including evaluation of several options. We now have a plan, with rationalization and value proposition, and are pursuing funding support. Excellent progress has been made, however, at the time this report is being written, we have not yet secured funding support.

2. Pursue growth opportunities

As a provincial research organization (PRO), growth includes expansion of service offerings, modernizing of methods, obtaining accreditations, acquisition of exper-

tise, acquiring modern instruments and equipment, and developing appropriate labs and facilities. At RPC, growth is pursued with the objectives of organizational sustainability and relevance achieved through excellent client service. Three types of growth will be considered: Organic Growth, Acquisition, and Expansion.

KPI 3: Grow Sales Revenue to 11.5 million.

Result: Fully complete. As of March 31, 2020, RPC's sales revenue surpassed an impressive \$19.5 million (*see Consolidated Statement of Operations, p.18*).

KPI 4: Introduce 5 new services.

Result: RPC introduced many new services. Examples include testing for radon in water, testing cannabis edibles, automation services including demonstration lab, machine learning and cannabis smoke and vape testing.

3. Communications and business development

Communications and business development is an ongoing need in order to support RPC's growth and fulfilling of mandate.

Complements KPI 3: Grow Sales Revenue to 11.5 million, which was fully achieved.

KPI 5: Add to our business development team

Result: RPC now has a team of three business development/client service professionals who are focused on client services and business opportunities.

KPI 6: Improve internal communications.

Result: Excellent progress building on our monthly town halls. We also added communication screens in all three RPC locations that help to keep employees up to date. We are also active

on social media. Our periodic employee engagement surveys indicate a strong score on communications. This objective was fully achieved.

4. Operational excellence

RPC will continue to develop business systems and processes that enable the organization and its people to operate efficiently and effectively. To support excellence in operations, RPC will assess and review Enterprise Resource Planning (ERP) and Laboratory Information Management System (LIMS). The organization will continue work on the development and advancement of a facility maintenance plan that supports innovation, growth and continuous improvement of quality systems.

KPI 7: Access and Review ERP/LIMS

Result: Assessment completed. A decision was made to replace our custom ERP application with Business Central. This has been completed and is fully operational. Similarly, a decision was made to purchase an off-the-shelf LIMS, LABWARE. The implementation is underway, with partial implementation in 2020 and full implementation in 2021 (see *Business Central*, p. 10).

KPI 7: Building maintenance

Result: A new Maintenance Coordinator has been hired. Building systems are documented and better understood with numerous improvements and upgrades made and preventive maintenance efforts initiated.

KPI 8: RPC Moncton Lab. The lease is scheduled to expire in mid 2020 for RPC's Moncton location. The current site is not adequate, and a solution is required.

Result: Fully complete. A new site has been identified and renovated. The new facility will serve existing needs with capacity for future growth. We moved to the new location in May 2020 (see *RPC's Moncton Lab*, p. 10).

KPI 9: Improve RPC's IT services, including cyber security measures.

Result: Complete and ongoing. An assessment of IT services was completed, a plan developed, and implementation is underway. This includes cyber security improvements and training, networking, servers, software and hardware.

5. Corporate Social Responsibility

RPC will build on its well-earned reputation as a good corporate citizen, giving back to the community and complying with laws and regulations. Our goal is to have a positive impact on the community beyond our core operations.

KPI: Meet RPC's annual United Way goal and support of member agencies such as food banks.

Result: Complete. This objective was achieved with RPC surpassing its United Way goals in each of the 5 years of the planning period.



Tracy Lean delivers cheque to the Fredericton Food Bank before the holiday season.

CALL OF DUTY

While RPC has 'normal' operating hours, our services are on call for emergencies. We are often called into service for specialty coroner's services, police services, and environmental services. During the past year, two prominent events RPC supported with lab services were the Minto tire fire and the spring flood of 2019.



Photo: Harvey Fire Department Facebook Page

RPC EMPLOYEES

2019-2020 RPC MERIT AWARDS

RPC'S MONCTON LAB

In the summer of 2019, planning began for renovations to convert a former warehouse to premium lab space. This facility would become the new home of RPC Moncton, and needed to be ready by the summer of 2020. James Handrahan and Steve Holmes led the development and the project was completed and fully operational in under a year. New-to-RPC products, finishes and suppliers were selected that will also provide great learnings for RPC 3.0. This resulted in some of the best lab space RPC has available, opening opportunities for new services and expanded operations at our Moncton location. A total team effort including lab staff, purchasing, IT and many others, James and Steve led the extraordinary effort creating a jewel in RPC's crown.

Recipients (L-R): James Handrahan and Steve Holmes



IMPLEMENTING BUSINESS CENTRAL

Rachael Arsenault, Bev Corey, Tracy Lean and Tammy Saulnier led the successful implementation of Business Central. A core component of RPC's IT transformation, Business Central advances RPC to a modern, world-class enterprise resource planning platform that improves efficiency and data management. With support throughout the organization, the team successfully implemented this significant change in approximately a year. The project has already been a success and is a significant accomplishment. It was also an essential enabler of our ability to work remotely during the COVID-19 pandemic.

Recipients (L-R):

Top: Rachael Arsenault, Bev Corey,

Bottom: Tracy Lean, Tammy Saulnier



2019-20 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 Shannon Gardner
Chris Davenport
Candice Inman

10 Years Gillian Boyer
Megan Ashworth

15 Years Katie Cougle
Eric Cook

20 Years Amy Brown
Jennifer Doucette
Sherry Binette

25 Years John King

30 Years John Aikens
Chris Colford

RPC SENIOR MANAGEMENT TEAM

(AS OF JUNE 30, 2020)

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
Diane Botelho, (Acting), Applied and Experimental Bioscience
Leo Cheung, Process Engineering
Sara Cockburn, Quality and Change Management
Peter Crowhurst, Inorganic Analytical Services
Bruce Phillips, Organic Analytical Services

RETIREMENTS

We thank the following employees for their service and wish them the best in retirement.

Ross Kean (May 2020)
25 Years of Service

Dr. John Macaulay (June 2019)
30 Years of Service

Sandra McDonough (October 2019)
33 Years of Service

Rob McFee (June 2019)
36 Years of Service

Chris Steeves (June 2020)
31 Years of Service

EMBRACING SCIENCE: ENCOURAGING SCIENCE CAREERS

Attracting and retaining talent is essential to RPC's success and we recognize it is important to encourage students by supporting their studies and making them aware of the careers that are available here in New Brunswick. Over the past year RPC participated in numerous activities to encourage students, including judging at the UNBSJ MBA Case Studies, the 3 Minute Thesis Challenge and the Canada Wide Science Fair. We also participated in Take Your Kids To Work Day, employed 11 summer students, supervised a senior project in UNB chemistry and hosted NBCC students for a tour. We participated in internships and hosted the inaugural Applied Chemistry Day. We also sponsored a MITACS graduate student. Most importantly, we provided lots of graduates with their first full-time employment.



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 of Economic Development and Small Business. RPC received a mandate letter from the Minister on November 19, 2019. The mandate letter content served as input for both our 2020-2025 Strategic Plan and 2020-2021 Annual Plan.

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 submitted to 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.

RPC BOARD OF DIRECTORS (AS OF JUNE 30, 2020)



Dr. Shelley Rinehart

Chairperson, All Committees
Director MBA Program,
UNB Saint John



Annette Comeau

By Laws Committee
CEO,
LearnSphere



Janet Gagnon

HR and By Laws Committees
(Retired) Vice President,
ACOA New Brunswick



Dr. Levi Hargrove

Director & Assistant Professor,
Center for Bionic Medicine,
Northwestern University



Jeff Jennings

Finance and Audit Committee Chair,
RPC 3.0 Committee
Owner, Strategic Direction Consulting Inc.



Cathy LaRochelle

Finance and Audit Committee
Deputy Minister, Agriculture, Aquaculture and
Fisheries



Tom MacFarlane

RPC 3.0 Committee
Deputy Minister, Natural Resources and Energy
Dev. / Environment and Local Government



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,
Economic Development & Small Business



David Rogers

HR Committee
Vice President Global Technical Services, McCain
Foods Corporate



Meaghan Seagrave

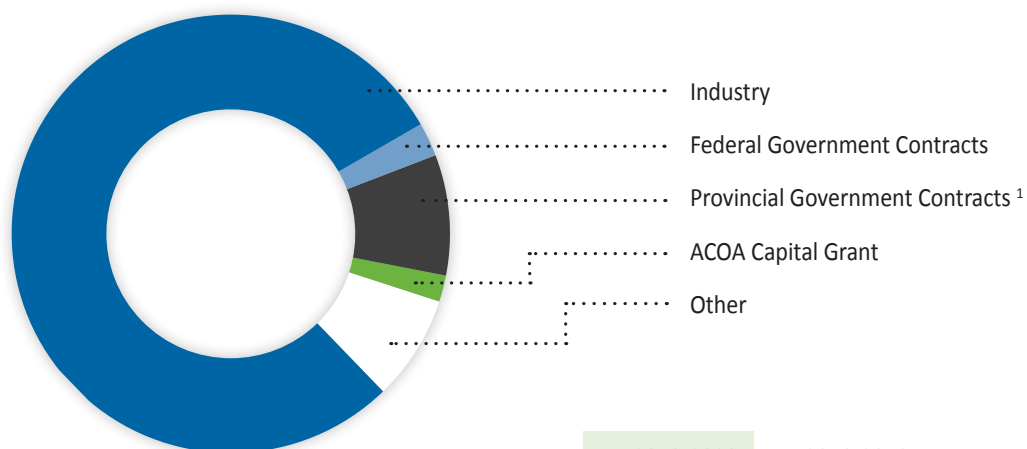
HR and RPC 3.0 Committees
President,
1812 Hemp

Lise Morin - Corporate Secretary

Bev Corey - Treasurer

REVENUE HIGHLIGHTS

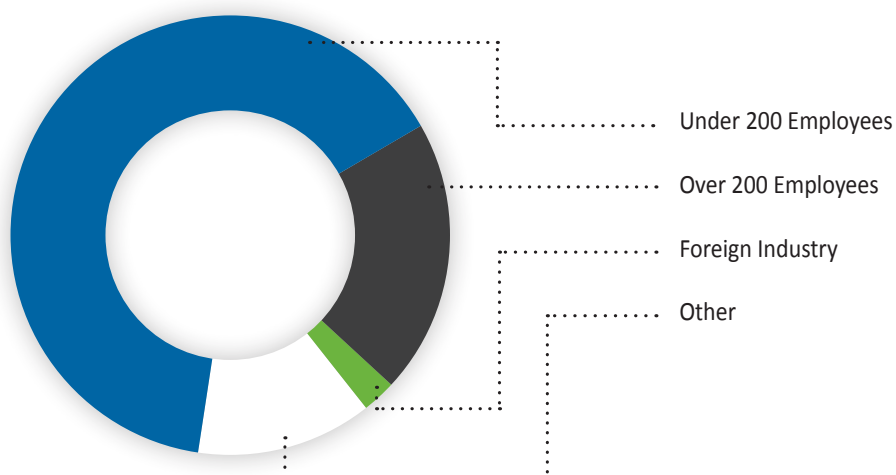
► ► ► SOURCES OF REVENUE



	2019-2020	2018-2019
Industry	\$ 15,980,821	\$ 13,642,083
Federal Government Contracts	520,448	787,754
Provincial Government Contracts ¹	1,758,002	1,686,797
Provincial Capital Fund (RDC)	-	22,139
ACOA Capital Grant	428,955	268,263
Other	1,527,231	809,820
Total	\$ 20,215,456	\$ 17,216,856

¹ Excludes provincial crown corporations such as NB Power.

► ► ► DISTRIBUTION OF INDUSTRIAL REVENUE



	2019-2020	2018-2019
Under 200 Employees	\$ 10,263,078	\$ 7,841,594
Over 200 Employees	3,267,841	4,276,094
Foreign Industry	374,937	220,669
Other	2,074,965	1,344,851
Total	\$ 15,980,821	\$ 13,683,208



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INDEPENDENT AUDITORS' REPORT

To the Premier of the Province of New Brunswick and the Chairman 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, 2020
- 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, 2020, and its results of consolidated operations 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.



Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in Annual Report 2019-2020 document.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Annual Report 2019-2020 document as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Fredericton, Canada

September 30, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2020

ASSETS	2020	2019
Current assets		
Cash	\$ 1,316,805	\$ 782,835
Accounts receivable	3,747,269	3,985,544
Work in progress	261,320	215,946
Prepaid expenses	362,213	144,263
	<u>5,687,607</u>	<u>5,128,588</u>
Investments (Note 5)	6,434,950	7,164,682
Capital assets, net (Note 6)	9,777,083	8,428,560
	<u>\$ 21,899,640</u>	<u>\$ 20,721,830</u>

LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS

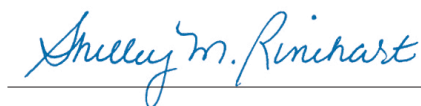
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,208,059	\$ 2,854,623
Deferred revenue	332,107	188,779
	<u>3,540,166</u>	<u>3,043,402</u>
Deferred capital contributions (Note 7)	2,460,764	2,124,204
Employee future benefits (Note 8)	1,440,700	1,405,800
	<u>3,901,464</u>	<u>3,530,004</u>
Net assets		
Unrestricted	470,646	1,173,023
Internally restricted (Note 9)	6,671,045	6,671,045
Invested in capital assets	7,316,319	6,304,356
	<u>14,458,010</u>	<u>14,148,424</u>
	<u>\$ 21,899,640</u>	<u>\$ 20,721,830</u>

Commitments (Note 13)

Subsequent events (Notes 12 and 14)

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, 2020

	<u>2020</u>	<u>2019</u>
REVENUE		
Operations	\$ 19,492,395	\$ 16,627,885
Investment	261,687	294,600
Sundry	32,419	3,969
Project funding	-	22,139
Amortization of deferred capital contributions	428,955	268,263
	<u>20,215,456</u>	<u>17,216,856</u>
 EXPENSE (Note 10)		
Operations	12,492,736	10,739,168
Administration	6,131,883	5,008,942
Amortization of capital assets	1,083,401	1,048,463
Foreign exchange (gains)	(4,547)	(193,436)
Bad debts	83,967	46,223
	<u>19,787,440</u>	<u>16,649,360</u>
 EXCESS OF REVENUE OVER EXPENSE	 <u>\$ 428,016</u>	 <u>\$ 567,496</u>

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, 2020

	2020	2019
ACCUMULATED REMEASUREMENT GAINS, Beginning of year	\$ 1,043,039	\$ 1,133,850
Unrealized gains (losses) attributable to:		
Foreign exchange	173,437	9,456
Investments	(214,972)	17,471
Amounts reclassified to the statement of operations:		
Realized gains (losses) during the year	(72,348)	75,698
Foreign exchange gains	(4,547)	(193,436)
Change in accumulated remeasurement losses for the year	<u>(118,430)</u>	<u>(90,811)</u>
ACCUMULATED REMEASUREMENT GAINS, End of year	<u>\$ 924,609</u>	<u>\$ 1,043,039</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, 2020

	Unrestricted	Internally Restricted (Note 9)	Invested in Capital Assets	Total 2020	Total 2019
BALANCE, Beginning of year	\$ 1,173,023	\$ 6,671,045	\$ 6,304,356	\$ 14,148,424	\$ 13,671,739
Excess of revenue over expense	428,016	-	-	428,016	567,496
Change in accumulated remeasurement gains (losses)	(118,430)	-	-	(118,430)	(90,811)
Purchase of capital assets	(2,431,924)	-	2,431,924	-	-
Amounts funded by capital contributions	765,515	-	(765,515)	-	-
Amortization of capital assets	1,083,401	-	(1,083,401)	-	-
Amortization of deferred capital contributions	(428,955)	-	428,955	-	-
BALANCE, End of year	<u>\$ 470,646</u>	<u>\$ 6,671,045</u>	<u>\$ 7,316,319</u>	<u>\$ 14,458,010</u>	<u>\$ 14,148,424</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
CASH PROVIDED BY (USED FOR):		
Operating activities		
Excess of revenue over expense	\$ 428,016	\$ 567,496
Items not involving cash:		
Amortization of capital assets	1,083,401	1,048,463
Amortization of deferred capital contributions	(428,955)	(268,263)
Change in employees future benefits	34,900	127,100
Net change in non-cash working capital	<u>388,697</u>	<u>(603,572)</u>
	1,506,059	871,224
Capital activities		
Purchase of capital assets*	(2,557,536)	(1,565,205)
Financing activities		
Capital contributions*	<u>1,143,127</u>	<u>362,471</u>
	1,143,127	362,471
Investing activities		
Net change in investments	<u>442,320</u>	<u>(135,015)</u>
NET INCREASE (DECREASE) IN CASH	533,970	(466,525)
Cash, Beginning of year	<u>782,835</u>	<u>1,249,360</u>
CASH, End of year	<u>\$ 1,316,805</u>	<u>\$ 782,835</u>

* Purchase of capital assets in the amount of \$664,372 (2019 - \$789,984) is included in accounts payable and accrued liabilities at year end. Capital contributions of \$316,192 are included in accounts receivable at year end (2019 -\$693,804).

During the year, the Council paid cash for the purchase of capital assets that was unpaid and included in accounts payable and accrued liabilities in the prior year, in the amount of \$789,984 (2019 - \$165,836). 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, 2020

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. IMPACT OF CORONAVIRUS COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the Council implemented the following actions in relation to the COVID-19 pandemic:

- The implementation of working from home requirements for certain employees
- The implementation of shifts for lab staff, to ensure that social distancing could be maintained, and continuing remuneration for staff on stand-by to limit the possibility of exposure to COVID-19
- The addition of daily screening for all staff entering the building

As a result of these actions, the Council experienced an increase in operating costs.

The COVID-19 pandemic has impacted the financial risk of the Council as follows:

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. The Council has updated its allowance for doubtful accounts to include considerations related to COVID-19.

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.

3. 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

These consolidated financial statements include the accounts of the Council and those of its inactive wholly owned subsidiary, Minuvar Ltd.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 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:

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 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(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 \$1,008,173 for the year ended March 31, 2020 (2019 -\$911,877).

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, 2018 and extrapolated to March 31, 2020.

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, 2018 and extrapolated to March 31, 2020.

(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.

4. RISK MANAGEMENT

The Council follows a conservative investment policy (Note 5) 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:

i) 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 \$3,747,269 at March 31, 2020 (2019 - \$3,985,544). The total receivables balance is net of an estimated allowance for doubtful accounts of \$148,967 (2019 - \$104,761).

As of March 31, 2020, \$460,999 (2019 - \$571,770) 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 5.

See note 2 for changes to risk exposure from 2019.

ii) 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, when outstanding, bears interest at a variable rate, which subjects the Council to cash flow risk.

See note 2 for changes to risk exposure from 2019.

iii) 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, 2020 would be limited to these balances:

Financial instruments denominated in USD

	2020	2019
Cash	\$ 117,627	\$ 261,423
Accounts receivable	75,690	69,448
Equity securities (at cost)	257,243	305,949
Accounts payable	(52,059)	(334,514)
	<u>\$ 398,501</u>	<u>\$ 302,306</u>

5. 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	55%
Equity	35%

The objective of the investments is to optimize the quality long-term income and growth with a conservative risk framework. Within the overall objective the portfolio should seek to earn a return equal to the risk-free rate plus inflation over the long run.

Investments in the fair value category	Fair value hierarchy level	2020	2019
Cash and equivalents	Level 1	\$ 1,091,952	\$ 1,038,124
Equity securities	Level 1	2,052,674	2,475,294
Fixed income securities	Level 2	3,290,324	3,651,264
		<u>\$ 6,434,950</u>	<u>\$ 7,164,682</u>

There were no transfers between Level 1 and Level 2 during the year. Fixed income securities have interest rates from 1.8% to 3.1% (2019 – 1.7% to 3.1%) and mature between February 2021 and June 2024.

6. CAPITAL ASSETS

	2020			2019
	Cost	Accumulated amortization	Net book value	Net book value
Land and buildings	\$ 6,337,313	\$ 2,129,992	\$ 4,207,321	\$ 4,219,484
Operating equipment	7,363,877	3,488,804	3,875,073	3,310,022
Business Management Systems	313,156	36,051	277,105	-
Computer equipment	353,436	201,884	151,552	68,436
Vehicle	111,624	58,170	53,454	43,683
Asset under construction	1,212,578	-	1,212,578	786,935
	<u>\$ 15,691,984</u>	<u>\$ 5,914,901</u>	<u>\$ 9,777,083</u>	<u>\$ 8,428,560</u>

7. 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.

	2020	2019
Balance, beginning of year	\$ 2,124,204	\$ 1,478,176
Contributions	449,323	220,487
Contributions receivable	316,192	693,804
Amounts amortized to revenue	<u>(428,955)</u>	<u>(268,263)</u>
Balance, end of year	<u>\$ 2,460,764</u>	<u>\$ 2,124,204</u>

8. 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.

(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:

Discount rate	2.45%	(2019 - 3.95%)
Salary increases	3.50%	(2019 - 3.50%)
Retirement age	Age 60	(2019 - Age 60)
Probability of excess sick leave usage	6.20%	(2019 - 6.20%)

	2020			2019		
	Retirement Allowances	Sick Pay Benefits	Total	Retirement Allowances	Sick Pay Benefits	Total
Accrued benefit obligation, April 1	\$ 1,360,400	\$ 157,700	\$ 1,518,100	\$ 1,291,300	\$ 147,400	\$ 1,438,700
Current service cost	48,300	24,500	72,800	49,300	27,200	76,500
Interest on obligation	52,900	6,200	59,100	48,700	5,600	54,300
Benefit payments	(88,100)	(23,600)	(111,700)	-	(20,300)	(20,300)
Actuarial (gain)/loss	185,200	15,200	200,400	(28,900)	(2,200)	(31,100)
Accrued benefit obligation, March 31	1,558,700	180,000	1,738,700	1,360,400	157,700	1,518,100
Unamortized actuarial loss	(225,700)	(72,300)	(298,000)	(49,800)	(62,500)	(112,300)
Accrued benefit liability at March 31	\$ 1,333,000	\$ 107,700	\$ 1,440,700	\$ 1,310,600	\$ 95,200	\$ 1,405,800

9. INTERNALLY RESTRICTED NET ASSETS

The Council's board of directors has internally restricted resources amounting to \$6,671,045 as at March 31, 2020 (2019 - \$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. There were no transfers back to operating funds as of March 31, 2020 (2019 - nil).

10. EXPENSES BY OBJECT

	2020	2019
Personnel	\$ 11,627,129	\$ 10,286,910
Supplies	2,718,471	2,067,758
Rechargeable	1,276,697	925,882
Office	1,142,691	835,890
Amortization of capital assets	1,083,401	1,048,463
Facilities	1,020,158	1,009,458
Professional fees	497,166	306,789
Quality	155,253	180,709
Other	137,914	64,318
Bad debt	83,967	46,223
Safety	49,140	70,396
Foreign exchange	(4,547)	(193,436)
	<u>\$ 19,787,440</u>	<u>\$ 16,649,360</u>

11. RELATED PARTY TRANSACTIONS

The Council is a Provincial Crown Corporation, established by the 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.

	2020	2019
Revenue from services provided for the year		
Government departments and agencies	\$ 1,537,007	\$ 1,686,797
NB Power and related entities	555,880	444,740
	<u>\$ 2,092,887</u>	<u>\$ 2,131,537</u>
Accounts receivable at 31 March		
Government departments and agencies	\$ 127,354	\$ 167,770
NB Power and related entities	49,446	62,280
	<u>\$ 176,800</u>	<u>\$ 230,050</u>

In 2020 there were no capital projects with approved funding from the Regional Development Corporation (2019 - \$205,202). Such funding is included in deferred capital contributions.

12. LINE OF CREDIT

The Council has a demand operating credit line available in the amount of \$1,000,000 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 \$1,000,000 on the Council's investments. Subsequent to the year-end, the Council signed a new credit facility increasing the limit from \$1,000,000 to \$2,000,000 at the bank's prime lending rate.

13. COMMITMENTS

The Council has entered into rental and service agreements. The minimum annual payments over the next five years are as follows: 2021 - \$222,000; 2022 - \$235,000; 2023; - \$235,000; 2024 - \$72,000; and 2025 - \$73,000.

14. SUBSEQUENT EVENTS

(a) Subsequent events related to COVID-19

Pandemic measures continued to challenge the Council through reduced availability of workforce, reduced availability of lab supplies, increased workplace safety measures impacting productivity and capacity, travel restrictions, and reduced demand for services. The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Council's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic on the Council cannot be determined at this time.

(b) Flood damage

On June 5, 2020 a violent storm caused flash flooding which has resulted in significant damage to basement level labs. Temporary facilities were established elsewhere in the building, displacing training and research areas. The Council is in the process of assessing the damage and associated costs. The associated costs are expected to be fully recovered by insurance and the maximum exposure to the Council is \$100,000 deductible.