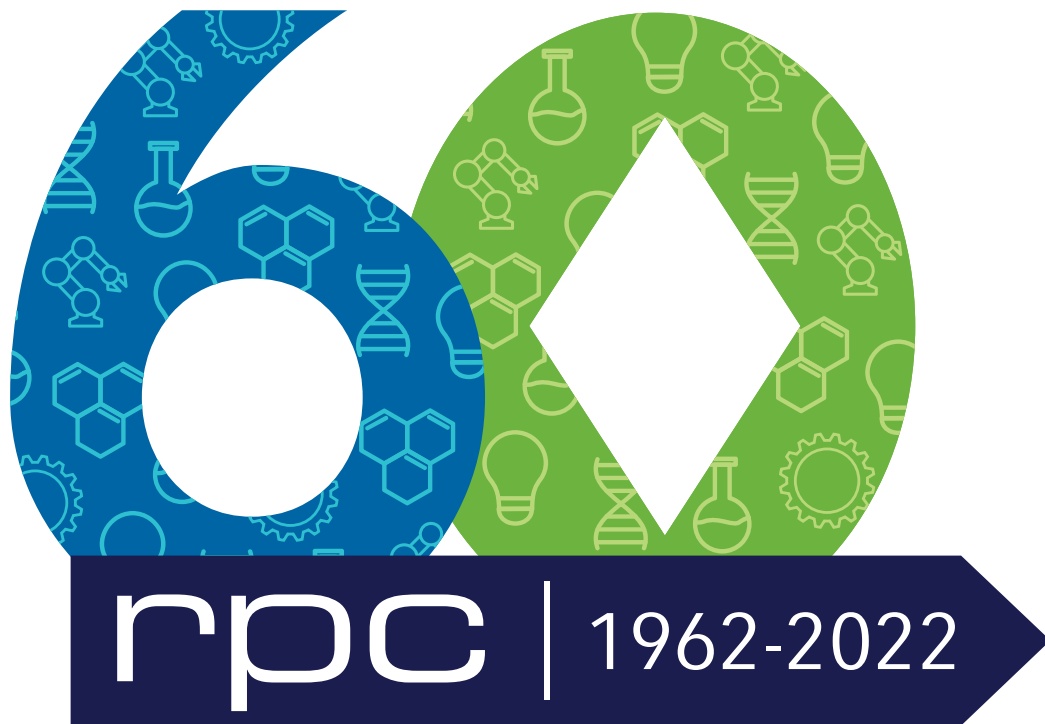


ANNUAL REPORT | 2021-2022



CELEBRATING 60 YEARS

OUR VISION

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

OUR MISSION

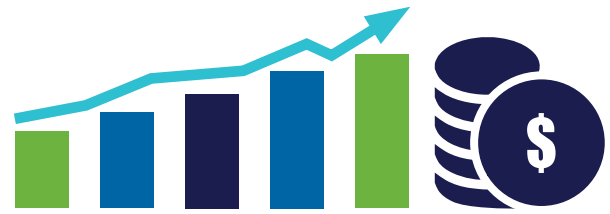
To deliver science and technology solutions for the prosperity of New Brunswick.

OUR VALUES

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

2021-2022 BY THE NUMBERS

\$189 MILLION
ECONOMIC IMPACT



1146
CLIENTS SERVED



\$13 MILLION
INDUSTRY REVENUE



\$7 MILLION
EXPORTED SERVICES



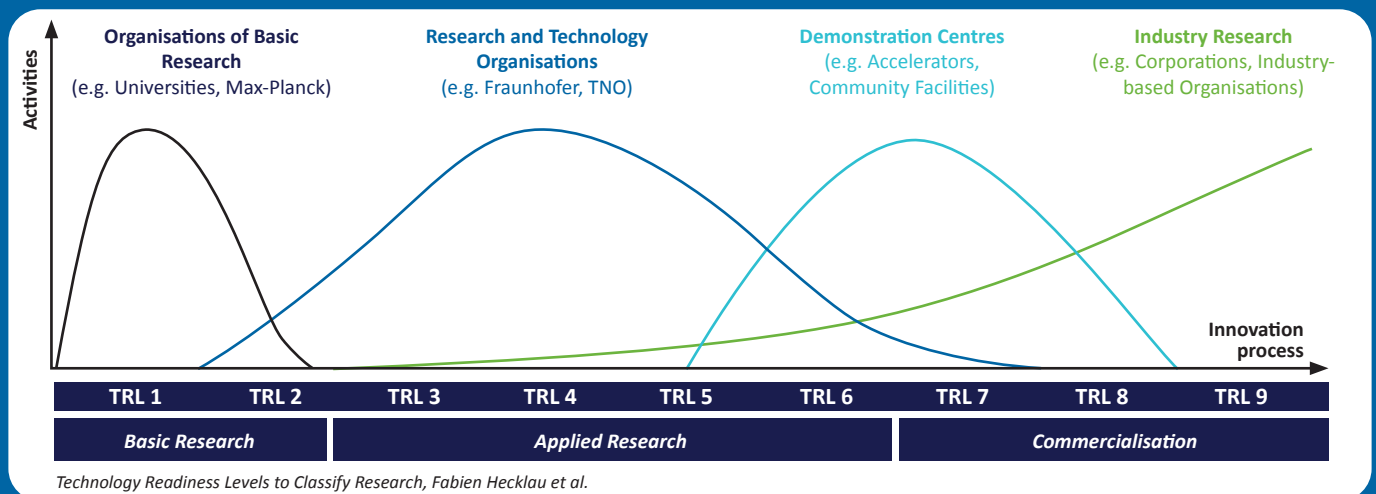
165
HQP EMPLOYED



Note: Economic Impacts Report completed by Laurann Ventures Inc. June 2022

“...RESEARCH AND TECHNOLOGY ORGANIZATIONS (RTOs) PLAY A SIGNIFICANT ROLE FOR NATIONAL INNOVATION SYSTEMS. RTOs ARE DRIVING FORCES OF DIGITAL TRANSFORMATION AND ECONOMIC GROWTH AS THEY INCREASE INNOVATION-RELATED CAPABILITIES IN INDUSTRY AND DEVELOP STATE-OF-THE-ART TECHNOLOGIES.”

FABIAN HECKLAU, FRAUNHOFER INSTITUTE, OCTOBER 2020



2020-2025 STRATEGIC CORPORATE OBJECTIVES

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

Sustainable Growth

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

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

Effective Communications

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

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

Operational Excellence

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

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

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

Corporate Social Responsibility (CSR)

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

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



FROM THE CHAIR AND THE EXECUTIVE DIRECTOR

In the fall of 2020, RPC began its annual planning and budgeting process. It was a time of hope. The worst of the pandemic appeared to be behind us, and the theme of the annual plan was “Recovery”. As we now know, the pandemic saw several more waves, having significant impacts including our first cases of COVID-19 within our workforce. The result was another year of managing through the pandemic challenges.

The pandemic resulted in significant economic impacts to RPC’s business operations and our customer base. In 2022, operational revenue was \$17.7 million, up 1% from 2021, but short of the \$19.2 million target. Total revenue was bolstered by realized gain on sales of investment reserves of \$0.7 million. Expenses were contained to only a 1% increase and near budget at \$19.7 million, despite substantial upward pressure in all areas. The overall result was a loss of \$0.4 million (see *Statement of Operations, pg. 19*). Sales demand from Atlantic Canada increased, while demand from outside the region declined (see *Clients Served by Revenue, pg. 4*).

RPC did not qualify for, or receive any pandemic relief funding. Despite this challenge, we remained fully operational throughout the pandemic, providing essential services to business and all three levels of government. Once again, our workforce demonstrated their agility and loyalty throughout the year, a remarkable commitment which we are enormously proud and appreciative of.

With a second year of suppressed revenues and rising costs, significant effort was exerted to find efficiencies, manage costs and increase revenues. Payroll is by far our most significant expense, and a modest workforce reduction was necessary in March of 2022. These adjustments are included in the 2021-2022 financials.

Despite these challenges, 2021-2022 saw many successes. The RPC Research Team was recognized with the 2021-2022 Merit Award (see *2021-2022 Merit Award, pg. 10*). The team completed a variety of research projects making important contributions to improving operations, developing new services and helping clients create new products and processes. Another success was the release of a first of its kind research paper comparing illicit cannabis to legal cannabis. Substantial differences were identified and the paper attracted local, regional, national and international interest (see *Cannabis: Local impact, Global Recognition, pg. 10*). RPC not only was fully operational throughout COVID, but was able to make contributions to the effort in keeping the public safe. Two examples are COVID test kit assembly and an important study of HEPA filters. These are just a few highlights of the projects we completed in support of 1146 clients during the past year.

CHART 1: REVENUE SOURCES PROFILE

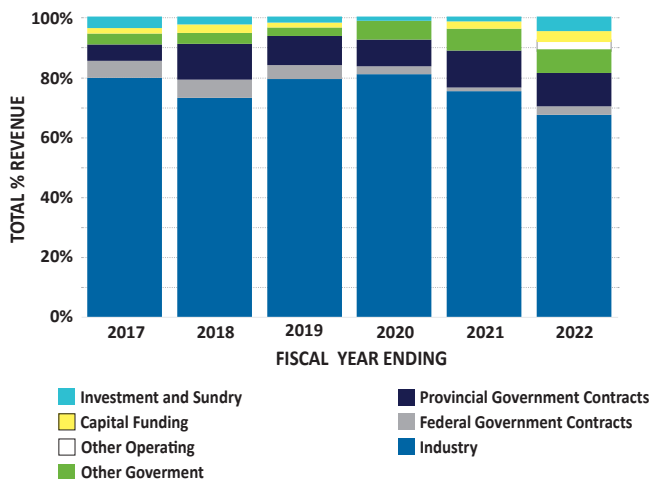


CHART 2: CLIENTS BY LOCATION

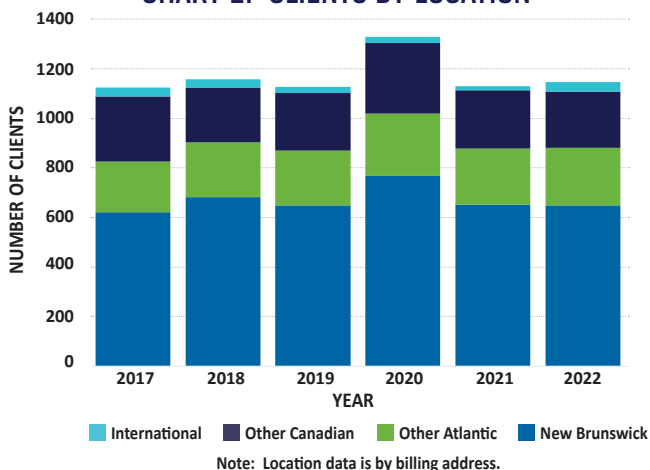
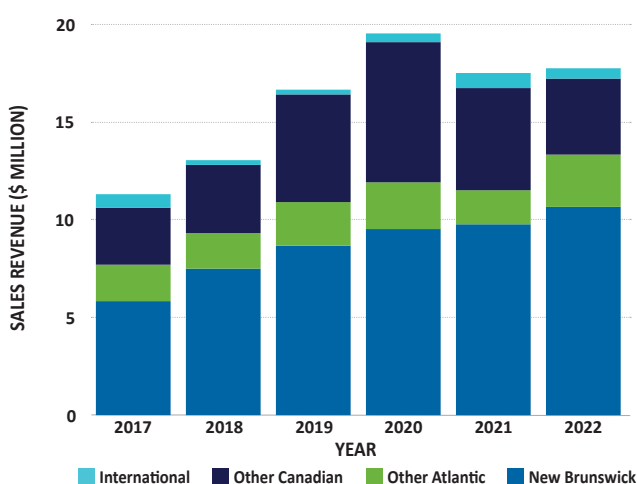


CHART 3: CLIENTS SERVED BY REVENUE



THE OUTLOOK

While the pandemic has not ended, society is beginning to live with COVID-19, allowing for a return to normal business activity. However, conditions are not as they once were. There are supply chain problems, labour shortages, and inflation issues that are challenging businesses, including ours. These challenges make forecasting difficult, which is reflected in the modest outlook in our plan.

With increased ability to be on site with customers to both perform and solicit work, we anticipate client demand will recover and strengthen. Managing expenses will continue to require close attention, as well as managing prices to ensure they reflect escalating costs. We will be launching new services in the coming year which will aid in strengthening revenue. Overall, we anticipate a modest recovery in the coming year.

There will also be a change in leadership in the coming year. In January of 2022, Eric Cook announced his retirement after 18 years of service to RPC (see *A Privilege to Lead*, pg. 12). RPC has a robust succession plan and will continue to thrive while the board completes a national search for RPC's sixth Executive Director.

NOTES OF APPRECIATION

RPC is indebted to a number of supporters and collaborators. We appreciate the Government of New Brunswick's support in promoting local purchasing and their collaboration with RPC (see *Science and Technology Arm of Government*, pg. 6). We are thankful for the program funding from various agencies and groups who share our passion for innovation, in particular market-driven research and development. We are also appreciative of the collaboration with the University of New Brunswick, and the Université de Moncton. We are especially proud of the many New Brunswick graduates that we employ.

RPC's board of directors provide thoughtful leadership, and oversight. These business and community leaders volunteer their time in the interest of supporting innovation and economic development in our province. Thank you for your commitment (see *RPC Board of Directors*, pg. 14).

RPC has a network of suppliers who deliver goods and services that are essential to our operations. We are thankful for their support.

RPC employees continue to excel. They frequently receive commendations from clients, auditors, and others. When challenged, they deliver. They care about each other, their community, and our stakeholders. Their passion and commitment are incomparable and directly linked to RPC's success. We thank them for their service (see *2021-2022 Employee Career Milestones*, pg. 11).

Finally, a special thank you to our clients, all 1146 over the past year. From dairy farmers to nuclear power plant operators, we appreciate your loyalty. We respect that you challenge us and we are proud to contribute to your success.

IN CLOSING

The pandemic once again dominated the past year, delaying the anticipated recovery. Scarcity of labour, inflation and supply chain problems are now challenging all businesses. The positive aspect of these challenges is that they will force change. We recognize the critical role of New Brunswick's research and technology organization in supporting these changes. RPC is helping our economy to adapt and grow by providing innovation and productivity services, precisely the vision when we were created in 1962. We have acted to align expenses with revenues, while remaining well-positioned to grow.

As we celebrate our 60th anniversary in 2022, we recognize that our mandate is more important than ever to the New Brunswick economy. We embrace this challenge and will continue to deliver impact.

Dr. Shelley Rinehart
Chairperson

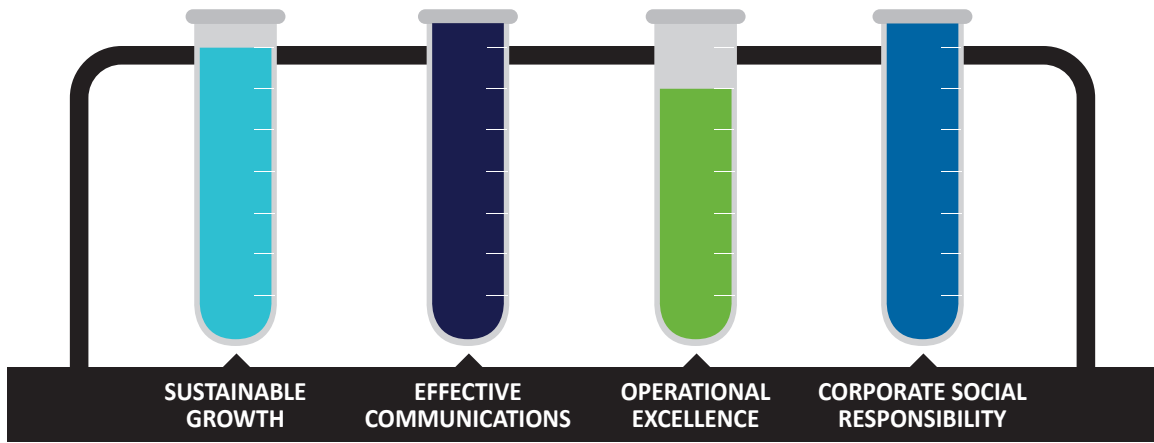
Eric Cook, P.Eng., MBA
Executive Director/CEO

“ACROSS ALL INDUSTRIES, BUSINESSES ARE ONCE AGAIN BECOMING CONCERNED ABOUT THE IMPACT OF COVID-RELATED ABSENCES ON SUPPLY CHAIN ISSUES AND LABOUR SHORTAGES.”

- TORONTO STAR, APRIL 6, 2022

ANNUAL PLAN GOALS 2021 – 2022

RPC's Annual Plan for 2021-2022 is a subsidiary document to the Strategic Plan 2020-2025. The Annual Plan cross-references the strategic corporate objectives and is approved by the board of directors. Progress is summarized below.



2021-2022 ANNUAL PLAN CORPORATE OBJECTIVES

1. Sustainable Growth

KPI: Grow revenue to \$20.0 million

Result: As a result of the ongoing pandemic, operating revenue grew to \$17.7 million, short of the target. Revenue from regional sources strengthened, while there were declines in national and international revenues.

Other growth initiatives included substantial investment in new services and new methods, including the successful completion of RPC's largest ever scope of accreditation increase.



SCIENCE AND TECHNOLOGY ARM OF GOVERNMENT

When the Louis J. Robichaud government created New Brunswick's research and technology organization in 1962, the vision was for RPC to be "the science and technology arm of government". Over the years, RPC's relationship with government has varied. There has been significant activity during times of crisis, such as the spruce bud worm and ISAV outbreaks, or during times of significant investment, such as the Point Lepreau Nuclear Generating Station and LNG Terminal construction. Through the 1990s and 2000s, there was a period of duplication and a less collaborative relationship leading to a decline of sales revenue from a high of \$1.5 million in 1985 to lows of under \$300,000 annually.

As indicated in the following chart, there has been a dramatic improvement in this activity since 2017. The Strategic Program Review saw a reduction in duplication of our services and the New Brunswick First Procurement Strategy has helped strengthen revenue to surpass the \$2 million mark. There is a productive relationship with government departments, and we are proud to once again be the science and technology arm of government.

2. Effective Communications

KPI: Serve 1150 Clients

Result: RPC effectively met this target, serving 1146 clients in 2021-2022.

Other communication initiatives included the development of a social media strategy. Several campaigns utilizing this strategy were trialed over the past year with mixed success. RPC now has over 1700 LinkedIn followers and over 550 Twitter followers. Our most successful Twitter effort was a tweet on our cannabis research paper that resulted in over 20,000 impressions.

Our internal communication efforts continued with monthly town hall meetings and heavy use of our communications screens which allow for messaging throughout all three of our sites.

Communications will continue to require a sustained effort.

3. Operational Excellence

KPI: Breakeven Performance

Result: RPC fell short of this target with a \$0.388 million loss.

The anticipated economic recovery did not occur, and in fact the pandemic had its most significant impacts to date. Dramatic cost pressures challenged the organization while revenues were suppressed. Significant efforts helped to minimize loss and position us for eventual economic recovery.

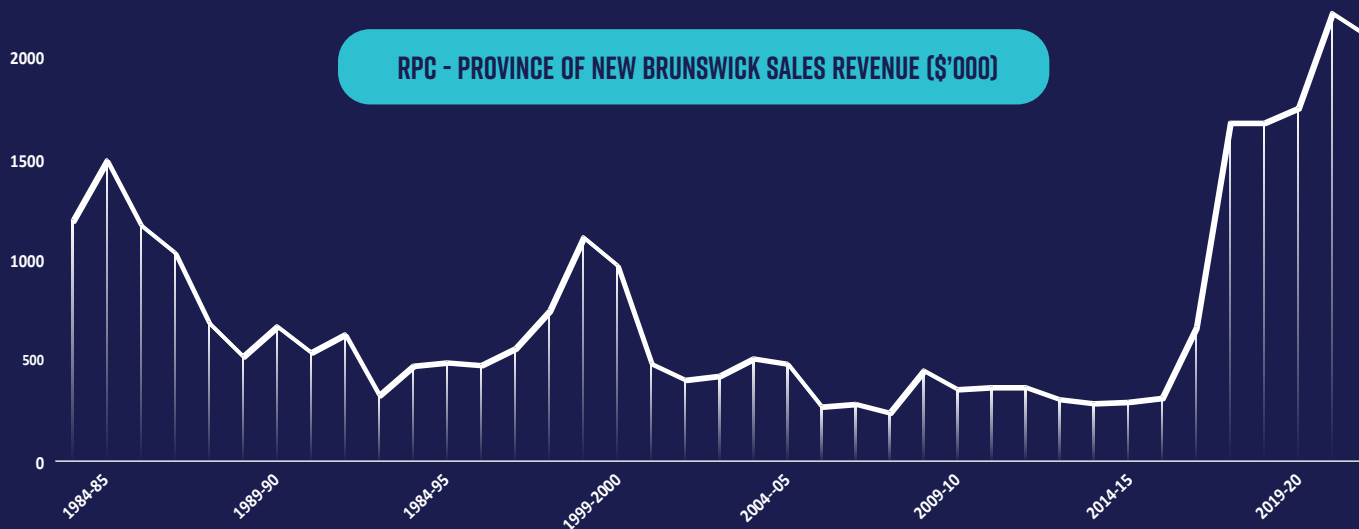
Other operational successes included significant progress with our 5S initiatives, reopening of our rebuilt basement labs, launch of two modules of our new Laboratory Information Management System, successful quality audits including expansion of our scope of accreditation, and onboarding of key leadership personnel.

4. Corporate Social Responsibility

KPI: Meet Assigned United Way Goal

Result: Fully achieved.

Other CSR efforts included sustained recycling efforts, and energy efficiency improvements. We also researched ESG best practices and will be developing a detailed plan.



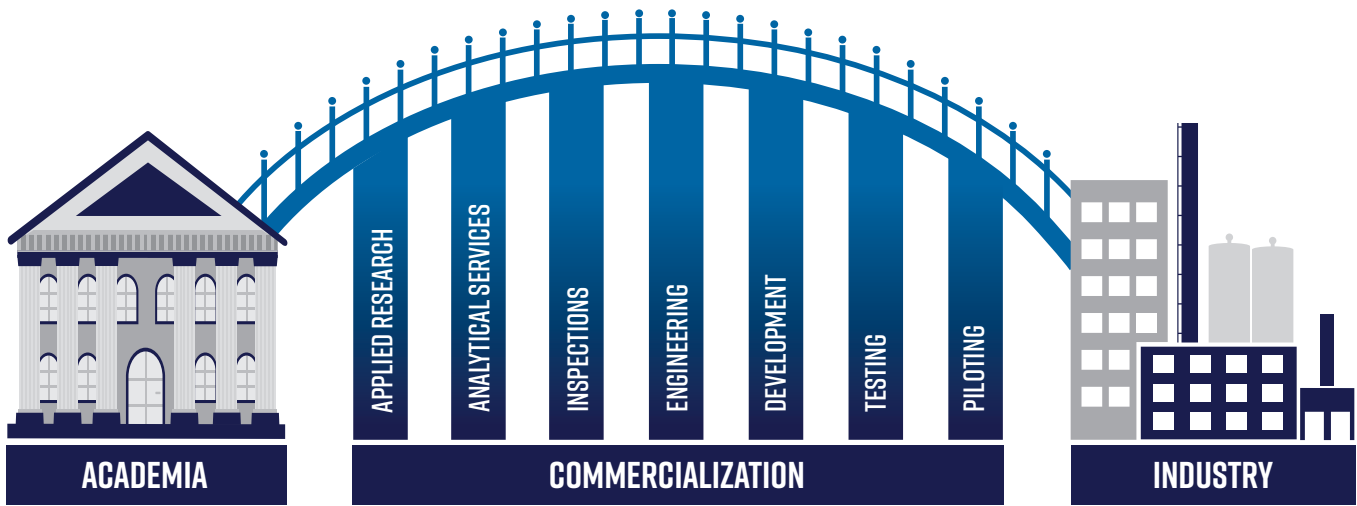
CELEBRATING 60 YEARS AS NEW BRUNSWICK'S RESEARCH AND TECHNOLOGY ORGANIZATION

On April 13, 2022, RPC recognized its diamond anniversary as New Brunswick's research and technology organization (RTO). RTOs are primarily focused on developing and deploying practical technologies that address commercial marketplace problems or opportunities. Most, including RPC, have a public good aspect such as being not for profit. A simplified view is that RTOs help turn ideas and inventions into innovation.

RTOs have a significant opportunity to improve innovation performance. Much of Canada's research investments have been targeted at basic or fundamental research, and there are substantial outputs of highly qualified people, knowledge, discoveries and patents to show for it. However, policy makers continue to hope for more innovation. For inventions to become innovation, there must be social or economic value created.

RTOs help the innovation process in two ways. First, our applied research, design, test and piloting capabilities can help industrialize ideas and inventions to make them market-ready. The second, and more substantial innovation channel, is that RTOs specialize in market-driven research. RTOs start with a customer who has a problem or application, greatly increasing the probability of economic impact.

As we emerge from the pandemic and face inflation, labour shortages and other challenges, effective innovation is more important than ever to our economy.



BRIDGING THE INNOVATION GAP



RPC: SUPPORTING NEW BRUNSWICK'S PRIORITY SECTORS

OCEANS

- Global leadership in fish health
- Aquaculture engineering innovation
- Research including eDNA, omics
- Sediment analysis
- Pesticide analysis
- Fish feed research and analysis
- Trace metals analysis supporting harbour clean-ups, monitoring, and fish oil
- Disease trials

FORESTRY

- Genomics research supporting future forests
- Advanced manufacturing support of tree embryo innovation
- Environmental analysis including herbicides and pesticides
- Past leadership in spruce budworm spray technology

AGRITECH

- National leader in cannabis analyses & technical support
- New product and process innovation
- Process design, support and optimization including cleantech
- Environmental analysis including food safety, pesticides

CYBER SECURITY

- Proud to be an early adopter of local success Beauceron Security

DIGITAL HEALTH

- Current research with medical cannabis, and psychedelics
- Future research with sensors, remote applications, AI, big data



ADVANCED MANUFACTURING

- Technology adoption assessments
- Plant simulation
- Automated work cell design, testing and implementation
- Process design, testing, optimization and implementation

CLEAN, GREEN ENERGY

- Rich nuclear experience with CANDU reactors, product development inspections
- Inspection support for hydro energy
- Co-founder of Centre for Nuclear Energy Research (CNER with UNB)
- Material selection & metallurgical support
- Process engineering for recycling, energy from waste, composting, renewable energy

RPC EMPLOYEES

2021-2022 RPC MERIT AWARD

RPC'S RESEARCH TEAM, MAKING AN IMPACT

The 2021-2022 RPC Merit Award was presented to our research team for making an impact with both internal and external clients.

The team completed numerous projects including the development of new LC-MS/MS methods for cannabinoids, new terpene methods, transitioning cannabis smoke testing to a service line, obtaining a psychedelics license from Health Canada, supporting the advancement of our Cannabis Passport, completing world-class research projects for a pharmaceutical client, and completing a high-profile HEPA filter study. Each of these projects were examples of exceptional work and collectively represent a remarkable portfolio of successes that directly contributed to both client and RPC impacts.



2021-2022 Merit Award Team Members
(Left to right) Barbora Balonova, Andrien Rackov, and Sarah Walker

CANNABIS: LOCAL IMPACT, GLOBAL RECOGNITION

RPC has tested hemp since the 1990s and was a first mover for provision of commercial analytical services when cannabis was legalized. We remain one of the most comprehensive and respected labs in Canada.

In September 2021, RPC released a study comparing the analysis of illicit and legal cannabis samples. The study, one of the first of its kind, introduces facts and data in what has been a sea of speculation. In brief, the claims made by the illicit product were not substantiated by analyses. There were also contaminants and packing issues with the illicit product. The full study is available by scanning the QR code below.

The study attracted local, national and international media attention illustrating once again that New Brunswick is capable of world class research.



2021-2022 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.

SERVICE AWARD RECIPIENTS

5 Years

Alyson Atwood
Lindsey Boone
Breannah Collins
Tammy Craft
Joel English
Shelley Janes
Jill Letourneau
Caroline St. Pierre
Katie Theriault

10 Years

Diane Botelho
April Boudreau
Melanie Dargavel
Nadine Godin
Jennifer Randall

15 Years

Corrie Maston
Ryan Tarr

20 Years

Brannen Burhoe
Steven Davenport
Jill Hay
Nikki Layton

25 Years

Peter Crowhurst
Melanie Lalonde

30 Years

Leo Cheung
Brenda Gould
Kent Walsh

35 Years

Cathy Jensen

40 Years

Sandi Walker



Long-Time Service Award Recipients
Sandi Walker (left) - 40 Year Recipient
Cathy Jensen (right) - 35 Year Recipient

RPC SENIOR MANAGEMENT TEAM (AS OF JUNE 1, 2022)

Executive Team

Eric Cook, Executive Director/CEO
Dr. Diane Botelho, Chief Science Officer
Steve Holmes, Chief Operating Officer
Shelley Janes, Director of Human Resources
Lise Morin, Executive Assistant
Shawn Wood, Director of Finance and Administration

Directors

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

A PRIVILEGE TO LEAD



This is the 18th, and last, RPC annual report that I will be preparing. When I joined RPC in 2004, I knew it was a special place with an important mandate. However, I underestimated just how special it was. We have unique, leading-edge facilities, equipment, instruments, accreditations, and processes. However, it is the people that make RPC truly remarkable.

I am proud to have led a team that saw revenue more than double from \$7 million to \$19 million, a workforce grow from 90 to 165, and customer base increase by more than 50%. We invested \$20 million in capital and prospered despite becoming the only RTO in Canada to not have an operating grant. RPC's economic impact since 2004 was over \$2 billion. I am most proud of what is behind these numbers. We have built a talented team of professionals that are committed to quality, safety and customer service. We are a process-driven organization committed to science and technology excellence. For these reasons, the measures and metrics will continue to be impressive.

It was a privilege for me to have the opportunity to build on prior successes and lead RPC through its 50th and 60th anniversaries. We are well positioned to continue our growth. I am confident that the best is yet to come. I wish my successor and the team the very best in their continued pursuit of excellence.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eric Cook'.

Eric Cook, P.Eng, ICD.D

GOVERNANCE

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

RPC reports to the Government of New Brunswick through the Minister Responsible for RPC, Minister Arlene Dunn. RPC received a mandate letter from Minister Dunn in January of 2022. The mandate letter content complements our Strategic Plan 2020-2025 and was considered for our 2022-2023 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 Council 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 approved by the Office of the Auditor General, reviewed by the Audit and Risk Management 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 entity, as the case may be, is accountable for the preparation of the annual report and for achieving the specific goals and objectives of the report. In RPC's case, the Chair, working with the Executive Director, Audit and Risk Management Committee and Minister Responsible for RPC, is accountable for the preparation of the annual report.

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

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

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

1. There are no outstanding Auditor General recommendations made specifically to RPC.
2. In October of 2021, the Auditor General released Volume 1. Chapter 4 discusses government oversight of crown agencies. Relevant observations made to the Executive Council Office (ECO) included:
 - 2.1. RPC did not receive a mandate letter.
 - 2.2. Status: This was a timing issue as RPC transitioned to a Part IV crown corporation. We have worked with ECO, have a designated Minister responsible for RPC, and receive mandate letters. Mandate items are incorporated in our annual plan which are reported on regularly. All materials are posted on our web site under the governance section.
3. In February of 2022, the Auditor General released Volume II of their Performance Audit which included a review of the salary and benefits practices of crown corporations. The report recommended that Executive Council provide crown corporations with expectations related to salary and benefits.

Status: RPC will review these expectations/guidelines when received.

RPC BOARD OF DIRECTORS (AS OF JUNE 1, 2022)



Dr. Shelley Rinehart

Chairperson, All Committees
Director MBA Program and Full Professor Faculty of Business, UNB Saint John



Annette Comeau

Governance and Nominations Committee (Chair), Bylaws Committee (Chair)
CEO, LearnSphere



Janet Gagnon

HR & Compensation Committee (Chair), Governance and Nominations Committee, Bylaws Committee
(Retired) Vice President, ACOA New Brunswick



Dr. Levi Hargrove

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



Jeff Jennings

Audit and Risk Management Committee (Chair)
Owner, Strategic Directions Consulting Inc.



Cathy LaRochelle

Audit and Risk Management Committee
Deputy Minister, NB Dept. of Agriculture, Aquaculture and Fisheries



Tom MacFarlane

Deputy Minister, NB Dept. of Natural Resources and Energy Development



Bernard Morin

President, Thermopak



Irene McCardle, CPA, CMA, CFP

Irene McCardle Accounting



Sadie Perron

CEO, Opportunities New Brunswick
Deputy Minister, NB Dept. of Economic Development & Small Business



David Rogers

Director of Operations Support
Cavendish Farms, Moncton



Meaghan Seagrave

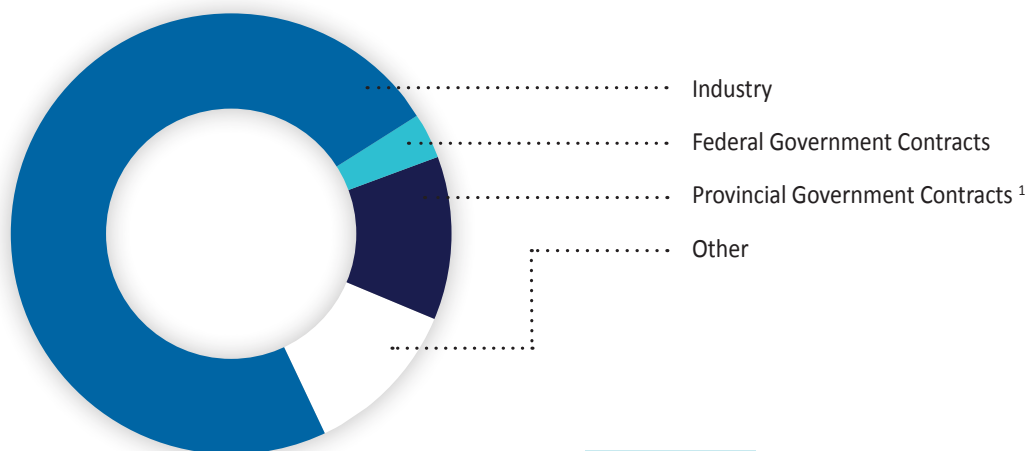
HR & Compensation Committee
Executive Director, BioNB / CEO, NB Health Research Foundation

Lise Morin - Corporate Secretary (non-voting)

Shawn Wood - Treasurer (non-voting)

REVENUE HIGHLIGHTS (AMOUNTS IN THOUSANDS)

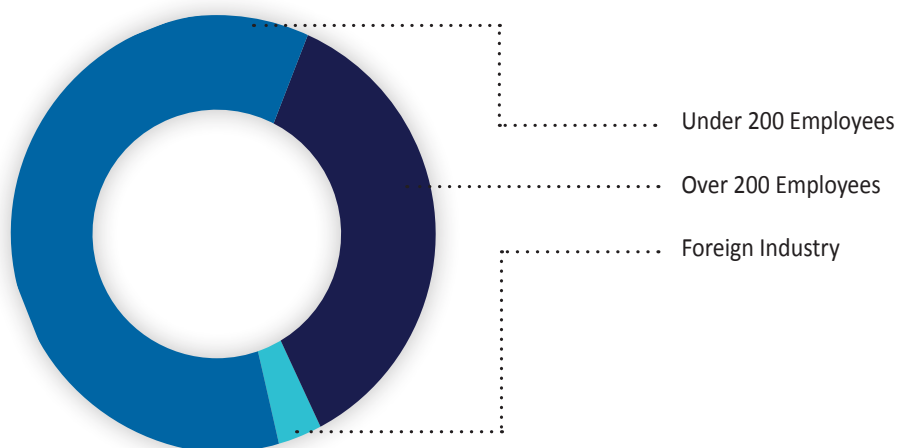
SOURCES OF REVENUE



| | 2021-2022 | 2020-2021 |
|--|------------------|------------------|
| Industry | \$ 12,971 | \$ 13,660 |
| Federal Government Contracts | 583 | 233 |
| Provincial Government Contracts ¹ | 2,123 | 2,234 |
| Capital Grants | - | 439 |
| Other | 2,017 | 1,621 |
| Total | \$ 17,694 | \$ 18,187 |

¹ Excludes provincial crown corporations such as NB Power.

DISTRIBUTION OF INDUSTRIAL REVENUE



| | 2021-2022 | 2020-2021 |
|---------------------|------------------|------------------|
| Under 200 Employees | \$ 7,711 | \$ 10,269 |
| Over 200 Employees | 4,841 | 2,262 |
| Foreign Industry | 419 | 742 |
| Other | - | 386 |
| Total | \$ 12,971 | \$ 13,659 |



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

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the statement of financial position as at March 31, 2022
- 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, 2022, 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

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

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

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

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

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

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Fredericton, Canada

June 29, 2022

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31

(IN THOUSANDS)

| | 2022 | 2021 |
|--|------------------|------------------|
| ASSETS | | |
| Current assets | | |
| Accounts receivable | \$ 3,389 | \$ 2,764 |
| Work in progress | 208 | 114 |
| Prepaid expenses | 311 | 362 |
| | <u>3,908</u> | <u>3,240</u> |
| Investments (Note 4) | 4,607 | 6,508 |
| Capital assets, net (Note 5) | 12,001 | 11,675 |
| | <u>\$ 20,516</u> | <u>\$ 21,423</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Bank indebtedness (Note 6) | \$ 1 | \$ 779 |
| Accounts payable and accrued liabilities | 1,643 | 2,205 |
| Deferred revenue | 684 | 439 |
| Demand loan (Note 6) | 315 | - |
| | <u>2,643</u> | <u>3,423</u> |
| Deferred capital contributions (Note 7) | 3,157 | 2,787 |
| Employee future benefits (Note 8) | 1,541 | 1,417 |
| | <u>7,341</u> | <u>7,627</u> |
| NET ASSETS | | |
| Unrestricted (deficit) | \$ 801 | \$ (1,012) |
| Internally restricted (Note 9) | 3,845 | 5,920 |
| Invested in capital assets | 8,529 | 8,888 |
| | <u>13,175</u> | <u>13,796</u> |
| | <u>\$ 20,516</u> | <u>\$ 21,423</u> |

Commitments (Note 10)

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)

| | 2022 Budget | 2022 Actual | 2021 Actual |
|--|--------------------|------------------------|--------------------------|
| REVENUES | | | |
| Operations | \$ 19,170 | \$ 17,694 | \$ 17,466 |
| Amortization of deferred capital contributions | 430 | 482 | 439 |
| Investment | 150 | 800 | 154 |
| Government assistance (note 7) | - | 199 | - |
| Sundry | 50 | 142 | 128 |
| | <u>\$ 19,800</u> | <u>\$ 19,317</u> | <u>\$ 18,187</u> |
| EXPENSES (Note 11) | | | |
| Operations | \$ 12,446 | \$ 12,850 | \$ 13,133 |
| Administration | 5,943 | 5,426 | 5,096 |
| Amortization of capital assets | 1,407 | 1,404 | 1,203 |
| Bad debts | - | 13 | 25 |
| Foreign exchange | - | 12 | 32 |
| | <u>19,796</u> | <u>19,705</u> | <u>19,489</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | <u>\$ 4</u> | <u>\$ (388)</u> | <u>\$ (1,302)</u> |

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

| | 2022 | 2021 |
|---|------------------------|------------------------|
| ACCUMULATED REMEASUREMENT GAINS, Beginning of year | \$ 1,565 | \$ 925 |
| Unrealized gains (losses) attributable to: | | |
| Investments | 433 | 620 |
| Foreign exchange | (16) | (3) |
| Amounts reclassified to the statement of operations: | | |
| Realized gains during the year | (662) | (9) |
| Foreign exchange losses | 12 | 32 |
| Change in accumulated remeasurement gains (losses) | (233) | 640 |
| ACCUMULATED REMEASUREMENT GAINS, End of year | <u>\$ 1,332</u> | <u>\$ 1,565</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 (Deficit) | Internally Restricted | Invested in Capital Assets | 2022 | 2021 |
|--|---------------------------|--------------------------|-------------------------------|------------------|------------------|
| Balance, beginning of year | \$ (1,012) | \$ 5,920 | \$ 8,888 | \$ 13,796 | \$ 14,458 |
| Excess (deficiency) of revenues over expenses | (388) | | | (388) | (1,302) |
| Change in accumulated remeasurement gains (losses) | (233) | | | (233) | 640 |
| Purchase of capital assets | (1,736) | | 1,736 | - | - |
| Proceeds on disposal of capital assets | 65 | | (65) | - | - |
| Capital assets funded by capital contributions | 852 | | (852) | - | - |
| Gain on disposal of capital assets | (59) | | 59 | - | - |
| Proceeds from demand loan | 350 | | (350) | - | - |
| Repayment of demand loan | (35) | | 35 | - | - |
| Amortization of capital assets | 1,404 | | (1,404) | - | - |
| Amortization of deferred capital contributions | (482) | | 482 | - | - |
| Transfers | 2,075 | (2,075) | | - | - |
| BALANCE, end of year | \$ 801 | \$ 3,845 | \$ 8,529 | \$ 13,175 | \$ 13,796 |

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

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

| | 2022 | 2021 |
|--|----------------------|------------------------|
| Cash provided by (used for): | | |
| Operating activities | | |
| Excess (deficiency) of revenues over expenses | \$ (388) | \$ (1,302) |
| Items not involving cash: | | |
| Gain on disposal of capital assets | (59) | (57) |
| Realized gains on investments | (662) | (9) |
| Amortization of capital assets | 1,404 | 1,203 |
| Amortization of deferred capital contributions | (482) | (439) |
| Net accrual of employee future benefits | 124 | (23) |
| Net changes in non-cash working capital | <u>(225)</u> | <u>623</u> |
| | <u>(288)</u> | <u>(4)</u> |
| Capital activities | | |
| Purchase of capital assets* | (1,906) | (3,605) |
| Proceeds on disposal of capital assets* | <u>65</u> | <u>67</u> |
| | <u>(1,841)</u> | <u>(3,538)</u> |
| Financing activities | | |
| Proceeds from demand loan | 350 | - |
| Repayment of demand loan | (35) | - |
| Capital contributions | <u>262</u> | <u>867</u> |
| | <u>577</u> | <u>867</u> |
| Investing activities | | |
| Purchase of investments | (2) | (150) |
| Proceeds on disposal of investments | <u>2,332</u> | <u>729</u> |
| | <u>2,330</u> | <u>579</u> |
| Net increase (decrease) in cash | 778 | (2,096) |
| Bank indebtedness, beginning of year | <u>(779)</u> | <u>1,317</u> |
| Bank indebtedness, end of year | <u>\$ (1)</u> | <u>\$ (779)</u> |
| Supplemental information: | | |
| Interest paid | <u>\$ 22</u> | <u>\$ 5</u> |

* Purchase of capital assets in the amount of \$Nil (2021 - \$170) is included in accounts payable and accrued liabilities at year end. Capital contributions of \$805 (2021 - \$215) are included in accounts receivable at year end.

During the year the Council paid cash for the purchase of capital assets that was included in accounts payable and accrued liabilities in the prior year of \$170 (2021 - \$664). These payments are reflected in the current year's purchase of capital assets above.

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

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

(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 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 |
| Leasehold improvements | 15 years |
| Operating equipment | 8 years |
| Business management systems | 8 years |
| Computer equipment | 4 years |
| Vehicles | 4 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

(AMOUNTS IN THOUSANDS)

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. 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 \$1,158 for the year ended March 31, 2022 (2021 - \$1,102).

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, 2021. An extrapolation of the liability was performed as of March 31, 2022.

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, 2021. An extrapolation of the liability was performed as of March 31, 2022.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

(AMOUNTS IN THOUSANDS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(h) Measurement uncertainty

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; 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 financial statements and are reviewed annually to reflect new information. Actual results could differ from these estimates.

3. 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 \$3,389 at March 31, 2022 (2021 - \$2,764). The total receivables balance is net of an estimated allowance for doubtful accounts of \$63 (2021 - \$50).

As of March 31, 2022, \$622 (2021 - \$736) 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>2022</u> | <u>2021</u> |
|---------------|---------------|---------------|
| Up to 30 days | \$ 406 | \$ 243 |
| Up to 60 days | 138 | 345 |
| Up to 90 days | <u>78</u> | <u>148</u> |
| Total | <u>\$ 622</u> | <u>\$ 736</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 the eligible investments, including a required credit rating of A or higher for bond issuers. The maximum exposure to investment credit risk is outlined in Note 4.

b) Market risk

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

The Council follows a conservative investment policy in order 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 make adjustments to investment strategies as required to reduce the risk on the Council's operations and financial position.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

(AMOUNTS IN THOUSANDS)

3. RISK MANAGEMENT - CONTINUED

c) Interest rate risk

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

The line of credit and demand loan bear interest at variable rates, which subjects the Council to cash flow risk.

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, 2022 would be limited to these balances:

| | <u>2022</u> | <u>2021</u> |
|--|---------------|---------------|
| Cash | \$ 79 | \$ 106 |
| Accounts receivable | 185 | 158 |
| Investments | 638 | 759 |
| Accounts payable and accrued liabilities | <u>(19)</u> | <u>(66)</u> |
| | <u>\$ 883</u> | <u>\$ 957</u> |

4. INVESTMENTS

| Investments in the fair value category | Fair value hierarchy level | <u>2022</u> | <u>2021</u> |
|--|----------------------------|-----------------|-----------------|
| Cash and equivalents | Level 1 | \$ - | \$ 543 |
| Equity securities | Level 1 | 2,413 | 3,146 |
| Fixed income securities | Level 2 | <u>2,194</u> | <u>2,819</u> |
| | | <u>\$ 4,607</u> | <u>\$ 6,508</u> |

There were no transfers between Level 1 and Level 2 during the year. Fixed income securities have interest rates between 1.1% to 3.1% (2021 – 1.1% to 3.1%) and mature between April 2022 and March 2026.

5. CAPITAL ASSETS

| | <u>2022</u> | | | <u>2021</u> |
|-----------------------------|------------------|-----------------------------|------------------|------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land and buildings | \$ 7,375 | \$ 2,496 | \$ 4,879 | \$ 4,093 |
| Operating equipment | 10,413 | 5,410 | 5,003 | 4,410 |
| Business management systems | 334 | 120 | 214 | 256 |
| Computer equipment | 477 | 346 | 131 | 144 |
| Vehicle | 112 | 104 | 8 | 31 |
| Leasehold improvements | 318 | 39 | 279 | 300 |
| Asset under construction | <u>1,487</u> | <u>-</u> | <u>1,487</u> | <u>2,441</u> |
| | <u>\$ 20,516</u> | <u>\$ 8,515</u> | <u>\$ 12,001</u> | <u>\$ 11,675</u> |

Assets under construction are not subject to amortization until the items in question are production ready and available for use. Included in land and buildings is land transferred from the Province of New Brunswick recorded at a nominal value.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

(AMOUNTS IN THOUSANDS)

6. 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.

7. GOVERNMENT ASSISTANCE AND DEFERRED CAPITAL CONTRIBUTIONS

(a) Government assistance

During the year the Council received government assistance of \$109 (2021 – \$Nil) and \$90 (2021 – \$Nil) related to specific items expensed during the year from the Atlantic Canadian Opportunities Agency ("ACOA") and Regional Development Corporation, Province of New Brunswick ("RDC"), respectively. Included in accounts receivable is \$199 (2021 – \$Nil) relating to government assistance.

(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>2022</u> | <u>2021</u> |
|--------------------------------|-----------------|-----------------|
| Balance, beginning of the year | \$ 2,787 | \$ 2,461 |
| Contributions | 47 | 550 |
| Contributions, receivable | 805 | 215 |
| Amounts amortized to revenue | <u>(482)</u> | <u>(439)</u> |
| Balance, end of year | <u>\$ 3,157</u> | <u>\$ 2,787</u> |

Capital contributions of \$145 (2021 - \$765) were received or receivable during the year from ACOA related to assistance in acquiring operating equipment and information technology infrastructure. Capital contributions of \$707 (2021 – \$Nil) were received or receivable during the year from RDC related to laboratory refurbishments and specific operating equipment.

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 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 | 2.70% (2021- 2.45%) |
| Salary increases | 3.50% (2021 – 3.50%) |
| Retirement age | age 60 (2021 – age 60) |
| Probability of excess sick usage | 7% (2021 – 7%) |

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

(AMOUNTS IN THOUSANDS)

8. EMPLOYEE FUTURE BENEFITS - CONTINUED

| | 2022 | | | 2021 | | |
|---|-----------------------|-------------------|----------|-----------------------|-------------------|----------|
| | Retirement Allowances | Sick Pay Benefits | Total | Retirement Allowances | Sick Pay Benefits | Total |
| Accrued benefit obligations, April 1 | \$ 1,540 | \$ 229 | \$ 1,769 | \$ 1,559 | \$ 180 | \$ 1,739 |
| Current service cost | 57 | 53 | 110 | 57 | 27 | 84 |
| Interest on obligations | 38 | 6 | 44 | 37 | 4 | 41 |
| Benefit payments | (30) | (33) | (63) | (108) | (68) | (176) |
| Actuarial (gain) loss | (33) | (4) | (37) | (5) | 86 | 81 |
| Accrued benefit obligations, March 31 | 1,572 | 251 | 1,823 | 1,540 | 229 | 1,769 |
| Unamortized actuarial loss | (146) | (136) | (282) | (200) | (152) | (352) |
| Accrued benefit obligations at March 31 | \$ 1,426 | \$ 115 | \$ 1,541 | \$ 1,340 | \$ 77 | \$ 1,417 |

9. INTERNALLY RESTRICTED NET ASSETS

The Council's board of directors has internally restricted resources amounting to \$3,845 as at March 31, 2022 (2021 - \$5,920). 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 transfers of \$2,075 to unrestricted net assets (2021 - \$750).

10. COMMITMENTS

The Council has entered into rental and service agreements. The minimum annual payments over the next five years are as follows: 2023 - \$418; 2024 - \$180; 2025 - \$121; 2026 - \$77; and 2027 - \$77.

11. EXPENSES

Expenses by object are as follows:

| | 2022 Budget | 2022 Actual | 2021 Actual |
|--------------------------------|----------------|----------------|----------------|
| Personnel | \$ 11,670 | \$ 12,332 | \$ 12,002 |
| Supplies | 3,229 | 2,774 | 2,844 |
| Amortization of capital assets | 1,407 | 1,404 | 1,203 |
| Facilities | 979 | 1,030 | 941 |
| Subcontractors | 696 | 474 | 775 |
| Office | 457 | 392 | 436 |
| Shipping and freight | 319 | 353 | 267 |
| Insurance | 195 | 203 | 278 |
| Quality | 165 | 173 | 127 |
| Safety | 142 | 167 | 142 |
| Professional fees | 145 | 152 | 170 |
| Other | 306 | 89 | 172 |
| Rechargeable | 33 | 72 | 34 |
| Interest and bank charges | 53 | 65 | 41 |
| Bad debts | - | 13 | 25 |
| Foreign exchange | - | 12 | 32 |
| | \$ 19,796 | \$ 19,705 | \$ 19,489 |

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

(AMOUNTS IN THOUSANDS)

12. RELATED PARTY TRANSACTIONS

The Council is a Provincial Crown Corporation, established by the Province of New Brunswick ("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>2022</u> | <u>2021</u> |
|--|-----------------|-----------------|
| Revenue from services provided for the year: | | |
| Government departments and other crown agencies | \$ 1,423 | \$ 1,568 |
| New Brunswick Power Corporation | 382 | 649 |
| Opportunities New Brunswick | 150 | 17 |
| | <u>\$ 1,955</u> | <u>\$ 2,234</u> |
| | | |
| Amortization of deferred capital contributions related to capital contributions from RDC | <u>\$ 145</u> | <u>\$ 130</u> |
| | | |
| Accounts receivable: | | |
| Government departments and other crown agencies | \$ 967 | \$ 158 |
| New Brunswick Power Corporation | 50 | 85 |
| Opportunities New Brunswick | 35 | - |
| | <u>\$ 1,052</u> | <u>\$ 243</u> |

13. COMPARATIVE FIGURES

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