

**Sylvia Fedoruk Canadian
Centre for Nuclear
Innovation Inc.**

Financial Statements
March 31, 2019



Independent auditor's report

To the Member of Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc. (the Corporation) as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Corporation's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of operations and unrestricted net assets for the year then ended;
- the schedule of expenditures for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

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

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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 accounting standards for not-for-profit organizations, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation 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.

We 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Saskatoon, Saskatchewan
June 12, 2019

Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc.

Statement of Financial Position

As at March 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash held by University of Saskatchewan (note 8)	6,283,211	10,984,901
Accounts receivable (note 8)	2,179,543	1,108,807
	<u>8,462,754</u>	<u>12,093,708</u>
Cash held by University of Saskatchewan (note 3)	75,000	50,000
Tangible capital assets (note 4)	3,069,317	416,104
Asset retirement obligation (note 5)	627,570	609,395
	<u>12,234,641</u>	<u>1,075,499</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	175,262	356,700
Accrued decommissioning costs (note 5)	723,668	671,315
Deferred contributions – operating (note 6)	9,677,349	12,091,192
Deferred contributions – capital (note 6)	1,583,362	-
	<u>12,159,641</u>	<u>13,119,207</u>
Net assets		
Unrestricted net assets	-	-
Internally restricted net assets (note 3)	75,000	50,000
	<u>12,234,641</u>	<u>13,169,207</u>
Economic dependence (note 1)		
Operating lease (note 7)		
Commitments (note 10)		
Subsequent event (note 11)		

Approved by the Board of Directors

 Director  Director

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

Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc.

Statement of Operations and Unrestricted Net Assets

For the year ended March 31, 2019

	2019 \$	2018 \$
Revenue		
Innovation Saskatchewan grant – restricted (notes 6a and 9)	3,503,843	3,517,607
Radioisotope product sales	750,356	728,196
Western Diversification grant – restricted (note 6b)	408,967	-
Interest income (note 8)	127,255	90,889
University of Saskatchewan grant (notes 8 and 10)	25,000	25,000
Other income	-	29
	<hr/> 4,815,421	<hr/> 4,361,721
Expenditures (Schedule)		
Cyclotron (notes 8 and 10c)	2,323,065	2,302,213
Grants (notes 8 and 10)	1,696,647	1,466,709
Operations (note 8)	770,709	567,799
	<hr/> 4,790,421	<hr/> 4,336,721
Excess of revenue over expenditures	25,000	25,000
Unrestricted net assets – Beginning of year	-	-
Transfer to internally restricted net assets (note 3)	<hr/> (25,000)	<hr/> (25,000)
Unrestricted net assets – End of year	<hr/> -	<hr/> -

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

Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc.

Schedule of Expenditures

For the year ended March 31, 2019

	2019 \$	2018 \$
Expenditures		
Cyclotron (note 10c)		
Salaries and benefits	817,667	846,994
Supplies and services	528,116	515,827
Operating license (note 8)	436,767	445,378
Amortization of tangible capital assets	261,135	58,365
Externally contracted services and consultants	213,650	385,178
Travel	31,552	19,302
Accretion of accrued decommissioning costs (note 5)	18,142	16,227
Amortization of asset retirement obligation (note 5)	16,036	14,942
	<hr/> 2,323,065	<hr/> 2,302,213
Grants (notes 8 and 10)		
Program grants	1,450,000	840,000
Project grants	246,647	626,709
	<hr/> 1,696,647	<hr/> 1,466,709
Operations		
Externally contracted services and consultants	320,378	200,446
Supplies and services	214,724	138,679
Travel	109,618	97,822
Salaries and benefits	83,563	86,184
Rent and occupancy (note 7)	40,274	39,130
Amortization of tangible capital assets	2,152	5,538
	<hr/> 770,709	<hr/> 567,799
	<hr/> 4,790,421	<hr/> 4,336,721

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

Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc.

Statement of Cash Flows

For the year ended March 31, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	25,000	25,000
Items not affecting cash		
Amortization of tangible capital assets	263,287	63,903
Accretion of accrued decommissioning costs (note 5)	18,142	16,227
Amortization of asset retirement obligation (note 5)	16,036	14,942
Recognition of deferred contributions related to capital	(19,160)	-
	<hr/> 303,305	<hr/> 120,072
Changes in non-cash working capital items		
Cash held by University of Saskatchewan	4,676,690	852,907
Accounts receivable	(1,070,736)	(743,194)
Prepaid expenses	-	15,408
Accounts payable and accrued liabilities	(181,438)	305,363
Deferred contributions - operating	(2,413,843)	(107,607)
	<hr/> 1,010,673	<hr/> 322,877
	<hr/> 1,313,978	<hr/> 442,949
Investing activities		
Purchase of tangible capital assets	(2,916,500)	(442,949)
Financing activities		
Restricted contributions used to purchase tangible capital assets	1,602,522	-
	<hr/> -	<hr/> -
Net change in cash	-	-
Cash – Beginning of year	<hr/> -	<hr/> -
Cash – End of year	<hr/> <hr/> -	<hr/> <hr/> -

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

Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc.

Notes to Financial Statements

March 31, 2019

1 Nature of business

The Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc. (the “Corporation” or “Fedoruk Centre”) was originally incorporated as a non-profit organization under the Canadian Not-for-Profit Corporations Act on December 20, 2011 as the Canadian Centre for Nuclear Innovation Inc., with its parent company and sole member being the University of Saskatchewan (“U of S”). On October 5, 2012 the corporation was registered with Corporations Canada as the Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc. The corporation qualifies as a tax exempt organization under the Income Tax Act.

The mandate of the Fedoruk Centre is to place Saskatchewan among global leaders in nuclear research, development and training through investments in partnerships with academia and industry, for maximum societal and economic benefit. This purpose is accomplished through investment in projects and programs of Saskatchewan-based, publicly-funded institutions and their partners and through operating the Saskatchewan Centre for Cyclotron Sciences (“SCCS”), which is owned by the U of S, for research and clinical applications. The Fedoruk Centre began the regulatory commissioning of the cyclotron and radioisotope production facility in October of 2014 and achieved operational status in May of 2016.

The operation of the corporation is economically dependent on the funding from Innovation Saskatchewan (note 9).

2 Summary of significant accounting policies

a) Basis of presentation

These financial statements include the accounts of the corporation and are presented in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”).

b) Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the reporting period. Actual results could differ from these estimates. Significant financial statement items that require estimates include the asset retirement obligation and accrued decommissioning costs.

c) Tangible capital assets

Tangible capital assets are recorded at cost and amortized over their expected useful lives. Computer equipment and software is amortized using the declining balance method at a rate of 30%. Furnishings and equipment are amortized using the straight-line method at a rate of 20%. Leasehold improvements are amortized over the term of the respective lease (note 7).

Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc.

Notes to Financial Statements

March 31, 2019

d) Revenue recognition and grant expenditures

The corporation follows the deferral method of accounting for contributions which includes funding from Innovation Saskatchewan and other funding sources. Deferred contributions related to expenses of future periods represent unspent externally restricted funding and any related investment income, which are for the purposes of providing funding to eligible recipients and the payment of operating and capital expenditures in future periods. Restricted contributions related to tangible capital assets are recognized as revenue on the same basis as the tangible capital assets are amortized. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from the sale of radioisotope products of the cyclotron is recognized when significant risks and rewards of ownership have been transferred to the purchaser and reasonable assurance exists regarding the measurement of the consideration that will be derived from the sale of the product.

Investment income earned on the cash held by University of Saskatchewan is recognized as revenue when the U of S can measure and transfer the income to the corporation.

Contributions of materials and services are recognized only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the corporation's operations and would otherwise have been purchased.

Grants are recognized as expenditures when the current year grant commitment to the recipient is due under the terms of the grant agreement.

e) Financial instruments

Financial assets and financial liabilities consisting of cash held by University of Saskatchewan, accounts receivable, and accounts payable and accrued liabilities are initially recognized at fair value and subsequent measurement is at amortized cost. The corporation does not consider itself to have significant exposure to credit risk, currency risk, interest rate risk, liquidity risk, market risk or other price risk. Financial assets are tested for impairment at the end of each reporting period when there are indications that an asset may be impaired.

f) Decommissioning and asset retirement obligation

During the year ended March 31, 2017, the cyclotron received its CNSC operating license. The corporation is required to decommission the currently licensed prescribed equipment, facility and nuclear substances when operations cease and has accounted for the estimated costs associated with this requirement.

3 Internally restricted net assets

As provided for under the corporation's policy for funding the cyclotron decommissioning liability, the corporation allocates \$25,000 annually from unrestricted net assets to internally restricted net assets to fund future decommissioning costs.

Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc.

Notes to Financial Statements

March 31, 2019

4 Tangible capital assets

			<u>2019</u>	<u>2018</u>
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Equipment	2,907,373	259,196	2,648,177	283,861
Leasehold improvement	302,718	7,568	295,150	-
Computer equipment and software	208,491	82,501	125,990	132,243
Furnishings	21,922	21,922	-	-
	<u>3,440,504</u>	<u>371,187</u>	<u>3,069,317</u>	<u>416,104</u>

Included in equipment is \$1,118,271 of assets not yet available for use as at March 31, 2019 and accordingly, no amortization has been recorded related to those assets for the year ended March 31, 2019.

5 Asset retirement obligation and accrued decommissioning costs

As a component of its Class II Nuclear Facilities and Prescribed Equipment License from the CNSC, the corporation recognizes the asset retirement obligation related to the expected future cost of decommissioning the currently licensed prescribed equipment, facility and nuclear substances. The asset retirement obligation will be amortized on a straight line basis over the expected remaining useful life. The corporation expects the facility to operate for a 40 year period, which commenced during the year ended March 31, 2017.

The estimated undiscounted future cash flows required to decommission the facility are expected to be approximately \$1,132,000 (2018 - \$1,132,000). Accretion of \$18,142 (2018 - \$16,227) and amortization of \$16,036 (2018 - \$14,942) are included in decommissioning expense for the year ended March 31, 2019. The present value of the asset retirement obligation and the liability for accrued decommissioning costs has been calculated using a credit adjusted risk free interest rate of 2.13% (2018 - 2.7%) and an inflation rate estimate of 0.9% (2018 - 1.3%)

			<u>2019</u>	<u>2018</u>
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Asset retirement obligation	673,490	45,920	627,570	609,395

Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc.

Notes to Financial Statements

March 31, 2019

A reconciliation of the accrued decommissioning costs is as follows:

	2019 \$	2018 \$
Opening accrued decommissioning costs	671,315	613,503
Estimate of decommissioning costs	34,211	41,585
Accretion expense	18,142	16,227
	<hr/>	<hr/>
Closing accrued decommissioning costs	723,668	671,315

6 Deferred contributions

- a) The corporation receives funding from Innovation Saskatchewan to be held, administered and distributed in accordance with the funding agreement. Deferred contributions related to expenses of future periods represent the unspent externally restricted funding, which is for the purpose of providing funding to eligible recipients and the payment of operating and capital expenditures in future periods. The changes in the deferred contributions balance are as follows:

	Operations \$	Cyclotron \$	2019 \$
Opening deferred contributions	9,506,609	2,584,583	12,091,192
Contributions during the year: Innovation Saskatchewan (note 9)	900,000	190,000	1,090,000
	<hr/>	<hr/>	<hr/>
Total contributions available	10,406,609	2,774,583	13,181,192
Less: Amount recognized as revenue in current year	2,209,113	1,294,730	3,503,843
	<hr/>	<hr/>	<hr/>
Closing deferred contributions	8,197,496	1,479,853	9,677,349

	Operations \$	Cyclotron \$	2018 \$
Opening deferred contributions	9,650,199	2,548,600	12,198,799
Contributions during the year: Innovation Saskatchewan (note 9)	1,800,000	1,610,000	3,410,000
	<hr/>	<hr/>	<hr/>
Total contributions available	11,450,199	4,158,600	15,608,799
Less: Amount recognized as revenue in current year	1,943,590	1,574,017	3,517,607
	<hr/>	<hr/>	<hr/>
Closing deferred contributions	9,506,609	2,584,583	12,091,192

Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc.

Notes to Financial Statements

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- b) The corporation received funding from Western Economic Diversification Canada (“Western Diversification”) for expenditures related to establishing the Innovation Wing at the cyclotron facility. This funding will be recognized as revenue in the year that the related amortization of the equipment is recorded. The changes in the deferred contributions balance are as follows:

	Operating \$	Capital \$	2019 \$	2018 \$
Operating deferred contributions	-	-	-	-
Contributions during the year	389,807	1,602,522	1,992,329	-
Total contributions available	389,807	1,602,522	1,992,329	-
Less: amount recognized as revenue in current year	389,807	19,160	408,967	-
Closing deferred contributions	-	1,583,362	1,583,362	-

7 Operating lease

On August 30, 2016, the corporation entered into a lease agreement for office space. The term of the lease agreement is two years and seven months and the future minimum annual lease payments are \$39,560 per year until the expiry of the lease agreement on March 31, 2019. On April 1, 2019 the lease was renewed for a period of 5 years with future minimum annual lease payments starting at \$42,843 per year and ending at \$47,045 per year when the lease expires on March 31, 2024.

8 Related party transactions

During the year, the corporation entered into transactions with its parent company and sole member, the U of S. The corporation purchased goods and services from the U of S in the amount of \$47,378 (2018 – \$53,059) and incurred operating license costs for the cyclotron of \$436,767 (2018 – \$445,378).

Interest income of \$127,255 (2018 – \$90,889) was received from the U of S based on the corporation’s funds held in bank accounts administered by the U of S. The corporation received \$25,000 (2018 – \$25,000) in grants during the year from the U of S. Of the grants made during the year by the corporation, \$1,268,643 (2018 – \$1,047,007) were made to the U of S, including individuals or entities related to or employed by the U of S.

The related party transactions described above are measured at carrying amounts. All funds received by the corporation are held in, and payments to vendors of the corporation are made from, bank accounts administered by the U of S, which are included on the statement of financial position as “cash held by University of Saskatchewan”.

Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc.

Notes to Financial Statements

March 31, 2019

9 Innovation Saskatchewan grant

The Fedoruk Centre signed a funding agreement with Innovation Saskatchewan on March 2, 2012 for a total of \$30 million to be disbursed over 7 years, from January 2, 2012 to March 31, 2019. Funds are to be used solely for the purposes of the project as defined in the agreement. The agreement defines that all funds must be returned to the funder if there is non-compliance or the agreement is terminated by the funder, and at the application of the Fedoruk Centre the funder may elect to limit repayment to an amount not exceeding actual and reasonable project expenses paid by the Fedoruk Centre.

The funding agreement with Innovation Saskatchewan was subsequently amended to allow the Fedoruk Centre to redirect up to \$6.3 million of the original \$30 million to assist the U of S with cash flow for the cyclotron capital project. If capital costs for the cyclotron are less than \$6.3 million, any remaining amount will be returned to the Fedoruk Centre's operating budget. The amendment also provides for \$1 million per year for three years, in addition to the original \$30 million, for cyclotron facility operating costs and \$800,000 for the purchase of scientific equipment and renovations to research facilities.

A final payment of \$1,090,000 was received during the year ended March 31, 2019. Please see note 11 for details regarding a new grant from Innovation Saskatchewan.

10 Commitments

a) Project grants

The Fedoruk Centre provides grants to eligible individuals and their institutions for the purpose of nuclear research, development and training. Project grant awards are funded over multiple years. The total maximum commitment made during the year ended March 31, 2019 was approximately \$612,000 (2018 - \$216,000). Project grants disbursed during the year ended March 31, 2019 were \$246,647 (2018 - \$626,709). The remaining maximum commitment on all projects is approximately \$934,000 (2018 - \$569,000). Total anticipated maximum commitments over the next three years for project grants are as follows:

	\$
2020	548,000
2021	279,000
2022	107,000

b) Program grants

During the year ended March 31, 2018, a program grant agreement was signed between the Fedoruk Centre and the Johnson-Shoyama Graduate School of Public Policy under which the Fedoruk Centre will fund research, scholarship, policy outreach and public engagement related to nuclear science and technology. The Fedoruk Centre's total maximum commitment is \$2 million, payable in annual instalments up to June 30, 2019, of which \$1,300,000 of grant expenditures had been incurred as of March 31, 2019 (2018 - \$600,000).

Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc.

Notes to Financial Statements

March 31, 2019

During the year ended March 31, 2016, a program grant agreement was signed between the Fedoruk Centre, the University of Regina and the University of Saskatchewan under which the Fedoruk Centre will fund three research chairs for five years, beginning in 2015 and ending June 30, 2020, and will fund ancillary support to accelerate innovation in nuclear imaging tools and techniques and to advance research, development and training in nuclear medicine. The Fedoruk Centre's total maximum commitment is \$5,466,444 over the term of the agreement, of which \$4,596,444 of grant expenditures had been incurred as of March 31, 2019 (2018 - \$3,846,444).

Total program grants disbursed during the year ended March 31, 2019 were \$1,450,000 (2018 – \$840,000). Total anticipated maximum commitments over the next two years for program grants are as follows:

	\$
2020	1,178,000
2021	392,000

c) Cyclotron

The Fedoruk Centre has entered into an operating license agreement with the U of S for the cyclotron facility. The agreement calls for the Fedoruk Centre to be responsible for the operation, maintenance and eventual decommissioning of the cyclotron facility. During the term of the license agreement, an annual license fee of \$520,000 will be paid to the U of S by the Fedoruk Centre.

During the year ended March 31, 2018, the Fedoruk Centre entered into a service agreement for the provision of lab equipment. The term of the agreement is from August 30, 2017 to August 31, 2022. The minimum future commitments under the agreement are as follows:

	\$
2020	34,333
2021	35,020
2022	35,720

During the year ended March 31, 2019, the Fedoruk Centre entered into various contracts related to cyclotron lab renovations and the establishment of the Innovation Wing at the cyclotron facility. The total cost of the contracts are approximately \$2.1 million and the remaining amount to be incurred in the year ended March 31, 2020 is approximately \$1.2 million.

During the year ended March 31, 2019, the Fedoruk Centre amended its agreement for the provision of cyclotron maintenance services. The term of the agreement is from February 1, 2019 to January 31, 2020 and the cost is \$125,000 per year.

Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc.

Notes to Financial Statements

March 31, 2019

11 Subsequent event

The Fedoruk Centre signed a funding agreement with Innovation Saskatchewan effective April 1, 2019 for a total of \$11.6 million, to be disbursed beginning July 31, 2019 and concluding January 31, 2024, with the agreement then expiring on March 31, 2024. Funds are to be used solely for the purpose of the project as defined in the agreement. The agreement stipulates that any unused funds must be returned to the funder within 60 days of the completion of the project. The agreement further stipulates that in the event that the Fedoruk Center does not comply with its obligations under the agreement or the agreement is terminated, all funds paid under the agreement shall be returned within thirty days of demand. The funder may waive repayment in an amount not exceeding actual and reasonable project expenses paid.

