Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc.

Financial Statements
March 31, 2020

Independent auditor's report

To the Members 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, 2020 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, 2020;
- 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.

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.

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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
May 27, 2020

Sylvia Fedoruk Canadian Centre for Nuclear Innovation Inc.

Statement of Financial Position

As at March 31, 2020

	2020 $	2019 $
Assets		
Current assets		
Cash held by University of Saskatchewan (note 8)	3,567,993	6,283,211
Accounts receivable	1,598,980	2,179,543
Prepaid expenses	16,275	-
	5,183,248	8,462,754
Decommissioning funds held by University of Saskatchewan (note 3)	100,000	75,000
Tangible capital assets (note 4)	5,192,497	3,069,317
Asset retirement obligation (note 5)	682,257	627,570
	11,158,002	12,234,641
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	80,246	175,262
Accrued decommissioning costs (note 5)	810,712	723,668
Deferred contributions – operating (note 6a)	7,155,432	9,015,359
Deferred contributions – capital (note 6b)	3,011,612	2,245,352
	11,058,002	12,159,641
Net assets		
Unrestricted net assets	-	-
Internally restricted net assets (note 3)	100,000	75,000
	11,158,002	12,234,641

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, 2020

	2020 $	2019 $
Revenue		
Innovation Saskatchewan operating grant – restricted (notes 6a and 9)	3,459,927	3,365,833
Radioisotope product sales	1,214,780	750,356
Capital grants – restricted (note 6b)	337,038	546,977
Fee for services	111,445	-
Interest income (note 8)	87,573	127,255
University of Saskatchewan grant (notes 8 and 10)	25,000	25,000
	5,235,763	4,815,421
Expenditures (schedule)		
Cyclotron (notes 8 and 10c)	3,233,460	2,323,065
Core office (note 8)	1,002,525	770,709
Grants (notes 8 and 10)	974,778	1,696,647
	5,210,763	4,790,421
Excess of revenue over expenditures	25,000	25,000
Unrestricted net assets – Beginning of year	-	-
Transfer to internally restricted net assets (note 3)	(25,000)	(25,000)
Unrestricted net assets – End of year	-	-

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, 2020

	2020 $	2019 $
Expenditures		
Cyclotron (note 10c)		
Salaries and benefits	1,019,220	817,667
Supplies and services	835,367	528,116
Amortization of tangible capital assets	705,470	261,135
Operating license (note 8)	486,378	436,767
Externally contracted services and consultants	99,327	213,650
Travel	55,341	31,552
Amortization of asset retirement obligation (note 5)	16,961	16,036
Accretion of accrued decommissioning costs (note 5)	15,396	18,142
	3,233,460	2,323,065
Core office		
Salaries and benefits	490,624	83,563
Supplies and services	336,638	214,724
Travel	100,786	109,618
Rent and occupancy (note 7)	45,792	40,274
Externally contracted services and consultants	26,107	320,378
Amortization of tangible capital assets	2,578	2,152
	1,002,525	770,709
Grants (notes 8 and 10)		
Program grants	570,000	1,450,000
Project grants	404,778	246,647
	974,778	1,696,647
	5,210,763	4,790,421

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, 2020

	2020 $	2019 $
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	708,048	263,287
Accretion of accrued decommissioning costs (note 5)	15,396	18,142
Amortization of asset retirement obligation (note 5)	16,961	16,036
Recognition of deferred contributions related to capital	(337,038)	(157,170)
	428,367	165,295
Changes in non-cash working capital items		
Cash held by University of Saskatchewan	2,690,218	4,676,690
Accounts receivable	580,563	(1,070,736)
Prepaid expenses	(16,275)	-
Accounts payable and accrued liabilities	(95,016)	(181,438)
Deferred contributions - operating	(1,859,927)	(2,275,833)
	1,299,563	1,148,683
	1,727,930	1,313,978
Investing activities		
Purchase of tangible capital assets	(2,831,228)	(2,916,500)
Financing activities		
Restricted contributions used to purchase tangible capital assets	1,103,298	1,602,522
Change in cash during the year	-	-
Cash – Beginning of year	-	-
Cash – End of year	-	-

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

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 (Canada).

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%. SCCS leasehold improvements are amortized over a 20-year period based on the term of the operating agreement (note 10c).

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 Canadian Nuclear Safety Commission (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.

4 Tangible capital assets

	2020			2019
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Equipment	4,578,776	893,931	3,684,845	2,648,177
SCCS leasehold improvements	1,410,475	35,359	1,375,116	295,150
Computer equipment and software	260,659	128,123	132,536	125,990
Furnishings	21,922	21,922	-	-
	6,271,832	1,079,335	5,192,497	3,069,317

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 (2019 – $1,132,000). Accretion of $15,396 (2019 – $18,142) and amortization of $16,961 (2019 – $16,036) are included in decommissioning expense for the year ended March 31, 2020. 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 1.84% (2019 – 2.13%) and an inflation rate estimate of 0.9% (2019 – 0.9%)

	2020			2019
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Asset retirement obligation	745,138	62,881	682,257	627,570

A reconciliation of the accrued decommissioning costs is as follows:

	2020 $	2019 $
Opening accrued decommissioning costs	723,668	671,315
Estimate of decommissioning costs	71,648	34,211
Accretion expense	15,396	18,142
Closing accrued decommissioning costs	810,712	723,668

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:

	2020 $	2019 $
Opening deferred contributions - operating	9,015,359	11,481,192
Contributions during the year:		
Innovation Saskatchewan (note 9)	1,600,000	900,000
Total contributions available	10,615,359	12,381,192
Less: amount recognized as revenue	3,459,927	3,365,833
Closing deferred contributions – operating	7,155,432	9,015,359

b) The Corporation receives funding from Western Economic Diversification Canada (Western Diversification) and Innovation Saskatchewan for capital expenditures, including those 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.

	2020 **$**	**2019** **$**
Opening deferred contributions – capital	2,245,352	610,000
Contributions during the year:		
Innovation Saskatchewan (note 9)	900,000	190,000
Western Diversification	203,298	1,992,239
Total contributions available	3,348,650	2,792,239
Less: amount recognized as revenue	337,038	546,977
Closing deferred contributions – capital	3,011,612	2,245,352

7 Operating lease

On April 1, 2019, the Corporation renewed their lease agreement for office space. The term of the lease agreement is five years. The future minimum annual lease payments are $20,430 per year until April 1, 2021; $22,459 per year from April 1, 2021 to March 31, 2023; and $24,632 per year from April 1, 2023 until the expiry of the lease agreement on March 31, 2024. The total aggregate value of the operating lease over the full term is $110,410.

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 $113,222 (2019 – $47,378) and incurred operating license costs for the cyclotron of $486,378 (2019 – $436,767).

Interest income of $87,573 (2019 – $127,255) 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 (2019 – $25,000) in grants during the year from the U of S. Of the grants made during the year by the Corporation, $823,104 (2019 – $1,268,643) 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.

9 Innovation Saskatchewan grant

a) Original funding agreement (2012)

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 in 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.

b) New funding agreement (2019)

The Fedoruk Centre signed a funding agreement with Innovation Saskatchewan effective April 1, 2019 for a total of $11.6 million, with a subsequent amendment to add $900,000 to the total contribution of funds during the year ended March 31, 2020. The funds are to be disbursed beginning July 31, 2019 and concluding January 31, 2024, with the agreement then expiring on March 31, 2024. 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 30 days of demand. The funder may waive repayment in an amount not exceeding actual and reasonable project expenses paid.

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, 2020 was approximately $1,100,000 (2019 – $612,000). Project grants disbursed during the year ended March 31, 2020 were $404,778 (2019 – $246,647). The remaining maximum commitment on all projects is $1,630,216 (2019 – $934,000).

	$
2021	1,052,588
2022	486,866
2023	90,742

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 $2,000,000, payable in annual instalments up to June 30, 2019, of which $1,500,000 of grant expenditures had been incurred as of March 31, 2020 ($1,300,000 – 2019). During the year ended March 31, 2020, the agreement was amended to extend the agreement until June 30, 2021.

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 $4,966,444 of grant expenditures had been incurred as of March 31, 2020 (2019 – $4,596,444).

Total program grants disbursed during the year ended March 31, 2020 were $570.000 (2019 – $1,450,000).

The total remaining maximum commitment over the next year for program grants is as follows:

	$
2021	1,000,000

c) Cyclotron

The Fedoruk Centre has an operating license agreement with the U of S for the cyclotron facility. The term of the agreement extends to the date that is the earlier of: a) six months following the date that the license to operate granted to the Fedoruk Centre by the CNSC, including renewal terms, expires; or b) 20 years from June 2015; or c) the date that substantial destruction of the cyclotron facility occurs and rebuilding has not commenced within six months of such date and diligently prosecuted to completion. Notwithstanding the defined term, the operating license agreement will expire upon the expiration of the useful life of the cyclotron (40 years). 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. This annual license fee is adjusted to the actual services provided annually and the actual amount of the operating license for the year ended March 31, 2020 was $486,378 (2019 - $436,767).

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, 2020 to January 31, 2021 and the cost is $125,000 per year.

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:

	$
2021	35,020
2022	35,720