Annual Report 2019-20

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Letter of Transmittal

To the Honourable Russ Mirasty,
Office of the Lieutenant Governor of Saskatchewan

May it please your Honour:

The undersigned is pleased to present the Saskatchewan Research Council Annual Report for the period ending in March 31, 2020.

Respectfully submitted,

Honourable Jeremy Harrison
Minister Responsible for Saskatchewan Research Council

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**The information on pages 3-9 is current as of the date of tabling of this report.*

Vision

Driven by our passion for a better world, we will break boundaries to become the most internationally recognized and valued science solutions company in North America by 2020.

Mission

We proudly deliver smart science solutions, with unparalleled service to clients and colleagues, that grow and strengthen our economy. We embrace our safe, creative and diverse work environment which enables us to excel, personally and professionally. We live by our core values to build a better world.

Values

Integrity

Respect

Quality

One Team

Message From the Board Chair

As Chair of the Saskatchewan Research Council's (SRC) Board of Directors, I am delighted to present the 73rd Annual Report highlighting another exceptional year of applied research, development and service to Saskatchewan.

SRC is the second largest research and technology organization in Canada and in a year when the entire country has struggled due to the COVID-19 pandemic, SRC has shown strength and resilience. In fact, SRC worked diligently to keep the lights on and the labs open in a safe and socially-distanced manner.

Thanks to the resourcefulness of SRC's Executive Team, Managers and all employees, the organization was creative in how it continued to provide a culture of service during what has been a difficult time.

Benchmark PPE is a new business in Saskatchewan which has opened a Personal Protective Equipment (PPE) manufacturing facility in Saskatoon producing three-ply, medical-grade surgical/procedure masks. These Made in Canada masks were given American Society for Testing and Materials (ASTM International) certification in spring 2020. SRC assisted in providing product quality assurance in an initial testing phase.

Investing in SRC is a smart decision. For decades, SRC has been measuring economic impact within the province.

The 2019-20 economic impact assessment shows impacts of more than $901 million in direct economic benefits to the province, plus at least 7,515 jobs created or maintained in Saskatchewan that are valued at an additional $552 million.

This means that for every dollar invested in SRC by the provincial government, a 45 times return was achieved in 2019-20. This is a significant and important figure that clearly demonstrates the important work that happens at SRC.

There were certainly challenges this year, but SRC is well-prepared to navigate in the world post-COVID-19.

Dr. Dennis Fitzpatrick
Board Chair

Message From the President & CEO

Sitting here at my desk in my home office, I have been reflecting on the past year. I suspect many organizations may be in the same situation as we are. We were on pace to have a record year. Then the global news landscape began to change. Talk of COVID-19 started to make headlines in China and then across Europe.

At SRC we quickly shifted our focus to set up our Emergency Response Team, establish emergency communication protocols with staff, stakeholders and clients and set our focused priorities of: protect staff and the wider community and look to protect as much as possible of our revenue and cash flow. All while trying to stay "ahead of the curve," as the recommendations from authorities ranging from home-working and personal distancing to whole swathes of the economy being mandated to shut down came thick and fast.

If we go back to early 2020, while the COVID-19 outbreak in China was undoubtedly a significant concern, most of us thought that like previous virus outbreaks of this type (such as SARS 2003, H1N1 2009/10 and H7N9 2014/17), they would be regional in their impact or if global, be of only moderate human impact and certainly of limited (if any) sustained global economic impact. Now we are living in the previously **unthinkable** situation (at least outside of academic circles and Sci-Fi movies) of a major and unprecedented global health and economic crisis, that is likely to last with economic effects probably ongoing well into 2020 and perhaps beyond.

For the foreseeable immediate future, there is no doubt we are going to be in crisis-triage-mode. However, I think it is worth even in this period, starting to think about what comes next, in a sense **Thinking Beyond the Unthinkable**. We do know from past major disruptions to regional economies and the global economy, that recoveries are patchy affairs, with some sectors recovering much faster than others. We also know that lack of company liquidity and damage done to industrial and service sector supply chains can extend and even worsen after the major "shock" has passed.

Another key learning from previous crisis-driven downturns of anything approaching this scale is that things change from what was the "norm" before the crisis to the "new normal" after. The likely massive global effort on prevention of anything like this happening again is probably the most obvious change, but what for example will be the impacts on the approach to climate change, the energy transition, electric vehicles, food production, pharmaceuticals, global vs local supply chains, social interaction, the list extends to every service and industrial sector. Previous experience has shown, that companies and organizations that can anticipate, lead, respond and pivot to these changes rapidly and effectively will thrive, those that don't change and adapt, may not.

Prior to the global pandemic, SRC's leadership team had prepared our 2030 Strategic Plan. As part of the plan, we identified five large-scale, industrial and resource-based projects that look to the future but are grounded in what is relevant to Saskatchewan.

These projects are complex ones that address significant technology challenges and industrial needs and now, more than ever, are proving to be relevant to aid Saskatchewan in the recovery post-COVID-19.

They are:
Strategic Metals; Rare Earth Elements and Lithium
Carbon Capture Utilization and Storage
Small Modular Reactors
Advanced Mining, and
Agricultural Irrigation and Industrial Water Management

Each requires substantial involvement in terms of capital and engagement from multiple stakeholders such as governments, academia, industry and regulators.

SRC has large networks, technical and scientific expertise and hands-on involvement with the technologies needed to bring these complex ideas to life. Not only will these projects support economic capacity building in Saskatchewan, they will all create environmental sustainability as well. These are large scale projects that will take years to fully develop and mature but we are already seeing evidence of success.

SRC was having a "Banner Year" just prior to the COVID-19 pandemic, indications were that our economic impacts in terms of value created to the Province and jobs created or maintained were at record levels for the company. SRC has proven over many years, how robust, resilient and flexible it is as an applied research and development company. In the coming year, SRC is ready for the new challenges and opportunities to support both Saskatchewan industry and Government.

So, as we prepare for another year ahead, we will start thinking and working on what lies **Beyond The Unthinkable.**

Mike Crabtree
President and CEO

Board of Directors

Dr. Dennis Fitzpatrick, Chair

Janusz A. Kozinski, Vice-Chair

Mike Crabtree, Secretary

Leanne Bellegarde

Kelly Bode

Erin Herman

Michael Meekins

William (Bill) Miller

Mark Pickard

George Prudat

Nathan Rhodes

Executive Team

Mike Crabtree
President and CEO

Toby Arnold
Vice-President, Organizational Effectiveness

Ryan Hill
Vice-President, Finance

Jesse Merilees
Vice-President, Environment and Biotech

Craig Murray
Vice-President, Mining and Energy

Wanda Nyirfa
Vice-President, Communications, Growth Services and Risk

As of June 1, 2020

Corporate Governance

Authority

The Saskatchewan Research Council (SRC) is a Saskatchewan Treasury Board Crown Corporation governed by The Research Council Act. Within this framework, the Board of Directors (Board) formulates policy and delegates the responsibility and authority for the ongoing management of the corporation to the President and CEO.

Board Responsibilities

The Board ensures that the activities of the corporation are carried out under the terms of The Research Council Act. The Board oversees the stewardship of the corporation and has responsibility for strategic planning, risk oversight and monitoring of financial and business performance. The Board ensures that management has systems in place to identify and manage the principal risks of the corporation's business.

Board Composition and Compensation

The SRC Board is comprised of a diverse combination of knowledge and expertise. The members represent a cross-section of SRC's stakeholder community. All but the President & CEO are independent of SRC management. Board members (except for members who are government employees) receive a retainer and an honorarium for meetings attended. The level of compensation is established by Treasury Board. Members are allowed travel and associated expenses at SRC-approved rates.

The Board and Management

The Board focuses on the strategic leadership of the corporation and does not become involved in day-to-day management, but delegates and entrusts operational decisions to management, holding management accountable for the corporation's performance, long-term viability and the achievement of its objectives.

The Board also has established an Audit/Finance Committee and a Governance Committee.

Consolidated Financial Statements

Report of Management
Year Ended March 31, 2020

The accompanying financial statements are the responsibility of the management of the Saskatchewan Research Council (the Council). They have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit and Finance Committee, which is composed of five non-management directors and one management director. The Committee meets periodically with management to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

Deloitte LLP has audited the Council's financial statements in accordance with Canadian generally accepted auditing standards and their report follows.

Michael Crabtree
President and CEO

Ryan Hill

Ryan Hill, CPA, CA
Vice-President, Finance

Deloitte.

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Independent Auditor's Report

To The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the consolidated financial statements of Saskatchewan Research Council (the "Council"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively 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, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 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 ethical 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 IFRS, 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 financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS 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 GAAS, 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Deloitte LLP

Chartered Professional Accountants
May 25, 2020
Saskatoon, Saskatchewan

Statement 1

SASKATCHEWAN RESEARCH COUNCIL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

(Thousands of dollars)

	2020	2019
ASSETS		
Current assets:		
Cash	$ 12,755	$ 19,879
Accounts receivable (Note 12)	7,531	6,430
Trust investment (Note 10)	5,502	5,469
Prepaid expenses	1,750	2,059
	27,538	33,837
Non-current assets:		
Accrued pension benefit asset (Note 4)	219	319
Restricted investment (Note 5)	1,083	1,127
Right-of-use assets (Note 6)	29,023	-
Property, plant and equipment (Note 7)	43,224	46,501
	$ 101,087	$ 81,784
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 5,455	5,957
Unearned revenue	12,299	16,626
Deferred revenue (Note 9)	551	551
Salaries, wages and vacations payable	1,302	2,740
Current portion of lease liabilities (Note 11 and 13)	2,588	-
Current portion of due to related party (Note 11)	1,376	1,376
Decommissioning provision (Note 10)	-	2,934
	23,571	30,184
Non-current liabilities:		
Lease liabilities (Note 11 and 13)	26,452	-
Due to related party (Note 11)	17,519	18,565
Deferred revenue (Note 9)	727	1,166
Sick leave benefits payable	49	62
	68,318	49,977
Equity (Statement 3):		
Contributed surplus	922	922
Retained earnings - unappropriated	30,764	29,758
Retained earnings - appropriated	1,083	1,127
	32,769	31,807
	$ 101,087	$ 81,784

(See accompanying notes to the financial statements)

Statement 2

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended March 31
(Thousands of dollars)

	2020	2019
Revenue:		
Contracts	$ 71,142	$ 51,029
Transfer from General Revenue Fund	19,968	20,376
	91,110	71,405
Expenses:		
Salaries and benefits	28,352	29,268
Services	38,167	21,844
Accomodation charges	5,199	11,259
Supplies	5,552	5,866
Depreciation (Note 6 and 7)	10,326	5,763
Travel, training and education	1,413	1,484
Financing charges (Note 11)	1,377	-
	90,386	75,484
Net income (loss) from operations	724	(4,079)
Other income:		
Interest revenue	391	529
Change in restricted investment (Note 5)	(44)	63
	347	592
Net income (loss)	1,071	(3,487)
Other comprehensive income:		
Defined benefit pension plan actuarial loss (Note 4)	(109)	(44)
Total comprehensive income (loss)	$ 962	$ (3,531)

(See accompanying notes to the financial statements)

Statement 3

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended March 31
(Thousands of dollars)

	Unappropriated Retained Earnings	Appropriated Retained Earnings	Contributed Surplus	Total
Equity				
Balance, March 31, 2018	$ 33,352	$ 1,064	$ 922	$ 35,338
Net income	(3,487)	-	-	(3,487)
Other comprehensive loss	(44)	-	-	(44)
Change in appropriated amount during year	(63)	63	-	-
Balance, March 31, 2019	29,758	1,127	922	31,807
Net income	1,071	-	-	1,071
Other comprehensive loss	(109)	-	-	(109)
Change in appropriated amount during year	44	(44)	-	-
Balance, March 31, 2020	$ 30,764	$ 1,083	$ 922	$ 32,769

(See accompanying notes to the financial statements)

Statement 4

SASKATCHEWAN RESEARCH COUNCIL

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended March 31, 2020

(Thousands of dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Cash receipts from contracts	$ 65,668	$ 63,724
Cash receipts from General Revenue Fund	19,968	20,376
Cash paid to suppliers and employees	(79,724)	(46,616)
Interest received	391	529
Cash flows from operating activities	6,303	38,013
Cash flows used in investing:		
Purchase of trust investments	(42)	(426)
Decommissioning of SLOWPOKE	(3,656)	(2,675)
Interest paid	(1,377)	(331)
Purchase of property, plant and equipment, net of disposals	(3,408)	(23,838)
Cash flows used in investing activities	(8,483)	(27,270)
Cash flows used in financing:		
Payment on lease liabilities	(3,899)	-
Principal repayment of due to related party	(1,045)	(1,045)
Cash flows used in financing activities	(4,944)	(1,045)
Net (decrease) increase in cash and cash equivalents	(7,124)	9,698
Cash, beginning of period	19,879	10,181
Cash, end of period	$ 12,755	$ 19,879

(See accompanying notes to the financial statements)

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2020

1. Status of Saskatchewan Research Council

Saskatchewan Research Council (the Council) was established pursuant to Section 3 of *The Research Council Act* for the purpose of research and investigation in the fields of the physical sciences, pure and applied, as they affect the economy of the Province of Saskatchewan. The Council is a corporate body which receives monies appropriated by the Legislature for these purposes and is owned by the Government of the Province of Saskatchewan (the Province). It is empowered to conduct research and other services under contract for others and to receive financial assistance pursuant to agreements with other similar agencies. The Council has also been contracted by the Province to manage the remediation of northern abandoned mine sites. The Council's financial results are included in the summary financial statements of the Province. As a Treasury Board Crown corporation, the Council is not subject to federal income tax or goods and services tax.

The Council's head office is located at 125 – 15 Innovation Boulevard in Saskatoon, Saskatchewan.

2. Basis of Presentation

a) Statement of Compliance

The Council's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorized and issued by the Board of Directors of the Council on May 12, 2020.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments which are accounted for according to the accounting policy in note 3b) and the decommissioning provision as described in Note 10.

c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Council's functional currency.

d) Estimates and Judgments

The preparation of financial statements in conformity with IFRS in Canada 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Areas of judgments in applying accounting policies that have the most effect on the amounts recognized in the consolidated financial statements include the determination of cash-generating units.

2. Basis of Presentation *(continued)*

d) Estimates and Judgments (continued)

Key estimates within the financial statements include estimates related to accounts receivable, accrued pension benefit assets, right-of-use assets, property, plant and equipment, lease liabilities, decommissioning provision and contract revenue recognition.

Accounts receivable

Determining when there is reasonable expectation that the Council will not be able to collect accounts requires judgment.

Accrued pension benefit asset

The cost of the defined benefit pension plan as well as the present value of the pension obligations is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, mortality rates and future pension increases. All assumptions are reviewed at the end of each fiscal year. Any changes in these assumptions will impact the carrying amount of pension obligations.

Leases

In assessing the carrying value of right-of-use assets and lease liabilities and underlying estimates of future cashflows, the Council uses judgement in identifying which arrangements contain a lease as well as the lease term for contracts including renewal options for which the Council is the lessee.

Property, plant and equipment

The Council assesses its assets and useful lives at the end of each fiscal year. When it is determined that assigned asset lives do not reflect the expected remaining period of benefit, prospective changes are made to the useful lives. These changes can result in changes to depreciation expense in future periods.

When an item of property, plant and equipment comprises individual components for which different depreciation rates are appropriate, judgment is used in determining the appropriate level of componentization.

Decommissioning provision

The Council has recorded a provision relating to the decommissioning of the SLOWPOKE reactor. Regulations and interpretations by regulatory authorities could change or circumstances affecting the Council's operations could change which may result in changes to its current plans. The recorded provision is based on the best estimate of cost required to settle the obligation, taking in to account the nature, extent and timing of current and proposed decommissioning costs and regulations. The SLOWPOKE reactor was decommissioned in 2020.

2. Basis of Presentation *(continued)*

d) Estimates and Judgments (continued)

Contract revenue recognition

The determination of performance obligations being met on a project is a matter of management judgment. Management reviews performance obligations on a contract-by-contract basis to determine the appropriate amount of revenue to recognize during the period.

e) New Standards and Amendments to New Standards

IFRS 16 Leases (IFRS 16)

Effective April 1, 2019, the Council adopted the new accounting standard for leases, IFRS 16. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The impact on the financial statements as at April 1, 2019 is as follows:

	March 31, 2019 (000's)	**Adjustment as a result of IFRS 16 adoption** (000's)	**April 1, 2019** (000's)
Assets			
Right-of-use assets (cost)	-	33,305	33,305
Right-of-use assets (accumulated depreciation)	-	-	-
Liabilities			
Current portion of lease liabilities	-	3,899	3,899
Lease liabilities	-	29,406	29,406

The Corporation recognized $33,305 of lease liabilities on the initial application of IFRS 16 on April 1, 2019 at a weighted average discount rate from 3.25 - 3.99%.

Lease commitment, March 31, 2019	$29,072
Present value impact	(8,006)
Extension and termination options reasonably certain to be executed	12,239
Lease liabilities as at April 1, 2019	33,305

2. Basis of Presentation *(continued)*

e) New Standards and Amendments to New Standards (continued)

IFRS 16 changes how the Council accounts for leases previously classified as operating leases under IAS 17 and IFRIC 4. For contracts meeting the definition of a lease under IFRS 16, but not meeting the exemption for short-term or low value leases, the Council:

- Recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the remaining lease payments discounted at the Council's incremental borrowing rate or the rate implicit in the lease;
- Recognizes depreciation on the right-of-use assets and interest expense on the lease liabilities in the statement of comprehensive income; and
- Recognizes principal repayments on lease liabilities as financing activities and interest payments on lease liabilities as operating activities in the statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

The right-of-use asset is initially measured at an amount equal to the lease liability and is adjusted for any payments made at or before the commencement date, less any lease incentives received, The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If the interest rate implicit in the leases cannot be readily determined, the Council uses its incremental borrowing rate.

The Council elected to adopt IFRS 16 using the modified retrospective approach on transition which allows comparative information to continue to be reported under IAS 17. There was no impact to retained earnings upon adoption. In adopting IFRS 16, the Council elected to apply the following practical expedients permitted by the standard:

(1) Electing to grandfather the assessment of which transactions are leases by applying the standard to contracts previously identified as leases and not reassessing contracts not previously identified as containing a lease under IAS 17 and IFRIC 4;
(2) Exemption to not recognize right-of-use assets and lease liabilities for short term leases that have a remaining lease term of less than 12 months as at April 1, 2019, and for low value leases;
(3) Measuring the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of accrued lease payments relating to that lease recognizing in the statement of financial position immediately before the date of initial application;

2. Basis of Presentation *(continued)*

e) New Standards and Amendments to New Standards *(continued)*

(4) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
(5) Using hindsight to determine the lease term where the contract contains options to extend or terminate the lease; and
(6) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

3. Summary of Accounting Policies

a) Consolidation Principles

The accounts of TecMark International Commercialization Inc., a wholly owned subsidiary of the Saskatchewan Research Council, are consolidated in these financial statements. TecMark International Commercialization Inc. (TecMark) was incorporated under *The Business Corporations Act* (Saskatchewan) on October 9, 1996, as a wholly owned subsidiary of the Council. TecMark holds certain patents and other non-tangible assets of the Council. There are no other financial transactions flowing through this subsidiary. The Council is currently in the process of winding up TecMark and transferring back ownership of these assets. The book value of these patents is $nil.

b) Financial Instruments

The Council does not have any derivative financial instruments.

Non-derivative financial assets:

The Council has the following non-derivative financial assets:

Financial assets at fair value through profit or loss (FVTPL)
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Council manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Council's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Council does not have any derivative financial instruments.

3. Summary of Accounting Policies *(continued)*

b) Financial Instruments *(continued)*

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash, accounts receivable from related and non-related parties and the trust investment.

Non-derivative financial liabilities:

The Council's non-derivative financial liabilities include accounts payable, salaries, wages and vacation payable and sick leave benefits payable.

Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets:

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each fiscal period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. Summary of Accounting Policies (*continued)*

c) Revenue Recognition

The Council recognizes revenue when it transfers control over a promised good or service, a performance obligation under the contract, to a customer and where the Council is entitled to consideration as a result of completion of the performance obligation. Depending on the terms of the contract with the customer, revenue recognition can occur at a point in time or over time. When a performance obligation is satisfied, revenue is measured at the transaction price that is allocated to that performance obligation. For contracts where non-cash consideration is received, revenue is recognized and measured at the fair value of the non-cash consideration.

Customer contracts may include the transfer of multiple goods and services. Where the Council determines that the multiple goods and services are not distinct performance obligations, they are treated as a single performance obligation.

Contract costs for obtaining a customer contract are recognized as expenses as incurred unless they create an asset related to future contract activity that the Council expects to recover.

Significant judgement may be required to determine the number of distinct performance obligations within a contract and the allocation of transaction price to multiple performance obligations in a contract, and to determine whether the Council acts as a principal or agent for certain performance obligations. When multiple performance obligations are identified in a contract, the transaction price is allocated based on the stand-alone selling price of each performance obligation. If stand-alone selling price is not observable, the Council estimates the stand-alone selling price for each distinct performance obligation based on the related expected cost plus margin of each distinct performance obligation. The Council is acting as a principal when the Council controls the goods or services before transfer to the customer. The Council is acting as an agent when it is obliged to arrange for the provision of the goods and services by another party that are not controlled by the Council before transfer to the customer. When the Council acts as an agent, the revenue is recognized net of any related costs incurred.

The Council's principle sources of revenue and methods applied to the recognition of these revenues in these financial statements are as follows:

Contract Revenue

Contracts with customers relate to the delivery of a broad range of science and engineering specialties and consist primarily of highly unique contracts. Such contracts are entered into prior to services being provided. Due to the unique nature of the performance obligations under these contracts, revenue is recognized as a performance obligation is satisfied over time. Under the terms of the contracts, the Council is contractually restricted from redirecting the output of the contract to other customers and has an enforceable right to payment for work

3. Summary of Accounting Policies (*continued)*

c) Revenue Recognition (continued)

done. These contracts are recognized over time on a cost-to-cost basis, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Council considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

Grants

Grants from the General Revenue Fund are unrestricted in nature and recognized as they are received or receivable. Capital grant revenues for the Wheat DNA Project, Microanalysis Centre, Pipe Flow Expansion and Mineral Processing Plant are recorded as deferred revenue and are recognized as a reduction of depreciation expense at the same rate as the related assets are put in use and depreciated.

d) Leased Assets

Leased Assets (as Previously Reported under IAS 17 Leases)

In accordance with IAS 17 Leases, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The asset is then recorded at the beginning of the lease at the lower of the fair value of the leased asset or the present value of the lease payment. A corresponding amount is recognized in the Statement of Financial Position, as current and long term lease liability, even if some of these payments are payable up-front at the date of inception of the lease. The interest element of leasing payments represents a portion of the capital balance outstanding and is charged to net income over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognized as expenses when payments are made over the life of the contract. All costs related to the lease are expensed when occurred.

Leased Assets (IFRS 16)

The Council assesses whether a contract is or contains a lease, at inception of the contract. The Council recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Council recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Council uses its incremental borrowing rate.

3. Summary of Accounting Policies (*continued)*

d) Leased Assets *(continued)*

Each lease payment is allocated between the liability and interest so as to achieve a constant rate on the finance balance outstanding. The interest component is included in finance expense. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the Council's estimate or assessment of whether it will exercise an extension, termination, or purchase option. A corresponding adjustment is made to the right-of-use asset or is recorded in the statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

e) Property, Plant and Equipment

Property, plant and equipment (PP&E) is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PP&E consists of the purchase price and any costs directly attributable to bringing the asset to the location and the condition necessary for its intended use. Self-constructed assets are recorded at cost, including labour and materials.

Depreciation of PP&E is provided over the estimated useful lives of the assets on the following basis:

Straight-line method	
Automotive	5 years
Buildings	9 - 20 years
Computer Equipment	5 years
Equipment	5 - 10 years
Leasehold Improvements	2 - 30 years
SLOWPOKE Reactor	Straight line over the life of asset

Assets under construction are recorded as in progress until they are operational and available for use, at which time deprecation commences.

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of an asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of PP&E consists of major components with different useful lives, the components are accounted for as separate items. Expenditures incurred to replace a component of an item of PP&E that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

3. Summary of Accounting Policies (*continued)*

f) Impairment

The carrying amounts of the Council's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

The recoverable amount of a cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The Council assesses the CGU at the lowest level of revenue attributable to assets and has assessed the Council as a single CGU.

An impairment loss is recognized if the carrying amount of the Council's CGU exceeds its estimated recoverable amount. Impairment losses are recognized as a charge against net income.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a positive change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the CGU carrying amount does not exceed the carrying amount that would have been determined net of depreciation, if no impairment loss had been recognized.

g) Restricted Investment

The investment is comprised of deposits in units in a balanced mutual fund managed by a professional investment manager.

This investment has been classified as FVTPL and is carried at fair value with unrealized gains or losses recognized in the consolidated statement of comprehensive income. Units in the mutual fund are recorded in the accounts at their net asset value per unit. Net asset value per unit is the market value of the investments in the fund portfolio divided by the total number of outstanding units in that fund. The adjustment necessary to record units at their net asset value at year-end is shown as a change in restricted investment on the consolidated statement of comprehensive income.

h) Trust Investment

The trust investment is comprised of GICs held by a trust company. This investment has been classified as a loan and receivable and is carried at amortized cost less any impairment.

3. Summary of Accounting Policies (*continued)*

i) Accrued Pension Benefit Asset

The Council maintains a pension plan for its employees. The Board of Directors for the Council is responsible for the plan and approves the pension plan financial statements. The Plan is registered with the Saskatchewan Superintendent of Pensions (Superintendent) and is required to comply with *The Pension Benefits Act, 1992* (Act). Until December 31, 1990, it was a defined benefit plan. Effective January 1, 1991, the Plan was changed to a defined contribution plan. The changes did not affect employees who retired before this date. They continue to receive benefits as granted.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income. The valuation adjustment includes the expected return on plan assets netted against the interest arising on the pension liability and is included in other income.

j) Decommissioning Provision

The fair value of legal obligations to retire long-lived assets is recorded as a decommissioning provision with a corresponding increase in the carrying amount of the related assets. The recorded decommissioning provision increases over time through interest expense charges to earnings. The capitalized assets are depreciated to income consistent with the depreciation of the related assets.

k) Capital Grants

Capital grants related to depreciable property are recorded as deferred revenue as received. Each year the Council recognizes a portion of the capital grants as a reduction of depreciation expense at the same rate as depreciation recognized on the assets acquired with the grant funds.

4. Accrued Pension Benefit Asset

Defined Contribution

The defined contribution pension plan assets had a market value of $19,011,000 (2018 - $19,012,000) at December 31, 2019. By design, the liabilities equal the assets of a defined contribution pension plan.

The defined contribution pension plan expense (employer contributions) for the year ended March 31, 2020 was $1,203,000 (2019 - $1,255,000).

The assets consist of units in multiple funds held by London Life Investment Management Ltd. These funds have no fixed interest rate, and returns are based on the performance of the funds. The fair value of the assets is considered to be the market value.

4. Accrued Pension Benefit Asset *(continued)*

Defined Benefit

The Pension Benefits Act, 1992 (Act), requires the pension plan to obtain, every three years, an actuarial valuation that outlines its funding position and solvency position. The latest actuarial valuation of the defined benefit pension plan was performed as at December 31, 2019 by an independent actuary, Mercer. This valuation has been extrapolated to March 31, 2020 by Mercer. A discount rate of 3.40% (2019 – 2.90%) was used in the calculation of the extrapolation. The pension plan has been valued using management's best estimates.

This plan is low risk to the Council. It is a closed plan and fully funded. At December 31, 2019 there were nine members with an average age of 90. Separate audited financial statements for the pension plan are prepared.

The assets of the defined benefit plan consist of units in two balanced funds held by London Life Investment Management Ltd. These funds have no fixed interest rate, and returns are based on the performance of the funds. The fair value of the assets is considered to be the market value.

The funding position outlines whether the pension plan has sufficient assets to pay the benefits agreed to under the plan. The solvency position outlines if the pension plan has sufficient assets to windup the plan at the valuation date. If the funding and solvency positions are deficits, the Act outlines how the deficits are to be paid. The next actuarial valuation for funding and solvency purposes prepared by Mercer is scheduled to be filed with the Superintendent at December 31, 2022. The 2019 valuation disclosed a solvency surplus of $234,000 (2018 - $202,000 surplus) and a funding surplus of $307,000 (2018 - $281,000 surplus).

A 1% increase in the interest rate assumption would result in a $14,000 decrease to the pension liability. A 1% decrease in the interest rate assumption would result in a $15,000 increase to the pension liability.

The financial position of the defined benefit pension plan is as follows:

	2020 (000's)	2019 (000's)	2018 (000's)	2017 (000's)
Defined benefit asset expected market value, April 1	$ 829	$ 912	$ 977	$ 1,017
Expected return on plan assets	22	27	25	28
Benefits paid	(124)	(124)	(135)	(179)
Experience gain/(loss)	(35)	14	45	111
Asset at market value, March 31	692	829	912	977
Defined benefit obligation at April 1	510	549	979	1,016
Interest on accrued benefits and benefit payments	13	16	25	28
Benefits paid	(124)	(124)	(135)	(179)
Experience losses/(gains)	70	64	(322)	106
Pension increase	11	-	10	-
Assumption changes	(7)	5	(8)	8
Obligation, extrapolated to March 31	473	510	549	979
Accrued pension asset/(liability), March 31	$ 219	$ 319	$ 363	$ (2)

Upon termination of the defined benefit portion of the pension plan, any balance remaining, after discharging all liabilities, shall belong to the Council. The balance may be distributed in a manner to be determined by the Council, at its sole discretion, after receiving prior approval in accordance with *The Pension Benefits Act, 1992*, the *Income Tax Act* (Canada) and the regulations thereunder.

The defined benefit pension plan net loss of $109,000 (2019 - $44,000 net loss) is presented in other comprehensive income. Effective January 1, 2003, the Council is not being reimbursed for administrative costs incurred by the pension plan.

5. Restricted Investment

Restricted investment represents the Technology-in-Action Fund (Fund), which was established by the Council in 1994 when Mr. Ian Wahn made a gift to the Council, an agent of the Crown. The Fund was established to help the people of Saskatchewan develop their province as a highly skilled, fair, desirable and compassionate society with a secure environment through research, development and the transfer of innovative scientific and technological solutions, applications and services.

The Council received a binding ruling from the Canada Revenue Agency that accepted this gift as a "Gift to the Crown".

5. Restricted Investment (continued)

The Council maintains a separate account for the capital contributions and all investment income earned.

The balance of the Fund at March 31 is as follows:

		2020 (000's)		Change (000's)		2019 (000's)
Capital contributions	$	504	$	-	$	504
Accumulated investment earnings		815		(44)		859
Accumulated technology grants, fund expenses		(236)		-		(236)
Total	$	1,083	$	(44)	$	1,127

The capital contributions are invested in a Canadian balanced mutual fund. The balanced mutual fund has no fixed interest rate, and the return is based on the performance of the mutual fund. Additional units in the mutual fund are acquired when distributions are made by the mutual fund investments. Cash dividends are not paid by the fund; however, investors can realize changes in the underlying unit values by redeeming units. The investment earnings include the actual earnings of the investment and the year-over-year change in the market value of the assets.

6. Right-of-Use assets

		Buildings (000's)
Cost		
Balance, April 1, 2019	$	-
IFRS 16 adjustment (Note 2)		33,305
Additions		-
Disposals		-
Balance, March 31, 2020	$	33,305
Accumulated depreciation		
Balance, April 1, 2019	$	-
Depreciation		4,282
Disposals		-
Balance, March 31, 2020	$	4,282
Net Book Value		
March 31, 2020	$	29,023
March 31, 2019	$	-

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For the year ended March 31, 2020

7. Property, Plant and Equipment

(000's)	Building	Leasehold Improvements	Computer Equipment	Equipment	Automotive	SLOWPOKE	Construction in Progress	Total
Cost								
Balance, March 31, 2018	$ 453	21,013	2,902	50,819	737	3,397	2,346	**81,667**
Additions	-	21,314	154	4,007	32	-	-	**25,507**
Disposals/transfers	-	(29)	(134)	(4,471)	(5)	(751)	(675)	**(6,065)**
Balance, March 31, 2019	**453**	**42,298**	**2,922**	**50,355**	**764**	**2,646**	**1,671**	**101,109**
Additions	-	1,126	136	2,018	80	-	48	**3,408**
Disposals/transfers	-	(23)	(172)	(1,061)	(42)	-	-	**(1,298)**
Balance, March 31, 2020	**453**	**43,401**	**2,886**	**51,312**	**802**	**2,646**	**1,719**	**103,219**
Accumulated Depreciation								
Balance, March 31, 2018	**409**	**14,188**	**2,485**	**32,165**	**548**	**2,577**	**-**	**52,372**
Current year depreciation	4	1,944	171	4,136	66	50	-	**6,371**
Disposals	-	(9)	(133)	(3,988)	(5)	-	-	**(4,135)**
Balance, March 31, 2019	**413**	**16,123**	**2,523**	**32,313**	**609**	**2,627**	**-**	**54,608**
Current year depreciation	4	2,040	138	4,113	79	19	-	**6,393**
Disposals	-	(8)	(125)	(831)	(42)	-	-	**(1,006)**
Balance, March 31, 2020	**417**	**18,155**	**2,536**	**35,595**	**646**	**2,646**	**-**	**59,995**
Net Book Value								
March 31, 2020	**$ 36**	**$ 25,246**	**$ 350**	**$ 15,717**	**$ 156**	**$ -**	**$ 1,719**	**$ 43,224**
March 31, 2019	**$ 40**	**$ 26,175**	**$ 399**	**$ 18,042**	**$ 155**	**$ 19**	**$ 1,671**	**$ 46,501**

8. Line of Credit

The Council was authorized by the Minister of Finance to establish a line of credit not to exceed $5,100,000. There is an assignment of the accounts receivable as collateral for bank indebtedness. Interest is charged on the line of credit at ScotiaBank prime rate.

As at March 31, 2020, the Council was not utilizing this line of credit.

9. Deferred Revenue

The Council received funding for certain property, plant and equipment (PP&E), which it records as deferred revenue until such time as the related assets are put in use and depreciated. Revenue is recognized at the same rate as the depreciation of the related assets.

a) Wheat DNA Project

The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by Enterprise Saskatchewan and Western Economic Diversification Canada. Funding was also received from Agriculture and Agri-Food Canada. The revenue related to this funding was fully recognized as at March 31, 2019.

b) Microanalysis Centre

The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by Enterprise Saskatchewan and Western Economic Diversification Canada to acquire equipment and develop space for the Microanalysis Centre.

c) Pipe Flow Expansion

The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by Enterprise Saskatchewan and Western Economic Diversification Canada to acquire equipment and develop space for the Pipe Flow Expansion.

d) Mineral Processing Pilot Plant

The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by Enterprise Saskatchewan and Western Economic Diversification Canada to acquire equipment and develop space for the Mineral Processing Pilot Plant.

9. Deferred Revenue *(continued)*

Deferred revenue consists of:

		2020 (000's)		2019 (000's)
Current Portion				
Microanalysis Centre	$	265	$	265
Pipe Flow Expansion		159		159
Mineral Processing Pilot Plant		127		127
Wheat DNA Project		-		-
		551		551
Long Term Portion				
Pipe Flow Expansion		350		509
Mineral Processing Pilot Plant		377		503
Microanalysis Centre		-		154
Wheat DNA Project		-		-
		727		1,166
Total Deferred Revenue	$	1,278	$	1,717

During the year, the Council recognized the following amounts as revenue based on the current year's depreciation expense of the related property, plant and equipment.

		2020 (000's)		2019 (000's)
Microanalysis Centre	$	153	$	265
Pipe Flow Expansion		159		159
Mineral Processing Pilot Plant		127		127
Wheat DNA Project		-		187
Total Capital Grants	$	439	$	738

10. Trust Investment and Decommissioning Provision (Provision)

The Canadian Nuclear Safety Commission's (CNSC) licensing conditions require that SLOWPOKE reactor owners have in place a decommissioning plan and a financial plan to cover the associated costs.

During the 2017-18 fiscal year, the Council approved the decommissioning of the SLOWPOKE reactor. The decommission process was started in fiscal 2018-19 and was completed in the current fiscal year. Total expenses incurred related to decommissioning were $6,331,000.

At March 31, 2020, the Council has invested $5,502,000 (2019 - $5,469,000) in a legal trust for the purpose of settling the provision. This trust agreement is a condition of the operating license issued to the Council by CNSC. The terms of the trust agreement require the trust be invested in GICs and require the Council to contribute to the trust

10. Trust Investment and Decommissioning Provision (Provision) *(continued)*

account each year. An initial investment of $500,000 was made in 2004. Investments of $260,000 were made in fiscal years 2006 to 2010. The trust agreement expired in 2010 and as such no contributions were made in 2011 or 2012. The Council completed a new trust agreement during the fiscal year ended March 31, 2013 and provided contributions for fiscal years 2011, 2012 and 2013 totaling $1,033,000. Investments of $371,000 were made in fiscal years 2014 through 2019. The funds cannot be used for any purpose without prior approval of CNSC. The Council will apply to CNSC for release of these funds following approvals of the completed decommissioning.

11. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Council by virtue of common control or significant influence by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as “related parties”). The Council has elected to take a partial exemption under IAS 24 – Related Party Disclosures which allows government-related entities to limit the extent of disclosures about related party transactions with government and other government-related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

During the year, the Council paid $10,149,000 (2019 - $10,770,000) to the Ministry of Central Services, Saskatchewan Opportunities Corporation (SOCO) and University of Saskatchewan for accommodation charges on buildings.

During the 2018-19 year, the Council entered in to an agreement related to the construction of new office and laboratory space that was financed through SOCO.

		2020 (000’s)		2019 (000’s)
Due to related party, variable rate based on Government of Saskatchewan short term borrowing rate, due March 31, 2038	$	18,895	$	19,941
Less: current portion of due to related party		1,376		1,376
	$	17,519	$	18,565

As at March 31, 2020, the amounts payable to SOCO are as follows:

Less than 1 year (000’s)	Between 2 and 5 years (000’s)	More than 5 years (000’s)
1,376	4,402	13,117

11. Related Party Transactions *(continued)*

In addition, the Council has lease liability payments due to related parties as follows:

	Less than 1 year	Between 2 and 5 years	More than 5 years
	(000's)	(000's)	(000's)
Future minimum lease payments	3,019	5,743	32,962
Present value of lease liabilities	2,112	3,106	23,005

In 2020, the Council purchased supplies and services for $1,081,000 (2019 - $877,000) from related parties.

During the year, the Council recognized fee-for-service contract revenue of $40,433,000 (2019 - $24,290,000) with related parties.

The Council received $19,968,000 (2019 - $20,376,000) in funding from the General Revenue Fund.

As at March 31, the Council had $587,000 (2019 - $960,000) in related party accounts receivable.

The Council has $731,000 (2019 - $1,050,000) of deferred revenue from related parties as at March 31, 2020. Of the $731,000, $77,000 (2019 - $209,000) is related to the Microanalysis Centre funding, $357,000 (2019 - $469,000) is related to the Pipe Flow Expansion funding and $297,000 (2019 - $372,000) is related to the Mineral Processing Pilot Plant funding.

The Council has $10,910,000 (2019 - $16,205,000) of unearned revenue from related parties, concerning fee-for-service contracts, as at March 31, 2020.

During the year, the Council provided general administrative services to the Saskatchewan Research Council Employees' Pension Plan without charge.

Key management personnel includes the President and Vice-Presidents of the Council. The compensation paid to key management for employee services is shown below:

	2020 (000's)	2019 (000's)
Salaries and benefits	$ 2,238	$ 2,819

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

12. Financial Instruments

Credit Risk:

Credit risk is the risk of an unexpected loss by the Council if a customer or third-party to a financial instrument fails to meet its contractual obligations.

The Council's credit risk is limited to its accounts receivable and cash balances.

Until the Council's surplus cash is required to fund operations, it is invested in a variety of highly rated, risk-free instruments.

The majority of the Council's receivables are from related parties, other government agencies and reputable, longstanding corporate clients who have a strong payment history. The Council also manages this risk by monitoring the credit worthiness of its customers and seeking pre-payment or insurance for receivables due from customers with a high level of credit risk. Loss rates are based on actual credit loss past experience and are adjusted to reflect differences between current and historical economic conditions and the Council's view of the economic conditions over the expected lives of the receivables. Historically the Council's write offs have not been significant.

At March 31, 2020, the Council had expected credit losses of $192,000 (2019 - $203,000).

The following reflects an aging summary of the Council's accounts receivable:

	2020 (000's)	2019 (000's)
Current	$ 6,772	$ 6,159
31 - 60 days	634	73
61- 90 days	142	99
Over 90 days	175	302
	7,723	6,633
Expected credit losses	(192)	(203)
	$ 7,531	$ 6,430

The following reflects a reconciliation of the Council's expected credit losses:

	2020 (000's)	2019 (000's)
Balance, beginning of year	$ 203	$ 708
Additions charged to operations	51	14
Write-offs net of recoveries	(62)	(519)
Balance, end of year	$ 192	$ 203

12. Financial Instruments (*continued)*

Liquidity Risk:

Liquidity risk is the risk that the Council is unable to meet its financial obligations as they fall due. The Council ensures that there is sufficient capital in order to meet short-term business requirements, after taking into consideration cash flows from operations and the Council's holdings of cash and the availability of the line of credit. The Council believes that these sources will be sufficient to cover short-term and long-term cash requirements.

The following table summarizes the contractual maturity of the Council's financial liabilities at March 31.

	(000's) Carrying Amount	(000's) <0-6 months	(000's) <7-12 months
2020			
Accounts payable	$ 5,455	$ 5,455	$ -
Salaries, wages and vacation payable	1,302	1,040	262
	$ 6,757	$ 6,495	$ 262
2019	Carrying Amount	<0-6 months	<7-12 months
Accounts payable	$ 5,957	$ 5,957	$ -
Salaries, wages and vacation payable	2,740	2,335	405
	$ 8,697	$ 8,292	$ 405

On March 11, 2020 the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown. Potential impacts include loss of revenue, supply chain disruption, challenges associated with a remote or unavailable workforce and potential asset impairment.

Interest Rate Risk:

The Council's exposure to floating interest rate risk is generally limited to certain cash and the Trust Investment. The Council manages its interest rate risk on these investments by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

A 1% change in the interest rate of the Trust Investment would result in a $55,000 change in interest revenue.

12. Financial Instruments *(continued)*

Equity Price Risk:

Equity price risk is the risk that the value of an equity will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market.

The Council manages the equity price risk of the Restricted Investment through investing in a Canadian balanced mutual fund.

A 10% change in the market value of the Restricted Investment would result in a $108,000 change in the return from the Restricted Investment.

Foreign Exchange Risk:

Foreign exchange risk is the risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the Council.

The Council is exposed to foreign exchange risk primarily relating to United States operating and capital expenditures. The company has no significant foreign currency exposure related to cash and receivables at March 31, 2020. The Council does not believe that the impact of fluctuations in foreign exchange rates on anticipated transactions will be material and therefore has not provided a sensitivity analysis of the impact on net earnings.

Fair Values:

The fair values of the cash, accounts receivable, accounts payable, salaries, wages and vacation payable, and sick leave benefits payable approximate their carrying value due to the short-term nature of these instruments. The fair value of the Restricted Investment is considered to be market value, the calculation of which is detailed in Note 3f). Due to the short-term nature of the type of investment held in the Trust Investment, the cost plus accrued interest is considered to be equal to market value.

12. Financial Instruments *(continued)*

The following table summarizes the classification, measurement category, carrying amount, and fair value of the Council's financial instruments.

			2020 (000's)		2019 (000's)	
	Class [1]	Level [1]	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
Cash	L&R	1	$ 12,755	$ 12,755	$ 19,879	$ 19,879
Accounts receivable	L&R	N/A	7,531	7,531	6,430	6,430
Restricted investment	FVTPL	1	1,083	1,083	1,127	1,127
Trust investment	L&R	1	5,502	5,502	5,469	5,469
Financial Liabilities						
Accounts payable	OFL	N/A	5,455	5,455	5,957	5,957
Salaries, wages and vacation payable	OFL	N/A	1,302	1,302	2,740	2,740
Sick leave benefits payable	OFL	N/A	49	49	62	62

[1] Classification and Level
FVTPL – Fair value through profit and loss
L&R – Loans and receivables
OFL – Other financial liabilities

Investments measured at fair value are categorized into a hierarchy level, which is described below. This level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 – Quoted prices in active markets for identical assets.

13. Lease Liability

	2020 (000's)
Total future minimum lease payments	$44,291
Less: future finance charges on leases	15,251
Present value of lease liabilities	29,040
Less: current portion	2,588
	$26,452

13. Lease Liability (*continued)*

As at March 31, 2020, the scheduled future minimum payments and the present value of lease liabilities are as follows:

	Less than 1 year	Between 2 and 5 years	More than 5 years
	(000's)	(000's)	(000's)
Future minimum lease payments	3,739	7,590	32,962
Present value of lease liabilities	2,588	3,447	23,005

The average discount rate applied is 3.25 - 3.99%.

14. Capital Disclosures

The Council manages capital through assessment of current and future goals, and the capital requirement of these goals. The Council's objective when managing capital is to ensure adequate capital is available to support operations and future strategies of the Council.

The Council's management considers its capital structure to consist of contributed surplus and unappropriated retained earnings.

The usage of this capital is restricted in accordance with *The Financial Administration Act, 1993*.

The Council is not subject to prescribed capital requirements or external restrictions.