Annual Report 2020-21

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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, 2021.

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.

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, it is always a pleasure to look back on the accomplishments of the past year. While 2020-21 was a year that had many unique challenges, SRC showed strength, resilience and significant progress in its commitment to its mission and mandate during the COVID-19 pandemic.

This successful year was due to the resourcefulness of SRC's leadership team, a solid business model and our dedicated team of employees. In many ways, the pandemic forced SRC to be responsive, adapt to change and uncertainty and jump into new opportunities differently than before.

However, throughout these unprecedented times, SRC's priorities still remained the same – the safety of people and the community were our top concerns as we continued to provide quality services and results to our clients.

SRC was able to remain diversified through various strategic initiatives designed alongside the *Saskatchewan 2030 Growth Plan*, while at the same time focusing its efforts on the mining and minerals and energy sectors, and the environmental considerations that are important across both.

SRC was created with the strong mandate to support industry and serve the people of Saskatchewan. For decades, SRC has been measuring its economic impact within the province. In a time when the entire world struggled due to the pandemic, SRC was able to continue to make a strong, positive economic impact – something that will only continue in the post-COVID world.

The Board is committed to the transparent governance of SRC, and thanks the Executive Team, management and employees for their extraordinary contributions this past year.

Dr. Dennis Fitzpatrick
Board Chair

Message From the President & CEO

2020 was a year that will not soon be forgotten – the COVID-19 pandemic not only changed lives, but it also changed the business world forever. Its impact on SRC was no different.

SRC was quick to respond to the pandemic and within a matter of days, our wide-ranging business as usual activities shifted to focus on a few critical priorities: taking all possible steps to protect the health and safety of our employees, clients and communities; ensuring we could continue to deliver essential services to our clients; and also maintaining the necessary cashflow required to keep the organization afloat.

As a One SRC team, all parts of our organization contributed to SRC not only surviving the effects of the pandemic but allowing us to thrive through it. I'd like to acknowledge and sincerely thank all SRC employees, who have proven their resilience and dedication to the organization and our clients through a year of significant challenges and changes. It's a privilege to work with them.

Despite the substantial impact of the pandemic and the uncertainty of those first few days, SRC had strong performance. This performance reflects the fundamental strengths of the organization: the ability to adapt quickly to change, the ability to innovate in the face of new challenges and the shear dedication of SRC employees. The way we have adapted to new ways of working in our laboratories, offices and in our homes through remote working has allowed us to continue to not only support our existing clients effectively but also grow our business into new areas. In 2020-21, SRC took on several new challenges and opportunities and had to pivot in a way we have never had to before.

Prior to the global pandemic, SRC's leadership team was exploring five large-scale, industrial and resource-based projects were identified that look to the future but are grounded in what is relevant to Saskatchewan which include **Strategic Metals; Rare Earth Elements and Lithium; Carbon Capture Utilization and Storage; Small Modular Reactors; Advanced Mining, and Agricultural Irrigation and Industrial Water Management.**

These projects are complex ones that address significant technology challenges and industrial needs and now, more than ever, have proven to be relevant to aid Saskatchewan in the all-important recovery post-COVID-19. In 2020-21, SRC made significant progress in these areas while also supporting the *Saskatchewan 2030 Growth Plan*. These initiatives will continue to be a key focus in the upcoming year.

After nearly a decade of work within SRC, the Rare Earth Element project was incorporated into the Government of Saskatchewan's *2030 Growth Plan*. In August 2020, as part of the Government's economic stimulus funding, SRC was awarded $31 million towards an REE facility. This facility, a first of its kind in North America, will help to create products, jobs, increase exports and provide a significant opportunity for value-added manufacturing. As part of this, SRC moved its rare earth element business into a new, dedicated Division.

SRC has been an integral partner of the Province's Accelerated Site Closure Plan (ASCP) – a program directly aligned with the Province's goal to "get people back to work" amidst the COVID-19 pandemic and funded through the federal COVID-19 *Economic Response Plan*. Led by the Saskatchewan Ministry of Energy and Resources, Saskatchewan was able to implement the program quicker than any other province and deployed hundreds of jobs with Licensed Producers and Oilfield Services companies in Saskatchewan. As program administrator, SRC used a procurement-based model to allocate work which allowed for the implementation of area-based closure through the bundling of work into packages. This drove program efficiencies, generated more abandonment and reclamation work under the program, and kept more Saskatchewan people employed.

In addition, SRC received $15 million in funding from the Province for a new Advanced Mining Technology Centre with goals to bring immediate jobs to Saskatchewan's construction industry and long-term impacts to Saskatchewan's mining and minerals industry through increased production and cost-savings. Significant progress has already been made on this Centre and we anticipate our mining and minerals teams to be able to start using it in the coming months.

SRC has also been working to support both the *Methane Action Plan* and the Saskatchewan Water Security Agency's Agricultural Water Demonstration projects as a stakeholder organization helping to advance research in both areas.

Our solid fiscal performance over the past twelve months – combined with a continuing focus on flexible planning, continuous improvement and innovation – has positioned us to perform well as we move into the post-COVID world continuing to deliver on our mission of growing and strengthening the Saskatchewan economy.

The 2020-21 economic impact assessment shows impacts of more than $844 million in direct economic benefits to the province, plus at least 6,000 jobs created or maintained in Saskatchewan that are valued at an additional $460 million. This means that for every dollar invested in SRC by the provincial government, a 42 times return was achieved in 2020-21. This is a significant and important figure that clearly demonstrates the important work that happens at SRC.

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

Dr. Muhammad Imran
Vice-President,
Rare Earth Element

Lesley McGilp
Vice-President,
Energy

Jesse Merilees
Vice-President,
Environment and Biotech

Craig Murray
Vice-President,
Mining and Minerals

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

As of July 1, 2021

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, 2021

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, 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, 2021, 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, 2021, 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
Saskatoon, Saskatchewan
May 20, 2021

Statement 1

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31
(Thousands of dollars)

		2021		2020
ASSETS				
Current assets:				
Cash	$	107,207	$	12,755
Accounts receivable (Note 11 and 12)		5,825		7,531
Trust investment (Note 10)		5,515		5,502
Prepaid expenses		1,943		1,750
		120,490		27,538
Non-current assets:				
Accrued pension benefit asset (Note 4)		446		219
Restricted investment (Note 5)		1,382		1,083
Right-of-use assets (Note 6)		30,321		29,023
Property, plant and equipment (Note 7)		43,440		43,224
	$	196,079	$	101,087
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable	$	11,977		5,455
Unearned revenue (Note 11 and 14)		68,042		12,299
Deferred revenue (Note 9)		1,036		551
Salaries, wages and vacations payable		3,029		1,302
Current portion of lease liabilities (Note 11 and 13)		1,769		2,588
Current portion of due to related party (Note 11)		1,376		1,376
		87,229		23,571
Non-current liabilities:				
Lease liabilities (Note 11 and 13)		28,932		26,452
Due to related party (Note 11)		16,504		17,519
Deferred revenue (Note 9 and 11)		30,190		727
Sick leave benefits payable		40		49
		162,895		68,318
Equity (Statement 3):				
Contributed surplus		922		922
Retained earnings - unappropriated		30,880		30,764
Retained earnings - appropriated		1,382		1,083
		33,184		32,769
	$	196,079	$	101,087

(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)

	2021	2020
Revenue:		
Contracts	$ 116,885	$ 71,142
Transfer from General Revenue Fund	20,108	19,968
	136,993	91,110
Expenses:		
Salaries and benefits	26,212	28,352
Services	89,084	38,167
Accommodation charges	6,428	5,199
Supplies	4,629	5,552
Depreciation (Note 6 and 7)	9,154	10,326
Travel, training and education	822	1,413
Financing charges (Note 11)	1,349	1,377
	137,678	90,386
Net (loss) income from operations	(685)	724
Other income:		
Interest revenue	581	391
Change in restricted investment (Note 5)	299	(44)
	880	347
Net income	195	1,071
Other comprehensive income:		
Defined benefit pension plan actuarial gain (loss) (Note 4)	220	(109)
Total comprehensive income	$ 415	$ 962

(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, 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
Net income	195	-	-	195
Other comprehensive income	220	-	-	220
Change in appropriated amount during year	(299)	299	-	-
Balance, March 31, 2021	$ 30,880	$ 1,382	$ 922	$ 33,184

(See accompanying notes to the financial statements)

Statement 4

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended March 31, 2021
(Thousands of dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Cash receipts from contracts	$ 173,650	$ 65,668
Cash receipts from General Revenue Fund	20,108	19,968
Cash receipts from Capital transfer	30,500	-
Cash paid to suppliers and employees	(116,940)	(79,724)
Interest received	574	391
Cash flows from operating activities	107,892	6,303
Cash flows used in investing:		
Purchase of trust investments	(13)	(42)
Decommissioning of SLOWPOKE	-	(3,656)
Interest paid	(1,390)	(1,377)
Purchase of property, plant and equipment, net of disposals	(7,745)	(3,408)
Cash flows used in investing activities	(9,148)	(8,483)
Cash flows used in financing:		
Payment on lease liabilities	(3,284)	(3,899)
Principal repayment of due to related party	(1,008)	(1,045)
Cash flows used in financing activities	(4,292)	(4,944)
Net increase (decrease) in cash and cash equivalents	94,452	(7,124)
Cash, beginning of period	12,755	19,879
Cash, end of period	$ 107,207	$ 12,755

(See accompanying notes to the financial statements)

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

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 and the abandonment and reclamation of inactive oil and gas wells. 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 20, 2021.

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).

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 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.

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.

COVID-19 impact
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.

2. Basis of Presentation *(continued)*

e) Application of Revised International Financial Reporting Standards

Amendments to the Conceptual Framework for Financial Reporting

Effective April 1, 2020, the Council prospectively adopted the amendment to the Conceptual Framework for Financial Reporting ("Conceptual Framework"). The amendments provide revisions to the Conceptual Framework, a comprehensive set of concepts for financial reporting. There was no impact to the consolidated financial statements upon adoption of the amendments to the framework.

Amendments to IAS 1, Presentation of Financial Statements and amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

Effective April 1, 2020, the Council prospectively adopted the amendments to IAS 1, Presentation of Financial Statements and amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refined the definition of material in IAS1, Presentation of Financial Statements and align the definitions used across IFRS Standards and other publications. There was no impact to the consolidated financial statements upon adoption of the amendments to the standards.

f) New and revised IFRS Standards

The Council has not yet adopted certain new standards, amendments and interpretations to existing standards which have been issued but are not yet effective. These include:

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 - Reference to the Conceptual Framework
- Amendments to IAS 16 - Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases.

The Council does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

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 financial assets classified as FVTPL consist of the restricted investment.

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.

3. Summary of Accounting Policies (*continued)*

b) Financial Instruments (continued)

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.

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.

3. Summary of Accounting Policies (*continued)*

c) Revenue Recognition (continued)

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 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.

Contract revenue consists of revenues earned from third party clients, Project CLEANS and the Accelerated Site Closure Program (ASCP). Project CLEANS is a multi-year, multimillion-dollar project managed by the Council which is aimed at assessing and reclaiming abandoned northern mine sites. In 2020, the Government of Saskatchewan launched the ASCP project for the abandonment and reclamation of inactive oil and gas wells. ASCP will access up to $400 million, over two years, through the federal COVID-19 Economic Response Plan.

3. Summary of Accounting Policies (*continued*)

c) Revenue Recognition (continued)

Grants

Grants from the General Revenue Fund are unrestricted in nature and recognized as they are received or receivable. Capital grant revenues for the Microanalysis Centre, Pipe Flow Expansion, Mineral Processing Plant, Mining and Minerals Facility and Rare Earth Processing Facility 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) Leases

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.

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:

3. Summary of Accounting Policies (*continued)*

e) Property, Plant and Equipment

Straight-line method

Automotive	5 years
Buildings	9 - 20 years
Computer Equipment	5 years
Equipment	5 - 10 years
Leasehold Improvements	2 - 30 years

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.

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.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

3. Summary of Accounting Policies (*continued*)

f) Impairment (continued)

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.

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.

4. Accrued Pension Benefit Asset

Defined Contribution

The defined contribution pension plan assets had a market value of $18,908,000 (2019 - $19,011,000) at December 31, 2020. 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, 2021 was $998,000 (2020 - $1,203,000).

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.

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, 2020 by an independent actuary, Mercer. This valuation has been extrapolated to March 31, 2021 by Mercer. A discount rate of 1.80% (2020 – 3.40%) 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, 2020 there were seven 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 2020 valuation disclosed a solvency surplus of $374,000 (2019 - $234,000 surplus) and a funding surplus of $444,000 (2019 - $307,000 surplus).

A 1% increase in the interest rate assumption would result in a $11,000 decrease to the pension liability. A 1% decrease in the interest rate assumption would result in a $11,000 increase to the pension liability.

4. Accrued Pension Benefit Asset *(continued)*

Defined Benefit (continued)

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

	2021 (000's)	2020 (000's)	2019 (000's)
Defined benefit asset expected market value, April 1	$ 692	$ 829	$ 912
Expected return on plan assets	21	22	27
Benefits paid	(97)	(124)	(124)
Experience gain/(loss)	140	(35)	14
Asset at market value, March 31	756	692	829
Defined benefit obligation at April 1	473	510	549
Interest on accrued benefits and benefit payments	14	13	16
Benefits paid	(97)	(124)	(124)
Experience losses/(gains)	(98)	70	64
Pension increase	3	11	-
Assumption changes	15	(7)	5
Obligation, extrapolated to March 31	310	473	510
Accrued pension asset, March 31	$ 446	$ 219	$ 319

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 gain of $220,000 (2020 - $109,000 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".

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:

	2021 (000's)	Change (000's)	2020 (000's)
Capital contributions	$ 504	$ -	$ 504
Accumulated investment earnings	1,114	299	815
Accumulated technology grants, fund expenses	(236)	-	(236)
Total	$ 1,382	$ 299	$ 1,083

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.

Saskatchewan Research Council

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For the year ended March 31, 2021

6. Right-of-Use assets

		Buildings
Cost		(000's)
Balance, April, 1, 2019	$	33,305
Additions		-
Disposals		-
Balance, March 31, 2020	$	33,305
Additions		4,963
Disposals		-
Terminations		(5,002)
Balance, March 31, 2021		33,266
Accumulated depreciation		
Balance, April 1, 2019	$	-
Depreciation		4,282
Disposals		-
Balance, March 31, 2020	$	4,282
Depreciation		3,665
Disposals		-
Terminations		(5,002)
Balance, March 31, 2021		2,945
Net Book Value		
March 31, 2021	$	30,321
March 31, 2020	$	29,023

7. Property, Plant and Equipment

(000's)	Building	Leasehold Improvements	Computer Equipment	Equipment	Automotive	Construction in Progress	Total
Cost							
Balance, March 31, 2019	453	42,298	2,922	50,355	764	1,671	**98,463**
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**	**1,719**	**100,573**
Additions	-	19	346	3,199	87	4,094	**7,745**
Disposals/transfers	-	(2,491)	(214)	(1,698)	(43)	-	**(4,446)**
Balance, March 31, 2021	**453**	**40,929**	**3,018**	**52,813**	**846**	**5,813**	**103,872**
Accumulated Depreciation							
Balance, March 31, 2019	**413**	**16,123**	**2,523**	**32,313**	**609**	**-**	**51,981**
Current year depreciation	4	2,040	138	4,113	79	-	**6,374**
Disposals	-	(8)	(125)	(831)	(42)	-	**(1,006)**
Balance, March 31, 2020	**417**	**18,155**	**2,536**	**35,595**	**646**	**-**	**57,349**
Current year depreciation	4	1,875	140	3,957	63	-	**6,039**
Disposals	-	(1,036)	(213)	(1,668)	(39)	-	**(2,956)**
Balance, March 31, 2021	**421**	**18,994**	**2,463**	**37,884**	**670**	**-**	**60,432**
Net Book Value							
March 31, 2021	**$ 32**	**$ 21,935**	**$ 555**	**$ 14,929**	**$ 176**	**$ 5,813**	**$ 43,440**
March 31, 2020	**$ 36**	**$ 25,246**	**$ 350**	**$ 15,717**	**$ 156**	**$ 1,719**	**$ 43,224**

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, 2021, 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) 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.

b) 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.

c) 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.

d) Mining and Minerals Facility

In June 2020, The Council received funding towards the total cost of PP&E from the Government of Saskatchewan to acquire equipment and develop space for the Mining and Minerals Facility.

e) Rare Earth Processing Facility

In August 2020, The Council received funding towards the total cost of PP&E from the Government of Saskatchewan to acquire equipment and develop space for a Rare Earth Processing Facility.

9. Deferred Revenue *(continued)*

Deferred revenue consists of:

	2021 (000's)	2020 (000's)
Current Portion		
Microanalysis Centre	$ -	$ 265
Pipe Flow Expansion	159	159
Mineral Processing Pilot Plant	127	127
Mining and Minerals Facility	750	-
	1,036	551
Long Term Portion		
Pipe Flow Expansion	191	350
Mineral Processing Pilot Plant	249	377
Mining and Minerals Facility	14,250	-
Rare Earth Processing Facility	15,500	-
	30,190	727
Total Deferred Revenue	$ 31,226	$ 1,278

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.

	2021 (000's)	2020 (000's)
Microanalysis Centre	$ 265	$ 153
Pipe Flow Expansion	159	159
Mineral Processing Pilot Plant	128	127
Total Capital Grants	$ 552	$ 439

10. Trust Investment

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.

At March 31, 2021, the Council has invested $5,515,000 (2020 - $5,502,000) 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 account each year. The funds cannot be used for any purpose without prior approval of CNSC. The Council has applied 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 $11,034,000 (2020 - $10,149,000) to the Ministry of SaskBuilds and Procurement, Saskatchewan Opportunities Corporation (SOCO) and University of Saskatchewan for accommodation charges on buildings.

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

		2021		2020
		(000's)		(000's)
Due to related party, variable rate based on Government of Saskatchewan short term borrowing rate, due March 31, 2038	$	17,880	$	18,895
Less: current portion of due to related party		1,376		1,376
	$	16,504	$	17,519

11. Related Party Transactions *(continued)*

As at March 31, 2021, the amounts payable to SOCO are as follows:

Less than 1 year	Between 2 and 5 years	More than 5 years
(000's)	(000's)	(000's)
1,376	3,026	13,478

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	2,228	8,282	31,661
Present value of lease liabilities	1,280	5,015	22,898

In 2021, the Council purchased supplies and services for $1,712,000 (2020 - $1,081,000) from related parties.

During the year, the Council recognized fee-for-service contract revenue of $94,427,000 (2020 - $40,433,000) with related parties.

The Council received $20,108,000 (2020 - $19,968,000) in funding from the General Revenue Fund.

As at March 31, the Council had $1,058,000 (2020 - $587,000) in related party accounts receivable.

The Council has $30,968,000 (2020 - $731,000) of deferred revenue from related parties as at March 31, 2021. Of the $30,968,000, $0 (2020 - $77,000) is related to the Microanalysis Centre funding, $246,000 (2020 - $357,000) is related to the Pipe Flow Expansion funding, $222,000 (2020 - $297,000) is related to the Mineral Processing Pilot Plant funding, $15,000,000 is related to the Mining and Minerals Facility funding and $15,500,000 is related to the Rare Earth Processing Facility funding.

The Council has $67,065,000 (2020 - $10,910,000) of unearned revenue from related parties, related to fee-for-service contracts, as at March 31, 2021.

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

Saskatchewan Research Council

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

11. Related Party Transactions *(continued)*

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

	2021 (000's)	2020 (000's)
Salaries and benefits	$ 2,564	$ 2,238

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, 2021, the Council had expected credit losses of $211,000 (2020 - $192,000).

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

	2021 (000's)	2020 (000's)
Current	$ 4,427	$ 6,772
31 - 60 days	1,124	634
61- 90 days	95	142
Over 90 days	390	175
	6,036	7,723
Expected credit losses	(211)	(192)
	$ 5,825	$ 7,531

12. Financial Instruments *(continued)*

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

	2021 (000's)	2020 (000's)
Balance, beginning of year	$ 192	$ 203
Additions charged to operations	21	51
Write-offs net of recoveries	(2)	(62)
Balance, end of year	$ 211	$ 192

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.

2021	(000's) Carrying Amount	(000's) <0-6 months	(000's) <7-12 months
Accounts payable	$ 11,977	$ 11,977	$ -
Salaries, wages and vacation payable	3,029	2,738	291
	$ 15,006	$ 14,715	$ 291

2020	Carrying Amount	<0-6 months	<7-12 months
Accounts payable	$ 5,455	$ 5,455	$ -
Salaries, wages and vacation payable	1,302	1,040	262
	$ 6,757	$ 6,495	$ 262

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 $138,000 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, 2021. 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 3g). 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.

			2021 (000's)		2020 (000's)	
	Class [1]	Level [1]	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
Cash	L&R	1	$ 107,207	$ 107,207	$ 12,755	$ 12,755
Accounts receivable	L&R	N/A	5,825	5,825	7,531	7,531
Restricted investment	FVTPL	1	1,382	1,382	1,083	1,083
Trust investment	L&R	1	5,515	5,515	5,502	5,502
Financial Liabilities						
Accounts payable	OFL	N/A	11,977	11,977	5,455	5,455
Salaries, wages and vacation payable	OFL	N/A	3,029	3,029	1,302	1,302
Sick leave benefits payable	OFL	N/A	40	40	49	49

[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

	2021 (000's)	2020 (000's)
Total future minimum lease payments	$ 44,044	$ 44,291
Less: future finance charges on leases	13,343	15,251
Present value of lease liabilities	30,701	29,040
Less: current portion	1,769	2,588
	$ 28,932	$ 26,452

13. Lease Liability *(continued)*

As at March 31, 2021, 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	2,850	9,534	31,661
Present value of lease liabilities	1,769	6,034	22,898

The average discount rate applied is 3.25 - 3.99%.

As at March 31, 2021 the Council has outstanding commitments to a third party in relation to right-of-use assets and lease liabilities in the future.

14. Unearned Revenue

Unearned revenue consists of:

	2021 (000's)	2020 (000's)
Accelerated site closure program	$ 61,733	$ -
Project CLEANS	4,861	10,322
Other contracts	1,448	1,977
	$ 68,042	$ 12,299

15. 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.