Financial Statements of

SNOLAB

Year ended March 31, 2020

SNOLAB

Table of Contents

Year ended March 31, 2020

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INDEPENDENT AUPDITORS' REPORT

To the Board of Management of SNOLAB

Opinion

We have audited the financial statements of SNOLAB (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets (deficiency) for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

September 25, 2020

SNOLAB

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Accounts receivable	$ 363,756	$ 235,945
Prepaid expenses	85,572	62,811
Due from Queen's University at Kingston	21,416,555	15,690,860
	21,865,883	15,989,616
Capital assets (note 3)	7,027,934	4,588,341
	$ 28,893,817	$ 20,577,957
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 3,123,096	$ 2,869,139
Deferred revenue	18,467,803	12,880,414
	21,590,899	15,749,553
Deferred capital contributions (note 4)	7,027,934	4,588,341
Employee future benefits (note 5)	1,627,160	1,167,809
Net assets (deficiency):		
Unrestricted:		
Operating surplus	124,984	90,063
Employee future benefits	(1,627,160)	(1,167,809)
Internally restricted (note 9)	150,000	150,000
	(1,352,176)	(927,746)
Commitments (note 10)		
Decommissioning costs (note 11)		
Economic dependence (note 12)		
Impact of the COVID-19 pandemic (note 16)		
	$ 28,893,817	$ 20,577,957

See accompanying notes to financial statements.

On behalf of the Board:

________________________________ Trustee

________________________________ Trustee

SNOLAB

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Grant funding (note 6)	$ 14,855,811	$ 12,398,047
CPARC funding	344,608	194,525
Amortization of deferred capital contributions (note 4)	925,110	895,104
Cost recovery	38,000	–
	16,163,529	13,487,676
Expenses:		
Salaries and benefits	10,219,795	8,625,406
Supplies	1,680,188	1,442,283
External contracts:		
Vale	945,286	872,295
Other	1,307,260	998,011
Travel	507,968	406,555
Equipment	543,001	255,990
Amortization of capital assets	925,110	895,104
	16,128,608	13,495,644
Excess (deficiency) of revenue over expenses	$ 34,921	$ (7,968)

See accompanying notes to financial statements.

SNOLAB

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2020, with comparative information for 2019

		Unrestricted			
	Internally Restricted	Operating Surplus	Employee Future Benefits	2020 Total	2019 Total
Net assets (deficiency), beginning of year	$ 150,000	$ 90,063	$ (1,167,809)	$ (927,746)	$ (1,018,112)
Employee future benefits remeasurements (note 5)	–	–	(459,351)	(459,351)	98,334
Excess (deficiency) of revenue over expenses	–	34,921	–	34,921	(7,968)
Net assets (deficiency), end of year	$ 150,000	$ 124,984	$ (1,627,160)	$ (1,352,176)	$ (927,746)

See accompanying notes to financial statements.

SNOLAB
Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	$ 34,921	$ (7,968)
Items not involving cash:		
Amortization of deferred capital contributions	(925,110)	(895,104)
Amortization of capital assets	925,110	895,104
Change in non-cash operating working capital:		
Accounts receivable	(127,811)	993,829
Prepaid expenses	(22,761)	(29,918)
Due from Queen’s University at Kingston	(5,725,695)	(7,551,015)
Accounts payable and accrued liabilities	253,957	1,361,980
Deferred revenue	5,587,389	5,233,092
	–	–
Investments:		
Purchase of capital assets	(3,364,703)	(3,382,530)
Financing:		
Contributions received for capital purposes	3,364,703	3,382,530
Change in cash	–	–
Cash, beginning and end of year	$ –	$ –

See accompanying notes to financial statements.

1. **General:**

SNOLAB is a research project whose principal objective is the operation and decommissioning of the SNOLAB International Facility for Underground Science. The main thrust of the research is Astroparticle Physics. The SNOLAB Institute ("SNOI"), an Institute of Queen's University at Kingston, provides oversight over the administrative, scientific and technical matters of the SNOLAB project.

An agreement specifies that the SNOLAB project's assets and liabilities are to be divided among the Canadian SNOLAB member institutions. At March 31, 2020, the SNOLAB member institutions ("Institutions") include Carleton University, Laurentian University of Sudbury, Université de Montréal, The University of Alberta, and Queen's University at Kingston. The Institutions provide salaries for their staff members, as well as laboratory and office space. Queen's University at Kingston acts as owner and administrator of the SNOLAB project. Queen's University at Kingston, Carleton University and Laurentian University are all providing space for project offices, administrative services as well as technical and general assistance.

These financial statements include expenses for on-site activities of the project in Sudbury, supported by federal grants from the Canadian Foundation for Innovation ("CFI") and support from the Ontario Ministry of Research and Innovation ("MRI").

The current year financial statements reflect the funding and activity of the SNOLAB project in the operations of the SNOLAB infrastructure and do not reflect the activity of the individual Institutional collaborators, the experimental research programs to be sited within SNOLAB, or other associated research projects.

2. **Significant accounting policies:**

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting.

(a) Revenue recognition:

SNOLAB follows the deferral method of accounting for contributions which include government grants.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Contributions approved but not received at the end of an accounting period are accrued.

These financial statements reflect agreed arrangements approved by the various funding sources with respect to the year ended March 31, 2020.

2. Significant accounting policies (continued):

(b) Capital assets:

Capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to SNOLAB's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

	Rate
Equipment	5 years
Computer software	3 years
Leasehold improvements	5 years

No amortization is taken on assets under construction until they are placed in use.

(c) Employee future benefits:

SNOLAB participates in the employee future benefits plans of Laurentian University. All full-time employees are eligible to join the plan upon hire, and the benefits are based on years of service and final average salary. The plans provide for defined retirement benefits and post-employment benefits. These benefits include pension, health and dental.

SNOLAB recognizes the amount of the accrued obligation net of the fair value of plan assets in the Statement of Financial Position. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized as a direct increase or decrease in net assets (deficiency). The accrued liability for employee future benefits is determined from the actuarial valuation report. The most recent actuarial valuation is as of July 1, 2017 and the results have been extrapolated to April 30, 2020.

(d) Use of estimates:

The preparation of the financial statements 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 revenue and expenses during the year. Actual results could differ from those estimates.

2. Significant accounting policies (continued):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. SNOLAB has not elected to subsequently carry any such financial instruments at fair value.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, SNOLAB determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount SNOLAB expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

3. Capital assets:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Leasehold improvements	$ 2,210,493	$ 1,721,868	$ 488,625	$ 512,858
Equipment	3,965,202	3,157,721	807,481	693,086
Computer software	905,796	569,908	335,888	134,059
Construction in progress	5,395,940	–	5,395,940	3,248,338
	$ 12,477,431	$ 5,449,497	$ 7,027,934	$ 4,588,341

Cost and accumulated amortization at March 31, 2019 amounted to $9,112,728 and $4,524,387, respectively.

Capital assets have been reviewed for full or partial impairment and management has determined there are none.

4. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Operations.

	2020	2019
Balance, beginning of year	$ 4,588,341	$ 2,100,915
Additional contributions received	3,364,703	3,382,530
Less amortization of deferred capital contributions	(925,110)	(895,104)
Balance, end of year	$ 7,027,934	$ 4,588,341

5. Employee future benefits:

SNOLAB provides pension, extended health care, and dental benefits to its employees. An independent actuarial study of the employee future benefits has been undertaken. As at March 31, 2020, SNOLAB's accrued benefit obligation relating to employee future benefit plans is $1,627,160 (2019 - $1,167,809).

Prior to 2018, the benefit plans were assumed by Laurentian University. In 2018, as a result of the full valuation completed on July 1, 2017, the SNOLAB share of the employee future benefits plans is separate and distinct and is recorded in SNOLAB’s financial statements.

	Pension	Post-employment benefit obligation	2020 Total
Accrued benefit obligation	$ (6,014,403)	$ (152,209)	$ (6,166,612)
Fair value of plan assets	4,499,631	39,821	4,539,452
Accrued benefit obligation	$ (1,514,772)	$ (112,388)	$ (1,627,160)
Opening accrued benefit obligation	$ (1,066,329)	$ (101,480)	$ (1,167,809)
Benefit costs	(581,663)	(14,109)	(595,772)
Employment contributions	587,713	2,859	590,572
Remeasurement gains (losses)	(454,493)	342	(454,151)
Ending accrued benefit obligation	$ (1,514,772)	$ (112,388)	$ (1,627,160)

5. Employee future benefits (continued):

The significant assumptions are as follows:

	Pension	Post-employment benefit obligation
Discount rate	5.85%	4.00%
Provision of adverse deviation	10.29%	–
Inflation rate	2.00%	2.00%
Rate of compensation increase	0% for the first year and 2.50% per year plus merit thereafter	–
Expected long-term rate of return on plan assets	5.85%	4.00%
Money purchase conversion interest rate	3.75%	–

6. Funding sources:

The sources of funding include grants and contributions from the Ministry of Research and Innovation and the Canadian Foundation for Innovation. The sources and purposes for each of these funds are to support the on-site costs of operating the laboratory, including associated personnel costs.

7. Definitions of activity areas:

(a) Salaries and benefits:

This represents administrative salaries, support salaries and fringe benefits for SNOLAB offices.

(b) Supplies:

This includes telecommunications, office supplies, printing charges, meeting supplies and general administration costs.

(c) External contracts:

This depicts external project services associated with the operations of the SNOLAB facility.

(i) Vale - to provide services during the operation of the SNOLAB facility.

(ii) Other - all external contracts to provide services during the operation of the SNOLAB facility other than Vale contracts noted above.

7. Definitions of activity areas (continued):

(d) Travel:

This includes field travel, convention travel and visitor travel.

(e) Equipment:

This consists of minor equipment expenditures, including computing equipment and research equipment.

8. Related party transactions:

Laurentian University, a SNOLAB member institution, provides financial services to SNOLAB relating to the administration of salary and benefits on the Statement of Operations. The cost of these services, aggregating $10,113,315 in 2020 (2019 - $8,424,426) is included in salaries and benefits expense. At March 31, 2020, the amount payable to Laurentian University is $1,798,553 (2019 - $1,856,326) related to such fees and is included in accounts payable and accrued liabilities on the Statement of Financial Position.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

9. Internally restricted net assets:

Internally restricted net assets consist of the following:

	2020	2019
Severances reserve	$ 150,000	$ 150,000

10. Commitments:

(a) A contract has been signed with Vale to provide services during the operation of SNOLAB, until at least December 31, 2020. During the year, external contract expenses totaling $945,286 (2019 - $872,295) were incurred to Vale in this regard.

(b) SNOLAB has committed to capital expenditures relating to various construction in progress projects. As of March 31, 2020, SNOLAB has outstanding capital project contractual commitments of approximately $1,071,762. The expenditures will be funded by grant funding.

11. Decommissioning costs:

The SNOLAB facility may incur significant final decommissioning costs on completion of experiments currently under development. As no reasonable estimate can be determined at this time, no accrual has been made in the financial statements in respect of this matter.

At present, there are no immediate plans for such final decommissioning, nor is there a reasonable estimate of when such decommissioning may occur. Currently, new experiments are being developed through the use of the facility, and the final decommissioning phase of the facility is not expected to occur in the foreseeable future.

12. Economic dependence:

Historically, SNOLAB has generated a substantial portion of its total revenue from both federal and provincial grants.

(a) Effective September 29, 2017, SNOLAB entered into a grant funding agreement, in the amount of $28,570,000 based on eligible expenses with the Canada Foundation for Innovation. In March 2020, this agreement was amended to increase grant funding to $76,415,022. The agreement expires March 31, 2023. Remaining funding to be received under this agreement is $41,324,684.

(b) Effective March 17, 2017, SNOLAB entered into a provincial grant agreement, in the amount of $28,809,619 based on eligible expenses under the Ministry of Research and Innovation Ontario. The agreement expires March 31, 2023. Remaining funding to be received under this agreement is $5,053,543.

The ability of SNOLAB to continue operations at its current size and scale is dependent upon the Canada Foundation for Innovation and Ministry of Research and Innovation Ontario grant agreements remaining in effect.

13. Financial risks and concentration of risk:

(a) Liquidity risk:

Liquidity risk is the risk that SNOLAB will be unable to fulfill its obligations on a timely basis or at a reasonable cost. SNOLAB manages its liquidity risk by monitoring its operating requirements. SNOLAB prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2019.

13. Financial risks and concentration of risk (continued):

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. SNOLAB is exposed to credit risk with respect to accounts receivable. SNOLAB assesses, on a continuous basis, accounts receivable and provides for any amounts that are not considered collectible in the allowance for doubtful accounts. The allowance for doubtful accounts as at March 31, 2020 is $Nil (2019 - $Nil).

14. Changes in accounting policies:

In March 2018, the Accounting Standards Board issued "Basis for Conclusions- Accounting Standards Improvements for Not-for-Profit Organizations" resulting in the introduction of three new handbook sections in the Accounting Standards for Not-for-Profit Organizations Part III of the Handbook as follows:

(a) Section 4433, Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a nonreversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at April 1, 2019.

(b) Section 4434, Intangible assets held by not-for-profit organizations, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset's fair value or replacement cost. This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at April 1, 2019.

(c) Section 4441, Collections held by not-for-profit organizations, which defines a collection and directs organizations to record such assets on the Statement of Financial Position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

14. Changes in accounting policies (continued):

(c) (continued):

Organizations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as at April 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed as at April 1, 2019.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019.

The implementation of these changes had no impact on the financial statements.

15. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

16. Impact of the COVID-19 pandemic:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Organization has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Daily meetings between directors and senior management to discuss COVID-19 updates and planned responses.
- Working from home requirements for those able to do so.
- Mandatory on-site client and staff screening and tracking protocols.
- Rotational shifts for designated teams and continuous re-evaluation of the team's work assignments.
- Undertaking of new projects to support the local medical teams, and the reprioritization of existing projects under the city and provincial social distancing restrictions.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.