Financial Statements of

# SNOLAB

Year ended March 31, 2021

# SNOLAB

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# INDEPENDENT AUDITORS' 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, 2021
- 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, 2021, 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 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.

KPMG



### *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

May 12, 2022

# SNOLAB

Statement of Financial Position

March 31, 2021, with comparative information for 2020

| | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Accounts receivable | $ 205,228 | $ 363,756 |
| Prepaid expenses | 130,578 | 85,572 |
| Due from Queen's University at Kingston | 12,950,242 | 21,416,555 |
| | 13,286,048 | 21,865,883 |
| Capital assets (note 3) | 7,701,410 | 7,027,934 |
| | $ 20,987,458 | $ 28,893,817 |
| **Liabilities and Net Assets (Deficiency)** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 8) | $ 1,832,540 | $ 3,123,096 |
| Deferred revenue | 11,180,076 | 18,467,803 |
| | 13,012,616 | 21,590,899 |
| Deferred capital contributions (note 4) | 7,701,410 | 7,027,934 |
| Employee future benefits (note 5) | 112,388 | 1,627,160 |
| Net assets (deficiency): | | |
| Unrestricted: | | |
| Operating surplus | 123,432 | 124,984 |
| Employee future benefits | (112,388) | (1,627,160) |
| Internally restricted (note 9) | 150,000 | 150,000 |
| | 161,044 | (1,352,176) |
| Commitments (note 10) | | |
| Decommissioning costs (note 11) | | |
| Economic dependence (note 12) | | |
| | $ 20,987,458 | $ 28,893,817 |

See accompanying notes to financial statements.

On behalf of the Board:

_______________________________ Trustee

_______________________________ Trustee

# SNOLAB

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

| | 2021 | 2020 |
|---|---|---|
| Revenue: | | |
| Grant funding (note 6) | $ 17,035,771 | $ 14,855,811 |
| CPARC funding | 281,108 | 344,608 |
| CRCEF funding | 191,339 | – |
| Amortization of deferred capital contributions (note 4) | 949,264 | 925,110 |
| Cost recovery | – | 38,000 |
| | 18,457,482 | 16,163,529 |
| Expenses: | | |
| Salaries and benefits | 12,085,331 | 10,219,795 |
| Supplies | 1,029,525 | 1,680,188 |
| External contracts: | | |
| Vale | 904,200 | 945,286 |
| Other | 1,488,295 | 1,307,260 |
| Travel | 55,599 | 507,968 |
| Equipment | 1,946,820 | 543,001 |
| Amortization of capital assets | 949,264 | 925,110 |
| | 18,459,034 | 16,128,608 |
| Excess (deficiency) of revenue over expenses | $ (1,552) | $ 34,921 |

See accompanying notes to financial statements.

# SNOLAB

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2021, with comparative information for 2020

| | Internally Restricted | Unrestricted Operating Surplus | Unrestricted Employee Future Benefits | 2021 Total | 2020 Total |
|---|---|---|---|---|---|
| Net assets (deficiency), beginning of year | $ 150,000 | $ 124,984 | $ (1,627,160) | $ (1,352,176) | $ (927,746) |
| Employee future benefits remeasurements (note 5) | – | – | 1,514,772 | 1,514,772 | (459,351) |
| Excess (deficiency) excess of revenue over expenses | – | (1,552) | – | (1,552) | 34,921 |
| Net assets (deficiency), end of year | $ 150,000 | $ 123,432 | $ (112,388) | $ 161,044 | $ (1,352,176) |

See accompanying notes to financial statements.

# SNOLAB

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

| | 2021 | 2020 |
|---|---|---|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess (deficiency) of revenue over expenses | $ (1,552) | $ 34,921 |
| Items not involving cash: | | |
| Amortization of deferred capital contributions | (949,264) | (925,110) |
| Amortization of capital assets | 949,264 | 925,110 |
| Change in non-cash operating working capital: | | |
| Accounts receivable | 158,528 | (127,811) |
| Prepaid expenses | (45,006) | (22,761) |
| Due from Queen's University at Kingston | 8,466,313 | (5,725,695) |
| Accounts payable and accrued liabilities | (1,290,556) | 253,957 |
| Deferred revenue | (7,287,727) | 5,587,389 |
| | – | – |
| Investments: | | |
| Purchase of capital assets | (1,622,740) | (3,364,703) |
| Financing: | | |
| Contributions received for capital purposes | 1,622,740 | 3,364,703 |
| 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, 2021, 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, 2021.

## 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:

In the year, SNOLAB provided employee future benefits and post-retirement benefits to its employees though the Retirement Plan of Laurentian University of Sudbury (the "University") and its Federated and Affiliated Universities (the "Pension Plan"), and the Retiree Health Benefit Plan.

Due to ongoing financial and operational pressures on the University, on February 1, 2021, the University brought an application before the Ontario Superior Court of Justice (the "Court") seeking an initial order pursuant to the Companies' Creditors Arrangement Act (the "CCAA") to, among other things, obtain a stay of proceedings to allow the University an opportunity to financially and operationally restructure itself. In connection with the CCAA restructuring, the University has made substantial changes to its benefit plans as described in note 5.

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 asset/liability for employee future benefits is determined from the actuarial valuation report. The most recent actuarial valuation was completed as of January 1, 2020 and the next actuarial valuation will be completed effective July 1, 2021.

The Pension Plan provides a provision against the Pension Plan's assets for benefit reinstatement in accordance with the Pension Plan's benefits and funding policy.

## 2. Significant accounting policies (continued):

(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.

(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 | 2021 Net book value | 2020 Net book value |
|---|---|---|---|---|
| Leasehold improvements | $ 2,210,493 | $ 1,946,361 | $ 264,132 | $ 488,625 |
| Equipment | 4,963,723 | 3,692,614 | 1,271,109 | 807,481 |
| Computer software | 997,324 | 759,786 | 237,538 | 335,888 |
| Construction in progress | 5,928,631 | – | 5,928,631 | 5,395,940 |
| | $ 14,100,171 | $ 6,398,761 | $ 7,701,410 | $ 7,027,934 |

Cost and accumulated amortization at March 31, 2020 amounted to $12,477,431 and $5,449,497, 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.

| | 2021 | 2020 |
|---|---|---|
| Balance, beginning of year | $ 7,027,934 | $ 4,588,341 |
| Additional contributions received | 1,622,740 | 3,364,703 |
| Less amortization of deferred capital contributions | (949,264) | (925,110) |
| Balance, end of year | $ 7,701,410 | $ 7,027,934 |

## 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, 2021, SNOLAB's accrued benefit obligation relating to employee future benefit plans is $112,388 (2020 - $1,627,160).

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

In connection with the CCAA restructuring of the University, substantial changes were made to its benefit plans as described below.

(a) Pension Plan:

Effective April 2021, the Pension Plan modified the rights of members to transfer lump sum values of their pension entitlement. Previously, the lump sum transfer election was available at any time between the end of employment and the end of the year in which they attain age 71 when a monthly pension must commence. Those rules have been changed such that members who reach their early retirement date will no longer be able to transfer lump sum values of their pension entitlement. The impact of these changes have been reported in the current fiscal year as historically SNOLAB's accounting for employee benefits has been aligned with the University's April 30 fiscal year end.

Former members of the Pension Plan who commenced employment prior to September 24, 2017 were entitled, following the last day of employment, to receive either a monthly pension payable from the Pension Plan (starting on or after reaching their early retirement date) or to transfer the lump sum values of their pension entitlement out of the Pension Plan.

Former members of the Pension Plan were provided with a final opportunity to choose a lump sum transfer option. If the member did not elect a lump sum transfer option during this process, the member remained entitled to receive a monthly pension benefit from the Pension Plan starting on or after the early retirement date in accordance with the Pension Plan.

Effective July 1, 2021, the Pension Plan changed its name to the Retirement Plan of Laurentian University of Sudbury. In addition, the Pension Plan was modified such that future earnings are based on a career average instead of years of service and final average salary. The Pension Plan had provisions for guaranteed post-retirement indexation based upon inflation which have been modified to conditional indexation for future benefits. Employee contributions have been modified to match employer contributions.

These changes to the Pension Plan are considered a plan amendment.

**5. Employee future benefits (continued):**

(a) Pension Plan (continued):

Future benefit improvements are subject to plan sustainability measures and no benefit improvements will be considered prior to July 1, 2025, unless the Pension Plan develops an excess surplus as defined under pension regulations and as prescribed by the agreed-upon terms.

SNOLAB has provided a provision against the Pension Plan's assets for benefit reinstatement in accordance with the Pension Plan's benefits and funding policy. An actuarial calculation of the future assets/liabilities including an allowance for benefit reinstatement was completed and forms the basis for the accrued benefit obligation. As a result, a valuation allowance has been recorded to reflect that SNOLAB does not expect to realize these plan assets.

(b) Retiree Health Benefit Plan:

The University sponsored a defined benefit health care plan for substantially all retirees and employees. Employees contributed to the plan as did SNOLAB. SNOLAB accrued its obligations and related costs based on the latest actuarial valuation. The Retiree Health Benefit Plan was unfunded by the University. Current service and finance costs were expensed during the year, while remeasurements and other items were recognized as a direct increase or decrease in net assets.

Subsequent to year-end, in connection with the CCAA restructuring, the Retiree Health Benefit Plan was terminated on April 30, 2021. This termination is considered a plan curtailment, and any related liabilities will be settled subsequently when the stayed obligations are discharged by the University through the CCAA process.

The University refunded $51 of employee contributions made to the plan between December 2020 and April 30, 2021. Additionally, the University refunded employer contributions made by SNOLAB in the amount of $5.

Past service costs, actuarial gains and losses on plan assets or defined benefit obligations as well as gains and losses arising from the amendment and curtailments are recognized as remeasurements in net assets.

The remeasurement gain or loss arising from the plan curtailments will be realized when the settlements are completed at a future date in relation to the plan of compromise or arrangement pursuant to CCAA.

## 5. Employee future benefits (continued):

| | Pension | Retiree Health Benefit Plan | 2021 Total |
|---|---|---|---|
| Accrued benefit obligation | $ (5,968,554) | $ (152,209) | $ (6,120,763) |
| Fair value of plan assets | 6,147,611 | 39,821 | 6,187,432 |
| Valuation allowance | (179,057) | – | (179,057) |
| Accrued benefit liabilities | $ – | $ (112,388) | $ (112,388) |
| Opening accrued benefit obligation | $ (1,514,772) | $ (112,388) | $ (1,627,160) |
| Benefit costs | (767,787) | – | (767,787) |
| Employment contributions | 743,655 | – | 743,655 |
| Remeasurement gains | 1,538,904 | – | 1,538,904 |
| Ending accrued benefit obligation | $ – | $ (112,388) | $ (112,388) |

| | Pension | Retiree Health Benefit Plan | 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 liabilities | $ (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 | | Retiree Health Benefit Plan |
|---|---|---|---|
| Discount rate | 5.85% | (2020 – 5.85%) | 4.00% |
| Provision of adverse deviation | 10.28% | (2020 – 10.28%) | – |
| Inflation rate | 2.00% | (2020 – 2.00%) | 2.00% |
| Rate of compensation increase | Prior to amendment: as negotiated for first 3 years, 2.0% per year; plus merit thereafter; After amendment: final average earnings are frozen at valuation date | (2020 – 0% for first year, 2.5% per year plus merit thereafter) | – |
| Expected long-term rate of return on plan assets | 5.85% | (2020 – 5.85%) | 4.00% |
| Money purchase conversion interest rate | Prior to amendment: 4.50% After amendment: 5.85% | (2020 – 3.75% terminations with 10 years of valuations 4.50% for terminations after 10 years) | – |

## 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.

(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 salaries and benefits on the Statement of Operations. The cost of these services, aggregating $12,085,331 in 2021 (2020 - $10,113,315) is included in salaries and benefits expense. At March 31, 2021, the amount payable to Laurentian University is $470,641 (2020 - $1,798,553) related to these costs 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:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| 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, 2021. During the year, external contract expenses totaling $904,200 (2020 - $945,286) 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, 2021, SNOLAB has outstanding capital project contractual commitments of approximately $1,935,926 (2020 - $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 $28,586,040.

(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 2020.

(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, 2021 is $Nil (2020 - $Nil).

## 14. 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, SNOLAB 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.

SNOLAB continues to respond to the pandemic and plan for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues as SNOLAB has access to sufficient financial resources to sustain operations in the coming year. The outcome and time frame to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its financial effect on future operations at this time.