Financial Statements of

SNOLAB

And Independent Auditor's Report thereon

Year ended March 31, 2023

SNOLAB

Table of Contents

Year ended March 31, 2023

KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Tel 613-549-1550
Fax 613-549-6349

INDEPENDENT AUDITOR'S 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, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets 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, 2023, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 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 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 20, 2023

SNOLAB

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Accounts receivable	$ 5,018,924	$ 25,595
Prepaid expenses	11,196	171,397
Due from Queen’s University at Kingston	–	9,664,876
	5,030,120	9,861,868
Capital assets (note 3)	12,425,557	7,430,133
	$ 17,455,677	$ 17,292,001
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 2,409,445	$ 1,979,801
Due to Queen’s University at Kingston	1,876,390	–
Deferred revenue	478,261	7,613,315
	4,764,096	9,593,116
Deferred capital contributions (note 4)	12,425,557	7,430,133
Net assets:		
Unrestricted:		
Operating surplus	116,024	118,752
Internally restricted (note 9)	150,000	150,000
	266,024	268,752
Commitments (note 10)		
Decommissioning costs (note 11)		
Economic dependence (note 12)		
	$ 17,455,677	$ 17,292,001

See accompanying notes to financial statements.

On behalf of the Board:

_______________________________ Trustee

_______________________________ Trustee

SNOLAB

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Grant funding (note 6)	$ 20,856,177	$ 18,138,423
Amortization of deferred capital contributions	2,962,514	1,807,069
McDonald Institute funding	1,008,182	573,945
Other	52,526	67,000
	24,879,399	20,586,437
Expenses:		
Salaries and benefits	15,059,837	13,697,281
Amortization of capital assets	2,962,514	1,807,069
External contracts:		
Other	2,513,210	1,543,530
Vale	921,673	915,919
Equipment	1,162,002	1,312,798
Supplies	1,790,476	1,272,976
Travel	472,415	41,544
	24,882,127	20,591,117
Deficiency of revenue over expenses	$ (2,728)	$ (4,680)

See accompanying notes to financial statements.

SNOLAB

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	Unrestricted			
	Internally Restricted	Operating Surplus	2023 Total	2022 Total
Net assets, beginning of year	$ 150,000	$ 118,752	$ 268,752	$ 161,044
Employee future benefits remeasurements (note 5 (b))	–	–	–	112,388
Deficiency of revenue over expenses	–	(2,728)	(2,728)	(4,680)
Net assets, end of year	$ 150,000	$ 116,024	$ 266,024	$ 268,752

See accompanying notes to financial statements.

SNOLAB

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	$ (2,728)	$ (4,680)
Items not involving cash:		
Amortization of deferred capital contributions	(2,962,514)	(1,807,069)
Amortization of capital assets	2,962,514	1,807,069
Change in non-cash operating working capital:		
Accounts receivable	(4,993,329)	179,633
Prepaid expenses	160,201	(40,819)
Due from Queen’s University at Kingston	11,541,266	3,285,366
Accounts payable and accrued liabilities	429,644	147,261
Deferred revenue	(7,135,054)	(3,566,761)
	–	–
Investments:		
Purchase of capital assets	(7,957,938)	(1,535,792)
Financing:		
Contributions received for capital purposes	7,957,938	1,535,792
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, 2023, 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, 2023.

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.

The carrying amount of an item of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

(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 July 1, 2021.

2. Significant accounting policies (continued):

(c) Employee future benefits (continued):

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.

(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.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other 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	2023 Net book value	2022 Net book value
Leasehold improvements	$ 7,876,743	$ 3,620,928	$ 4,255,815	$ 1,126,668
Equipment	11,424,269	6,534,336	4,889,933	4,114,669
Computer software	1,214,841	1,013,080	201,761	114,890
Construction in progress	3,078,048	–	3,078,048	2,073,906
	$ 23,593,901	$ 11,168,344	$ 12,425,557	$ 7,430,133

Cost and accumulated amortization at March 31, 2022 amounted to $15,635,963 and $8,205,830, 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.

	2023	2022
Balance, beginning of year	$ 7,430,133	$ 7,701,410
Additional contributions received	7,957,938	1,535,792
Less amortization of deferred capital contributions	(2,962,514)	(1,807,069)
Balance, end of year	$ 12,425,557	$ 7,430,133

5. Employee future benefits:

In previous years, SNOLAB provided pension, extended health care, and dental benefits to its employees. An independent actuarial study of the employee future benefits was undertaken on a regular basis.

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 were reported in the financial statement for the year ended March 31, 2022 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 were 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.

In connection with the CCAA restructuring, the Retiree Health Benefit Plan was terminated on April 30, 2021. This termination was considered a plan curtailment.

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 were recognized as remeasurements in net assets.

The remeasurement gain of $112,388 arising from the plan curtailment was realized during the year ended March 31, 2023, when the settlements were completed.

5. Employee future benefits (continued):

	Pension	Retiree Health Benefit Plan	2023 Total
Accrued benefit obligation	$ (13,664,036)	$ –	$ (13,664,036)
Fair value of plan assets	14,073,957	–	14,073,957
Valuation allowance	(409,921)	–	(409,921)
Accrued benefit liabilities	$ –	$ –	$ –
Opening accrued benefit obligation	$ –	$ –	$ –
Benefit costs	(475,476)	–	(475,476)
Employment contributions	877,108	–	877,108
Remeasurement gains	(401,632)	–	(401,632)
Ending accrued benefit obligation	$ –	$ –	$ –

	Pension	Retiree Health Benefit Plan	2022 Total
Accrued benefit obligation	$ (12,210,645)	$ –	$ (12,210,645)
Fair value of plan assets	12,576,965	–	12,576,965
Valuation allowance	(366,320)	–	(366,320)
Accrued benefit liabilities	$ –	$ –	$ –
Opening accrued benefit obligation	$ –	$ (112,388)	$ (112,388)
Benefit costs	(130,280)	–	(130,280)
Employment contributions	558,660	–	558,660
Remeasurement gains	(428,380)	–	(428,380)
Plan curtailment	–	112,388	112,388
Ending accrued benefit obligation	$ –	$ –	$ –

5. Employee future benefits (continued):

The significant assumptions in the determination of the employee future benefits related to Pension Plan are as follows:

Discount rate	5.80%	(2022 - 5.80%)
Provision of adverse deviation	7.97%	(2022 - 7.97%)
Inflation rate	2.00%	(2022 -2.00%)
Expected long-term rate of return on plan assets	5.80%	(2022 - 5.80%)
Money purchase conversion interest rate	5.80%	(2022 - prior to amendment: 5.80%; after amendment: 5.85%

6. Funding sources:

The sources of funding include grants and contributions from the Ontario 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 $15,059,837 in 2023 (2022 - $13,697,281) is included in salaries and benefits expense on the Statement of Operations. At March 31, 2023, the amount payable to Laurentian University is $17,480 (2022 - $516,205) 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:

		2023		2022
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, 2023. During the year, external contract expenses totaling $921,673 (2022 - $915,919) 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, 2023, SNOLAB has outstanding capital project contractual commitments of approximately $2,439,817 (2022 - $3,462,240). 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 was to expire March 31, 2023 but has been extended to September 30, 2023. Remaining funding to be received under this agreement is $1,853,070.

12. Economic dependence (continued):

(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 Ontario Ministry of Research and Innovation. The agreement expires March 31, 2023. Remaining funding to be received under this agreement is $2,880,292 and is included in accounts receivable. The amount receivable was collect subsequent to year-end.

(c) Effective April 1, 2022, SNOLAB entered into a grant funding agreement in the amount of $12,000,000 based on eligible expenses with the Ontario Ministry of Colleges and Universities. The agreement expires on March 31, 2024. The remaining funding to be received under this agreement is $6,000,000. Subsequent to year end, the Ministry finalized further funding for years April 1, 2024 to March 31, 2026 in the amount of $14,000,000.

(d) Effective April 1, 2023, SNOLAB entered into a grant funding agreement in the amount of $102,000,000 based on eligible expenditures with the Canada Foundation for Innovation. The agreement expires on March 31, 2029.

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.

(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, 2023 is $Nil (2022 - $Nil).

There have been no changes to the risk exposures from 2022.