Industrial Technology Centre

An Agency of the Government of Manitoba

Financial Statements
March 31, 2021

Industrial Technology Centre

An Agency of the Government of Manitoba

Index to Financial Statements
Year Ended March 31, 2021

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of the Industrial Technology Centre (ITC) and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to the audit report date.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the external audit is to express an independent opinion on whether the financial statements of ITC are fairly represented in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management
Industrial Technology Centre (ITC)

Original Document Signed
Trevor Cornell
Chief Operating Officer

Original Document Signed
Adam Munia
Manager Corporate Services

July 9, 2021
Date

Tel.: 204 956 7200
Fax.: 204 926 7201
Toll Free: 800 268 3337
www.bdo.ca

BDO Canada LLP
201 Portage Avenue - 26th Floor
Winnipeg MB R3B 3K6 Canada

Independent Auditor's Report

To the Special Operating Agencies Financing Authority

Opinion

We have audited the financial statements of INDUSTRIAL TECHNOLOGY CENTRE, An Agency of the Government of Manitoba (the "Agency"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2021, and its results of operations, its change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 report. We are independent of the Agency 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 these financial statements in accordance with Canadian public sector accounting standards 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 Agency'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 Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency'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 these 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 expressing an opinion on the effectiveness of the Agency'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 Agency'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 Agency 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.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
July 9, 2021

Industrial Technology Centre
An Agency of the Government of Manitoba
Statement of Financial Position
As at March 31, 2021
(In Thousands)

	March 31, 2021	March 31, 2020
Financial Assets		
Cash (Note 8)	$ 556	$ 574
Accounts receivable	198	192
	754	766
Liabilities		
Accounts payable and accruals	172	175
Unearned revenue	5	-
Employee future benefits (Note 6)	221	224
	398	399
Net Financial Assets	356	367
Non-financial Assets		
Prepaid expenses	34	25
Tangible capital assets (Note 7)	57	122
	91	147
Accumulated Surplus	$ 447	$ 514

Commitments (Note 9)

The accompanying notes are an integral part of these financial statements.

Industrial Technology Centre
An Agency of the Government of Manitoba
Statement of Operations
For the Year Ended March 31, 2021
(In Thousands)

	2021 Actual	2020 Actual
Revenue		
Province of Manitoba	$ -	$ 150
Fee for service and goods	1,740	1,871
Others and recoveries	25	26
Total revenue	1,765	2,047
Expense		
Amortization of tangible capital assets	62	128
Audit and legal	9	12
Building maintenance	51	56
Computer	11	35
Equipment	57	76
Fees and memberships	32	26
Insurance	33	35
Interest and service charges	9	4
Loss on disposal	3	-
Office	37	44
Professional development	3	2
Project supplies and subcontract	42	56
Rent and property tax	300	303
Salaries and benefits	1,122	1,153
Travel	6	13
Utilities	55	48
Total expense	1,832	1,991
Annual surplus (deficit)	(67)	56
Accumulated surplus, beginning of year	514	458
Accumulated surplus, end of year	$ 447	$ 514

The accompanying notes are an integral part of these financial statements.

Industrial Technology Centre
An Agency of the Government of Manitoba
Statement of Change in Net Financial Assets
For the Year Ended March 31, 2021
(In Thousands)

	2021 Actual	2020 Actual
Annual surplus (deficit)	$ (67)	$ 56
Tangible capital assets		
Amortization of tangible capital assets	62	128
Loss on disposal	3	
Other non-financial assets		
Increase (decrease) in prepaid expense	(9)	13
(Increase) decrease in net financial asset	(11)	197
Net financial assets, beginning of year	367	170
Net financial assets, end of year	$ 356	$ 367

The accompanying notes are an integral part of these financial statements.

Industrial Technology Centre
An Agency of the Government of Manitoba
Statement of Cash Flow
For the Year Ended March 31, 2021
(In Thousands)

	2021 Actual	2020 Actual
Cash provided by (applied to):		
Operating		
Annual surplus (deficit)	$ (67)	$ 56
Amortization of tangible capital assets	62	128
Loss on disposal of tangible capital assets	3	-
	(2)	184
Change in:		
Accounts receivable	(6)	5
Accounts payable and accruals	(3)	(64)
Unearned revenue	5	-
Employee future benefits	(3)	(31)
Prepaid expenses	(9)	13
Cash provided by (applied to) operating activities	(18)	107
Investing		
Cash provided by investing activities	-	103
Increase (decrease) in cash and cash equivalents	(18)	210
Cash at beginning of year	574	364
Cash at end of year	$ 556	$ 574

The accompanying notes are an integral part of these financial statements.

1. Nature of Organization

The Industrial Technology Centre (ITC) was established in 1979 under “Enterprise Manitoba”, a joint Federal/Provincial cost-shared funding agreement. ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors.

Effective April 1, 1996, ITC was designated as a Special Operating Agency (SOA) under The Special Operating Agencies Financing Authority Act (SOAFA), Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of the Manitoba Department of Economic Development and Jobs.

ITC is financed through SOAFA who has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances ITC through working capital advances. The financial framework allows the Agency to operate in a business-like manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister of Economic Development and Jobs assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

ITC has full delegated authority for all administrative, financial and operational matters. This delegation is subject to any limitations, restrictions, conditions and requirements imposed by legislation or by the Minister.

2. Basis of Accounting

The financial statements are prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board.

3. Significant Accounting Policies

a. Revenue

(i) Government Transfers

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

(ii) Fees for Service and Goods

Product revenue is recognized when the goods are shipped or delivered and title and risk of loss pass to the customer. Service revenue is recognized when the rendering of services is completed or substantially completed.

(iii) Other Revenue

All other revenues are recorded on an accrual basis.

b. Expenses

(i) Accrual Accounting

All expenses incurred for goods and services are recorded on an accrual basis.

(ii) Government Transfers

Government transfers are recognized as expenses in the period in which the transfers are authorized and all eligibility criteria have been met.

3. Significant Accounting Policies (continued)

c. Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

d. Non-financial Assets

Non-financial assets do not normally provide resources to discharge liabilities of the Agency. These assets are normally employed to provide future services.

(i) Prepaid Expenses

Prepaid expenses are payments for goods or services which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

(ii) Tangible Capital Assets

Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition costs. The costs of tangible capital assets, less any residual value, are amortized over their estimated useful lives as follows:

Furniture and fixtures	20% straight-line
Office and laboratory equipment	20% straight-line
Computer equipment and software	20% straight-line
Leasehold improvements	10% straight-line

e. Employee Future Benefits

ITC pays the employer portion of a multi-employer defined benefit pension plan handled by the Civil Service Superannuation Board for its employees. Under this plan, specific fixed amounts are contributed by the ITC each period for services rendered by the employees matching employee contributions. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are determined by an actuary using the projected benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees will retire. Actuarial gains and losses are recognized over the expected remaining service life.

The cost of non-vested sick leave benefits is determined by an estimation of the number of days earned during the year that will be used in future periods in excess of annual entitlement.

f. Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from management’s best estimates as additional information becomes available in the future.

(In Thousands)

3. Significant Accounting Policies (continued)

Measurement uncertainty in these financial statements exists in the accrual of employee future benefits and amortization of tangible capital assets. The accrual of employee future benefits is based on actuarial calculations (note 6). The amortization of tangible capital assets is based on useful life of the assets.

4. Financial Instruments and Financial Risk Management

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records its financial assets at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost, which include accounts payable and accruals.

The Agency did not incur any re-measurement gains and losses during the year (Nil in 2020).

Financial Risk Management - Overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and cash equivalents, accounts receivable, and portfolio investments.

The maximum exposure of the Agency to credit risk at March 31 is:

	2021	2020
Cash	$ 556	$ 574
Accounts receivable	198	192
	$ 754	$ 766

Cash: The Agency is not exposed to significant credit risk as these amounts are held by the Minister of Finance or a Chartered Bank.

Accounts receivable: The Agency is not exposed to significant credit risk as the balance is due from a large client base, and payment in full is typically collected when it is due. The Agency manages this credit risk through close monitoring of overdue accounts.

4. Financial Instruments and Financial Risk Management (continued)

The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

There was a recovery of $15 in 2021 resulting to a change in the allowance for doubtful accounts during the year. The balance of allowance for doubtful accounts at March 31, 2021 was $5 ($20 in 2020).

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's future cash flows or the fair values of its financial instruments.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on cash equivalents.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in foreign currency.

5. Working Capital Advances

The Agency has an authorized line of working capital advance up to a maximum of $300. As at March 31, 2021, working capital advances were Nil (Nil in 2020). The line bears interest at prime less 1% and is not secured by specific assets.

(In Thousands)

6. Employee Future Benefits

	2021	2020
Severance benefits	$ 203	$ 207
Sick pay benefits	18	17
	$ 221	$ 224

Pension benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including ITC, through the Civil Service Superannuation Fund.

Pursuant to an agreement with the Province of Manitoba, the Agency is required to pay to the Province an amount equal to the current pension contributions of its employees. The amount paid for 2021 is $68 ($70 in 2020). Under this agreement, the pension liability is the responsibility of the Province, and the Agency has no further pension liability.

Severance benefits

Effective April 1, 1998 the Agency began recording accumulated severance pay benefits for its employees. The amount of its severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2020. The report provides a formula to update the liability on an annual basis. The Agency’s actuarially determined net liability for accounting purposes as at March 31, 2021 is $203 ($207 in 2020), with an actuarial adjustment being amortized over the 15-year expected average remaining service life (EARSL) of the employee group.

(In Thousands)

6. Employee Future Benefits (continued)

Significant long-term actuarial assumptions used in the December 31, 2019 valuation, and in the determination of the March 31, 2021 present value of the accrued severance benefit obligation, were:

Discount rate		3.20%
Assumed salary increase rates	- annual productivity increase	1.00%
	- annual general salary increase	2.50%
		3.50%

The severance benefit liability at March 31 includes the following components:

	2021	2020
Accrued benefit liability		
Balance, beginning of year	$ 238	$ 269
Actuarial loss	17	-
Benefits accrued	5	7
Interest on accrued benefits	8	10
Severance paid	(17)	(48)
Balance, end of year	251	238
Add: Unamortized actuarial gains (losses)	(48)	(31)
Severance benefit liability	$ 203	$ 207

The total expenses related to severance benefits at March 31 includes the following components:

	2021	2020
Interest on obligation	$ 8	$ 10
Current period benefit cost	5	7
Amortization of actuarial gains over EARSL	(1)	(1)
Total expense related to severance benefit	$ 12	$ 16

Sick pay benefits

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. These assumptions include a 3.20% discount rate and a 3.75% annual salary increase.

(In Thousands)

7. Tangible Capital Assets

	Opening Balance	Additions	Disposals	2021 Closing Balance
Cost				
Furniture and fixtures	$ 33	$ -	$ -	$ 33
Office and laboratory equipment	2,787	-	-	2,787
Computer equipment and software	467	-	1	466
Leasehold improvements	290		6	284
	3,577	-	7	3,570
Accumulated Amortization				
Furniture and fixtures	33	-	-	33
Office and laboratory equipment	2,718	47	-	2,765
Computer equipment and software	452	6	1	457
Leasehold improvements	252	9	3	258
	3,455	62	4	3,513
Net	$ 122	$ (62)	$ 3	$ 57

(In Thousands)

7. Tangible Capital Assets (continued)

				2020
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furniture and fixtures	$ 33	$ -	$ -	$ 33
Office and laboratory equipment	2,787	-	-	2,787
Computer equipment and software	467	-	-	467
Leasehold improvements	290	-	-	290
	3,577	-	-	3,577
Accumulated Amortization				
Furniture and fixtures	33	-	-	33
Office and laboratory equipment	2,608	110	-	2,718
Computer equipment and software	443	9	-	452
Leasehold improvements	243	9	-	252
	3,327	-	-	3,455
Net	$ 250	$ (128)	$ -	$ 122

(In Thousands)

8. Designated Assets

The Agency has received $103 of cash from the Province of Manitoba for the severance pay benefits accumulated to March 31, 1998 for certain of their employees. This amount is held in cash account until the cash is required to discharge the related liabilities.

9. Commitments

The Agency has entered into a lease agreement for the rental of a building at Smartpark, with space of 19,032 square feet until October 31, 2025.

Estimated minimum lease payments for each of the next four years are as follows:

2022	$	194
2023		194
2024		194
2025		113
	$	695

10. Budget

ITC did not have an approved budget for the year ended March 31, 2021. As a result, the comparison of actual and budgeted amounts is not reported on the statement of operations, and statement of change in net debt.

11. Uncertainty Related to COVID-19

The impact of COVID-19 in Canada and on the global economy increased significantly. As the impact of COVID-19 continue, there could be further impact on the Agency and its major customers, suppliers and related government agencies that could impact the timing and amounts realized on the Agency's assets and future profitability. Management is actively monitoring the effect on its financial condition, liquidity, operations and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Agency is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

12. Subsequent Event

On June 1, 2020, the government posted a Request for Pre-Qualification (RFPQ) on MERX to seek proposals to purchase the business operations of the Industrial Technology Centre (ITC). From responses to the RFPQ, a list of potential buyers was created and who were invited to participate in a second stage more detailed Request for Proposal (RFP). As at March 31, 2021 and as at date of issuance of the financial statements, the sale of ITC has not been concluded.