

**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique**

**Operating as**

**CMC Microsystems  
Non-consolidated  
Financial Statements  
For the year ended March 31, 2019**

**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique  
Non-consolidated Financial Statements  
For the year ended March 31, 2019**

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## Independent Auditor's Report

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**To the Members of  
Canadian Microelectronics Corporation/Société Canadienne de Micro-électronique**

### *Opinion*

We have audited the financial statements of the Canadian Microelectronics Corporation/Société Canadienne de Micro-électronique (the "organization") which comprise the statement of financial position as at March 31, 2019 and the non-consolidated statements of changes in net assets, revenue and expenditures 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 non-consolidated financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2019 and the results of its 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 Responsibility for the Audit of the Financial Statements section of our report. We are independent of the organization 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 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

### *Auditor's Responsibility for the Audit of the Financial Statements*

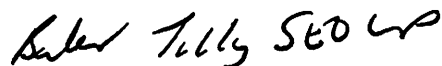
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 judgement and maintain professional skepticism throughout the audit. We also:

AUDIT • TAX • ADVISORY

- 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 organization'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 organization'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 organization 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.



Chartered Professional Accountants  
Licensed Public Accountants

Kingston, Ontario  
June 20, 2019

**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique**  
**Non-consolidated Statement of Financial Position**

<b>March 31</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Current</b>		
Cash (Note 1)	\$ 2,899,117	\$ 1,461,128
Accounts receivable (Note 2)	3,532,194	5,723,598
Prepaid expenses	317,904	253,143
	<b>6,749,215</b>	<b>7,437,869</b>
Investment in DMT Microsystems Corporation (Note 4)	350,776	366,366
Capital assets (Note 5)	152,216	217,870
	<b>\$ 7,252,207</b>	<b>\$ 8,022,105</b>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Funds owing to Queen's University (Note 6)	\$ 156,941	\$ 399,419
Accounts payable and accrued liabilities (Note 7)	1,075,885	1,673,372
HST payable	34,630	130,803
Deferred revenue	199,437	315,670
	<b>1,466,893</b>	<b>2,519,264</b>
<b>Net assets</b>		
Invested in capital assets	152,216	217,870
Restricted net assets	1,463	280,856
Unrestricted net assets	5,631,635	5,004,115
	<b>5,785,314</b>	<b>5,502,841</b>
	<b>\$ 7,252,207</b>	<b>\$ 8,022,105</b>

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**Canadian Microelectronics Corporation/ Société  
Canadienne de Micro-électronique**  
**Non-consolidated Statement of Changes in Net Assets**

<b>For the year ended March 31</b>	<b>2019</b>					<b>2018</b>
	<b>NSERC Funded Portion of the National Design Network</b>	<b>Other</b>	<b>RSF</b>	<b>MSI</b>	<b>Total</b>	<b>Total</b>
<b>Net assets, beginning of year</b>	<b>\$ 480,287</b>	<b>\$ 5,021,091</b>	<b>\$ 1,463</b>	<b>\$ -</b>	<b>\$ 5,502,841</b>	<b>\$ 4,489,437</b>
<b>Excess of revenue over expenditures (expenditures over revenue) for the year</b>	<b>(339,987)</b>	<b>622,460</b>	<b>-</b>	<b>-</b>	<b>282,473</b>	<b>1,013,404</b>
<b>Net assets, end of year</b>	<b>\$ 140,300</b>	<b>\$ 5,643,551</b>	<b>\$ 1,463</b>	<b>\$ -</b>	<b>\$ 5,785,314</b>	<b>\$ 5,502,841</b>
<b>Represented by:</b>						
Invested in capital assets	\$ 140,300	\$ 11,916	\$ -	\$ -	\$ 152,216	\$ 217,870
Restricted net assets, end of year	-	-	1,463	-	1,463	280,856
Unrestricted net assets, end of year	-	5,631,635	-	-	5,631,635	5,004,115
	<b>\$ 140,300</b>	<b>\$ 5,643,551</b>	<b>\$ 1,463</b>	<b>\$ -</b>	<b>\$ 5,785,314</b>	<b>\$ 5,502,841</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique**  
**Non-consolidated Statement of Revenue and Expenditures**

**For the year ended March 31**

**2019      2018**

	NSERC Funded Portion of the National Design Network	Other	RSF	MSI	Total	Total
<b>Revenue</b>						
Grant from NSERC/RSF	\$ 5,314,132	\$ -	\$ 1,185,868	\$ -	\$ 6,500,000	\$ 6,500,000
Grant from CFI-MSI	-	-	-	2,325,000	2,325,000	2,125,000
Contract management	-	1,572,379	-	-	1,572,379	1,272,994
Cost sharing for fabrication	-	1,086,801	-	-	1,086,801	1,008,894
Other - cost sharing	-	405,333	-	-	405,333	479,502
R&D consulting	-	180,911	-	-	180,911	-
Symposium sponsorship and registration	-	64,584	-	-	64,584	94,675
Interest	-	59,420	-	-	59,420	33,895
	<b>5,314,132</b>	<b>3,369,428</b>	<b>1,185,868</b>	<b>2,325,000</b>	<b>12,194,428</b>	<b>11,514,960</b>
<b>Expenditures</b>						
Salaries and benefits	2,122,142	1,832,109	669,667	1,205,154	5,829,072	5,862,784
Equipment purchases and development contracts	2,736,047	442,226	-	751,057	3,929,330	2,761,711
Travel	332,438	22,911	42,213	133,911	531,473	444,742
Professional fees	129,551	112,236	141,802	90,957	474,546	341,616
Rent overhead	-	71,459	285,834	26,112	383,405	388,819
Office and miscellaneous	129,246	11,844	7,229	37,566	185,885	178,811
Contribution to ADEPT project	-	168,000	-	-	168,000	168,000
Contract services	72,296	54,260	-	27,704	154,260	32,681
Depreciation	60,592	5,060	-	-	65,652	97,656
Equipment maintenance	22,196	9,094	14,180	18,494	63,964	56,036
Telephone	22,276	6,552	3,931	12,553	45,312	46,393
Training	18,513	4,565	2,739	8,747	34,564	34,296
Insurance	-	3,726	14,903	7,139	25,768	25,801
Printing	8,335	2,451	1,471	4,697	16,954	21,049
Repairs and alterations to premises	-	475	1,899	909	3,283	2,656
Foreign exchange loss	487	-	-	-	487	38,505
	<b>5,654,119</b>	<b>2,746,968</b>	<b>1,185,868</b>	<b>2,325,000</b>	<b>11,911,955</b>	<b>10,501,556</b>
<b>Excess of revenue over expenditures (expenditures over revenue) for the year</b>	<b>\$ (339,987)</b>	<b>\$ 622,460</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 282,473</b>	<b>\$ 1,013,404</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique  
Non-consolidated Statement of Cash Flows**

<b>For the year ended March 31</b>	<b>2019</b>	<b>2018</b>
<b>Cash provided by (used in):</b>		
<b>Operations</b>		
Cash received from NSERC/RSF	\$ 6,500,000	\$ 6,500,000
Cash received from other sources	7,602,944	907,141
Interest received	59,420	33,895
Cash paid to suppliers and employees	<u>(12,506,897)</u>	<u>(10,005,520)</u>
	<b>1,655,467</b>	<b>(2,564,484)</b>
<b>Investments</b>		
Purchase of capital assets	-	(29,096)
Investment in DMT Microsystems Corporation	<u>25,000</u>	<u>-</u>
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>1,680,467</b>	<b>(2,593,580)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,061,709</b>	<b>3,655,289</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,742,176</b>	<b>\$ 1,061,709</b>
<b>Represented by:</b>		
Cash	\$ 2,899,117	\$ 1,461,128
Funds owing to Queen's University	<u>(156,941)</u>	<u>(399,419)</u>
	<b>\$ 2,742,176</b>	<b>\$ 1,061,709</b>

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**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique  
Summary of Significant Accounting Policies**

**March 31, 2019**

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<b>Nature of Business</b>	<p>Canadian Microelectronics Corporation/Societe Canadienne de Micor-electronique (the "organization") is incorporated without share capital under the Canada Corporations Act as a not-for-profit organization. The organization is exempt from income tax under section 149(1)(l) of the Income Tax Act.</p> <p>The organization's principal objective is to enable and accelerate Canadian competitiveness through microsystems.</p>
<b>Basis of Accounting</b>	<p>These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.</p>
<b>Accrual Basis of Accounting</b>	<p>Revenue and expenditures are recorded on the accrual basis, whereby they are reflected in the accounts in the period in which they have been earned and incurred respectively, whether or not such transactions have been finally settled by the receipt or payment of money.</p>
<b>Fund Accounting</b>	<p>The <i>Natural Sciences and Engineering Research Council of Canada (NSERC) Funded Portion of the National Design Network Fund</i> reports only NSERC granted resources that are to be used in support of the National Design Network.</p> <p>The <i>Other Fund</i> accounts for the organization's non-NSERC supported activities.</p> <p>The <i>RSF (Research Support Fund)</i> accounts for some indirect expenditures incurred for the National Design Network.</p> <p>The <i>CFI-MSI (Canada Foundation for Innovation- Major Sciences Initiative Fund)</i> accounts for some operating and maintenance expenditures incurred for the National Design Network</p>
<b>Investment in DMT Microsystems Corporation</b>	<p>Investment in DMT Microsystems Corporation, a wholly owned subsidiary, is accounted for using the equity method.</p>

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**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique  
Summary of Significant Accounting Policies**

**March 31, 2019**

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**Capital Assets**

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	- 30 % diminishing balance basis
Furniture and fixtures	- 20 % diminishing balance basis
Computer software	- 50 % diminishing balance basis
Leasehold improvements	- 10 years straight-line basis

Amortization of capital assets acquired during the year is calculated at one-half rates.

**Computer Equipment Located at Universities**

The cost of acquiring computer equipment provided on long-term loan to universities is expensed when incurred.

**Revenue Recognition**

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

NSERC funding and 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.

Revenues earned from transactions with DMT Microsystems Corporation are not recognized until the final sale with an arm's length entity.

**Contributions-In-Kind**

No value is ascribed in the statement of operations to donated material and services which are received under the matching provisions of the agreement with NSERC.

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**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique  
Summary of Significant Accounting Policies**

**March 31, 2019**

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**Use of Estimates**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Estimates have been made by management within these financial statements primarily in relation to accounts receivable, capital assets and accounts payable and accrued liabilities.

These estimates and assumptions are reviewed periodically and as adjustments become necessary they are reported in the periods in which they become known.

**Foreign Currency Transactions**

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the daily exchange rate for the period, except for amortization which is translated at the rates prevailing at the dates the related assets were acquired.

At the period end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in the statement of operations in the current period.

**Pension Plans**

The organization has two different pension plans for employees. In addition, the organization provides future benefits such as medical, dental and life insurance to eligible and retired employees.

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**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique  
Summary of Significant Accounting Policies**

**March 31, 2019**

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**Pension Plans (continued)**

Some employees are enrolled in a RRSP matching plan whereby the organization matches RRSP contributions made by the participant for up to 6% of their yearly maximum pensionable earnings ("YMPE") and up to 7% for amounts above YMPE up to their gross pay. YMPE is defined as the yearly maximum pensionable earnings as used in determining Canadian pension plan (CPP) contributions.

Some employees are members of the Queen's University Pension Plan ("Queen's Plan") which is a defined benefit plan for those individuals paid through Queen's University payroll and which provides a minimum level of pension benefits. Under this plan, the employer contributes 6% up to the YMPE and 7.5% above YMPE to their gross pay.

Pension plan costs are expensed in the year in which they relate.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, cash on deposit and funds owing to Queen's University.

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**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique  
Notes to Non-consolidated Financial Statements**

**March 31, 2019**

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**1. Cash**

The organization's bank accounts are held at one chartered bank.

Bank balances include (\$6,990) denominated in U.S. dollars.

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**2. Accounts Receivable**

	2019	2018
Fabrication cost sharing	\$ 197,685	\$ 165,400
Other	24,074	64,643
NSERC	-	395,412
MSI	2,325,000	2,125,000
Project management	985,435	2,727,508
Due from DMT Microsystems Corporation	-	245,635
	<b>\$ 3,532,194</b>	<b>\$ 5,723,598</b>

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**3. Related Party Transactions**

The following table summarizes the organization's related party transactions for the year.

	2019	2018
Sales to DMT Microsystems Corporation	<b>\$ 9,728</b>	<b>\$ 460,567</b>

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

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**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique  
Notes to Non-consolidated Financial Statements**

**March 31, 2019**

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**4. Investment in DMT Microsystems Corporation**

	2019	2018
Investment	\$ 10	\$ 10
Retained earnings	350,766	341,356
Advance	-	25,000
	<b>\$ 350,776</b>	<b>\$ 366,366</b>

DMT Microsystems Corporation is a wholly owned profit-oriented subsidiary that is reported using the equity method with the following financial information:

	2019	2018
Total assets, liabilities and shareholder's equity	<b>\$ 351,726</b>	<b>\$ 609,393</b>
Excess revenue over expenditures	<b>\$ 5,998</b>	<b>\$ 128,405</b>
Cash flows from operating activities	<b>\$ 27,130</b>	<b>\$ (15,129)</b>

The organization has agreed to lend DMT Microsystems Corporation up to \$100,000, interest-free. As at March 31, 2019, \$Nil (2018 - \$25,000) has been advanced.

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**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique  
Notes to Non-consolidated Financial Statements**

**March 31, 2019**

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**5. Capital Assets**

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment	\$ 2,598,773	\$ 2,492,374	\$ 2,745,967	\$ 2,589,714
Other furniture and fixtures	125,132	113,216	144,599	127,623
NSERC furniture and fixtures	208,976	197,432	208,976	194,546
Leasehold improvements	241,121	226,911	241,121	222,127
Computer software	234,821	226,674	269,784	258,567
	<b>\$ 3,408,823</b>	<b>\$ 3,256,607</b>	<b>\$ 3,610,447</b>	<b>\$ 3,392,577</b>
Net book value		<b>\$ 152,216</b>		<b>\$ 217,870</b>

During the year, capital assets were acquired at an aggregate cost of \$Nil (2018 - \$29,096) for cash.

Capital assets are composed of capital assets owned and used by the organization at its Kingston, Ontario headquarters.

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**6. Funds Owing to Queen's University**

This balance is interest-free, payable on demand and has arisen in the normal course of operations.

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**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique  
Notes to Non-consolidated Financial Statements**

**March 31, 2019**

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**7. Accounts Payable and Accrued Liabilities**

	<u>2019</u>	<u>2018</u>
Trade accounts payable	\$ 576,096	\$ 1,165,836
Vacation pay accrual	393,027	388,489
Accrued liabilities	<u>106,762</u>	<u>119,047</u>
	<u>\$ 1,075,885</u>	<u>\$ 1,673,372</u>

Accounts payable include \$713 denominated in U.S. dollars and \$7,007 denominated in Euros.



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**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique  
Notes to Non-consolidated Financial Statements**

**March 31, 2019**

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**8. Commitments**

- (a) In May 2019, the organization renewed their infrastructure services agreement whereby \$51,203 is charged annually to cover support services provided by Queen's University. The term of this agreement is from May 1, 2019 to March 31, 2020.
- (b) In December 2014, the organization renewed their operating lease with Queen's University at Kingston, covering the period of April 1, 2015 to April 1, 2020. The base rent is \$9,167 per month. In November 2018, the organization gave notice to terminate the lease in November 2019.
- (c) In December 2014, the organization renewed their operating lease with Queen's University at Kingston, covering the period of April 1, 2015 to April 1, 2020. The base rent is \$7,355 per month. In November 2018, the organization gave notice to terminate the lease in November 2019.
- (d) The organization rents facilities under an operating lease agreement with the National Research Council of Canada, covering the period of August 1, 2016 to June 30, 2019. The base rent is \$1,822 per month increasing to \$1,859 per month in April 2019.
- (e) In January 2016, the organization agreed to contribute to the operations and maintenance budget of the ADEPT project, which is a national multi-institutional project in the area of advanced design platform technology. The annual contribution is \$168,000 covering the 5 year period from April 1, 2016 to March 31, 2021.

The minimum annual lease payments for the five commitments (a to e) above for the next two years are as follows:

2020	\$ 356,953
2021	<u>168,000</u>
 Total	 <u>\$ 524,953</u>

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**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique  
Notes to Non-consolidated Financial Statements**

**March 31, 2019**

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**9. Contractual Obligations**

The organization has outstanding purchase orders issued at March 31, 2019 totaling \$324,920. Of this amount \$187,769 is denominated in US dollars and \$8,200 is denominated in Singapore dollars. These amounts are not reflected in the financial statements.

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**10. Natural Sciences and Engineering Research Council of Canada**

For the 2010-2019 period, NSERC has awarded the organization funding to a maximum of \$69 million. The organization is committed to obtaining at least \$67 million in eligible matching from private sector contributions and other revenues. Private sector contributions in-kind are documented by the organization, audited by and submitted to NSERC for review.

At March 31, 2019, the organization has \$82.1 million of in-kind contributions received from the private sector relating to the 2010-2019 funding period. A framework for valuing in-kind contributions to the National Design Network was developed by the organization and approved by NSERC. These amounts are currently unaudited.

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**11. Canada Foundation for Innovation- Major Sciences Initiative Fund**

In 2017, the organization was awarded funding to a maximum of \$7 million from the Canada Foundation for Innovation through the Major Sciences Initiatives program for the 2017-2020 period. In 2019, the grant was increased to a maximum of \$12.3 million. This grant funds up to 40% of operating and maintenance costs for 2017-2018 and up to 60% for 2018-2020.

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**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique  
Notes to Non-consolidated Financial Statements**

**March 31, 2019**

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**12. Economic Dependence**

The organization has been economically dependent on continued support from NSERC. In 2010, the organization formalized a renewal agreement with NSERC covering 2010-2015 to provide a maximum contribution of \$40 million over five years, subject to the organization receiving other cash and matching private sector contributions in-kind totaling \$38.5 million as approved by NSERC.

In 2015, NSERC extended the current grant for one year until March 31, 2016 and in 2016 the grant was extended for an additional two years until March 31, 2018. In 2017, NSERC extended the grant until March 31, 2019 and there will be no renewal after this date.

In 2017, CMC was awarded a maximum of \$7 million in funding covering 2017-2020 from Canada Foundation for Innovation through the Major Science Initiatives Program. In 2019, the grant was increased to a maximum of \$12.3 million. The MSI funding will replace the base funding provided by NSERC and subsequent to year-end, the organization submitted a proposal to extend the grant for the three year period from 2020-2023. Pending continued MSI funding or new funders, management has established a prudent cash balance to cover contingent wind-up costs, however, no amount has been recorded in the statement of revenue and expenditures in respect of expenses which might be incurred should funding not be obtained. Further cash balances are maintained to complete the current expenditure commitments incurred under the organization's mandate.

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**13. Pension Plans**

The combined expense for all organization pension plans for the year was \$589,333 (2018 - \$659,916); this includes \$91,911 (2018 - \$75,949) under the RRSP plan and \$506,422 (2018 - \$583,967) under the Queen's University Plan.

As at August 31, 2017, the Queen's University Plan had a solvency deficiency of \$313 million.

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**Canadian Microelectronics Corporation/  
Société Canadienne de Micro-électronique  
Notes to Non-consolidated Financial Statements**

**March 31, 2019**

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**14. Financial Instruments**

Financial instruments are financial assets or liabilities of the organization where, in general, the organization has the right to receive cash or another financial asset from another party or the organization has the obligation to pay another party cash or other financial assets.

Financial instruments consist of cash, accounts receivable, funds owing to Queen's University and accounts payable and accrued liabilities.

The organization initially recognized its financial instruments at fair value and subsequently measures them at amortized cost.

Financial assets measured at cost or amortized cost are tested for impairment at the end of each year and the amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement and the amount of the reversal is recognized in net income. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost.

**Currency Risk**

The organization is exposed to currency risk as a result of its significant foreign purchases. The risk arises as a result of fluctuations of the organization's home currency, Canadian dollar, against those in which it is acquiring goods. As noted in Note 7 and 9, the organization is exposed to this risk at year-end as a result of amounts owing in foreign currency for existing obligations and those relating to contractual obligations that have been issued.

The organization attempts to mitigate this risk by acquiring foreign currencies to help offset fluctuations in foreign exchange rates from the time purchase orders are issued to when payment is made. At year-end, the organization does not have sufficient foreign currencies held to cover those foreign currency obligations.

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**15. Financial Statement Presentation**

In some instances, comparative figures have been reclassified in order to comply with current year's presentation.