

**Canadian Microelectronics
Corporation/Société
Canadienne de Micro-électronique
Financial Statements**
March 31, 2022

**Canadian Microelectronics
Corporation/Société
Canadienne de Micro-électronique**
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For the year ended March 31, 2022

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Independent Auditor's Report

To the Board of Directors of Canadian Microelectronics Corporation/Société Canadienne de Micro-électronique:

Opinion

We have audited the financial statements of Canadian Microelectronics Corporation/Société Canadienne de Micro-électronique (the "Organization"), which comprise the statement of financial position as at March 31, 2022, and the statements of revenues and expenditures, changes in net 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 Organization as at March 31, 2022, 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 Responsibilities 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 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 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 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 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.

Kingston, Ontario
July 12, 2022

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

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

As at March 31, 2022

	2022	2021
Assets		
Current		
Cash (Note 2)	5,015,579	4,377,354
Accounts receivable (Note 3)	2,908,226	3,775,804
Prepaid expenses and deposits	637,189	563,159
Funds receivable from Queen's University	296,034	-
HST recoverable	-	2,653
	8,857,028	8,718,970
Capital assets (Note 6)	231,540	321,677
	9,088,568	9,040,647
Liabilities		
Current		
Funds owing to Queen's University	-	13,295
Accounts payable and accrued liabilities (Note 7)	2,071,780	2,224,066
HST payable	34,154	-
Deferred revenue	1,591,849	2,029,542
	3,697,783	4,266,903
Net Assets		
Invested in capital assets	231,540	321,677
Restricted net assets	1,463	1,463
Unrestricted net assets	5,157,782	4,450,604
	5,390,785	4,773,744
	9,088,568	9,040,647

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

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

For the year ended March 31, 2022

	<i>NSERC Funded Portion of the National Design Network</i>	<i>Other</i>	<i>RSF</i>	<i>MSI</i>	<i>Quebec</i>	2022	2021
Revenue							
CFI-MSI	-	-	-	6,656,900	-	6,656,900	6,680,381
Non-subscriber fabrication	-	2,371,615	-	-	-	2,371,615	1,146,955
Province of Quebec	-	-	-	-	1,996,665	1,996,665	779,714
R&D consulting	-	926,222	-	-	-	926,222	229,790
SponsorChip	-	744,788	-	-	-	744,788	743,905
Subscriptions	-	664,070	-	-	-	664,070	588,579
Contract management	-	590,571	-	-	-	590,571	1,110,138
RSF/NSERC	-	-	542,972	-	-	542,972	910,687
Subscriber fabrication	-	295,871	-	-	-	295,871	525,028
Other	-	261,441	-	-	-	261,441	175,692
Interest	-	18,518	-	-	-	18,518	19,150
	-	5,873,096	542,972	6,656,900	1,996,665	15,069,633	12,910,019
Expenditures							
Salaries and benefits	-	2,435,039	291,255	3,581,590	924,474	7,232,358	6,432,269
Fabrication and packaging	-	1,400,757	-	1,193,181	626,592	3,220,530	3,197,788
Software tools and annual leases	-	186,140	-	436,192	292,297	914,629	294,537
Professional fees	-	254,335	48,796	438,797	59,358	801,286	702,212
Research and development	-	415,519	-	357,650	14,044	787,213	559,044
Office and administration	-	166,476	-	247,065	33,422	446,963	428,359
Outreach	-	89,917	-	155,820	21,078	266,815	236,083
Rent and relocation	-	-	202,921	58,837	-	261,758	246,133
Equipment purchases and maintenance	-	137,338	-	59,664	8,071	205,073	345,339
Training and development	-	58,822	-	101,935	13,789	174,546	386,517
Depreciation	15,729	74,408	-	-	-	90,137	104,053
Foreign exchange loss	-	21,575	-	26,169	3,540	51,284	123,238
Contribution to ADEPT	-	-	-	-	-	-	168,000
	15,729	5,240,326	542,972	6,656,900	1,996,665	14,452,592	13,223,572

The accompanying notes are an integral part of these financial statements

**Canadian Microelectronics
Corporation/Société
Canadienne de Micro-électronique**
Statement of Revenue and Expenditures
For the year ended March 31, 2022

	<i>NSERC Funded Portion of the National Design Network</i>	<i>Other</i>	<i>RSF</i>	<i>MSI</i>	<i>Quebec</i>	2022	2021
Excess (deficiency) of revenue over expenditures before other items	(15,729)	632,770	-	-	-	617,041	(313,553)
Other items							
Loss on disposal of investment	-	-	-	-	-	-	(10)
Excess (deficiency) of revenue over expenditures	(15,729)	632,770	-	-	-	617,041	(313,563)

The accompanying notes are an integral part of these financial statements

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

For the year ended March 31

						2022	2021
	<i>NSERC Funded Portion of the National Design Network</i>	<i>Other</i>	<i>RSF</i>	<i>MSI</i>	<i>Quebec</i>	<i>Total</i>	<i>Total</i>
Net assets, beginning of year	53,262	4,719,019	1,463	-	-	4,773,744	5,087,307
Deficiency of revenues over expenditures	(15,729)	632,770	-	-	-	617,041	(313,563)
Net assets, end of year	37,533	5,351,789	1,463	-	-	5,390,785	4,773,744
Represented by:							
Invested in capital assets	37,533	194,007	-	-	-	231,540	321,677
Restricted net assets, end of year	-	-	1,463	-	-	1,463	1,463
Unrestricted net assets, end of year	-	5,157,782	-	-	-	5,157,782	4,450,604
	37,533	5,351,789	1,463	-	-	5,390,785	4,773,744

The accompanying notes are an integral part of these financial statements

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

For the year ended March 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating		
Cash receipts from NSERC/RSF	542,972	910,687
Cash receipts from MSI/CFI	6,656,900	6,680,381
Cash received from other sources	9,368,375	5,951,735
Interest received	18,518	19,150
Cash paid to suppliers and employees	(15,639,211)	(12,591,086)
	947,554	970,867
Investing		
Investment in DMT Microsystems Corporation	-	225,898
Purchase of capital assets	-	(54,421)
	-	171,477
Increase in cash resources	947,554	1,142,344
Cash resources, beginning of year	4,364,059	3,221,715
Cash resources, end of year	5,311,613	4,364,059
Cash resources are composed of:		
Cash	5,015,579	4,377,354
Funds owing (to)/from Queen's University	296,034	(13,295)
	5,311,613	4,364,059

The accompanying notes are an integral part of these financial statements

1. Significant Accounting Policies

Nature of Business

Canadian Microelectronics Corporation/Société Canadienne de Micro-électronique (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.

The Organization's principal objective is to enable and accelerate Canadian competitiveness through microsystems.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accrual Basis of Accounting

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.

Fund Accounting

The Natural Sciences and Engineering Research Council of Canada (NSERC) funded portion of the National Design Network Fund reports only NSERC granted resources that are to be used in support of the National Design Network.

The Other Fund accounts for the Organization's activities not directly supported by funders.

The RSF (Research Support Fund) accounts for some indirect expenditures incurred for the National Design Network.

The CFI-MSI (Canada Foundation for Innovation- Major Sciences Initiative Fund) accounts for some operating and maintenance expenditures incurred for the National Design Network.

The Quebec Fund (Province of Quebec Fund) accounts for operating costs incurred for the National Design Network activity in Quebec.

Investment in DMT Microsystems Corporation

Investment in DMT Microsystems Corporation, a wholly owned subsidiary, is accounted for using the equity method.

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	-5 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.

1. **Significant Accounting Policies (continued)**

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.

Grant 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 revenue and expenditures to donated material and services which are received under the matching provisions of the agreement with NSERC.

Measurement Uncertainty (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.

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 University Pension Plan ("University Plan") which is a defined benefit plan for those individuals previously paid through Queen's University payroll and which provides a minimum level of pension benefits. Under this plan, the employer contributes 9.2% up to the YMPE and 11.5% 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.

**Canadian Microelectronics
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Notes to the Financial Statements
For the year ended March 31, 2022

2. Cash

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

Bank balances include \$1,134,571 denominated in U.S. dollars.

3. Accounts Receivable

	2022	2021
GlobalFoundries	1,050,439	-
Fabrication cost sharing	343,787	587,267
Other	82,447	36,846
Project management	112,791	721,474
MSI	1,318,762	2,430,217
	2,908,226	3,775,804

Accounts receivable includes \$381,974 denominated in U.S. dollars.

GlobalFoundries relates to a non-monetary transaction whereby the Organization provides tape-out services to Universities in exchange for free space allocations from Global Foundries.

The transactions are measured using the value of the asset received and are included in the Statement of Operations under fabrication and packaging expenditures in the Other fund.

4. Related Party Transactions

Included in revenue for the current year are \$Nil (2021 - \$Nil) in sales to DMT Microsystems Corporation.

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.

5. Investment in DMT Microsystems Corporation

	2022	2021
<p>The Directors of DMT Microsystems Corporation have wound-up the Corporation during 2021. The remaining assets of DMT Microsystems were liquidated and the Corporation was dissolved February 2021.</p> <p>DMT Microsystems Corporation is a wholly owned profit-oriented subsidiary that is reported using the equity method with the following financial information:</p>		
Excess revenue over expenditures	-	98
Cash flows from operating activities	-	98

**Canadian Microelectronics
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Notes to the Financial Statements

For the year ended March 31, 2022

6. Capital Assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2022 Net book value</i>	<i>2021 Net book value</i>
Computer software	228,947	227,932	1,015	2,031
Other furniture and fixtures	151,896	114,763	37,133	46,416
NSERC furniture and fixtures	187,295	182,044	5,251	6,564
Leasehold improvements	147,407	73,703	73,704	103,185
Equipment	581,245	466,808	114,437	163,481
	1,296,790	1,065,250	231,540	321,677

During the year, capital assets were acquired at an aggregate cost of \$Nil (2021 - \$54,421) for cash.

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

7. Accounts Payable and Accrued Liabilities

	<i>2022</i>	<i>2021</i>
Trade accounts payable	466,095	1,186,692
Vacation pay accrual	664,090	586,146
Accrued liabilities	941,595	165,717
Severance pay accrual	-	285,511
	2,071,780	2,224,066

Trade accounts payable includes \$146,339 denominated in U.S. dollars.

8. Commitments

(a) In September 2020, the Organization renewed their infrastructure services agreement whereby the Organization is charged \$100,000 annually to cover support services provided by Queen's University. The term of this agreement is from July 1, 2020 to March 31, 2023.

(b) The Organization rents facilities under an operating lease with Kingston Terminal Properties covering the period of March 1, 2020 to February 28, 2025. The base rent is \$6,907 per month.

(c) The Organization rents facilities under an operating lease with KRP Properties covering the period of April 15, 2020 to April 30, 2025. The base rent is \$2,769.

The minimum annual payments for the three commitments (a to c) above for the next four years are as follows:

2023	322,815
2024	225,158
2025	212,708
2026	6,117
	766,798

**Canadian Microelectronics
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Notes to the Financial Statements
For the year ended March 31, 2022

9. Contractual Obligations

The Organization has outstanding purchase orders issued at March 31, 2022 totaling \$2,664,646. Of this amount, \$1,229,040 are denominated in U.S. dollars, \$431,056 denominated in Singapore dollars, and \$27,213 denominated in Euros. These amounts are not reflected in the financial statements.

10. Province of Quebec Funding

In 2020, the Organization was awarded funding to a maximum of \$3.6 million from the Government of Quebec for the 2019-2022 period. This grant is used to fund eligible Quebec expenditures. In 2022, this funding was extended to March 31, 2023 and subsequent to yearend the Organization was awarded \$3 million for the two year period ending March 31, 2024.

11. Pension Plans

The combined expense for all Organization pension plans for the year was \$557,128 (2021 - \$585,093); this includes \$186,500 (2021 - \$126,682) under the RRSP plan and \$370,628 (2021 - \$458,410) under the Queen's plan.

12. Economic Dependence

The Organization has been economically dependent on continued support from CFI's MSI Program, which funds up to 60% of operating and maintenance costs. In 2017, the Organization was awarded funding to a maximum of \$7 million from CFI for the 2017-2020 period. In 2019, the grant was increased to a maximum of \$12.3 million. In 2020, the grant was extended for the three-year period from 2020-2023 with funding to a maximum of \$18.3 million.

In 2022, the Organization submitted a proposal to CFI's MSI Program for funding for the 2023-2029 period. However, subsequent to year-end, the Organization was informed that the proposal will not be funded. Transitional funding from CFI has been requested. Pending obtaining new sources of funding, 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 renewed. Further cash balances are maintained to complete the current expenditure commitments.

13. 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/from Queen's University, HST payable/recoverable 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.

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Notes to the Financial Statements

For the year ended March 31, 2022

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 Notes 3, 8 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.

14. Significant Event

Ongoing at year-end, there is a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.