

**Canadian Microelectronics  
Corporation/Société  
Canadienne de Micro-électronique  
Financial Statements**  
*March 31, 2023*

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

*For the year ended March 31, 2023*

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## Independent Auditor's Report

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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, 2023, and the statements of revenue 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, 2023, 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

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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  
September 28, 2023

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

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

*For the year ended March 31*

						2023	2022
	<i><b>N SERC Funded Portion of the National Design Network</b></i>	<i><b>Other</b></i>	<i><b>RSF</b></i>	<i><b>MSI</b></i>	<i><b>Quebec</b></i>	<i><b>Total</b></i>	<i><b>Total (restated)</b></i>
<b>Assets</b>							
<b>Current</b>							
Cash (Note 2)	-	3,295,612	1,367	320,669	319,136	3,936,784	5,015,579
Accounts receivable (Note 3)	-	1,263,488	-	-	-	1,263,488	2,030,886
Prepaid expenses and deposits	-	608,439	-	244,794	114,329	967,562	777,814
Funds receivable from Queen's University	-	-	-	-	-	-	296,034
HST recoverable	-	-	96	1,493	373	1,962	-
	-	5,167,539	1,463	566,956	433,838	6,169,796	8,120,313
<b>Capital assets (Note 4)</b>	<b>25,667</b>	<b>154,687</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>180,354</b>	<b>231,540</b>
	<b>25,667</b>	<b>5,322,226</b>	<b>1,463</b>	<b>566,956</b>	<b>433,838</b>	<b>6,350,150</b>	<b>8,351,853</b>
<b>Liabilities</b>							
<b>Current</b>							
Funds owing to Queen's University	-	8,451	-	12,590	2,817	23,858	-
Accounts payable and accrued liabilities (Note 5)	-	820,165	-	554,366	155,476	1,530,007	2,071,780
HST payable	-	74,714	-	-	-	74,714	34,154
Deferred revenue	-	2,032,659	-	-	275,545	2,308,204	1,591,849
	-	2,935,989	-	566,956	433,838	3,936,783	3,697,783
<b>Net Assets</b>							
Invested in capital assets	25,667	154,687	-	-	-	180,354	231,540
Restricted net assets	-	-	1,463	-	-	1,463	1,463
Unrestricted net assets	-	2,231,550	-	-	-	2,231,550	4,421,067
	<b>25,667</b>	<b>2,386,237</b>	<b>1,463</b>	<b>-</b>	<b>-</b>	<b>2,413,367</b>	<b>4,654,070</b>
	<b>25,667</b>	<b>5,322,226</b>	<b>1,463</b>	<b>566,956</b>	<b>433,838</b>	<b>6,350,150</b>	<b>8,351,853</b>

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, 2023*

	<i>NSERC Funded Portion of the National Design Network</i>	<i>Other</i>	<i>RSF</i>	<i>MSI</i>	<i>Quebec</i>	<b>2023</b>	<b>2022</b>
<i>(restated)</i>							
<b>Revenue</b>							
CFI-MSI	-	-	-	6,856,681	-	6,856,681	6,656,900
Non-subscriber fabrication	-	4,407,111	-	-	-	4,407,111	2,836,145
Province of Quebec	-	-	-	-	2,048,076	2,048,076	1,996,665
Subscriber fabrication	-	934,454	-	-	-	934,454	295,871
R&D consulting	-	882,195	-	-	-	882,195	926,222
Subscriptions	-	715,887	-	-	-	715,887	664,070
Other	-	349,344	-	-	-	349,344	261,441
RSF/NSERC	-	-	245,971	-	-	245,971	542,972
SponsorChip	-	174,653	-	-	-	174,653	744,788
NanoCanada	-	69,427	-	-	-	69,427	-
Interest	-	62,612	-	-	-	62,612	18,518
Contract management	-	-	-	-	-	-	590,571
	-	7,595,683	245,971	6,856,681	2,048,076	16,746,411	15,534,163
<b>Expenditures</b>							
Salaries and benefits	-	3,342,973	-	3,172,983	1,131,818	7,647,774	7,091,733
Fabrication and packaging	-	4,131,587	-	1,800,080	520,689	6,452,356	4,562,402
Software tools and annual leases	-	440,772	-	816,139	195,811	1,452,722	914,629
Research and development	-	604,430	-	149,931	24,838	779,199	787,213
Professional fees	-	294,909	100,000	236,480	63,905	695,294	801,286
NanoCanada Expenses	-	574,255	-	-	-	574,255	-
Office and administration	-	175,544	-	213,808	37,703	427,055	446,960
Outreach	-	144,985	-	201,784	35,584	382,353	266,815
Training and development	-	103,000	-	143,349	25,279	271,628	174,547
Rent and relocation	-	46,795	145,971	51,532	-	244,298	261,758
Equipment purchases and maintenance	-	69,666	-	47,996	8,464	126,126	205,073
Depreciation	11,866	65,836	-	-	-	77,702	90,137
Foreign exchange loss (gain)	-	(170,232)	-	22,599	3,985	(143,648)	51,284

*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, 2023*

	<i>NSERC Funded Portion of the National Design Network</i>	<i>Other</i>	<i>RSF</i>	<i>MSI</i>	<i>Quebec</i>	<b>2023</b>	<b>2022</b>
	<b>11,866</b>	<b>9,824,520</b>	<b>245,971</b>	<b>6,856,681</b>	<b>2,048,076</b>	<b>18,987,114</b>	15,653,837
<b>Deficiency of revenue over expenditures</b>	<b>(11,866)</b>	<b>(2,228,837)</b>	-	-	-	<b>(2,240,703)</b>	(119,674)

*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*

						2023	2022
	<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 (restated)</i>
Net assets, beginning of year	37,533	4,615,074	1,463	-	-	4,654,070	4,773,744
Deficiency of revenues over expenditures	(11,866)	(2,228,837)	-	-	-	(2,240,703)	(119,674)
<b>Net assets, end of year</b>	<b>25,667</b>	<b>2,386,237</b>	<b>1,463</b>	<b>-</b>	<b>-</b>	<b>2,413,367</b>	<b>4,654,070</b>
<b>Represented by:</b>							
Invested in capital assets	25,667	154,687	-	-	-	180,354	231,540
Restricted net assets, end of year	-	-	1,463	-	-	1,463	1,463
Unrestricted net assets, end of year	-	2,231,550	-	-	-	2,231,550	4,421,067
	25,667	2,386,237	1,463	-	-	2,413,367	4,654,070

*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, 2023*

	<b>2023</b>	<b>2022</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Cash receipts from NSERC/RSF	245,971	542,972
Cash receipts from MSI/CFI	6,856,681	6,656,900
Cash received from other sources	11,103,499	9,368,375
Interest received	62,612	18,518
Cash paid to suppliers and employees	<b>(19,640,934)</b>	<b>(15,639,211)</b>
	<b>(1,372,171)</b>	947,554
<b>Investing</b>		
Purchase of capital assets	<b>(26,516)</b>	-
<b>Increase (decrease) in cash resources</b>	<b>(1,398,687)</b>	947,554
<b>Cash resources, beginning of year</b>	<b>5,311,613</b>	4,364,059
<b>Cash resources, end of year</b>	<b>3,912,926</b>	5,311,613
<b>Cash resources are composed of:</b>		
Cash	3,936,784	5,015,579
Funds owing (to)/from Queen's University	<b>(23,858)</b>	296,034
	<b>3,912,926</b>	5,311,613

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

**Canadian Microelectronics  
Corporation/Société  
Canadienne de Micro-électronique**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2023*

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**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.

***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.

Non-subscriber fabrication revenues are recognized using the percentage of completion method.

***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.

***Non-monetary transactions***

The Organization enters into agreements with certain customers from whom the Organization acquires goods and services. Non-monetary transactions, for which the Organization's future cash flows have been significantly affected are recorded at the fair value of the assets given up.

**Canadian Microelectronics  
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**Notes to the Financial Statements**  
*For the year ended March 31, 2023*

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

***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.

**2. Cash**

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

Bank balances include \$93,676 denominated in U.S. dollars.

**3. Accounts Receivable**

	<b>2023</b>	2022
Fabrication cost sharing	<b>464,369</b>	343,787
Other	<b>796,494</b>	255,546
Project management	<b>2,625</b>	112,791
MSI	-	1,318,762
	<b>1,263,488</b>	2,030,886

Accounts receivable includes \$549,396 denominated in U.S. dollars.

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.

**Canadian Microelectronics  
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**Notes to the Financial Statements**  
*For the year ended March 31, 2023*

**4. Capital Assets**

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2023 Net book value</i>	<i>2022 Net book value</i>
Computer software	132,805	132,306	499	1,015
Other furniture and fixtures	151,897	122,190	29,707	37,133
NSERC furniture and fixtures	187,295	183,094	4,201	5,251
Leasehold improvements	147,408	103,185	44,223	73,704
Equipment	547,332	445,608	101,724	114,437
	<b>1,166,737</b>	<b>986,383</b>	<b>180,354</b>	<b>231,540</b>

During the year, capital assets were acquired at an aggregate cost of \$26,516 (2022 - \$Nil) for cash.

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

**5. Accounts Payable and Accrued Liabilities**

	<i>2023</i>	<i>2022</i>
Trade accounts payable	765,133	466,095
Vacation pay accrual	519,603	664,090
Accrued liabilities	245,270	941,595
	<b>1,530,006</b>	<b>2,071,780</b>

Trade accounts payable includes \$386,233 denominated in U.S. dollars and €11,100 denominated in Euros.

**6. Commitments**

(a) 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.

(b) 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 two commitments (a to b) above for the next three years are as follows:

2024	225,158
2025	212,708
2026	6,117
	<b>443,983</b>

**7. Contractual Obligations**

The Organization has outstanding purchase orders issued at March 31, 2023 totaling \$2,555,282. Of this amount, \$1,496,724 are denominated in U.S. dollars, and \$57,413 denominated in Euros. These amounts are not reflected in the financial statements.

**Canadian Microelectronics  
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**8. Province of Quebec Funding**

The Organization was awarded \$3 million for the two year period ending March 31, 2024.

**9. Pension Plans**

The combined expense for all Organization pension plans for the year was \$518,268 (2022 - \$557,128); this includes \$203,734 (2022 - \$186,500) under the RRSP plan and \$314,534 (2022 - \$370,628) under the Queen's plan.

**10. 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 for CMC's academic activities. 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, in 2023, the Organization was informed that the proposal will not be funded and transitional funding of \$4.6M from CFI has been awarded for 2024. As shown on the Statement of Revenue and Expenditures, the Organization continues to grow and diversify its non-grant revenues especially commercial services including non-subscriber fabrication and contract R&D. Subsequent to year-end, the Organization has also submitted large multi-year proposals to the provincial and federal governments. Pending new sources of funding, management has established a prudent cash balance to cover possible restructuring costs, however, no amount has been recorded in the Statement of Revenue and Expenditures for expenses which might be incurred should funding not be renewed.

**11. 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.

**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, 5 and 7, 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.

**Canadian Microelectronics Corporation/Société  
 Canadienne de Micro-électronique**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2023*

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12. **Change in accounting policy**

***Non-Subscriber Fabrication***

Effective April 1, 2022, the Organization voluntarily changed its accounting policy to measure non-subscriber fabrication activity using the percentage of completion method. Previously, the completed contract method was used. The changes were made to provide more reliable and relevant information about the Organization's financial position and performance.

***Non-Monetary Transactions***

Effective April 1, 2022, the Organization voluntarily changed its accounting policy to measure non-monetary transactions using the value of the asset given up. Previously the transactions were measured using the value of the asset received.

***Aggregate change in accounting policies***

	<b><i>Increase (decrease) in assets</i></b>	<b><i>Increase in liabilities</i></b>	<b><i>Decrease (increase) in beginning net assets</i></b>
Prepaid expenses and deposits	140,625	-	(140,625)
Accounts receivable	(877,340)	-	877,340
<b>Balance, end of year</b>	<b>(736,715)</b>	<b>-</b>	<b>736,715</b>

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