



Next Generation Manufacturing Canada
Fabrication Nouvelle Génération Canada

NGen Project Funding – AI4M Challenge

NGen Project Finance
Jeff Montag
Director, Project Finance
Jeff.Montag@ngen.ca



Presentation Objectives

1. Help applicants UNDERSTAND and NAVIGATE funding rules and processes
2. Make it as easy as possible to obtain funding QUICKLY
3. Help companies to develop a successful Financial Project Plan that's eligible for funding
4. Answer any questions UP-FRONT
5. PREPARE companies and NGen for possibility of future Government audits



Application Process: Financial Due Diligence (FDD)



Financial Due Diligence

Lead Company secures permission for all partners for FDD and Clicks FDD box in HS

Once FDD initiated, Company is granted access to Application Questions

FDD documents must be provided to NGen prior to the intake deadline

FDD must be Approved by NGen prior to the Resubmission deadline

NGen will initiate e-mail requesting the following:

- CRA Business Number
- Registered Business Name
- Registered Business Address
- We may require Articles of Incorporation to confirm the company is incorporated in Canada should they not be listed in the Canada Business Registry
- Completion of SME Declaration Form, if applicable
- Initiate Equifax (or equivalent) Credit Check for each of the project members
- Cashflow forecast and / or description of how the project will be funded
- Company Financial Statements to be submitted



How to Build a Successful Project Finance Plan



Be Informed

1. Read the Guides First!

- The Finance Guide covers *almost* everything that is eligible and ineligible
- Understanding eligibility will help you set your senior leadership's expectation:
 - *No overhead rates in labour (labour supported by payroll records)*
 - *Partners can't be subcontractors*
 - *Only direct project expenses covered*
 - *Costs must be additional (new to the business)*

2. NGen staff are here to help you be successful. If you can not find an answer in the guides or an FAQ, reach out to us for clarification.

3. Understand the limits:

- Collaboration splits
- Capital Spend
- Subcontracting
- IP Spend
- Foreign Costs



It's a Budget...

Once you understand the limits and eligibility:

- Work with your team using your own templates, then linking them to the NGen Financial Workbook (FWB) should be straightforward.
- It's a budget, it won't be perfect:
 - *Post approval there are mechanisms in NGen to reallocate budget.*
 - *We understand it's development work. You won't know every item you'll need to invest in this far in advance.*
- Err on the side of "more detail". Including detailed descriptions on "what this person is doing", or "what this piece of equipment will do" to contribute to the project will help minimize questions in the assessment stage. It will also assist in the claims processing.
- Be clear on how each partner is contributing financially. NGen wants to see a vested interest by every partner.
- Bring all project related expense items to our attention to check for eligibility.



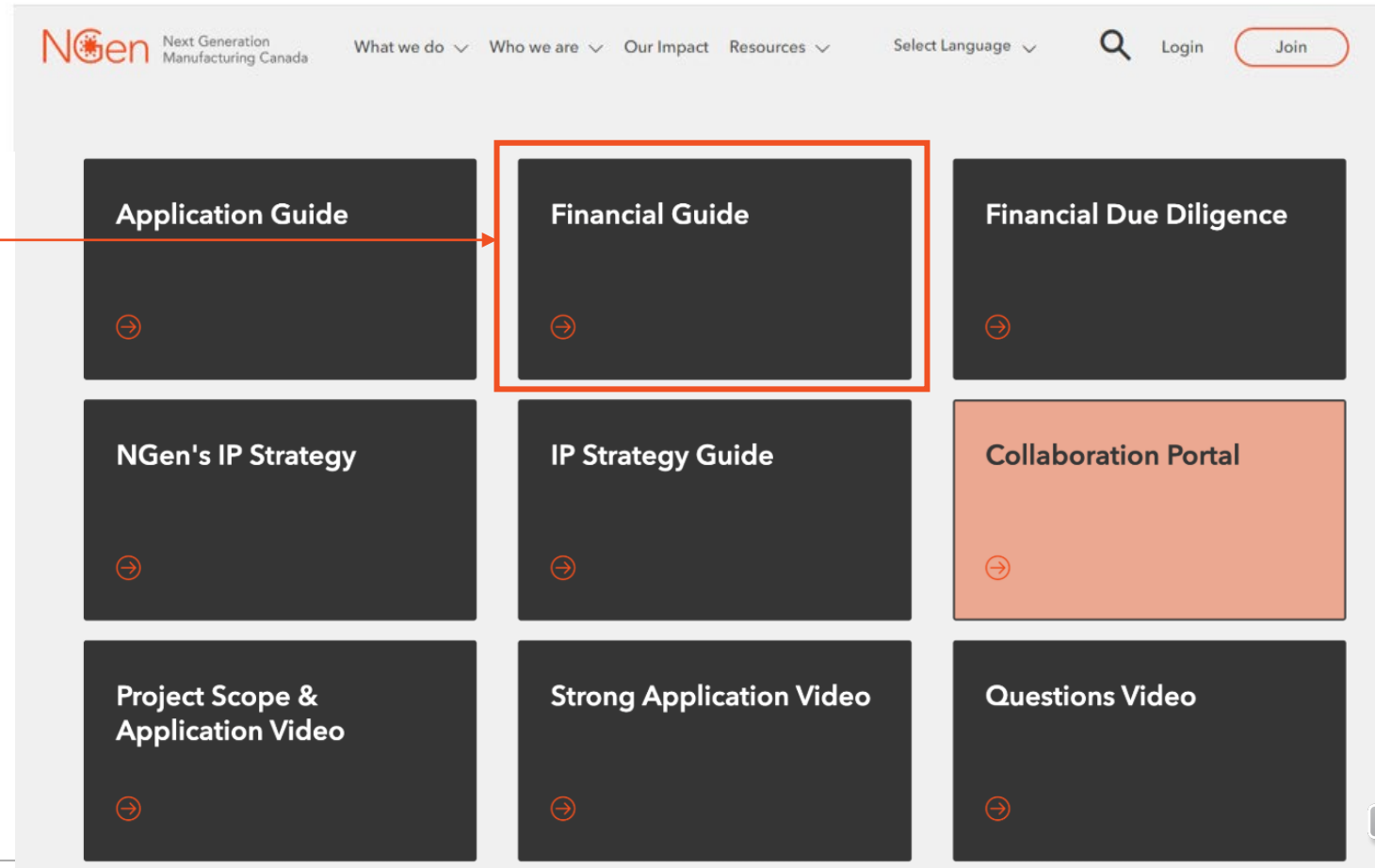
Eligible Project Expenditures & Financial Workbook



AI4M Project Financial Guide

Published on the NGen website - www.ngen.ca/funding/challenge/ai4m

Ensure the **Financial Guide** is reviewed in detail to understand funding rules and eligibility of costs.



Guidance & Eligibility

General Rules:

- AI4M projects will be reimbursed at 35% of eligible project expenses incurred by industry partners. No individual project participant can receive more than 80% of the reimbursed funds.

Eligible Organizations:

- NGen Members, who are:
 - *For-profit organizations, or*
 - *Not-for-profit organizations* that facilitate and fund R&D, funding is primarily from private-sector

Eligible Cost Overview:

- Eligible project costs must be reasonable, and directly relate to project execution and achievement of the project objectives.
- Eligible costs excluding labour must be new to the business and incurred post-award. Only costs that are incurred and paid for in cash are eligible for reimbursement.
- As such, in-kind costs (non-cash paid costs in the form of goods and services) and overhead related costs are ***not*** eligible for reimbursement.

Salaries & Wages

- Must reflect actual labour costs
 - *Hours supported by time sheets / evidence of time tracking*
 - *Rates must tie to payroll registers*
 - *Includes non-discretionary benefits (i.e. CPP, EI, EHT, WSIB)*
 - *Assume 2080 hours/year*
- Exclude any discretionary benefits
 - *i.e. NO health& dental benefits, pension, stock options, vacation pay, or bonuses*
- That portion of salary costs of staff that can be shown to be in direct support of carrying out the Project (i.e. project managers, project accountants) are eligible
- Costs for routine administration & operations **are not** eligible (including Senior Leadership oversight)



Sub-Contract Costs

- Total amount **cannot exceed 40%** of total project costs
- Project participants **cannot** sub-contract labour costs to another project partner
- Costs for sub-contracted labour must be reasonable and accounted for at Fair Market Value (FMV)
 - *If a sub-contractor is a related party to the contracting company, sub-contracted labour must be accounted for at cost*
 - *CRA definition of related and associated companies*

When is a corporation associated?

Association is based on control. Control can be exerted either **directly or indirectly in any way**. A person or a group of persons can control a corporation. Keep in mind that, in this context, a **person** can be either an individual or a corporation.

Control includes both de jure control and de facto control. **De jure control** is the right of control that depends on a person owning enough shares of a corporation to give that person a majority of the voting power. **De facto control**, or factual control, occurs when a corporation is subject to any direct or indirect influencing that, if exercised, would result in actual control being exerted.

When determining whether a taxpayer has any direct or indirect influence that, if exercised, would result in factual control of the corporation, one must:

- take into consideration all factors that are relevant in the circumstances
- not be limited to whether the taxpayer has a legally enforceable right or ability to make a change in the board of directors of the corporation, or the board's power, or to exercise influence over the shareholder(s) who have that right or ability. The previous factors are not mandatory in determining factual control

In general, a corporation is associated with another corporation if it meets one of the following six conditions at any time in the tax year. Remember that controlled means directly or indirectly in any way.



Capital & Equipment Costs

- The cost of **new** equipment acquired for use in the project is eligible for NGen funding
- Up to 100% of the acquisition cost of new equipment may be claimed,
 - **Cannot exceed 45%*** of the total project costs.
- Cash payments towards equipment under financing arrangement are eligible to the extent paid during the project term (excluding interest).
- Depreciation of existing equipment is not allowed, but the direct costs are allowed if substantiated →

* Capital costs for single assets >\$1M require advance approval by ISED

NGen AI4M funding covers the purchase of new equipment, rental, direct operation, and maintenance costs.

To be eligible for reimbursement under the NGen AI4M program, equipment expenditures must be:

- Linked to the objectives of the project
- Vital for the success of research & development or demonstration of projects
- Not otherwise available as a shared resource

Existing Equipment

The use of existing equipment is not reimbursable. Only **direct costs** incurred in the operation of the equipment may be eligible for reimbursement.

Examples of eligible direct costs include:

- Labour costs to run the equipment
- Materials consumed by the equipment
- Separately metered utility costs

Direct costs claimed must be additional and cannot be an allocation of overhead costs.

Documentation must be provided to substantiate direct costs incurred in the use of existing equipment.



Materials & Supplies

- Any materials purchased for use and consumed by the project are eligible.
- Materials supplied by subsidiaries or associated companies should exclude the profit element of the value placed on that material (i.e. these are to be valued at cost).
- If waste or scrap material has a significant residual/resale value; figures should reflect this.

Travel Costs

- Includes costs for:
 - *Transportation*
 - *Accommodations*
 - *Per diem*
- All travel expenses must be in accordance with the [National Joint Council Travel Directive](#) to be eligible for reimbursement.
- Only reasonable costs incurred exclusively for advancing the project will be accepted as an eligible expense.



Other Eligible Costs

- Other direct costs which can be specifically identified and measured as incurred in the performance of the Project Activities
- Ensure that a case is made for the other costs identified within your Application Questions.
- Selling, marketing or advertising costs (including related travel) are not eligible

Types of Other Eligible Costs:

- User Fees
 - *Service fees and software subscription/license fees directly related to the project are eligible expenses.*
 - *If the user fees are being charged by a partner, please reach out to NGen Project Finance for clarification.*
- Room or Facility Rentals
 - *The additional cost of space required for the project (contracted after project start).*
 - *Would not have been incurred if not for the project.*



Other Eligible Costs

Other Eligible Costs (Continued):

- Conference Costs
 - *Rent of facilities for conferences*
 - *Must have specific tie back to the project*
- Dissemination Costs
 - *Publication and knowledge dissemination costs (excludes selling & marketing)*
- Intellectual Property (IP) Costs
 - *Patent protection of foreground intellectual property arising out of a project*
 - *Limited to \$200,000 eligible IP cost per SME*



Ineligible Costs

SOME COSTS WILL **NOT** BE FUNDED, INCLUDING:

- Sales taxes (HST/GST/PST/QST/VAT)
- Cost of routine administration and operations
- Costs unrelated to project objectives (including overhead)
- Costs already covered by other government funding sources or by rebates
- Costs for leasehold improvements, construction or purchase of a building

Refer to full list set out in the guide.

INELIGIBLE COSTS:

- Retroactive costs (i.e. those costs incurred prior to notice of conditional approval of the application)
- Capital, infrastructure, or equipment costs unrelated to project objectives.
- Expenses relating to the construction, purchase of a building or land (except as set out in the section on Unfunded Industry Matching Costs).
- Fines and penalties.
- Provisions for contingencies.
- Losses on investments, other projects, contracts, bad debts, or expenses for the collection charges.
- Federal and provincial income taxes, harmonized sales tax (HST), goods and services taxes (GST), provincial sales taxes (PST/QST), foreign value added taxes (VAT), excess profit taxes or surtaxes and/or special expenses in connection with those taxes.
- Customs and duties.
- Expenses and depreciation of buildings or rooms that are not in use during the project.
- Amortization of unrealized appreciation of assets.
- Depreciation of assets paid for by NGen.
- Honoraria, gifts, donations, entertainment expenses, and alcoholic beverages.
- Dues and other memberships other than regular trade and professional associations.
- Extraordinary or abnormal fees for professional advice unless NGen's approval is obtained prior to incurring the cost.
- Premiums for life insurance where proceeds accrue to the recipient.
- Discretionary severance and separation packages.
- Costs related to the routine administration and operation of recipients, except salary costs specifically related to the eligible project.
- Costs related to overhead incurred by recipients.
- Costs for which the recipient is eligible for a rebate from federal, provincial, territorial, or municipal government sources.
- Salaries of the Members of the Board of Directors.
- Legal, accounting and consulting fees in connection with litigation or financial reorganization.
- Activities where benefits accrue to a single firm or organization.
- Projects where, in the opinion of the Minister, there is no buy-in from Members and no collaborative aspect.



Other Government Funding

Complementary Other Government Funding on projects:

- Projects may receive complementary funding from other government agencies.
- NGen AI4M funds cannot be used to reimburse costs already covered by funding from other government sources.
- NGen limits complementary other government funding stacking at 100% of eligible project costs
 - *Projects must abide by the lowest stacking limit of the complementary other government funding sources*
 - *Other government funding sources may fund project costs that are considered as ineligible for funding by NGen. These will not count towards the NGen stacking limit.*
- Projects must report other funding agency and amount funded for the project duration.



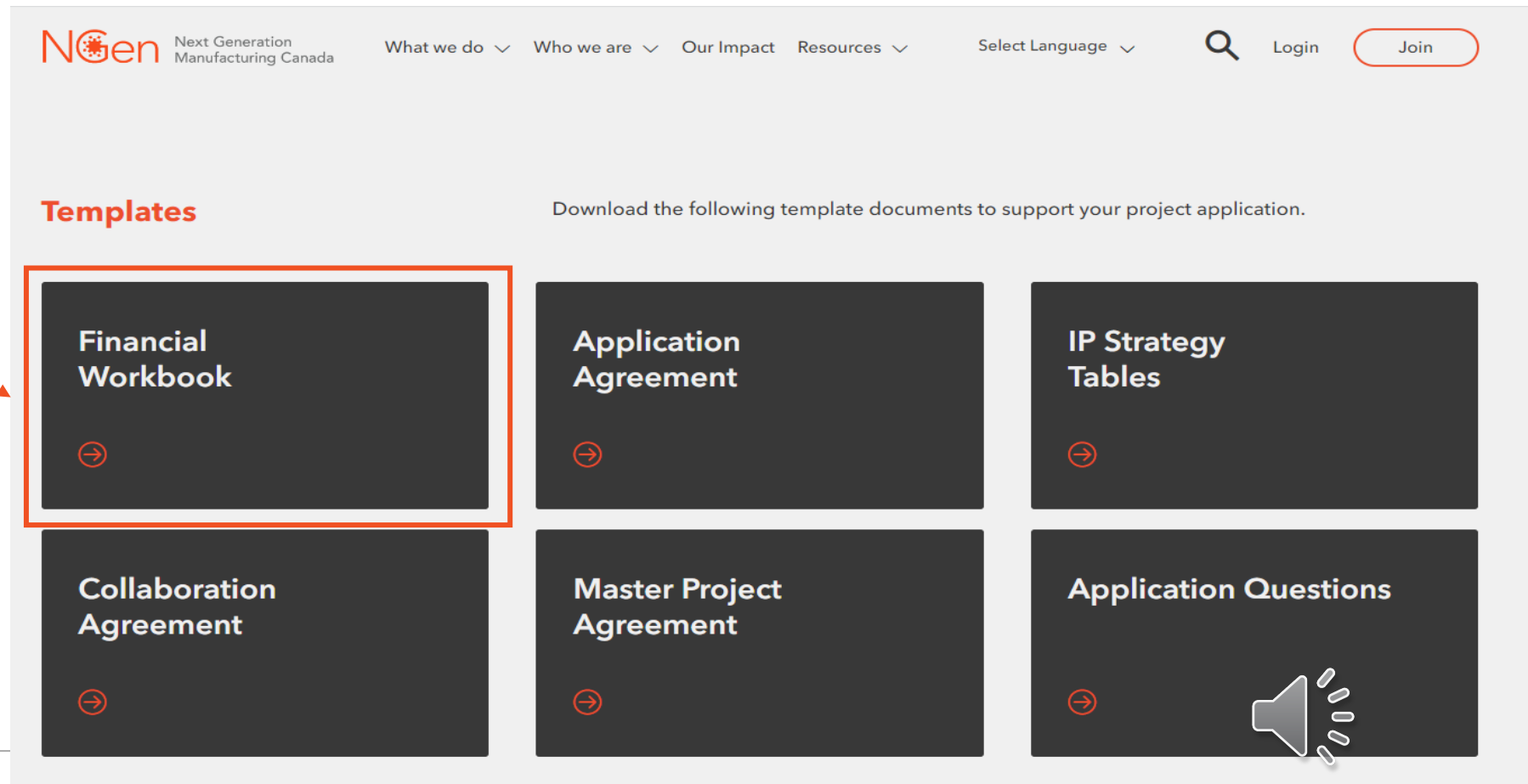
AI4M Project Financial Workbook

Published on the NGen website - www.ngen.ca/funding/challenge/ai4m

Financial Workbook

required for submitted applications

- Template can be downloaded from the AI4M webpage



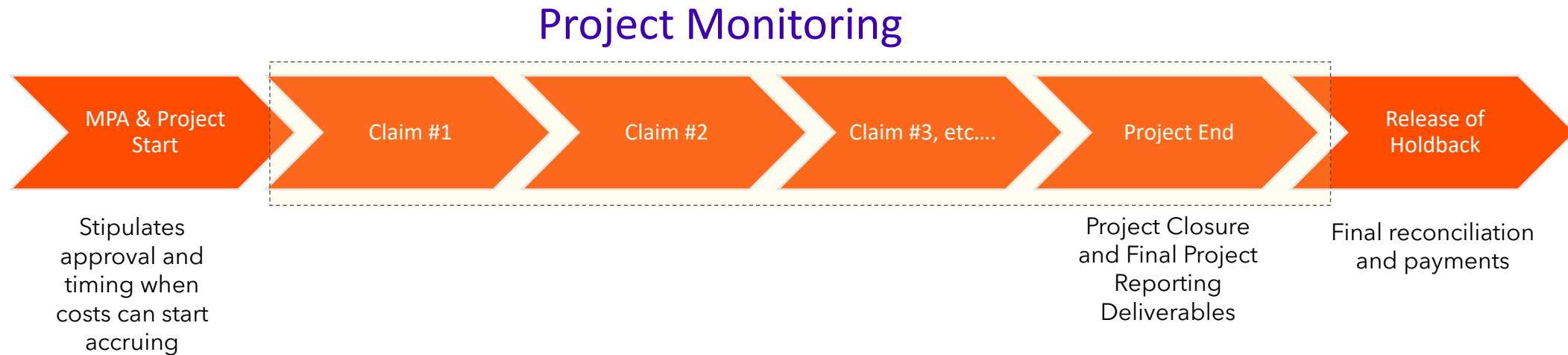
Financial Workbook

- Required for and prepared by each project partner as part of the application submission.
- Outlines the partner project budget and will be reviewed by NGen for eligibility & reasonableness of costs:
 - *Sufficient detail of the proposed expenses should be included to assess applicability to the project activities.*
- Workbooks will be reviewed once they are submitted by the intake deadline:
 - *Allows companies to incorporate feedback into their submitted workbooks prior to assessment*
- NGen will perform a detailed review and may request the company to revise or provide further detail as needed during the Contracting stage:
 - *This will represent the project budget outlined in the Master Project Agreement (MPA).*



Funding & Claims Submission Process

Normal Claim Submission Process



- Claims will be made on a reimbursement basis
- Claims are to be submitted to NGen every three months.
- Once the claim and the supporting documentation has been received by NGen, it will normally be paid within 45 days, unless it is necessary for NGen to seek further information to support the claim.
- NGen will apply a 15% holdback of the funding until it has received and approved all outstanding claims, as well as the project reporting and monitoring obligations as set out in the Master Project Agreement have been met.



Claims Process

- Only eligible project costs as defined by the federal government's Pan-Canadian Artificial Intelligence Strategy funding rules can be claimed for funding from NGen
 - *Eligible and Ineligible costs are defined in the online Project Financial Guide*
- Only expenses incurred after the project start date (specified in the Funding Confirmation Letter) can be claimed
- Claims submitted to NGen must be accompanied by the required supporting documentation (outlined on the following slide)
 - *Include invoices only where payment has been made (if the invoice is sitting in your Accounts Payable to be paid, cash has not left your bank account, do not include in claim)*
- The reasonableness of claims will be assessed with reference to project budgets and regular monitoring of project progress



Expense Validation

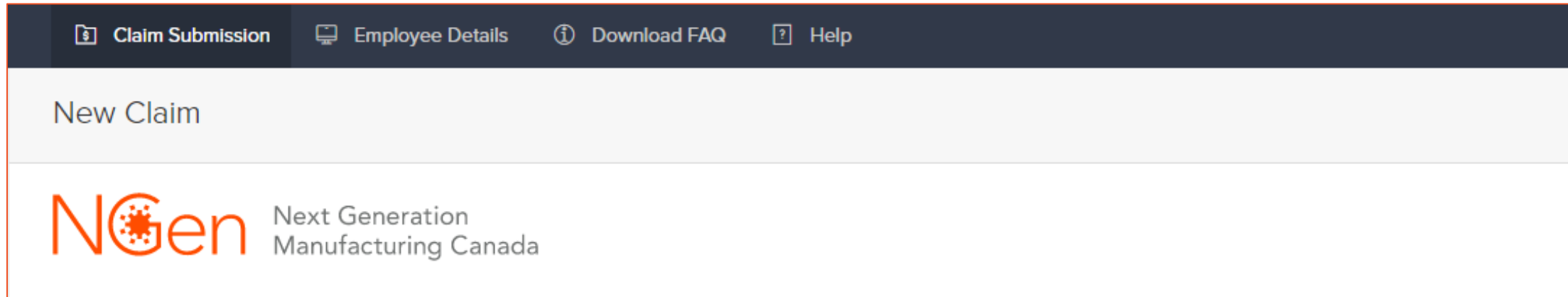
All claims submitted will be reviewed and validated:

- *Timesheets reflecting hours worked directly on eligible project activities must be provided*
- *Payroll registers will be required for submission to support labour charges*
- *Copies of invoices for expenses >\$500 must be submitted with the claim*
- *The Government of Canada reserves the right to audit claims and supporting documentation for at least seven years after the completion of the project*
 - *All supporting documents (timesheets, payroll registers and invoices) must be kept during that seven-year period.*
 - *We reserve the right to obtain supporting documentation to support Government Audit during that period.*



Online Claims Portal

- Submission of claims will be made via an online portal; submitted on a quarterly basis
 - *Your organization will be provided with a registration link as well as a user guide*
- Will normally be processed within 45 days, given all supporting documentation is in order
- Each project will have an assigned NGen Claims representative who will provide a walkthrough during project kick-off



Online Claims Portal

Labour Costs

* Employee Name/Number	* Job Title	* Role in Project	* Employee Location	* Hourly Rate	* Hours	* Associated Eligible Benefits	Total	Comments
<div>-Select-</div>			<div>-Select-</div>	<div>###,###</div> \$		<div>###,###.##</div> \$	<div>###,###</div> \$	

[+ Add New](#)

☐ Schedule of Labour Costs to be supplied to NGen offline

Total Labour Cost

0

 \$

Upload Attachments (Labour)

* Attachment Type	* File upload
+ Add New	

Other Eligible Costs

* Vendor/Supplier	* Item Description and Use in Project	* Expense Categ...	* Invoice Date	* Invoice Number	* Invoice Total (before tax)	* Tax	* Invoice Total (after tax)	* Currency	* Exchange Rate	Total Costs (CAD)	Comments
		<div>-Select-</div>	<div>dd MMM y</div>		<div>###,###.##</div> \$	<div>###,###</div> \$	<div>###,###.##</div> \$	<div>CAD x</div>	<div>1.0000</div>	<div>###,###.##</div> \$	

[+ Add New](#)

Total Other Eligible Costs

0

 \$

Upload Attachments (Other Eligible)

Please upload supporting receipts and invoices over \$500

* Attachment Type	* File upload
+ Add New	



CFO Certification

Reconciliations must be accompanied by a signed CFO certification form

- Costs directly related to project
- No ineligible costs
- Incurred and Paid – i.e. cash out the door
- Disclosure of:
 - *Other subsidies or funding DIRECTLY relating to the project's eligible costs*
 - *Transactions with related/associated companies*

FINANCE CLAIM CERTIFICATION

To: Next Generation Manufacturing Canada

Date: _____

Re: Finance Claim Certification in regard to the NGen Project File Ref # _____
(the "Project")

I, _____, the _____* of _____
(the "Recipient") certify, solely in my capacity as an Officer of the Recipient and not in any individual capacity, that for this claim:

1. **Ineligible costs** as outlined on the next page have not been included for reimbursement.
2. The eligible cost claims submitted to NGen on the date hereof, by the Recipient in regard to the Project have been incurred and paid by the Recipient, and
3. The representations, warranties and covenants contained in the NGen funding offer with respect to the Project continue to be true as of the date hereof, and the Recipient is not in default of any terms of the NGen funding offer with respect to the Project, and
4. Other government funding (non-NGen) of \$ _____ and other government subsidies of \$ _____ was received during the claim period that may pertain to this Project, and
5. All transactions with affiliated (related/associated) companies have been highlighted to NGen and exclude any allocation of profit i.e. are valued at cost, and

Signed**

Printed Name: _____

Printed Title: _____

Company: _____

Date: _____

**The title of the individual signing*

***Must be signed by a CFO or VP Finance, or their delegate*



Thank You!

NGen

Next Generation
Manufacturing Canada

ai@ngen.ca

