NGen Next Generation Manufacturing Canada

Project Financial Guide

Key Information on Feasibility Studies Project Finances

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OVERVIEW

ADVANCED MANUFACTURING

Canada's Advanced Manufacturing Supercluster is led by Next Generation Manufacturing Canada (NGen), an industry-focused, not-for- profit corporation dedicated to positioning Canada as a world leader in advanced manufacturing capabilities.

The Supercluster will drive connections between technology and industrial companies to accelerate the development, adoption, and scale-up of transformative capabilities in Canadian manufacturing.

The Supercluster aims to strengthen the competitiveness of Canada's manufacturing sector, drive more innovation and investment in advanced manufacturing technologies in Canada, generate new commercial opportunities for Canadian companies in global markets, grow more large-scale world-leading Canadian enterprises, and develop a modern and inclusive workforce with the skills to excel in advanced manufacturing.

Use this guide in conjunction with the Financial Workbook. Found at the bottom of the following webpage.

GENERAL RULES

To receive Supercluster funding, project applicants must meet NGen's evaluation criteria and be approved by NGen's independent project selection process. Approved projects will be reimbursed for that portion of their project expenses that are eligible under the federal government's conditions for Supercluster funding.

All recipients of Supercluster funding will be required to enter into a contractual agreement with NGen defining the terms and conditions by which funding will be provided, and be required to comply with the terms of the funding agreement.

Projects may receive complementary funding from other government agencies.

Supercluster funds cannot be used to reimburse costs already covered by funding from other government sources.

The total amount of government funding cannot exceed 100% of eligible project costs. Claims will be made on a reimbursement basis following submission of a claim form, copies of invoices >$500 and other documentation as required to support the amounts claimed. 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.

Claims are to be submitted to NGen every three months.

On the final claim, companies will have 30 days post Project End Date to submit invoices for goods received or services incurred during the project term.

R&D Projects will be reimbursed to a maximum of 50% of total eligible project costs, with no individual project participant receiving more than 70% of reimbursed funds

NGen is under no obligation to pay more than 85% of the funding to the Recipients until it has received and approved all outstanding claims with supporting information, and the project reporting and monitoring obligations as set out in the Master Project Agreement have been met.

In-kind contributions are non-cash paid goods and services that are provided/donated to the project at no cost and are not eligible for reimbursement by NGen.

Supercluster funding is subject to availability of funds being approved annually by Parliament.

WHO IS ELIGIBLE FOR FUNDING?

Recipients of Supercluster funding must be either:

- for-profit organizations, or
- not-for-profit organizations that facilitate and fund research and development, and whose funding is received primarily from private-sector organizations.

Ineligible organizations include:

- not-for-profit organizations
- post-secondary institutions
- federal Crown corporations
- government departments or agencies
- international organizations

WHAT COSTS ARE ELIGIBLE FOR NGEN FUNDING?

Projects will incur two categories of costs, outlined in **Section 2.3** of the ISI Program Guide.

1. Funded Eligible Costs are project expenses that are eligible for reimbursement from Supercluster funding.

2. Unfunded Eligible Costs are project expenses listed as not eligible for reimbursement under the Supercluster program.

Both Funded and Unfunded Eligible Costs must be incurred in Canada.

Eligible project costs must be incremental, reasonable and directly relate to project execution and achievement of the project objectives.

WHAT KINDS OF COSTS QUALIFY AS ELIGIBLE COSTS?

Eligible costs must be reasonable, incremental and relate directly to the eligible activities of the project. If in doubt about the eligibility of a cost, please contact NGen for clarification. This approach is intended to protect project participants from spending on activities that may later be deemed ineligible.

All amounts submitted for reimbursement must be net of applicable HST/GST/PST/QST.

Only costs that are incurred and paid in cash are eligible for reimbursement. In-kind contributions are non-cash paid goods and services that are provided/donated to the project at no cost and are not eligible for reimbursement.

SALARIES & WAGES

Eligible costs are those incurred as the portion of gross wages or salaries for personnel **who are based in Canada** and working directly on the project.

This includes CPP, EI and EHT but must exclude any discretionary benefits (i.e. health & dental, retirement) or bonuses.

All salaries & wages are considered paid in cash and are not in-kind costs. **Time sheets or evidence of time tracking will be required to support direct labour costs charged to theproject. Payroll registers may be requested to substantiate costs.**

The costs of routine administration and operations, including the costs of administering project activities, are ineligible.

Examples of the distinction:

- Employees dedicated to the project, including project managers and project controllers - Eligible
- Senior leadership from participating organizations who provide oversight - Ineligible
- A general concept of reasonableness shall apply to salaries claimed. Per hour labour costs should be commensurate with the project activities being performed.

PROJECT REQUIREMENTS

SUB-CONTRACTS AND CONSULTANCY FEES

Costs are covered for any subcontracted work essential to the success of the project and where the expertise does not exist among the partners.

These costs must be accounted at Fair Market Value and must be reasonable and in line with industry norms and practices.

A project partner cannot also be a sub-contractor or consultant.

The total amount of sub-contracts or consultancy cannot exceed 70% of the total value of the project costs, and the work **must** be performed in Canada.

EQUIPMENT, FACILITIES & SUPPLIES

Supercluster funding covers the purchase of new equipment, rentals and direct operation and maintenance costs where eligible.

Up to 100% of the acquisition cost of **new** equipment may be claimed where eligible and cannot exceed 30% of the value of total project costs.

The use of existing equipment is considered an in-kind cost and is therefore not reimbursable. Only **direct costs** incurred in the operation of the equipment may be eligible for reimbursement.

USER FEES

Service fees and subscription/license fees directly related to the project are eligible expenses.

Project administration fees charged to the projects by NGen are ineligible.

MATERIALS & SUPPLIES

Materials consumed by the project.

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, the figures should reflect this.

ROOM OR FACILITY RENTALS

The cost of space in respect of the project. Overheads or costs incurred by the project in respect of the routine administration and operation of the organization, such as rent on existing facilities, utilities, etc. are ineligible.

CONFERENCE COSTS

Costs related to renting facilities to support conferences and related telecommunication expenses are eligible but must have a specific and direct link to project activities. For example: A targeted Hack-a-thon to address a project challenge is an eligible expense.

Travel to an advanced manufacturing conference or an industry association conference would be considered an ineligible expense.

TRAVEL COSTS

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.

Alcohol is an ineligible expense.

PATENT COSTS

Reasonable costs relating to the patent protection of foreground intellectual property arising out of a project:

For example:

- patent drafting, filing, prosecution costs
- patent office fees
- prior art searching

Patent costs will be eligible for reimbursement under the Supercluster program, provided:

- only SME's will be able to claim patent costs
- patent cost reimbursement cannot exceed 10% of the total project value

DISSEMINATION COSTS

Publication costs of project results are eligible but must not include any dissemination costs relating to production or commercialization, such as selling marketing or advertising costs.

OTHER ELIGIBLE DIRECT COSTS

Other direct costs which can be specifically identified and measured as being incurred on behalf of project activities are eligible.

CAPITAL COSTS

Capital & equipment spending, where eligible, cannot exceed 30% of total eligible project costs. Prior approval from NGen is required should there be a requirement for the project to incur capital/equipment spend in excess of 30%.

To be eligible for reimbursement under the Supercluster program, capital expenditures must be:

- Linked to the objectives of the project
- Allowable under the rules defined for the particular project type
- Vital for the success of research & development or demonstration of projects

- Not otherwise available as a shared resource
- Limited to the portion used over the project term
- Capital expenditures cannot exceed thirty percent (30%) of the total value of the project.
- Any change to project funding distribution or scope that would result in more than thirty percent of project expenditures being invested in capital assets requires prior written approval. This could result from reallocation of activities or de-scoping of noncapital activities.

Capital costs are subject to the above guidance for equipment.

FOREIGN COSTS

Supercluster funding is intended to support initiatives incurring inside Canada. Costs incurred outside Canada may be eligible, only on an exceptional basis, with advance approval by NGen

Advance approval is not required for:

- equipment, materials or supplies purchased from suppliers outside of Canada and shipped to Canada;
- costs related to obtaining IP rights in foreign countries subject to the patent cost rules outlined in the prior section.

WHAT KIND OF PROJECT COSTS ARE INELIGIBLE FOR REIMBURSEMENT?

The following costs are counted towards the value of the project but are ineligible for reimbursement from Supercluster funding ("Unfunded Eligible"):

- Payments to federal entities, such as the NRC.
- Infrastructure costs (such as designing, acquiring, constructing, improving, or expanding the infrastructure serving the Project; and the improved and unimproved real property, buildings, and structural components of buildings and personal property. This includes any labour, travel, equipment and sub-contract costs related to infrastructure development)

- Costs related to construction, purchase of a building or land.
    - Advance approval by NGen is required where leasehold improvements which remain with the building, and are typically made by the owner and

include modifications to interior spaces to the operating needs of the tenant– for example, changes made to ceilings, flooring, and inner walls.

- Alterations to the exterior of a building or modifications that benefit other tenants in the building are not considered leasehold improvements. Examples of non-leasehold improvements include elevator upgrades, roof construction, and the paving of walkways. This includes any labour, travel, equipment and sub contract costs related to leasehold improvement.

- Any eligible costs incurred before the approval of the project by NGen; projects will be notified when they are in the eligible funding zone.

WHAT COSTS ARE INELIGIBLE

- Utilization of existing capital or equipment costs.
- Capital, infrastructure or equipment costs unrelated to project objectives.
- Expenses relating to the construction, purchase of a building or land.
- 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), 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 the 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.

NGen Next Generation Manufacturing Canada

NGen is founded on the principle that the transformation to advanced manufacturing will enrich the lives of Canadians, delivering better products and good jobs while generating the economic growth essential to a better future.

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This guide is meant to provide project participants with additional assistance in understanding the framework of the Innovation Supercluster Program. In case of any discrepancy or inconsistency between this Guide and the Innovation Supercluster Initiative Program Guide (which can be found here), the Innovation Supercluster Initiative Program Guide shall prevail.