



Next Generation
Manufacturing Canada

Project Funding & Eligible Costs

Objectives

1. Help companies UNDERSTAND and NAVIGATE funding rules
2. Make it as easy as possible to obtain funding QUICKLY
3. Answer any questions UPFRONT
4. PROTECT companies and NGen from future audits and adjustments by the Federal Government

NGen funding is provided based on direct, supportable, and eligible project costs

- *Approved eligible costs must be reasonable and fit within project budgets*
- *Project budgets are set out in the Master Project Agreement (MPA)*
- *A change request is required for budget re-allocations >\$50,000*

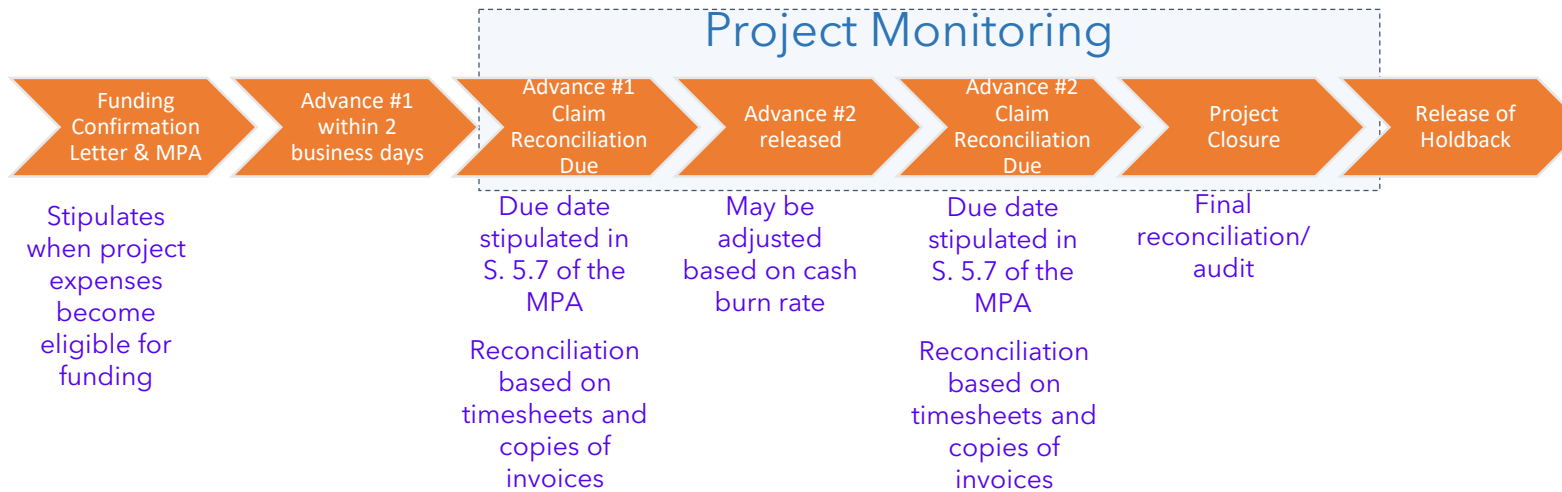
Advance Claim Reconciliation Process

- NGen funding for COVID-19 projects is provided on an advance basis
- Timing for advances and advance claim reconciliations is stipulated in the MPA
- Only eligible project costs as defined by the federal government's Innovation Supercluster funding rules can be claimed for funding from NGen
 - *Eligible and Ineligible costs are defined in the online COVID-19 Project Financial Guide*
- Only expenses incurred after the project start date (specified in the MPA) can be claimed
- Advance Claim Reconciliations submitted to NGen must be accompanied by the required supporting documentation (outlined on the following slide)
- The reasonableness of claims will be assessed with reference to project budgets and regular monitoring of project progress

Expense Validation

- Timesheets reflecting hours worked directly on eligible project activities must be provided
- Copies of invoices for expenses >\$500 must be submitted with the advance claim reconciliation
- All supporting documents (timesheets, payroll registers and invoices for claimed costs) must be kept for at least seven years after the completion of the project
- The Government of Canada reserves the right to audit claims and supporting documentation at any time

Advance and Reconciliation Process

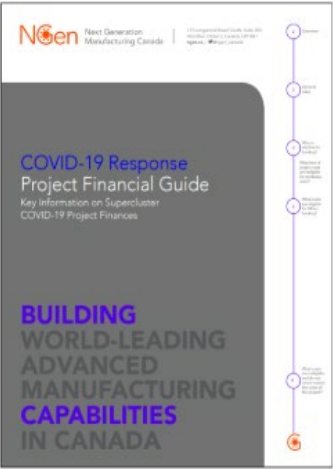


- Advances are reviewed against advance claim reconciliations as stipulated in the MPA
- Claims will normally be processed within 15 days unless further information is required to substantiate claim
- Future advance payments may be adjusted on the basis of reconciled eligible costs
- The holdback amount will be released only upon completion of the project and acceptance of the final reconciliation

What Expenses can be Claimed?

Published on the NGen website:

<https://www.ngen.ca/covidprojectguide>



The image shows the cover of a guide titled "COVID-19 Response Project Financial Guide". The cover is dark grey with white and blue text. At the top left is the NGen logo. Below it, the title "COVID-19 Response Project Financial Guide" is written in white, followed by the subtitle "Key Information on Supercluster COVID-19 Project Finances". At the bottom, the slogan "BUILDING WORLD-LEADING ADVANCED MANUFACTURING CAPABILITIES IN CANADA" is written in blue and white. On the right side of the cover, there is a vertical timeline with several circular icons representing different stages or topics.

COVID-19 Project Financial Guide

Key Information on Supercluster Project Finances

General rules

To receive Supercluster funding, project applicants must meet NGen's evaluation criteria and be approved by NGen's independent project election process. Approved projects will be funded for that portion of their project expenses that are eligible under the federal government's conditions for Supercluster funding. [View now](#)

COVID-19 Project Funding – General Rules

OTHER GOVERNMENT FUNDING

- No 'double dip' on government funding towards eligible costs
- Total Government Funding cannot exceed 100% of eligible project costs
- Cannot exceed stacking limits for other funding programs
 - *Lowest stacking limit determines cap (for example IRAP stacking limit percentage is 75%, NGen + IRAP funding is limited to 75%)*
- Companies will need to consider any funding received from NGen when applying for the Canada Emergency Wage Subsidy (CEWS)

Projects may receive complementary funding from other government agencies.

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

The total amount of government funding cannot exceed 100% of eligible project costs.

COVID-19 Project Funding – Eligible Costs

- Expenses must be Eligible as defined by Innovation Supercluster funding rules
- Expenses incurred must be reasonable and directly relate to the eligible activities of the project
 - *Reasonable overhead costs are allowed for COVID-19 projects*
- Costs must be incurred and paid in cash
 - *Only expenses that have actually been paid can be claimed*

Expenses must be submitted net of sales tax

What costs are eligible for NGen funding?

Funded Eligible Costs are project expenses that are eligible for funding from Supercluster funds as outlined in Section 2.3 of the ISI Program Guide.

Costs must be incurred by companies in Canada.

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

What kinds of costs qualify as Eligible Funded Costs?

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

Only costs that are incurred and paid for in cash are eligible for funding.

COVID-19 Project Funding – Labour Costs

SALARIES & WAGES

Must reflect actual labour costs

- *Hours supported by time sheets or evidence of time tracking*
 - *Rates must tie to payroll registers*
 - *Includes non-discretionary benefits (i.e. CPP, EI, EHT, WSIB, vacation pay)*
- Exclude any discretionary benefits
- *i.e. NO health benefits, pension, stock options, bonuses*
- Reasonable costs for routine administration may be allowed for COVID-19 projects
- *Must show a direct link to project activities*

SALARIES & WAGES

Eligible costs are those incurred as the portion of gross wages or salaries for personnel 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. Time sheets or evidence of time tracking will be required to support direct labour costs charged to the project. Payroll registers may be requested to substantiate costs.

The costs of routine administration and operations, including the costs of administering project activities may be eligible if there is a direct linkage to project activities.

A general concept of reasonableness shall apply to salaries claimed. Per hour labour costs should be commensurate with the project activities being performed.

COVID-19 Project Funding – Sub-Contracts

SUB-CONTRACT

- Project participants cannot sub-contract labour costs to another project partner
- Costs for sub-contracts must be reasonable and accounted for at Fair Market Value
 - *If a sub-contractor is a related party to the contracting company, sub-contracts must be accounted for at cost*
 - *CRA definition of related and associated companies*

SUB-CONTRACT & CONSULTANCY FEES

Costs are covered for any 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.

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.

COVID-19 Project Funding – Capital Costs

EQUIPMENT & CAPITAL

- The cost of new equipment acquired for use in the project is eligible for NGen funding
- Lease costs for equipment used in the project are eligible to the extent paid during the project term
- Only direct costs to operate existing equipment substantiated by an invoice can be claimed
- Capital costs for single assets >\$1M require advance approval by ISED

EQUIPMENT, FACILITIES & SUPPLIES

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

Up to 100% of the acquisition cost of new equipment may be claimed.

The use of existing equipment is not eligible for funding, however the direct costs incurred in the operating the equipment may be eligible for funding.

Examples of eligible direct costs include:

- labour costs to run the equipment
- materials consumed by the equipment
- electricity costs to run the equipment

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

CAPITAL COSTS

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

- Vital to the success of the project
- Not otherwise available as a shared resource
- Costs will follow the same rules as the above guidance for equipment.

Capital expenditures on a single asset over \$1 million must be pre-approved by NGen.

COVID-19 Project Funding – Other Eligible Costs

PATENT COSTS

- Only SMEs may obtain funding for patenting costs
- Refer to limits set out in the guide

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 funding under the Supercluster program, provided:

- only SME's will be able to claim patent costs
- a cap of \$50,000 eligible patent cost per SME for projects \$5M and under
- a cap of \$150,000 eligible patent cost per SME for projects over \$5M

OTHER FOREIGN COSTS

- Foreign costs must be approved in advance by ISED
 - *Some exclusions to the rule* →

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.

COVID-19 Project Funding – Other Eligible Costs...

OTHER ELIGIBLE COSTS

- Must be incurred on behalf of project activities
- Costs for software licenses used for the project are eligible
- Existing inventories of Materials & Supplies may be eligible with advance approval by ISED
- Selling, marketing or advertising costs (including travel and labour related to these activities) are not eligible
- Any travel costs are subject to the Canadian Government's National Joint Council Travel Directive

USER FEES

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

MATERIALS & SUPPLIES

Materials directly 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).

The use of existing materials and supplies on hand may be considered for funding but must be discussed with NGen prior to project execution to ascertain how these are to be valued.

ROOM OR FACILITY RENTALS

The cost of rented space for the project may be eligible.

DISSEMINATION COSTS

Publication costs of project results are eligible. Costs relating to commercialization or production, such as marketing or advertising costs are ineligible.

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.

OTHER ELIGIBLE DIRECT COSTS

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

COVID-19 Project Funding – Ineligible Costs

THESE COSTS WILL NOT BE FUNDED:

- Sales taxes (HST/GST/PST/QST/VAT)
- Costs unrelated to project objectives
- Costs covered already covered by other government funding sources or by rebates (e.g. CEWS)
- Unreasonable overhead costs
- Costs for construction or purchase of a building
- In-Kind costs
- Refer to full list set out in the guide

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Ineligible Costs: these will NOT be funded

- 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 eligible 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), excess profit taxes or surtaxes and/or special expenses in connection with those taxes.
- 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 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.

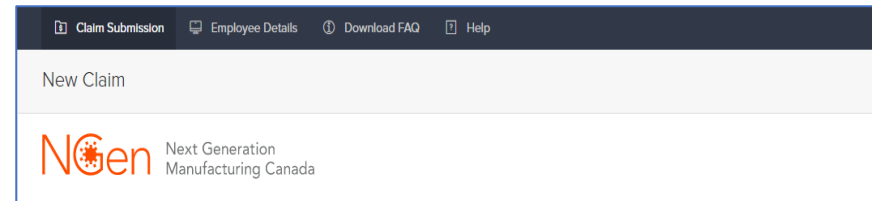
Reconciliation Process

➤ Submission of claims will be made via an online portal

- *Your organization will be provided with a registration link as well as a user guide*

➤ Will normally be processed within 15 days provided all supporting documentation is in order

➤ Advances (if provided by NGen) will be paid net of any adjustments resulting from the approved claim reconciliation



CFO Certification

➤ Reconciliations must be accompanied by a signed CFO certification form, confirming:

- Costs directly relate to project
- No ineligible costs
- Cost are 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. Reasonable routine administration and operation labour costs and general project related overheads, if included in this claim, **have a direct linkage to project activities**.
4. 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
5. Other government funding (non-NGen) of \$ _____ and other government subsidies of \$ _____ was received during the claim period that may pertain to this Project, and
6. 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!