

**NGen** Next Generation Manufacturing Canada  
Fabrication Nouvelle Génération Canada

# **NGen Project Funding - AI4M Challenge**

## **Finance Guidance Presentation**

NGen Project Finance

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# 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

*Note: This funding is based on a reimbursement model, not a grant. The participant must procure the good or service first and then may be partially reimbursed depending on eligibility.*



# 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 with only statutory benefits)*
  - *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:

- Reimbursement/funding splits (indicates level of collaboration)
- Capital Spend
- Subcontracting
- In-kind contributions
- IP Spend
- Foreign Contractors



# Foreign Costs

## Limitations on Foreign Labour & Subcontractors

- Perform a due diligence exercise
  - Retain, and/or provide evidence of due diligence exercise
    - Internet searches
    - Proposals/Offer letters,
    - SOWs
    - Evaluation criteria
- Provide a written discourse on the need for subcontracting labour.
  - Foreign costs are necessary for the overall success of the project;
  - Foreign costs could not otherwise be completed in Canada;
  - Foreign costs are eligible project expenses

Software, equipment, materials or supplies procured from suppliers outside of Canada and shipped to Canada do not require foreign cost justification.

Note when procuring capital, the cost of installation should be included in the cost of the equipment (cost of putting the asset into service) which may relieve the need to perform some foreign cost justifications.



# 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.*
  - *Be as thorough as you can, once approved, we can not increase your approved reimbursement amount.*
- 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



# 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, or*
  - *Indigenous organizations, or*
  - *Non-federal Crown corporations whose funding is derived from commercial activities, or*

## 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 limited benefits*
  - *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 on non-academia suppliers.
- Adjustments to the limit may be considered where significant academic participation is involved.
- 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 →
- ***Only equipment dedicated to the development of Sustainable Manufacturing technology will be reimbursed***

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.*
- Conference Costs
  - *Rent of facilities for conferences*
  - *Must have specific tie back to the project*



# Other Eligible Costs

## Other Eligible Costs (Continued):

- Dissemination Costs
  - *Publication and knowledge dissemination costs (excludes selling & marketing)*
- Honoraria
  - *Honoraria costs only in so much as it supports indigenous participation in the project or initiative.*
- Intellectual Property (IP) Costs
  - *Patent protection of foreground intellectual property arising out of a project*
  - *Limited to \$200,000 eligible IP cost per SME*
- Cybersecurity Costs
  - *Incremental costs related to cybersecurity that are necessary and directly related to participation in Recipient-Funded Activities may be eligible.*
- Payments to Federal Entities
  - *Payments to federal entities may be eligible for reimbursement subject to the Treasury Board Guide to Departmental Collaboration with Recipients and Contributions*



# 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 the project start date as specified in the MPA)
- Capital, infrastructure, or equipment costs unrelated to project objectives, or not related to the development of sustainable manufacturing technology.
- 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, excess profit taxes or surtaxes and/or special expenses in connection with those taxes.
- Refundable harmonized sales tax (HST), goods and services taxes (GST), provincial sales taxes (PST/QST), foreign value added taxes (VAT),
- 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.
- 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 and except other direct or incremental project costs.
- 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.





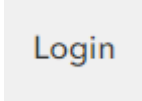
# Financial Workbook

- 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).*




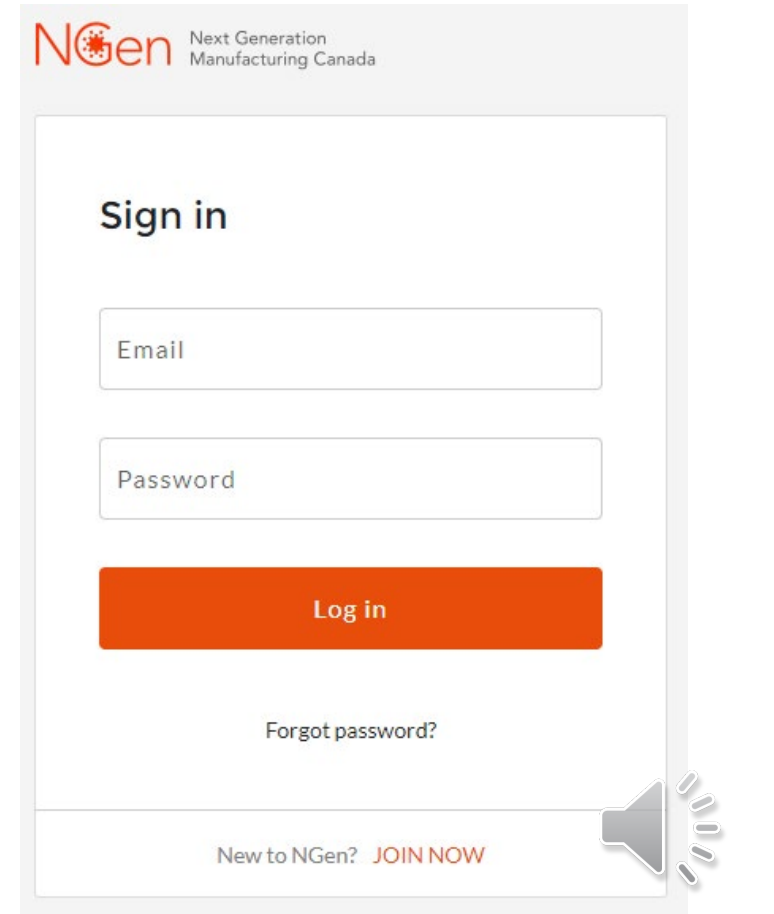
# AI4M Project Financial Workbook - Logging in to the Portal

Published on the NGen website = [https://ngencanada.my.site.com/s/login/?language=en\\_US](https://ngencanada.my.site.com/s/login/?language=en_US) and click



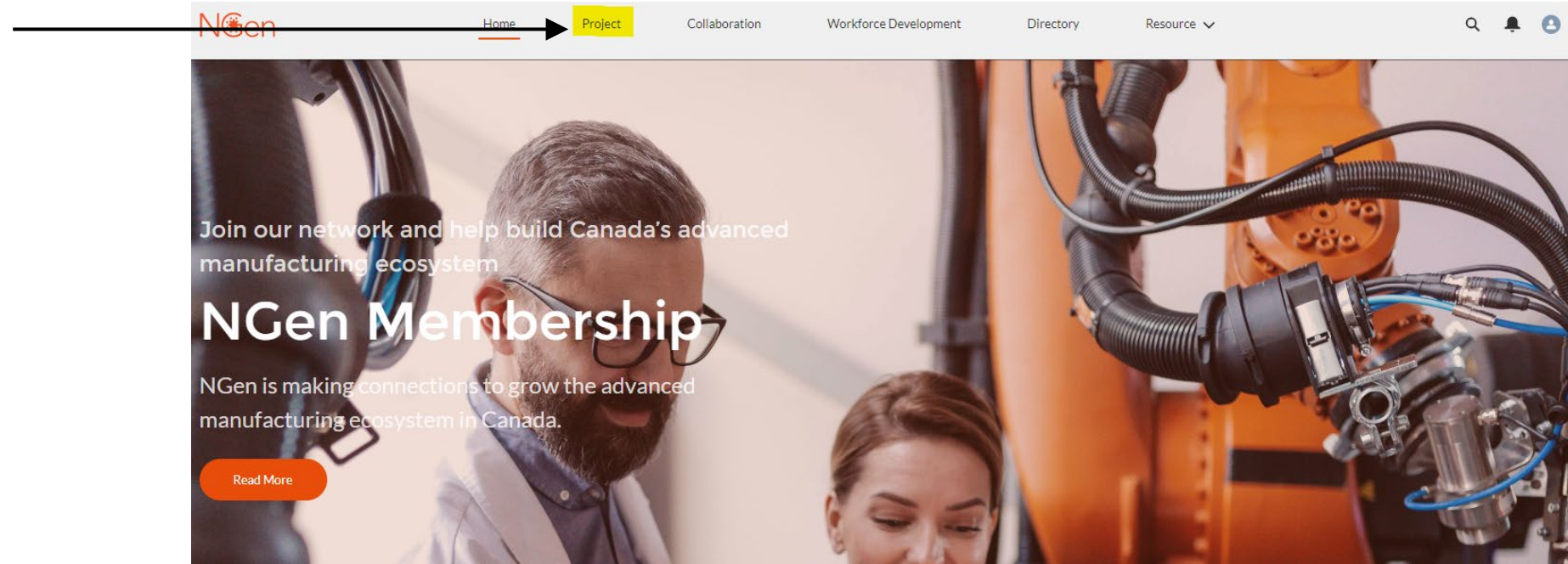
The following process will be available to you after you've set yourself up as a partner, created your project parameters, and passed through our screening process.

Sign in to the NGen portal: 



# AI4M Project Financial Guide

Select Project from the Menu:



Click on your project:

Projects  
All Projects ▾

1 item • Sorted by Project Number • Filtered by All projects • Updated a minute ago

Search this list...

Project Number ↑	Project Name	Program Type	Project Stage	Project Start Date	Project Deadline	Last Modified Date
0-00040	Test	A	Application Development	2023-03-14	2023-04-06	2023-03-28, 1:32 a.m.



# AI4M Financials – Finance Workbooks



Application Question **Financials** Application Details

**Project Finance Workbooks (1)** [Settings] [Refresh] [New]

1 item • Updated 3 minutes ago

Project Financial Name	Project Member Company	Role In Project	
1 Finance Workbook:		Lead	[Dropdown] [View All]

Click on Finance Workbook to open up this section.

**Finance Workbook Summary (1)** [Settings] [Refresh]

1 item • Updated a few seconds ago

Finance Workbook...	Member Company	Cash Contribution	Anticipated In-Kin...	Funding Sought fro...	
1 WS					[Dropdown] [View All]

The summary of what was entered in the Workbooks will show here.

[+ Follow] [Update to Review Requested] [Edit]

Related Chatter History

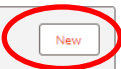
- Finance Feedback (0)
- Other Fundings (0) [New]
- Labour Costs (0) [New]
- Subcontract Costs (0) [New]
- Capital & Equipment Costs (0) [New]
- Materials & Supplies Costs (0) [New]
- Travel Costs (0) [New]
- Other Eligible Costs (0) [New]
- Unfunded Eligible Costs (0) [New]



# AI4M Financials – Finance Workbooks

## Cost entry example

T Labour Costs (0)



### New Labour Cost

#### Labour Guidance

Includes the portion of gross wages or salaries for personnel working directly on the project activities. This will include CPP, EI & EHT, but must exclude any discretionary benefits (i.e. health & dental) or bonuses. Ensure to provide the role or title of the labour individual (include # of jobs if more than 1), brief description of the activities of each role within the project, hourly gross salary (convert "Salary" to hourly dividing by 2,080 working hours), and the total labour hours towards the project. In calculating the labour costs, the costs of routine administration and operations of the organization are ineligible. 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) can be considered Eligible Funded Project Costs.

#### Information

Labour Cost ID

\* Finance Workbook

#### Labour Cost Details

\* Role/Title (Include # FTE)

\* Description of Eligible Activities

\* Physical Location of Individual

\* Country of Paying Entity

\* Per Hour Wage + Statutory Benefits

Foreign Cost

Foreign Cost justification required if physical location or paying entity are outside of Canada.

\* Hours spent on the project

Cancel Save & New Save

Click on "New" to fill out this section & then "Save"

#### Subcontract Guidance

This section should be used to show any paid work that is essential to the success of the project, where the expertise does not exist in the collaborative group and an external source is required. Costs related to subcontracting 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 where it comes to labour.

#### Information

Subcontract Cost ID

SC-00006

#### Information

Subcontract Company or Individual

another test

Nationality of Subcontractor

Canada

Description of project related activity

test2

Reason for subcontracting

Contribution Type

Cash

#### System Information

Created By

2023-03-31, 9:55 p.m.

Finance Workbook

Finance Workbook

Vendor is a Project Partner

Country where work will be carried out

Canada

Please describe why not Canada

Foreign Cost

Foreign Cost justification required if entity is outside of Canada.

Estimated Cost (\$)

\$100.00

Last Modified By

2023-03-31, 9:55 p.m.



# AI4M Financials – Finance Workbooks

## Financials – Project Finance Workbooks

### Workbook Details

Project Financial Name	Project
Finance Workbook: Test Corporation	Test
Project Member Company Corporation	Status
Company Operating Name Corporation-test	Review Requested
Company Legal Name	Completed by
CRA Business Number	Role In Project Lead
Registered Business Address	Funding Sought from NGen \$200,000.00


Be sure to fill out how much funding you are asking for from NGen. Total funding from NGen is limited as a % of the Total Project amount but it can be weighted differently between partners.

When all the sections are completed, you can click on “Update to Review Requested” (top right hand corner of Financial Workbooks page), which will inform the Finance Director, this is ready for review

+ Follow Update to Review Requested Edit

Related Chatter History

- Finance Feedback (0)
- Other Fundings (0) New
- Labour Costs (0) New
- Subcontract Costs (0) New
- Capital & Equipment Costs (0) New
- Materials & Supplies Costs (0) New
- Travel Costs (0) New
- Other Eligible Costs (0) New
- Unfunded Eligible Costs (0) New



**Thank You!**

**NGen** Next Generation  
Manufacturing Canada



**ProjectFinance1@ngen.ca**