

PROJECT FINANCIAL GUIDE

Key Information on Supercluster Project Finances

Overview

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.

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 reasonable and 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.

Claims are to be submitted to NGen every three months.

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

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.

In general, both Funded and Unfunded Eligible Costs must be incurred in Canada. The ISED Program Guide states that “limited funding from the program may support activities outside of Canada when necessary for the project's success and/or when the activity cannot otherwise be undertaken in Canada.”

Written authorization from the Government of Canada must be received ahead of spending for any costs incurred outside Canada that exceed 0.5% of the project's total value. Any costs incurred prior to such approval will be incurred solely at the Entity's risk without any obligation of payment by the program.

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.

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

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.

(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**

Sub-contracts and 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.

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

Attention will be paid to the total amount of sub-contracts or consultancy in relation to total project costs when assessing eligibility and level of support.

Equipment, Facilities & Supplies

Supercluster funding covers purchase, rental, operation and maintenance costs.

If the equipment/asset will be used at all for pre-production, production or commercialization, only the portion of the cost used for R&D purposes will be allowed as an eligible expense.

Costs relating to existing equipment can be allocated to the project only for the portion and duration that it is utilized for the project. This is determined by:

The Asset Book Value (ABV) at the start of project

(minus the)

ABV at end of project

(multiplied by)

Utilization

where Utilization is the portion used by the project where the asset is in use by the company elsewhere.

The calculation is prorated to the percentage of time the asset is used as part of the project. For example, an asset purchased at the start of a project of a 12 month project but only used six months after start will need to be adjusted for the idle period.

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 to be consumed on the project purchased from third parties.

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.

Foreseen cost increases, such as on specific materials, may be considered for eligibility.

Room or Facility Rentals

Overheads or costs incurred by the project in respect of the routine administration and operation of the organization, such as rent, utilities, etc. are **ineligible**.

Conference Costs

Costs related to rent 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 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.

Dissemination Costs

Publication costs of project results are eligible but must not include any dissemination costs relating to commercialization or production, such as 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. For example: market studies.

Capital Costs

To be eligible for reimbursement under the Supercluster program, capital 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
- Limited to the portion used over the project term

Costs will follow the same formula as the above guidance for equipment.

The capitalization threshold is in accordance with ultimate recipient's own capitalization policy.

Capital expenditures over \$1 million must be pre-approved by NGen.

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:

- Infrastructure costs (for example: property or plant used in the project.)
- Costs related to construction, purchase of a building or land with advance approval of NGen.
- Payments to federal entities.
- Any eligible costs incurred before the approval of the project by NGen

What costs are ineligible and do not count toward the value of the project?

- 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), 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 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.