NRC · CNRC

Financial Statements

National Research Council Canada

March 31, 2010

National Research Council Canada

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2010 and all information contained in these statements rests with the National Research Council Canada's (NRC) management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies and year-end instructions issued by the Office of the Comptroller General which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of NRC's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in NRC's *Departmental Performance Report* and *Annual Report* is consistent with these financial statements.

Management maintains a system of financial management and internal controls designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout NRC.

The role of the Audit Committee is to provide independent, objective, guidance and assurance on the adequacy of NRC's risk management, control and accountability process. In accordance with the Treasury Board Directive on Departmental Audit Committees, the Audit Committee has reviewed the financial statements with management and external auditors and discussed any significant issues and findings from the audit prior to recommending acceptance of the financial statements to the President and NRC's Council. The committee exercises active oversight of core areas of departmental control and accountability.

The financial statements of NRC have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.

John R. McDougall, P.Eng.
President

Daniel Gosselin, FCA
Vice-President Corporate Management
and Chief Financial Officer

Ottawa, Canada
June 11, 2010

National Research Council Canada
Statement of Financial Position
as at March 31

(in thousands of dollars)	**2010**	**2009**
ASSETS		
Financial Assets		
Due from the Consolidated Revenue Fund	197,426	189,296
Accounts receivable and advances (Note 4)	18,892	26,671
Inventory for resale	3,001	2,181
Equity investments (Note 5)	252	659
Endowment fund investments (Note 6)	4,515	4,419
	224,086	223,226
Non-Financial Assets		
Prepaid expenses	10,344	12,100
Inventory for consumption	3,409	2,855
Tangible capital assets (Note 7)	579,084	583,132
	592,837	598,087
TOTAL ASSETS	**816,923**	**821,313**
LIABILITIES AND EQUITY OF CANADA		
Liabilities		
Accounts payable and accrued liabilities (Note 8)	144,332	128,762
Vacation pay and compensatory leave	43,032	48,936
Deferred revenue (Note 9)	79,507	77,170
Lease obligation for tangible capital assets (Note 10)	277	-
Employee future benefits (Note 11)	69,004	75,075
	336,152	329,943
Equity of Canada	480,771	491,370
TOTAL LIABILITIES AND EQUITY OF CANADA	**816,923**	**821,313**

Contingent liabilities (Note 12)
Contractual obligations (Note 13)

The accompanying notes form an integral part of these financial statements.

Approved by:

John R. McDougall, P.Eng.
President

Daniel Gosselin, FCA
Vice-President Corporate Management and
Chief Financial Officer

National Research Council Canada
Statement of Operations
for the year ended March 31

(in thousands of dollars)	**2010**	**2009**
Expenses (Note 14)		
Research and development	576,253	576,273
Technology and Industry support	341,554	198,491
Internal Services	114,845	124,666
	1,032,652	899,430
Revenues (Note 15)		
Research and development	124,265	128,037
Technology and Industry support	35,015	20,828
Internal Services	10,347	7,381
	169,627	156,246
Net Cost of Operations	**863,025**	**743,184**

The accompanying notes form an integral part of these financial statements.

National Research Council Canada
Statement of Equity of Canada
for the year ended March 31

(in thousands of dollars)	**2010**	**2009**
Equity of Canada, beginning of year	491,370	540,815
Net cost of operations	(863,025)	(743,184)
Net cash provided by Government (Note 3)	809,673	678,916
Change in due from the Consolidated Revenue Fund	8,130	(15,468)
Services provided without charge (Note 16)	34,623	30,291
Equity of Canada, end of year	480,771	491,370

The accompanying notes form an integral part of these financial statements.

National Research Council Canada
Statement of Cash Flow
for the year ended March 31

(in thousands of dollars)	**2010**	**2009**
Operating Activities		
Net cost of operations	863,025	743,184
Non-cash items		
Amortization of tangible capital assets	(67,879)	(69,434)
Write-down of contributed lease	-	(4,136)
Gain on sale of equity investments	2,969	-
Net loss on disposal of tangible capital assets	(2,221)	(1,057)
Services provided without charge (Note 16)	(34,623)	(30,291)
Other	143	730
Variations in Statement of Financial Position		
Decrease in accounts receivable and advances	(7,779)	(693)
Increase (decrease) in inventory for resale	820	(147)
Increase in equity investment	-	14
Increase in endowment fund investments	96	109
Decrease in prepaid expenses	(1,756)	(1,534)
Increase in inventory for consumption	554	410
Increase in liabilities	(6,209)	(19,546)
Cash used by operating activities	747,140	617,609
Capital Investment Activities		
Acquisitions of tangible capital assets	66,867	62,567
Acquisitions not affecting cash and transfers to inventory for resale	(676)	-
Proceeds from disposal of tangible capital assets	(282)	(1,260)
Cash used by capital investment activities	65,909	61,307
Investing Activities		
Proceeds from sale of equity investments	(3,376)	-
Cash provided by investing activities	(3,376)	-
Financing Activities		
Net cash provided by Government of Canada (Note 3)	(809,673)	(678,916)

The accompanying notes form an integral part of these financial statements.

National Research Council Canada

Notes to Financial Statements

Year ended March 31, 2010

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1. Authority and Objectives

The National Research Council Canada (NRC) exists under the *National Research Council Act* and is a departmental corporation named in Schedule II of the *Financial Administration Act*. The objectives of NRC are to create, acquire and promote the application of scientific and engineering knowledge to meet Canadian needs for economic, regional and social development and to promote and provide for the use of scientific and technical information by the people and the Government of Canada.

In delivering its mandate, NRC reports under the following program activities:

- research and development
- technology and industry support; and
- internal services.

These program activities also include NRC's priorities of enhancing development of sustainable technology clusters for wealth creation and social capital as well as program management for a sustainable organization.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Treasury Board accounting policies and year-end instructions issued by the Office of the Comptroller General, which are consistent with Canadian generally accepted accounting principles for the public sector. The significant accounting policies are:

a) Parliamentary appropriations

NRC is financed mainly by the Government of Canada through Parliamentary appropriations. Appropriations provided to NRC do not parallel financial reporting according to Canadian generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

b) Net cash provided by Government

NRC operates within the Consolidated Revenue Fund, which is administered by the Receiver General for Canada. All cash received by NRC is deposited to the Consolidated Revenue Fund and all cash disbursements made by NRC are paid from the Consolidated Revenue Fund. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments (including agencies) of the federal government.

c) Due from the Consolidated Revenue Fund

Due from the Consolidated Revenue Fund represents the amount of cash that NRC is entitled to draw from the Consolidated Revenue Fund without further appropriations in order to discharge its liabilities.

d) Revenues / Deferred revenue

- Revenue is recognized in the year in which the underlying transaction or event occurred that gave rise to revenue.
- Revenue from license fees, joint research projects and other sources is deposited to the Consolidated Revenue Fund and is available for use by NRC.
- License fees received for future year license periods are recorded as deferred revenue and amortized over the license period.
- Funds received from third parties for specified purposes are recorded upon receipt as deferred revenue and recognized as revenue in the year in which the related expenses are incurred.
- Contributions of leased tangible capital assets are deferred and amortized to operations on the same basis as the related depreciable tangible capital assets.

e) Expenses

- Grants are recognized in the year in which the conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.
- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge from other government departments and agencies are recorded as operating expenses at their estimated cost and credited directly to equity.

f) Employee future benefits

i) Pension Benefits

Eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government of Canada. NRC's contributions to the Plan are charged to expense in the year incurred and represent NRC's total obligation to the Plan. Current legislation does not require NRC to make contributions for any actuarial deficiencies of the Plan.

ii) Severance Benefits

Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

g) Accounts receivable

Accounts receivable are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

h) Conditionally repayable contributions

Conditionally repayable contributions are contributions that, all or part of which become repayable, if conditions specified in the contribution agreement come into effect. Accordingly, they are not recorded on the Statement of Financial Position until the conditions specified in the agreement are satisfied at which time they are then recorded as a receivable and a reduction in transfer payment expenses. An estimated allowance for uncollectibility is recorded where appropriate.

i) Contingent liabilities

Contingent liabilities are potential liabilities, which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

j) Environmental liabilities

Environmental liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites. Based on management's best estimates, a liability is accrued and an expense recorded when the contamination occurs or when NRC becomes aware of the contamination and is obligated, or is likely to be obligated to incur such costs. If the likelihood of NRC's obligation to incur these costs is either not determinable or an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

k) Inventories

Inventory for resale and for consumption is recorded at the lower of cost (using the average cost method) or net realizable value. The cost is charged to operations in the year in which the items are sold or used.

l) Equity investments

Equity investments include shares in publicly and privately held companies. Equity investments are typically obtained as a result of debt settlement negotiations or as a result of non-monetary transactions (where financial assistance at better-than-market conditions was provided to firms through access to intellectual property, equipment and incubation space in laboratories). If the estimates of the non-monetary transactions cannot be determined, the equity investments are initially recorded at a nominal value. Otherwise they are initially recorded at fair value based on market prices. If the fair value of equity investments becomes lower than the book value and this decline in value is considered to be other than temporary, the equity investments are written down to fair value.

m) Endowment fund investments

Endowments consist of restricted donations subject to externally imposed restrictions stipulating that the resources be maintained permanently. Income from the investment of endowments may only be used for the purposes established by the donors.

Endowments are recognized as an asset when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Funds received for endowments are invested in bonds and are carried at amortized cost. The premium or discount determined at the time of acquisition is amortized until the security's maturity. Fair value of bonds is based on market prices.

n) Foreign currency transactions

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated using rates at year end. Gains and losses resulting from foreign currency translation are reported on the Statement of Operations according to the activities to which they relate. Net gains and losses relating to the sale of goods or services in foreign currency are included in revenues. Net gains and losses relating to the purchase of goods or services in foreign currency are included in expenses. Contractual obligations may contain foreign currencies that are translated into Canadian dollar equivalents.

o) Tangible capital assets and amortization

Tangible capital assets and leasehold improvements having an initial cost of $5,000 or more are recorded at their acquisition cost. Contributed tangible capital assets are recorded at market value at the date of contribution. NRC does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value. Assets acquired under tangible capital leases are initially recorded at the lower of the present value of the minimum lease payments at the inception of the lease or fair value. Tangible capital assets held for sale are recorded at the lower of their carrying value or fair value less cost to sell and no amortization is recorded. Amortization of tangible capital assets is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Asset Class	Amortization Period
Land	Not applicable
Buildings and facilities	25 years
Works and infrastructure	25 years
Machinery, equipment and furniture	10 years
Informatics equipment	5 years
Informatics software	5 years
Vehicles	5 years
Aircraft	10 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement
Assets under construction	Once in service, in accordance with asset class
Leased tangible capital assets	In accordance with asset class

Where NRC enters into land leases at a nominal value, the transaction is considered as a non-monetary transaction and is recorded at fair value. Fair value of the transaction is based on market prices. If the estimates of the non-monetary transactions cannot be determined, the amount of the transaction is recorded at a nominal value.

p) Measurement uncertainty

The preparation of these financial statements in accordance with Treasury Board accounting policies and year-end instructions issued by the Office of the Comptroller General, which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, environmental liabilities, the liability for employee severance benefits, the allowance for doubtful accounts, the fair value of non-monetary transactions related to leased tangible capital assets and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

q) Asset retirement obligations

Liabilities are recognized for statutory, contractual or legal obligations, when incurred, associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is depreciated on the same basis as the related asset and the discount accretion is included in determining the results of operations.

3. Parliamentary Appropriations

NRC receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, NRC has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

a) Reconciliation of net cost of operations to current year appropriations used

(in thousands of dollars)	**2010**	**2009**
Net Cost of Operations	863,025	743,184
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Revenues	169,627	156,246
Financial arrangements with other Federal Government departments and agencies	(70,266)	(46,115)
Amortization of tangible capital assets	(67,879)	(69,434)
Services provided without charge (Note 16)	(34,623)	(30,291)
Specified purpose accounts expenses	(16,491)	(13,591)
Decrease (increase) in salary accrual	8,978	(14,795)
Decrease (increase) in employee future benefits	6,071	(13,951)
Decrease (increase) in vacation pay and compensatory leave	5,904	(8,786)
Loss on disposal of tangible capital assets	(2,221)	(1,057)
Refunds of previous year's expenditures	1,362	1,804
Cost of goods sold	(696)	(559)
Bad debt expense	(689)	(412)
Decrease (increase) in litigation claim expense accrual	675	(39)
Other	596	(493)
Decrease (increase) in accrued liability	309	(641)
Increase in environmental liabilities	(30)	(4,050)
(Decrease) increase in inventory	(9)	83
Total items affecting net cost of operations but not affecting appropriations	618	(46,081)
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Acquisitions of tangible capital assets and additions to assets under construction	65,565	61,622
Environmental remediation reducing the liability	2,299	-
Decrease in prepaid expenses	(1,756)	(1,534)
Inventory purchases	1,204	739
Decrease in lease obligations for tangible capital assets	59	-
Total items not affecting net cost of operations but affecting appropriations	67,371	60,827
Current year appropriations used	931,014	757,930

b) Reconciliation of Parliamentary appropriations provided to current year appropriations used

(in thousands of dollars)	**2010**	**2009**
Parliamentary appropriations provided:		
Vote 50 – Operating expenditures	438,567	433,813
Vote 55 – Capital expenditures	52,597	49,839
Vote 60 – Grants and contributions	274,579	143,957
Statutory amounts:		
Revenues pursuant to paragraph 5(1)(e) of the *National Research Council Act*	155,956	156,648
Contributions to employee benefit plans	67,902	56,460
Proceeds from the disposal of surplus Crown assets	441	290
Losses on foreign exchange	-	271
Collection agency fees	27	34
Less:		
Revenues available for use in subsequent years	(46,009)	(69,587)
Lapsed appropriations:		
Frozen allotments	(9,463)	(11,625)
Unexpended appropriations	(3,583)	(2,170)
Current year appropriations used	931,014	757,930

c) Reconciliation of net cash provided by Government to current year appropriations used

(in thousands of dollars)	**2010**	**2009**
Net cash provided by government	809,673	678,916
Adjustments for items not affecting appropriations:		
Revenues	169,627	156,246
Expenditures	(60,706)	(101,015)
Write-down of contributed lease	-	4,136
Decrease in accounts receivable and advances	7,779	693
Increase in equity investment	-	(14)
Increase in endowment fund investments	(96)	(109)
(Increase) decrease in inventory	(170)	476
Increase in tangible capital assets and leases	(1,302)	(945)
Increase in liabilities	6,209	19,546
Total items not affecting appropriations	121,341	79,014
Current year appropriations used	931,014	757,930

4. Accounts Receivable and Advances

(in thousands of dollars)	2010	2009
Accounts receivable from external parties	15,443	21,738
Accounts receivable from other Federal Government departments and agencies	2,309	3,817
Employee advances	40	48
	17,792	25,603
Less: allowance for doubtful accounts on external accounts receivable	(856)	(804)
	16,936	24,799
Repayable contributions	10,586	13,434
Less: allowance for uncollectibility	(8,630)	(11,562)
Net repayable contributions	1,956	1,872
Total	18,892	26,671

5. Equity Investments

Equity investments include shares in publicly and privately held companies. It is not management's intention to hold equity investments over the long-term. NRC will consider timely opportunities for divestiture of equity investments by taking into account the interests, market liquidity and expected future growth of the company. Of all portfolio investments where NRC holds an equity position, four were for debt settlements for a total value of $115,873 (seven valued at $698,654 in 2009) and sixteen were obtained by non-monetary transactions (eighteen in 2009), of which nine (nine in 2009) are inactive or have filed for bankruptcy. Estimates of the non-monetary transactions cannot be determined, as the value of the financial assistance is highly speculative.

During the year, NRC sold shares for $3,376,391 realising a gain of $2,968,969.

The book value and fair value of the equity investments as at March 31, 2010 were $252,076 and $171,967 respectively ($659,498 and $2,204,474 in 2009).

6. Endowment Fund Investments

This account was established pursuant to paragraph 5(1)(f) of the *National Research Council Act* to record the residue of the estate of the late H.L. Holmes. Up to two thirds of the endowment fund's yearly net income is used to finance the H.L. Holmes award on an annual basis. The award provides the opportunity to post-doctoral students to study at world famous graduate schools or research institutes under outstanding researchers.

(in thousands of dollars)	2010	2009
Restricted cash and investments, beginning of year	4,419	4,310
Net income from endowment	213	208
Awards granted	(117)	(99)
Restricted cash and investments, end of year	4,515	4,419

The portfolio had an average effective return of 5.07% (4.47% in 2009) and an average term to maturity of 5.52 years as at March 31, 2010 (5.42 years as at March 31, 2009). The fair value of the endowment investments as at March 31, 2010 was $4,653,482 ($4,629,416 in 2009).

7. Tangible Capital Assets

(in thousands of dollars)

	Cost				Accumulated amortization					
Tangible capital asset class	Opening balance	Acquisitions	Transfers, disposals and write-offs	Closing balance	Opening balance	Amortization	Transfers, disposals and write-offs	Closing balance	2010 Net book value	2009 Net book value
Land	9,879	-	-	9,879	-	-	-	-	9,879	9,879
Buildings and facilities	641,101	8,437	6,332	655,870	(364,399)	(22,443)	(7)	(386,849)	269,021	276,702
Works and infrastructure	20,553	1,122	7	21,682	(13,725)	(732)	-	(14,457)	7,225	6,828
Machinery, equipment and furniture	497,753	26,252	(11,003)	513,002	(318,222)	(33,184)	15,732	(335,674)	177,328	179,531
Informatics equipment	62,902	3,723	(2,997)	63,628	(50,004)	(4,550)	2,744	(51,810)	11,818	12,898
Informatics software	22,046	2,698	(2,977)	21,767	(13,503)	(3,355)	3,560	(13,298)	8,469	8,543
Vehicles	3,121	165	(116)	3,170	(2,252)	(254)	99	(2,407)	763	869
Aircraft	11,272	22	-	11,294	(9,588)	(278)	-	(9,866)	1,428	1,684
Leasehold improvements	12,408	400	-	12,808	(2,671)	(535)	-	(3,206)	9,602	9,737
Assets under construction	23,323	24,048	(14,410)	32,961	-	-	-	-	32,961	23,323
Leased tangible capital assets	63,700	-	-	63,700	(10,562)	(2,548)	-	(13,110)	50,590	53,138
Total	1,368,058	66,867	(25,164)	1,409,761	(784,926)	(67,879)	22,128	(830,677)	579,084	583,132

Amortization expense for the year ended March 31, 2010 is $67,879,472 ($69,434,215 in 2009).

At March 31, 2010, NRC held eight land lease agreements (eight in 2009) for a nominal annual cost of one dollar with universities. In these instances, NRC owns the building on the leased land. The fair value of the land leases for these non-monetary transactions could not be determined at the inception of the lease therefore they are recorded at a nominal value.

On March 21, 1996, NRC entered into a non-monetary transaction consisting of a lease agreement with the University of Western Ontario for the relocation of the Integrated Manufacturing Technologies Institute (IMTI), whereby leased property was provided to NRC for twenty-five years at a nominal cost of one dollar. Since the inception of the lease agreement, IMTI was restructured under NRC's Industrial Materials Institute (IMI) and NRC's Institute for Research in Construction. NRC has no obligations to the University of Western Ontario other than the relocation of the institute. The property was recorded as a leased tangible capital asset at its fair value of $10,000,000. The annual amortization of $400,000 for the leased tangible capital asset is exactly offset by the amortization of the deferred contribution related to the leased property.

On May 23, 2006, NRC took possession of a new facility and entered into a non-monetary transaction with the University of Alberta. NRC entered into a lease agreement with the University for the housing of NRC’s National Institute for Nanotechnology (NINT), whereby leased property is provided to NRC at a nominal cost of one dollar per year. The lease provides a one year term with options to renew on ten sequential occasions, each of the first nine renewals to be for a period of five years and the tenth renewal for a period of four years. The building was recorded as a leased tangible capital asset at its fair value of $44,400,000. The annual amortization of $1,776,000 for the leased tangible capital asset is exactly offset by the amortization of the deferred contribution related to the leased building.

On September 1, 2006, NRC took possession of a new facility and entered into a non-monetary transaction with the University of Prince Edward Island. NRC entered into a lease agreement with the University for the housing of NRC’s Institute for Nutrisciences and Health (INH), whereby leased property was provided to NRC at a nominal cost of one dollar per year. The lease provides a nineteen month term with renewal options for seven additional periods of five years, and one additional period of three years and five months (to August 31, 2046). The building was recorded as a leased tangible capital asset at its fair value of $9,300,000. The annual amortization of $372,000 for the leased tangible capital asset is exactly offset by the amortization of the deferred contribution related to the leased building.

8. Accounts Payable and Accrued Liabilities

(in thousands of dollars)	2010	2009
Suppliers and contributions payable	104,421	78,824
Payable to other Federal Government departments and agencies	25,641	14,194
Accrued salaries, wages and employee benefits	11,495	30,629
Environmental liabilities	1,880	4,150
Contractor holdbacks	814	909
Sales tax payable	81	56
Total	144,332	128,762

9. Deferred Revenue

(in thousands of dollars)	2010	2009
Deferred revenue – contributions related to leased tangible capital assets		
Balance, beginning of year	53,138	59,822
Write-down of contributed tangible capital lease	-	(4,136)
Contributions recognized as revenue	(2,548)	(2,548)
Balance, end of year	50,590	53,138
Deferred revenue - specified purpose accounts		
Balance, beginning of year	17,060	14,504
Funds received	22,271	18,779
Revenue recognized	(18,713)	(16,223)
Balance, end of year	20,618	17,060
Deferred revenue - other		
Balance, beginning of year	6,972	6,920
Funds received	8,868	6,541
Revenue recognized	(7,541)	(6,489)
Balance, end of year	8,299	6,972
Total	79,507	77,170

10. Lease obligation for tangible capital assets

NRC has entered into agreement during the year to lease mechanical test equipment under capital lease with a cost of $336,000 and accumulated amortization of $0 as at March 31, 2010. The obligations related to the upcoming years include the following:

(in thousands of dollars)	2010	2009
2011	80	-
2012	80	-
2013	80	-
2014	80	-
2015 and thereafter	-	-
Total future minimum lease payments	320	-
Less: imputed interest (6.11%)	(43)	-
Balance of obligations under leased tangible capital assets	277	-

11. Employee Future Benefits

Employees of NRC are entitled to specific benefits on or after termination or retirement, as provided for under various collective agreements or conditions of employment.

a) Pension benefits

NRC and all eligible employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum of 35 years at a rate of two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plans benefits and they are indexed to inflation.

Both the employees and NRC contribute to the cost of the Plan. The expense amounts to $49,024,953 ($40,763,601 in 2009) as at March 31, 2010 which represents approximately 1.9 times (2.0 times in 2009) the contributions by employees.

NRC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

b) Employee severance benefits

NRC provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

(in thousands of dollars)	**2010**	**2009**
Accrued benefit obligation, beginning of year	75,075	61,124
(Decrease) increase of the accrued expense for the year	(965)	17,759
Benefits paid during the year	(5,106)	(3,808)
Accrued benefit obligation, end of year	69,004	75,075

12. Contingent Liabilities

a) Environmental liabilities

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites where NRC is obligated or likely to be obligated to incur such costs. NRC has identified two sites (two sites in 2009) where such action is possible and for which a liability of $1,880,195 ($4,150,000 in 2009) has been recorded. NRC has estimated additional clean-up costs on six additional sites for which it may be potentially liable of $1,055,000. These costs are not accrued as NRC's obligation to incur these costs is not determinable. The estimate has been prepared using current market rates and is based on the results of initial testing performed by NRC on suspected sites. NRC's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued by NRC in the year in which they become known.

b) Claims and litigation

Claims have been made against NRC in the normal course of operations. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fails to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in NRC's financial statements.

As at March 31, 2010, NRC had eleven claims (thirteen in 2009) outstanding of which one (two in 2009) related to pending charges that will likely result in a liability and two where the outcome is undeterminable (one in 2009). The one claim that will likely result in a liability can be reasonably estimated (two in 2009). A total accrued liability of $375,000 ($1,327,754 in 2009) was recorded based on NRC's legal assessment of potential liability.

c) Asset Retirement Obligations

As at March 31, 2010 NRC has recognized an asset retirement obligation of $221,000 ($216,000 in 2009) in the financial statements as a result of its legal obligation to retire storage tank systems for petroleum products and allied petroleum products. The undiscounted amount of expected future cash flows required to settle the asset retirement obligation is estimated at $463,000 ($472,000 in 2009). The liability for the expected future cash flows, as reflected in the financial statements, has been discounted at a weighted average of 4.74% (4.74% in 2009) based on the Government of Canada benchmark bonds. This obligation will be settled over the useful lives of the operating assets. The following table summarizes the changes in the asset retirement obligations:

(in thousands of dollars)	**2010**	**2009**
Asset retirement obligations, beginning of year	216	-
Accretion of asset retirement obligations	5	-
Obligations incurred	-	216
Asset retirement obligations, end of year	221	216

Other asset retirement obligations, such as the costs associated with the removal and disposal of asbestos and other designated substances located in NRC buildings have not been recognized in the financial statements due to the fact that they are subject to several uncertainties. NRC generally incurs the cost of removing and disposing regulated substances during major building renovations; consequently the timing and scope of these renovations cannot be reasonably estimated at this time and therefore fair values cannot be reasonably determined. Changes in these assumptions and uncertainties could materially affect NRC's assets and liabilities as well as the resulting amortization and accretion expenses related to the asset retirement obligation.

13. Contractual Obligations

The nature of NRC's activities can result in some large multi-year contracts and obligations whereby NRC will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	**2011**	**2012**	**2013**	**2014**	**2015 and thereafter**	**Total**
Transfer payments	149,937	19,110	7,858	4,527	4,676	186,108
Operating contracts	30,342	5,303	2,090	1,097	-	38,832
Total	180,279	24,413	9,948	5,624	4,676	224,940

14. Expenses

The following table presents the detail of expenses by category:

(in thousands of dollars)	**2010**	**2009**
Salaries and employee benefits	468,288	463,104
Grants and contributions	281,230	132,592
Utilities, materials and supplies	84,020	89,555
Amortization	67,879	69,434
Professional and special services	53,952	60,085
Transportation and communication	24,308	30,040
Repairs and maintenance	18,553	17,431
Payments in lieu of taxes	14,475	14,628
Bad debts	6,032	9,061
Rentals	4,917	5,071
Awards	3,104	2,343
Information	2,971	4,425
Net loss on disposal of tangible capital assets	2,221	1,057
Cost of goods sold	696	559
Other	6	45
Total	1,032,652	899,430

15. Revenues

The following table presents details of revenues by category:

(in thousands of dollars)	**2010**	**2009**
Sales of goods and services		
Services of non-regulatory nature and other fees and charges	49,611	65,636
Sales of goods and information products	11,690	11,281
Rights and privileges	8,923	9,591
Lease and use of property	4,449	4,261
	74,673	90,769
Financial arrangements with other Federal Government departments and agencies	70,266	46,115
Revenues from joint project and cost sharing agreements	18,714	16,223
Gain on sale of equity investment	2,969	-
Lease inducement revenue	2,548	2,548
Other	457	540
Donations and bequest	-	51
Total	169,627	156,246

16. Related Party Transactions

NRC is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. NRC enters into transactions with these entities in the normal course of business and on normal trade terms. Refer to Note 4 and Note 8 for accounts receivable and payable to other Federal Government departments and agencies. Also, during the year, NRC received services, which were obtained without charge from other Federal Government departments and agencies. These services without charge have been recognized in NRC's Statement of Operations as follows:

(in thousands of dollars)	**2010**	**2009**
Employer's contributions to the health and dental insurance plans provided by Treasury Board	33,022	28,675
Audit services provided by the Office of the Auditor General of Canada	501	513
Legal services provided by Justice Canada	454	431
Workers' compensation benefits provided by Human Resources and Social Development Canada	302	325
Payroll services provided by Public Works and Government Services Canada	192	196
Accommodation provided by Public Works and Government Services Canada	152	151
Total	34,623	30,291

The total of legal services provided by Justice Canada amounts to $1,233,055 ($1,207,456 in 2009). Of this amount, $454,135 ($430,820 in 2009) was provided without charge. The total of accommodation provided by Public Works and Government Services Canada amounts to $330,083 ($322,015 in 2009). Of this amount, $151,805 ($151,111 in 2009) was provided without charge. The total of Workers' compensation benefits provided by Human Resources and Social Development Canada amounts to $747,512 ($840,094 in 2009). Of this amount, $302,261 ($325,330 in 2009) was provided without charge.

17. Financial Instruments

NRC's financial instruments consist of accounts receivable and advances, investments and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that NRC is not exposed to significant interest, currency or credit risk arising from these financial instruments. Unless otherwise disclosed in these financial statements, management estimates that the carrying values of the financial instruments approximate their fair value due to their impending maturity.

18. Comparative Information

Comparative figures have been reclassified to conform to the current year's presentation.