

Atlantic Innovation Fund – Round IV

STATEMENT OF WORK GUIDE

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Note: Only successful proponents will be asked to complete a Statement of Work (SOW) document.

1. Description of the Work

Provide an overview of the project, including its scope, objectives, and overall performance goals and describe resulting products.

2. Major Activities

(a) Scope of Work

The major activities and milestones (milestones to be detailed under section 6 below) should adequately reflect the entire scope of the work to be undertaken, and should be framed in terms of objectively verifiable indicators. These major components/elements must be identical to those used in the Project Schedule described in section 5 below.

(b) Description

Divide the project into major activities and describe each.

3. Key Personnel and Key Project Collaborator(s)

Provide a list of key personnel and key project collaborator(s) as well as a brief description of their roles and responsibilities.

4. Project Location(s)

List all locations in which the work is to be performed and by whom the work is to be undertaken.

5. Project Schedule

Using a table format similar to the attached Form A, provide the project schedule for the major activities described in section 2 above.

6. Milestones

Using a format similar to the attached Form B, identify and describe the milestones for the project, indicators of achievements and the targeted completion dates. These milestones will be decision points for the project and must be successfully accomplished in order for the project to receive continued support under this Contribution Agreement. Failure to successfully achieve a milestone is a material change and can constitute an event of default.

For the purpose of this SOW, milestones are defined as the achievement of specific accomplishments necessary for the completion of the project, and may span several of the project's major activities.

7. Project Costs and Financing

Based on project cost principles outlined below in section 9 and using a format similar to the attached Form C, provide the breakdown of project costs and financing. This should be based on the information provided in the project proposal submission, and considering adjustment(s) made during project evaluation.

8. Detailed Breakdown of Eligible Costs

Based on project cost principles outlined below in section 9 and using a form similar to the attached Form D, provide the detailed breakdown of eligible costs of the project by category.

9. Project Cost Principles

(a) General Principles

The total eligible costs of the project shall be the sum of the applicable direct costs that will be reasonably and properly incurred in the performance of the project, less any applicable credits. These costs shall be determined in accordance with the proponent's cost accounting system as accepted by ACOA and applied consistently over time.

Eligible costs only include incremental costs deemed essential for the implementation of the project.

(b) Definition of Reasonable Cost

- (i) A cost is reasonable if, in nature and amount, it does not exceed that which would be incurred by an ordinary prudent person in the conduct of a competitive business.

(ii) In determining the reasonableness of a particular cost, consideration shall be given to:

- whether the cost is of a type generally recognized as normal and necessary for the conduct of the performance of the project;
- the restraints and requirements by such factors as generally accepted sound business practices, arm's-length bargaining, federal, provincial and local laws and regulations, and Contribution Agreement terms;
- the action that prudent business persons would take in the circumstances, considering their responsibilities to the owners of the business, their employees, customers, the Government of Canada and public at large;
- significant deviations from the established practices of the proponent which may unjustifiably increase the eligible costs; and
- the specifications, delivery schedule and quality requirements of the particular project as they affect costs.

(c) **Eligible Costs and Cost Categories**

Eligible costs have been classified under four categories: Buildings and Major Renovations; Other Capital Costs; Wages and Salaries; and Other Operating Expenses.

Eligible costs include all reasonable direct and incremental costs deemed essential for the implementation of the project and that are not specifically identified as being ineligible by the Agency. These include the following:

(i) **Buildings and Renovations**

Buildings and major renovations include costs related to a new construction and costs related to renovations to an existing building whether owned or leased (i.e., leasehold improvements).

Building and major renovation costs may be eligible under the AIF, but only on a very selective basis and only if absolutely essential for the project. Proponents are required to clearly demonstrate the requirement for an investment in new infrastructure as opposed to utilization of existing facilities. It should be noted that AIF assistance for eligible building and major renovation costs would not normally exceed thirty percent (30%) of the proponent's costs.

(ii) **Other Capital Costs**

This category includes capital assets other than those included in Buildings and Major Renovations and that are considered essential for the project. These include assets such as testing equipment, computers, furniture, machinery and any

other equipment that is considered essential for the project. Technology rights, also covered under this category, include the costs incurred for the acquisition of the rights to use technology up to the completion date of the project.

(iii) Wages and Salaries, including payroll burden

Since remuneration for the cost of human resources is usually a significant portion of project costs, these are presented separately from Other Operating Expenses.

The acceptable wages and salary costs will be those considered essential for the project and may include the services of engineers, scientists, technologists, technicians, draftspersons and market researchers. The AIF will support the hiring of incremental research expertise, including faculty whose principal focus is the funded initiative, and whose research, teaching and outreach, while directly related to the objectives of the funded initiative, will also strengthen faculties and enhance graduate opportunities. Incremental wages and salary costs of faculty must be above and beyond the normal paid wages and salaries paid by the university.

At no time will the AIF fund teaching activity. However, in cases where existing faculty is assigned to an AIF project, the backfilling cost (i.e., salary of the replacement personnel) is an eligible cost under the program. Proponents should be careful not to double claim, by claiming both the R&D position and the backfilled position of faculty. The salary of the replacement personnel is the only eligible cost allowable.

Good project management is key to success. Proponents should not neglect the need for qualified administrative and financial management of a project and its related contractual requirements. Incremental costs related to financial control and management of a project are eligible costs.

Payroll burden associated with the eligible wages and salaries, which includes items such as group insurance, pension plans, employer's share of federal deductions, etc., is also eligible for personnel directly associated with the project.

(iv) Other Operating Expenses

This category includes all other costs that are not included in the previous three cost categories.

A - Direct Materials and Consumables

Direct materials include those consumed in carrying out the project, including those utilized in the production of models, prototypes or pilot plants. Direct materials may be purchased solely for the project or issued from the proponent's inventory at cost.

B - Lease/Rent of Facilities

The project may be located in facilities that are leased or rented. Lease and rental payments are eligible if incremental. These costs are only acceptable up to the completion date of the project. Furthermore, cost allocation for the use of existing space owned by the proponent is not eligible.

C - Professional Fees and Consultants

Legal fees for patent searches and patent filing fees are acceptable. Patent filing fees will only be allowed for countries that are identified as necessary for the success of the project. Patent costs will be charged at actual cost. Maintenance fees and all expenses incurred protecting a patent are not acceptable.

Also eligible are the cost of consultants engaged to carry out additional market research, technical searches, financial analyses or other investigations which, in the opinion of ACOA, are desirable to determine the specifications and characteristics of the product and are required for determining the course of the development activities. The eligible cost acceptable for a consultant is the actual incurred and paid contract amount.

D - R&D Subcontracts and Services

This category is strictly related to research and development activities of the project. The amount acceptable from a subcontract is the actual incurred and paid contract amount. If the subcontract is to be done by a related party to the proponent, or by a key collaborator, the expense will be eligible at cost as this is a non-arm's-length transaction. Any such case must be fully disclosed by the proponent.

The cost related to the preparation of the first engineering draft of a user manual or related to defining or refining the specifications of a product, process or service under development are acceptable.

Testing services fees, that are conducted by testing organizations or accredited laboratories (e.g., Canadian Standards Association, Underwriters Laboratories or Canada Mortgage and Housing Corporation) and that are essential to the success of the project, will be eligible. Testing services will be charged at actual cost. Regulatory costs, where required, will be accepted.

E - Travel Expenses

Travel expenses may be included as eligible costs and are defined as those reasonable travel related costs that are necessary to, and incurred solely in performance of, the project. "Reasonable" travel costs would be those which are generally comparable to the Treasury Board Travel Guidelines for the Public Service and exclude items such as entertainment and first-class air fare, etc. Food and accommodations costs are normally expected to be less than \$200 per day in Canada and \$250 (Canadian) per day outside Canada.

F - Other Direct Incremental Costs

Cost for expenditures such as office supplies, courier charges, utilities/telecommunications (e.g., telephone, fax, internet, electricity), and other office expenses are eligible if directly attributable to the proposed project. Only the incremental cost is acceptable. Proponents must provide a detailed budget of such costs.

Certain proponents may not be able to individually track and account for expenses at a project level basis. In these cases, an allocation based on an appropriate factor (e.g., salary, square footage or other cost) may be calculated by the proponent and used to claim for such costs.

(d) List of Non-Eligible Costs

Non-Eligible costs include, but are not necessarily restricted to, such items as:

- (i) costs of land, goodwill and asset costs in excess of fair market value;
- (ii) cost allocation for the use of existing space owned by the proponent;
- (iii) motor vehicles and vessels not used exclusively for the project;
- (iv) fixed/period charges: recurring charges such as property taxes, rentals and reasonable provision for depreciation;
- (v) insurance, dues and other membership fees;
- (vi) interest costs, bond discount, and other financing costs;
- (vii) marketing or other costs which pertain to the commercialization phase;
- (viii) promotion and selling expenses;
- (ix) professional fees, salaries, overhead or other costs incurred in the normal course of operations;
- (x) non-incremental expenditures; and
- (xi) expenditures incurred and cost commitments made before proposal receipt date.

(e) Credits

The applicable portion of any income, rebate, allowance, or other credit relating to any applicable direct cost, received by or accruing to the proponent, shall be credited to the eligible costs.

A - PROJECT SCHEDULE

PROPONENT NAME: _____

PROJECT NUMBER: _____

	Activity Description	Start Date	End Date
1			
2			
3			
4			
5			
6			
7			
8			

B - MILESTONES

PROPONENT NAME: _____

PROJECT NUMBER: _____

Project Milestone		Indicator of Achievement	Date
1	<i>(Description)</i>	<i>(Description)</i>	<i>(Target completion date)</i>
2			
3			
4			
5			
6			

C - PROJECT COSTS AND FINANCING

PROPONENT NAME: _____

PROJECT NUMBER: _____

Project Costs		Project Financing	
<u>Eligible Costs:</u>	Total	<u>Cash Contributions:</u>	Total
Building and Major Renovations		AIF Contribution	
Other Capital Costs		<i>(List other federal funding such as CFI, NSERC, IRAP, TPC, etc.)</i>	
Wages and Salaries, including payroll burden <i>(please list separately)</i>		<i>(List separately support from provincial governments, Crown corporations, etc.)</i>	
Other Operating Expenses		<i>(List separately support from any collaborator(s)/ partner(s))</i>	
		Proponent Contribution	
		Other <i>(List separately and specify)</i>	
Total Eligible Costs		Total Cash Contributions	
<u>Non-Eligible Costs:</u>		<u>Non-Cash Contributions:</u>	
<i>(List separately and describe)</i>		<i>(List non-cash contributions by indicating type and origin of the contribution)</i>	
Total Non-Eligible Costs		Total Non-Cash Contributions	
Total Project Costs		Total Project Financing	

D - DETAILED BREAKDOWN OF ELIGIBLE COSTS

PROPONENT NAME: _____

PROJECT NUMBER: _____

Description	Eligible Costs	Source of Non-Cash Transactions**
Building and Major Renovations:		
Other Capital Costs:		
Wages and Salaries, including payroll burden (please list separately):		
Other Operating Expenses:		
Total Eligible Costs		

*** In cases where costs are assumed by a third party and/or a private sector collaborator (i.e., there is no cash disbursement required by the Proponent), indicate the organization transferring these assets and/or resources to the project.*