

Financial Information Act (FIA)

INNOVATE BC

Year ended March 31, 2019

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INNOVATE BC

STATEMENT OF FINANCIAL INFORMATION APPROVAL

The undersigned represents the Board of Directors of Innovate BC and approves all the statements and schedules included in this Statement of Financial Information produced under the Financial Information Act.



Alan Shaver
Chair, Board of Directors

September 20, 2019

INNOVATE BC
MANAGEMENT REPORT
FISCAL YEAR ENDED MARCH 31, 2019

The Financial Statements contained in this Statement of Financial Information under the *Financial Information Act* has been prepared by management in accordance with Public Sector Accounting Standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit and Finance Committee of the Board. The Audit and Finance Committee meets with management and the external auditors at least once a year.

The external auditors, KPMG, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination does not relate to the other schedules and statements required by the Act. Their examination includes a review and evaluation of Innovate BC's system of internal controls and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit and Finance Committee of the Board and meet with them on a regular basis.

On behalf of Innovate BC



Raghwa Gopal
Chief Executive Officer
September 20, 2019



Jennie Choboter
Chief Financial Officer
September 20, 2019

Financial Statements of

INNOVATE BC

And Independent Auditors' Report thereon

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Innovate BC and
To the Minister of Jobs, Trade and Technology of British Columbia

Opinion

We have audited the financial statements of Innovate BC (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Comparative Information - Restated Financial Statements

We draw attention to Note 2 to the financial statements which indicates that the financial statements as at and for the year ended March 31, 2019 that we originally reported on May 23, 2019 and certain comparative information presented for the year ended March 31, 2018 have been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate the financial statements for the year ended March 31, 2019 and comparative information for the year ended March 31, 2018.

Our conclusion is not modified in respect to this matter.

As part of our audit of the restated financial statements for the year ended March 31, 2019, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2018. In our opinion, such adjustments are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants

Vancouver, Canada

May 23, 2019, except as to note 2, which is as of July 11, 2019

INNOVATE BC

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
	(Restated - Note 2)	(Restated - Note 2)
Financial Assets		
Cash and cash equivalents:		
Unrestricted	\$ 2,121,444	\$ 1,026,983
Restricted - deferred programs (note 7)	908,218	1,045,332
Restricted - NRAS endowment (note 8)	1,454,150	2,039,526
	<u>4,483,812</u>	<u>4,111,841</u>
Investments:		
Unrestricted (note 4)	5,794,417	5,958,017
Restricted - deferred programs (notes 4 and 7)	1,970,192	3,422,552
Restricted - NRAS endowment (notes 4 and 8)	2,923,439	2,267,843
	<u>10,688,048</u>	<u>11,648,412</u>
Accounts receivable	61,263	80,466
	<u>15,233,123</u>	<u>15,840,719</u>
Liabilities		
Accounts payable and accrued liabilities	1,576,325	767,567
Deferred program revenues (note 7)	3,351,010	4,950,129
Deferred revenue from NRAS endowment (note 8)	4,377,589	4,307,369
	<u>9,304,924</u>	<u>10,025,065</u>
Net Financial Assets	5,928,199	5,815,654
Non-Financial Assets		
Restricted - NRAS endowment:		
Investments (notes 4 and 8)	50,000,000	50,000,000
Tangible capital assets (note 5)	90,699	156,812
Program funds under management	987,100	525,000
Prepaid expenses	52,307	543,784
	<u>51,130,106</u>	<u>51,225,596</u>
Accumulated surplus (note 6)	\$ 57,058,305	\$ 57,041,250

Commitments and contingency (note 9)
Contractual obligations (note 10)
Contractual rights (note 11)
Employee future benefits (note 12)

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

INNOVATE BC

Statement of Operations and Accumulated Surplus

Year ended March 31, 2019, with comparative information for 2018

	Budget 2019	2019	2018
	(Note 3(e))	(Restated -Note 2)	(Restated - Note 2)
Revenue:			
Grants from the Province of British Columbia (note 13)	\$ 8,090,000	\$ 6,099,645	\$ 6,377,755
Program revenue from the Province of British Columbia	-	-	13,500,000
Other program revenue (note 7)	210,000	275,459	696,274
Other	370,000	572,371	413,272
Interest	125,000	232,946	168,199
NRAS endowment (note 8)	2,385,000	1,210,938	1,470,196
	<u>11,180,000</u>	<u>8,391,359</u>	<u>22,625,696</u>
Expenses (note 14):			
Program expenses and disbursements:			
Academic	235,000	533,626	611,487
Commercialization	5,574,000	3,836,797	17,089,644
NRAS programs (note 8)	2,385,000	1,210,938	1,470,196
Premier's Technology Council	-	93,104	721,296
Technology Awareness	220,000	173,887	86,176
General administration	2,766,000	2,525,952	2,100,113
	<u>11,180,000</u>	<u>8,374,304</u>	<u>22,078,912</u>
Annual surplus	-	17,055	546,784
Accumulated surplus, beginning of year	56,516,250	57,041,250	56,494,466
Accumulated surplus, end of year	<u>\$ 56,516,250</u>	<u>\$ 57,058,305</u>	<u>\$ 57,041,250</u>

See accompanying notes to financial statements.

INNOVATE BC

Statement of Changes in Net Financial Assets

Year ended March 31, 2019, with comparative information for 2018

	Budget 2019	2019	2018
	(Note 3(e))	(Restated – Note 2)	(Restated – Note 2)
Annual surplus	\$ -	\$ 17,055	\$ 546,784
Acquisition of tangible capital assets	(50,000)	(15,845)	(9,505)
Amortization of tangible capital assets	50,000	58,031	57,989
Impairment of tangible capital assets	-	23,478	-
Loss on disposal of tangible capital assets	-	449	2,990
	-	83,168	598,258
Acquisition of program funds under management	-	(482,245)	(525,000)
Use of program funds under management	-	20,145	-
	-	(462,100)	(525,000)
Acquisition of prepaid expenses	-	(35,015)	(62,056)
Use of prepaid expenses	-	526,492	355,162
	-	491,477	293,106
Change in net financial assets	-	112,545	366,364
Net financial assets, beginning of year	6,297,899	5,815,654	5,449,290
Net financial assets, end of year	\$ 6,297,899	\$ 5,928,199	\$ 5,815,654

See accompanying notes to financial statements.

INNOVATE BC

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
	(Restated – Note 2)	(Restated Note 2)
Cash provided by (used in):		
Operating:		
Annual surplus	\$ 17,055	\$ 546,784
Items not involving cash:		
Amortization of tangible capital assets	58,031	57,989
Impairment of tangible capital assets	23,478	-
Loss on disposal of tangible capital assets	449	2,990
	99,013	607,763
Changes in non-cash operating working capital:		
Accounts receivable	19,203	15,102
Program funds under management	(462,100)	(525,000)
Prepaid expenses	491,477	293,106
Accounts payable and accrued liabilities	808,758	(852,889)
Deferred program revenues	(1,599,119)	(39,459)
Increase (decrease) in deferred revenue from NRAS endowment	70,220	(366,831)
	(572,548)	(868,208)
Capital:		
Purchase of tangible capital assets	(15,845)	(9,505)
	(15,845)	(9,505)
Investments:		
Purchase of investments	(39,998,710)	(16,696,829)
Proceeds on maturity of investments	40,959,074	17,847,047
	960,364	1,150,218
Increase in cash and cash equivalents	371,971	272,505
Cash and cash equivalents, beginning of year	4,111,841	3,839,336
Cash and cash equivalents, end of year	\$ 4,483,812	\$ 4,111,841

See accompanying notes to financial statements.

INNOVATE BC

Notes to Financial Statements

Year ended March 31, 2019

1. Authority and purpose:

Innovate BC was established on March 15, 2018 by an amendment of the British Columbia Innovation Council Act to the Innovate BC Act, RSBC 1996, c. 415. Prior to March 15, 2018, Innovate BC was known as British Columbia Innovation Council (the "Council"). The Council was established in 2006 by an amendment of the Innovation and Science Council Act to the British Columbia Innovation Council Act (the "Act").

Innovate BC is governed by a Board of Directors, appointed by the provincial government of British Columbia (the "Province"). Innovate BC is exempt from the payment of income taxes under Section 149 of the Income Tax Act.

Under Section 13 of the Act, the directors, officers, and employees of Innovate BC have certain immunities in the exercise of their duties carried out in their connection with Innovate BC.

The objective of Innovate BC is to encourage development and application of advanced or innovative technology to meet the needs of industry in British Columbia including the implementation, administration and funding of programs.

2. Restatement of financial statements:

Innovate BC has restated the financial statements for the years ended March 31, 2018 and March 31, 2019 that were originally reported on May 3, 2018 and May 23, 2019, respectively. Contributions received by Innovate BC that are externally restricted for specific purposes, are recorded as deferred revenue and recognized as revenue in the Statement of Operations in the year which stipulations are met. Innovate BC subsequently recognizes contributions made to partner organizations as an expense in the Statement of Operations in the period the transfer is authorized and the recipient has met all eligibility criteria for the receipt of the transfer, provided Innovate BC does not continue to receive direct economic benefit that it can control in exchange for the transfer.

The restatement is a result of obligations arising from contributions received by Innovate BC for which the related stipulations had not been met and Innovate BC also maintaining control of certain funds subsequent to the transfer to a partner organization. Accordingly, those contributions received should be recorded as deferred revenue and recognized as revenue in the year which the stipulations were met instead of being recognized in the year received. In addition, contributions made to partner organizations should be recorded as an asset instead of an expense in the period the funds were granted.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Restatement of financial statements (continued):

The impact of the restatement is as follows:

Statement of financial position:

Deferred program revenue, as at March 31, 2018 as previously reported	\$ 4,467,884
Deferred program revenue, adjustment (Net – Opening & FY 18 adjustment)	482,245
Deferred program revenue, as at March 31, 2018, as restated	\$ 4,950,129
Deferred program revenue, as at March 31, 2019 as previously reported	\$ 2,878,410
Deferred program revenue, adjustment (Net – Opening & FY 18 adjustment)	482,245
Program revenue (FY 19 adjustment)	(9,645)
Deferred program revenue, as at March 31, 2019 as restated	\$ 3,351,010
Prepaid expenses, as at March 31, 2018 as previously reported	\$ 61,539
Prepaid program services, adjustment (net)	482,245
Prepaid expenses, as at March 31, 2018, as restated	\$ 543,784
Program funds under management, as at March 31, 2018, as previously reported	\$ -
Program funds under management transfer, adjustment	525,000
Program funds under Management, as at March 31, 2018 as restated	\$ 525,000
Program funds under management, as at March 31, 2019 as previously reported	\$ -
Program funds under management transfer, adjustment (FY 18 & FY 19)	1,007,245
Program expense – Commercialization, adjustment (FY 19))	(20,145)
Program funds under management, as at March 31, 2019 as restated	\$ 987,100

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Restatement of financial statements (continued):

Statement of Operations and Accumulated Surplus:

Revenue – Province of British Columbia, at March 31, 2018 as previously reported	\$ 6,090,000
Program revenue, adjustment (FY 18)	287,755
Revenue – Province of British Columbia, for the year ended March 31, 2018, as restated	\$ 6,377,755
Revenue – Province of British Columbia, at March 31, 2019 as previously reported	\$ 6,090,000
Program revenue, adjustment (FY 19)	9,645
Revenue – Province of British Columbia, for the year ended March 31, 2019, as restated	\$ 6,099,645
Program Expenses – Commercialization, at March 31, 2018 as previously reported	\$ 17,326,889
Expenses incurred per prepaid program services agreement, adjustment	287,755
Program funds under management transfer, adjustment	(525,000)
Program Expenses – Commercialization, at March 31, 2018, as restated	\$ 17,089,644
Program Expenses – Commercialization, at March 31, 2019 as previously reported	\$ 3,816,652
Program funds under Management transfer, adjustment	20,145
Program Expenses – Commercialization, at March 31, 2019, as restated	\$ 3,836,797

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Restatement of financial statements (continued):

The impact of the adjustment on Surplus and Accumulated Surplus:

Annual Surplus, at March 31, 2018, as previously reported	\$ 21,784
Expenses incurred per prepaid program services agreement, adjustment	(287,755)
Program funds under Management transfer, adjustment (FY 18)	525,000
Deferred program revenue, adjustment (FY 18)	287,755
Annual Surplus for the year ended March 31, 2018, as restated	\$ 546,784
Ending Accumulated Surplus, as at March 31, 2018 as previous reported	\$ 56,516,250
Program funds under Management transfer, adjustment	525,000
Ending Accumulated Surplus, as at March 31, 2018 as restated	\$ 57,041,250
Annual Surplus, at March 31, 2019 as previously reported	\$ 27,555
Program funds under Management transfer, adjustment (FY 19)	(20,145)
Deferred program revenue, adjustment (FY 19)	9,645
Annual Surplus for the year ended March 31, 2019, as restated	\$ 17,055
Ending Accumulated Surplus, as at March 31, 2019, as previous reported	\$ 56,543,805
Program funds under Management transfer, adjustment (FY 18)	525,000
Program funds under Management transfer, adjustment (FY19)	(20,145)
Deferred program revenue, adjustment (FY 19)	9,645
Ending Accumulated Surplus, as at March 31, 2019 as restated	\$ 57,058,305

3. Significant accounting policies:

(a) Basis of accounting and presentation:

These financial statements are prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(b) Cash and cash equivalents:

Cash and cash equivalents include investments with a term to maturity of 90 days or less at the date of acquisition.

(c) Investments:

Investments, which include investments with original terms to maturity of greater than 90 days, are recorded at amortized cost plus accrued interest, which approximates market value. Interest income is recognized in the period earned.

Investments in privately-held corporations are recorded at a nominal market value.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

3. Significant accounting policies (continued):

(d) Revenue recognition:

Unrestricted contributions are recorded as revenue when received or receivable, if the amounts can be estimated and collection is reasonably assured. Other unrestricted revenue, including sales of services and products, are reported as revenue at the time the services are provided or the goods delivered.

Investment income on unrestricted assets is recognized as revenue when it is earned. Investment income that is subject to external restrictions is deferred and recognized as revenue in the year in which the related expense is incurred.

Endowment contributions are recognized as revenue when received. Investment income earned from restricted cash and investments related to the endowment funds are deferred and recognized as revenue when they are spent or disbursed in accordance with the restrictions of the endowment.

Contributions externally restricted for non-capital specific purposes are recorded as deferred revenue and recognized as revenue in the year in which the stipulations are met.

(e) Budget figures:

The budget figures present in these financial statement are based on the fiscal year 2019 operating budget, approved by the Board of Directors on February 22, 2018.

(f) Government transfers:

Transfers from governments with restrictions are deferred and recognized as revenue when they are spent in accordance with the stipulations in the related agreements. Transfers from governments without restrictions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

(g) Financial instruments:

Financial instruments are classified into two categories: fair value or amortized cost.

Investments with fixed maturity dates are recorded at amortized costs. Income on these investments is recognized in the Statement of Operations and Accumulated Surplus over the period of time the investments are held. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are included in the cost of the related investments.

The carrying amounts of other financial instruments such as cash and cash equivalents, and accounts receivables also approximate their fair value due to their short-term maturities.

Innovate BC does not have any financial instruments required or elected to be subsequently recorded at fair value.

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Notes to Financial Statements (continued)

Year ended March 31, 2019

3. Significant accounting policies (continued):

(h) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are initially recorded at cost which includes amounts that are directly attributed to acquisition, construction, development, or betterment of the asset. The historical cost, less residual value, of the tangible capital assets is amortized commencing at the time the asset is available for use based on the methods and rates as shown in the schedule below:

Asset	Amortization
Furniture, fixtures and equipment	20% declining balance
Computer hardware and software	33% declining balance
Leasehold improvements	Straight line over the lesser of the term of the lease and the useful life of the asset

When events or circumstances indicate that a tangible capital asset no longer has any long-term service potential, the net carrying amount is written down to the residual value of the asset.

(j) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period where the benefits are received.

(k) Employee future benefits:

Innovate BC accrues employee vacation entitlements, included in accounts payable and accrued liabilities. Innovate BC is a member of the Public Service multi-employer pension plan (note 11). Defined contribution plan accounting is applied to the multi-employer defined benefit plan and, accordingly, contributions are expensed when paid or payable.

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant areas requiring the use of management estimates include the determination of useful lives of tangible capital assets for amortization and the accrual of liabilities. When actual results differ from the estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

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Notes to Financial Statements (continued)

Year ended March 31, 2019

4. Investments:

Restricted and unrestricted investments consist of term deposits and guaranteed investment certificates with maturity dates ranging from June 2019 to December 2023, bearing interest at rates ranging from 2.00% to 3.46%.

Included in unrestricted investments are shares of previous British Columbia Advanced Systems Foundation ("ASI") program participant private corporations received in exchange for all or a portion of loan or royalty interests. As at March 31, 2019, Innovate BC has assessed these shares of privately-held corporations to have nominal market value of \$1 each for each company shareholding. The estimated market value of the long-term investments as at March 31, 2019 is \$5 (2018 - \$6).

During fiscal year 2019, Innovate BC received the final escrow proceeds of \$90,081 (2018 - \$88,735) from the sale of an investment in fiscal 2017. The proceeds are included in Other revenue in the Statement of Operations and Accumulated Surplus.

5. Tangible capital assets:

Cost	Balance, March 31, 2018	Additions	Disposals and Impairment	Balance, March 31, 2019
Furniture, fixtures and equipment	\$ 210,415	\$ -	\$ -	\$ 210,415
Computer hardware and software	571,699	15,845	181,171	406,373
Leasehold improvements	120,569	-	-	120,569
	\$ 902,683	\$ 15,845	\$ 181,171	\$ 737,357

Accumulated Amortization	Balance, March 31, 2018	Amortization	Accumulated amortization of disposals and impairment	Balance, March 31, 2019
Furniture, fixtures and equipment	\$ 167,186	\$ 8,646	\$ -	\$ 175,832
Computer hardware and software	493,316	30,185	157,244	366,257
Leasehold improvements	85,369	19,200	-	104,569
	\$ 745,871	\$ 58,031	\$ 157,244	\$ 646,658

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

5. Tangible capital assets (continued):

	Net book value March 31, 2019	Net book value March 31, 2018
Furniture, fixtures and equipment	\$ 34,583	\$ 43,229
Computer hardware and software	40,116	78,383
Leasehold improvements	16,000	35,200
	\$ 90,699	\$ 156,812

During fiscal 2019, it was determined that the long term service potential of certain tangible capital assets included in computer hardware and software were impaired. As a result, an impairment loss of \$23,478 is recorded under general administration expenses.

6. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2019 (Restated – Note 2)	2018 (Restated – Note 2)
Invested in tangible capital assets	\$ 90,699	\$ 156,812
NRAS Endowment	50,000,000	50,000,000
Unrestricted	6,967,606	6,884,438
	\$ 57,058,305	\$ 57,041,250

7. Deferred program revenues:

	Balance March 31, 2018 (Restated – Note 2)	Funds received	Funds expended	Balance March 31, 2019 (Restated – Note 2)
Agriculture Science and Innovation	\$ 1,267,127	\$ -	\$ (106,402)	\$ 1,160,725
LEEF Student Program	905,377	12,931	(10,064)	908,244
Aquaculture & Environment Research	376,024	-	-	376,024
Industrial Innovation Scholarship	102,750	-	-	102,750
Internet of Things Challenge	33,421	4,081	(33,423)	4,079
Smart Communities Pilot	130,000	-	(125,570)	4,430
Innovation Exchange	482,245	-	(9,645)	472,600
	3,296,944	17,012	(285,104)	3,028,852
BC Tech Summit (a)	1,653,185	4,224,728	(5,555,755)	322,158
Total	\$ 4,950,129	\$ 4,241,740	\$ (5,840,859)	\$ 3,351,010

(a) The revenue and expenses for the BC Tech Summit are recorded on a net basis.

(b) Funds restricted for future program expenses have been separated and classified as restricted cash and cash equivalents - deferred programs and restricted investments - deferred programs.

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Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Natural Resources and Applied Science Research Endowment (NRAS):

In fiscal year 2005/2006, Innovate BC was charged with stewarding an endowment contribution of \$50,000,000 from the Ministry of Economic Development. Investment earnings are restricted for the support of training, research and development in natural resources and applied sciences. As at March 31, 2019, restricted cash and investments of \$54,377,589 are comprised of the permanently restricted endowment balance of \$50,000,000 and unspent interest earnings of \$4,377,589. During the year ended March 31, 2019, Innovate BC awarded Ignite Awards totalling \$1,048,710 (2018 - \$1,276,064) to research projects in natural resources and applied sciences.

Deferred revenue from the NRAS endowment balance comprises of the following:

	2019	2018
Accumulated interest, beginning of year	\$ 4,307,369	\$ 4,674,200
Interest earned net of fees	1,281,158	1,103,365
Awards and administration fees	(1,210,938)	(1,470,196)
Accumulated interest, end of year	\$ 4,377,589	\$ 4,307,369

9. Commitments and contingency:

(a) Operating Leases:

Innovate BC has entered into operating leases for their premises and certain office equipment. Total estimated lease payments up to the end of the lease terms are as follows:

2020	\$ 276,166
2021	707
2022	707
	\$ 277,580

(b) Contingency:

From time to time, Innovate BC is subject to certain legal proceedings and claims which arise in the ordinary course of business. The outcome of such claims are undeterminable at this time and accordingly no provision has been made for these claims.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

10. Contractual obligations:

Innovate BC has entered into a number of project grant contracts as at March 31, 2019 to provide future funding of research projects to be completed subsequent to the year-end. These contractual obligations are funded in installments and payments are due based on the satisfaction of conditions included in the contracts. As such, no liability has been accrued in the financial statements as Innovate BC is not liable for payments until these conditions have been met.

The contractual obligations of Innovate BC as at March 31, 2019 are \$1,975,956 (2018 - \$1,828,374).

11. Contractual rights:

Innovate BC has entered into a number of contracts with third parties, and are entitled to receive payments to the end of the contract terms as follows:

	2020
Leases	\$ 37,000
Other	4,500
	<u>\$ 41,500</u>

12. Employee future benefits:

Innovate BC and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the *Public Sector Pension Plans Act* (the "Act"). The Public Service Pension Board of Trustees, representing Plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. As the Plan is a multi-employer, defined benefit plan, Innovate BC accounts for its payments on the basis of a defined contribution plan. The Plan covers approximately 56,885 active employees.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and adequacy of funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the Plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The latest actuarial valuation as at March 31, 2018, indicated a funding surplus of \$1,896,000,000 for basic pension benefits on a going concern basis. The next valuation will be as at March 31, 2020, with results available in early 2021.

During the year, Innovate BC paid and expensed \$130,312 (2018 - \$109,694) for contributions to the Plan.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

13. Related parties:

Innovate BC is related through common ownership to all Province of British Columbia ministries, agencies, crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ended March 31, 2019, Innovate BC received \$6,090,000 (2018 - \$19,590,000) in provincial funding from the Ministry of Jobs, Trade and Technology.

14. Expenses by object:

The following is a summary of expenses by object:

	2019	2018
	(Restated – Note 2)	(Restated – Note 2)
Expenses:		
Program expenses and disbursements	\$ 5,055,336	\$ 19,179,027
Salaries and benefits	2,013,185	1,826,038
Rent	323,509	316,565
Contracted services	533,766	388,745
Office expenses	194,874	157,054
Other costs	195,603	153,494
	8,316,273	22,020,923
Amortization	58,031	57,989
Total expense	\$ 8,374,304	\$ 22,078,912

15. Financial risk management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. For cash and accounts receivable, Innovate BC's credit risk is limited to the carrying value on the statement of financial position. Management does not believe that Innovate BC is subject to any significant concentration of credit risk. There have been no changes to the risk exposure from the prior year.

(b) Liquidity risk:

Liquidity risk is the risk that Innovate BC is not able to meet its financial obligations on a timely basis or at a reasonable cost. Innovate BC has established budget processes and regularly monitors cash flows to ensure the necessary funds are on hand to fulfill upcoming obligations. There have been no changes to the risk exposure from the prior year.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

15. Financial risk management (continued):

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect Innovate BC's income. Innovate BC utilizes market risk management to control market risk exposures to within acceptable parameters while optimizing the return on risk.

Innovate BC is not exposed to significant interest risk as it does not have amounts payable that are charged interest. There have been no changes to the risk exposure from the prior year.

**INNOVATE BC
SCHEDULE OF DEBTS
FOR THE YEAR ENDED MARCH 31, 2019**

This organization has no debts under the Financial Information Act.

**INNOVATE BC
SCHEDULE OF GUARANTEE AND INDEMNITY AGREEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

This organization has not given any guarantees or indemnities under the Guarantees and Indemnities Regulation.

**INNOVATE BC
SCHEDULE OF REMUNERATION AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019**

1. Elected Officials, Employees appointed by Cabinet and Members of the Board of Directors

Name	Position	Remuneration	Expenses
Shaver, A	Chair, Board of Directors	\$0	\$6,377
Total: members of the Board of Directors (A)		\$0	\$6,377

2. Other Employees

Name	Remuneration	Expenses
Anderson, C	16,076	1,574
Biesiada-Panas, A	83,992	4,195
Chan, L	34,885	1,984
Choboter, J	145,331	8,876
Divic, T	133,284	8,037
Gopal, R	24,211	7,207
Huff, N	93,784	8,113
Johnson, W	89,309	6,895
Payne, P	81,685	7,415
Vickers, S	153,685	32,741
Whitaker, F	79,395	6,985
Wood, D	95,899	2,370
Total	1,031,536	96,392
Total employees with remuneration greater than \$75,000	1,031,536	96,392
Total employees with remuneration of \$75,000 or less	851,337	24,612
Pension benefits	130,312	-
Total remuneration – other employees (B)	2,013,185	121,004

**INNOVATE BC
STATEMENT OF SEVERANCE AGREEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

There were three severance agreements under which payment commenced between Innovate BC and a its non-unionized employees during fiscal year 2018/2019.

These agreements represent from one-quarter month to seven months of compensation*.

* "Compensation" means payment was determined based on individual's base salary.

Prepared under the Financial Information Regulation, Schedule 1, subsection 6 (7)

**INNOVATE BC
SCHEDULE OF PROGRAM EXPENSES AND DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

Program expenses and disbursements exceeding \$25,000	
Accelerate Okanagan Technology Association	610,000
ACETECH	27,297
Agrisco Supplies Corp.	100,072
City of Nelson	39,000
City of Port Alberni	27,800
District of Logan Lake	37,650
Emily Carr University of Art and Design	33,626
Foresight Cleantech Accelerator Centre	647,500
HotStart Enterprises	35,010
Innovation Boulevard Society	137,000
Innovation Central Society	131,000
Innovation Island Technology Association	125,000
Kamloops Innovation Centre Society	75,000
Kootenay Association for Science & Tech.	85,000
Langara College	40,500
Launch Academy	100,000
LifeSciences BC Society	43,250
Maggie Chan	28,719
National Research Council Canada	35,100
New Ventures BC Society	630,000
Sage Berryman	29,000
Selkirk College	110,000
Simon Fraser University	574,569
Univeristy of British Columbia	490,785
University of Northern BC	25,200
University of Victoria	329,725
Victoria Advanced Technology Council	390,000
Zeros 2 Heroes Media	39,435
	4,977,238
Consolidated and distributed to suppliers who received \$25,000 or less	78,098
Total program expenses	5,055,336

**INNOVATE BC
SCHEDULE OF SUPPLIERS
FOR THE YEAR ENDED MARCH 31, 2019**

Program expenses and disbursements	5,055,336
<u>Payments for goods and services exceeding \$25,000</u>	
Amortization	58,031
BC Pension Corporation (Employer portion)	130,312
Employees' salaries and benefits	1,803,309
Farris Vaughan, Wills & Murphy LLP	72,864
FullTech Systems Inc.	30,551
GWL Realty Advisor	323,509
KPMG LLP, T4348	31,075
Minister of Finance	43,180
National Public Relations	127,190
Odgers Berndtson Canada	51,035
Receiver General (EI & CPP employer portion, EHT)	79,564
	7,805,956
Payments for goods and services of \$25,000 and under	568,348
Total expenses	8,374,304