

Financial Information Act (FIA)

INNOVATE BC

Year ended March 31, 2020

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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 14, 2020

** Prepared pursuant to the Financial Information Regulation, Schedule 1, section 9*

INNOVATE BC
MANAGEMENT REPORT
FISCAL YEAR ENDED MARCH 31, 2020

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.

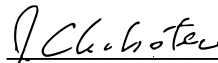
The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit and Finance Committee of the Board. The Audit and Finance Committee meets with management and the external 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 14, 2020



Jennie Choboter
Chief Financial Officer
September 14, 2020

* Prepared pursuant to the *Financial Information Regulation, Schedule 1, section 9*

Financial Statements of

INNOVATE BC

And Independent Auditors' Report thereon

Year ended March 31, 2020



KPMG LLP
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Vancouver BC V7Y 1K3
Canada
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Innovate BC and
To the Minister of Jobs, Economic Development and Competitiveness 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, 2020;
- 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, 2020, 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.

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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
May 14, 2020

INNOVATE BC

Statement of Financial Position


March 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash and cash equivalents:		
Unrestricted	\$ 1,224,901	\$ 2,121,444
Restricted - deferred programs (note 6)	916,004	908,218
Restricted - NRAS endowment (note 7)	1,928,142	1,454,150
	<u>4,069,047</u>	<u>4,483,812</u>
Investments (note 3):		
Unrestricted	5,677,537	5,794,417
Restricted - deferred programs (note 6)	2,084,828	1,970,192
Restricted - NRAS endowment (note 7)	2,913,730	2,923,439
	<u>10,676,095</u>	<u>10,688,048</u>
Accounts receivable	231,977	61,263
	<u>14,977,119</u>	<u>15,233,123</u>
Liabilities		
Accounts payable and accrued liabilities	251,881	1,576,325
Deferred program revenues (note 6)	3,000,832	3,351,010
Deferred revenue from NRAS endowment (note 7)	4,841,872	4,377,589
	<u>8,094,585</u>	<u>9,304,924</u>
Net Financial Assets	6,882,534	5,928,199
Non-Financial Assets		
Restricted - NRAS endowment investments (notes 3 and 7)	50,000,000	50,000,000
Tangible capital assets (note 4)	161,839	90,699
Program funds under management	-	987,100
Prepaid expenses	34,211	52,307
	<u>50,196,050</u>	<u>51,130,106</u>
Accumulated surplus (note 5)	\$ 57,078,584	\$ 57,058,305

Commitments and contingency (note 8)
Contractual obligations (note 9)
Impact of COVID-19 (note 17)

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, 2020, with comparative information for 2019

	Budget 2020	2020	2019
	(Note 2(e) and 15)		
Revenue:			
Grants from the Province of British Columbia (note 12)	\$ 6,090,000	\$ 6,090,000	\$ 6,099,645
Program revenue (note 6)	620,000	616,346	275,459
NRAS endowment (note 7)	1,745,000	1,050,559	1,210,938
Interest	-	255,325	232,946
Other	725,000	489,435	572,371
	9,180,000	8,501,665	8,391,359
Expenses (note 13):			
Programs and initiatives	4,294,000	4,395,140	3,924,502
NRAS endowment funds	1,745,000	970,455	1,130,834
Salaries and benefits	2,160,000	2,140,772	2,013,185
Rent	365,000	333,182	323,509
Amortization	39,000	41,579	58,031
Operational and administrative expenses	577,000	600,258	924,243
	9,180,000	8,481,386	8,374,304
Annual surplus	-	20,279	17,055
Accumulated surplus, beginning of year	57,058,305	57,058,305	57,041,250
Accumulated surplus, end of year	\$ 57,058,305	\$ 57,078,584	\$ 57,058,305

See accompanying notes to financial statements.

INNOVATE BC

Statement of Changes in Net Financial Assets

Year ended March 31, 2020, with comparative information for 2019

	Budget 2020 (Note 2(e) and 15)	2020	2019
Annual surplus	\$ -	\$ 20,279	\$ 17,055
Acquisition of tangible capital assets	(100,000)	(113,887)	(15,845)
Amortization of tangible capital assets	39,000	41,579	58,031
Impairment of tangible capital assets	-	-	23,478
Loss on disposal of tangible capital assets	-	-	449
Proceeds on disposal of tangible capital assets	-	1,168	-
	(61,000)	(50,861)	83,168
Acquisition of program funds under management	-	-	(482,245)
Funds under management transferred to Innovate BC	-	987,100	-
Use of program funds under management	-	-	20,145
	-	987,100	(462,100)
Acquisition of prepaid expenses	-	(18,802)	(35,015)
Use of prepaid expenses	-	36,898	526,492
	-	18,096	491,477
Change in net financial assets	(61,000)	954,335	112,545
Net financial assets, beginning of year	5,928,199	5,928,199	5,815,654
Net financial assets, end of year	\$ 5,867,199	\$ 6,882,534	\$ 5,928,199

See accompanying notes to financial statements.

INNOVATE BC

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating:		
Annual surplus	\$ 20,279	\$ 17,055
Items not involving cash:		
Amortization of tangible capital assets	41,579	58,031
Impairment of tangible capital assets	-	23,478
Loss on disposal of tangible capital assets	-	449
	61,858	99,013
Changes in non-cash operating working capital:		
Accounts receivable	(170,714)	19,203
Program funds under management	987,100	(462,100)
Prepaid expenses	18,096	491,477
Accounts payable and accrued liabilities	(1,324,444)	808,758
Deferred program revenues	(350,178)	(1,599,119)
Deferred revenue from NRAS endowment	464,283	70,220
	(313,999)	(572,548)
Capital:		
Purchase of tangible capital assets	(113,887)	(15,845)
Proceeds on sale of tangible capital assets	1,168	-
	(112,719)	(15,845)
Investments:		
Purchase of investments	(7,468,540)	(39,998,710)
Proceeds on maturity of investments	7,480,493	40,959,074
	11,953	960,364
Increase (decrease) in cash and cash equivalents	(414,765)	371,971
Cash and cash equivalents, beginning of year	4,483,812	4,111,841
Cash and cash equivalents, end of year	\$ 4,069,047	\$ 4,483,812

See accompanying notes to financial statements.

INNOVATE BC

Notes to Financial Statements

Year ended March 31, 2020

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 (the “Act”). 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.

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. 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 market value.

(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, 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.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(d) Revenue recognition (continued):

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 presented in these financial statement are based on the amended fiscal year 2020 operating budget, approved by the Board of Directors on February 3, 2020.

(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 cost. Income on these investments is recognized in the Statement of Operations and Accumulated Surplus over the period of time the investments are held, except for those that are restricted in use. The income from investments that are restricted in use are included within deferred revenue and recognized in the Statement of Operations and Accumulated Surplus when restrictions are satisfied. 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.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. 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 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.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2020

3. Investments:

Restricted and unrestricted investments consist of term deposits and guaranteed investment certificates with maturity dates ranging from May 2020 to December 2023, bearing interest at rates ranging from 1.65% to 3.36% (2019 – 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, 2020, 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, 2020 is \$5 (2019 - \$5).

4. Tangible capital assets:

Cost	Balance, March 31, 2019	Additions	Disposals	Balance, March 31, 2020
Furniture, fixtures and equipment	\$ 210,415	\$ 46,334	\$ -	\$ 256,749
Computer hardware and software	406,373	2,812	2,812	406,373
Leasehold improvements	120,569	64,741	27,770	157,540
	\$ 737,357	\$ 113,887	\$ 30,582	\$ 820,662

Accumulated Amortization	Balance, March 31, 2019	Amortization	Accumulated amortization of disposals	Balance, March 31, 2020
Furniture, fixtures and equipment	\$ 175,832	\$ 10,348	\$ -	\$ 186,180
Computer hardware and software	366,257	13,606	1,644	378,219
Leasehold improvements	104,569	17,625	27,770	94,424
	\$ 646,658	\$ 41,579	\$ 29,414	\$ 658,823

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Tangible capital assets (continued):

	Net book value March 31, 2020	Net book value March 31, 2019
Furniture, fixtures and equipment	\$ 70,569	\$ 34,583
Computer hardware and software	28,154	40,116
Leasehold improvements	63,116	16,000
	\$ 161,839	\$ 90,699

5. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2020	2019
Invested in tangible capital assets	\$ 161,839	\$ 90,699
NRAS endowment	50,000,000	50,000,000
Program funds under management	-	987,100
Unrestricted	6,916,745	5,980,506
	\$ 57,078,584	\$ 57,058,305

6. Deferred program revenues:

	Balance March 31, 2019	Funds returned	Funds received	Funds expended	Balance March 31, 2020
Agriculture Science and Innovation	\$ 1,160,725	\$ -	\$ -	\$ (281,556)	\$ 879,169
LEEF Student Program	908,244	-	17,044	(9,283)	916,005
Aquaculture & Environment Research	376,024	-	-	-	376,024
Industrial Innovation Scholarship	102,750	-	-	-	102,750
Internet of Things Challenge	4,079	(4,079)	-	-	-
Smart Communities Pilot	4,430	-	-	(4,430)	-
Innovation Exchange	472,600	-	-	-	472,600
BC Tech Summit (a)	322,158	-	253,203	(321,077)	254,284
	\$ 3,351,010	\$ (4,079)	\$ 270,247	\$ (616,346)	\$ 3,000,832

- (a) The revenue and expenses for the BC Tech Summit are recorded on a gross basis in fiscal 2020 (2019 - net basis). As directed by the Ministry of Jobs, Economic Development and Competitiveness, Innovate BC acted as the principal in the transactions involved for the BC Tech Summit in the current year.
- (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.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2020

7. 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, 2020, restricted cash and investments of \$54,841,872 (2019 - \$53,377,589) are comprised of the permanently restricted endowment balance of \$50,000,000 and unspent interest earnings of \$4,841,872 (2019 - \$4,377,589). Out of the unspent interest, the amount of \$1,201,576 (2019 - \$1,048,710) is committed for future payments of contracted awards. During the year ended March 31, 2020, Innovate BC awarded Ignite Awards totaling \$912,380 (2019 - \$1,048,710) to research projects in natural resources and applied sciences.

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

	2020	2019
Accumulated interest, beginning of year	\$ 4,377,589	\$ 4,307,369
Interest earned net of fees	1,514,842	1,281,158
Awards and administration fees	(1,050,559)	(1,210,938)
Accumulated interest, end of year	\$ 4,841,872	\$ 4,377,589

8. 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:

2021	\$ 346,991
2022	347,956
2023	355,084
2024	361,024
2025	300,148
	\$ 1,711,203

(b) Contingencies:

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, 2020

9. Contractual obligations:

Innovate BC has entered into a number of project grant contracts as at March 31, 2020 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, 2020 are \$2,848,576 (2019 - \$1,975,956).

10. 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:

	2021	2022
Lease	\$ 34,000	\$ 26,000
BC Tech Works Program	206,000	-
	<u>\$ 240,000</u>	<u>\$ 26,000</u>

11. 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 64,308 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, 2017, 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 ended March 31, 2020, Innovate BC paid and expensed \$142,186 (2019 - \$130,312) for contributions to the Plan.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2020

12. 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, 2020, Innovate BC received \$6,090,000 (2019 - \$6,090,000) in provincial funding from the Ministry of Jobs, Economic Development and Competitiveness.

13. Expenses by object:

The following is a summary of expenses by object:

	2020	2019
Expenses:		
Program expenses and disbursements	\$ 5,365,595	\$ 5,055,336
Salaries and benefits (a)	2,140,772	2,013,185
Rent	333,182	323,509
Contracted services	134,720	533,766
Office expenses	152,946	194,874
Other costs	312,592	195,603
	8,439,807	8,316,273
Amortization	41,579	58,031
Total expense	\$ 8,481,386	\$ 8,374,304

(a) Salary and benefits of \$765,858 were associated with the delivery of programs during current year (2019 – \$563,605).

14. 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, 2020

14. 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.

15. Budget figures:

	Original Budget	Amended Budget	Change
Revenue:			
Grants from the Province of British Columbia (a)	\$ 8,090,000	\$ 6,090,000	\$ (2,000,000)
Internal program funding (b)	10,000	620,000	610,000
NRAS endowment	1,785,000	1,745,000	(40,000)
Interest and other (c)	170,000	725,000	555,000
	10,055,000	9,180,000	(875,000)
Expenses:			
Program expenses and disbursements:			
Programs and initiatives	5,297,000	4,294,000	(1,003,000)
NRAS endowment funds	1,785,000	1,745,000	(40,000)
Salaries and benefits	2,160,000	2,160,000	-
Rent	312,000	365,000	53,000
Amortization	39,000	39,000	-
Operational and administrative expenses	462,000	577,000	115,000
Total expenses	\$ 10,055,000	\$ 9,180,000	\$ (875,000)

Changes between the original budget and the amended budget primarily result from:

- (a) Reduced budget from Province of British Columbia
- (b) Increase to programs and initiatives, and associated revenues and expenses.
- (c) Increase in other funding.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2020

16. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted for the current year.

17. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. At the time of the approval of these financial statements, Innovate BC has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- (a) Cancellation of the 2020 BC Tech Summit based on public health recommendations on gatherings of larger than 50 people, and changes to work arrangements; and
- (b) Deployment of work from home protocols for Innovate BC's office.

Management has assessed the financial impacts of the cancellation of the 2020 BC Tech Summit, changes to work arrangements, and additional expenses related to the COVID-19 pandemic, and the corresponding adjustments have been reflected in these financial statements.

Potential future impacts on Innovate BC's business could include future decreases in revenue. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the future financial effect on Innovate BC is not practicable at this time.

**INNOVATE BC
SCHEDULE OF DEBTS
FOR THE YEAR ENDED MARCH 31, 2020**

This organization has no debts under the Financial Information Act.

** Prepared pursuant to the Financial Information Regulation, Schedule 1, section 4*

**INNOVATE BC
SCHEDULE OF GUARANTEE AND INDEMNITY AGREEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

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, 2020**

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	\$11,127
Total: members of the Board of Directors (A)		\$0	\$11,127

Innovate BC's Board of Directors do not receive any remuneration for their services to the Board. The Chair claimed expenses of \$11,127 in 2019/20. No other expenses by board members were claimed in 2019/20.

2. Other Employees

Name	Remuneration	Expenses
Armstrong, S	78,397	5,391
Biesiada-Panas, A	89,048	6,492
Choboter, J	158,175	9,893
Divic, T	151,529	11,963
Gopal, R	198,950	48,571
Johnson, W	100,629	4,741
Karim, J	77,765	6,239
Whitaker, F	83,951	9,333
Wood, D	95,026	939
Total	1,033,470	103,562
Total employees with remuneration greater than \$75,000	1,033,470	103,562
Total employees with remuneration of \$75,000 or less	776,494	82,286
Total remuneration – other employees (B)	1,809,964	185,848

3. Reconciliation

Total: members of the Board of Directors (A)	-
Total remuneration – other employees (B)	1,809,964
Total	1,809,964
Total salaries and benefits	1,809,964
Variance	-

Total	1,033,470
Total remuneration and vacation paid greater than \$75,000	1,033,470
Total other employees with remuneration of \$75,000 or less	776,494
Other benefits not included above	
Receiver General: CPP and EI (Employer portion)	83,495
Public Sector Pension Plan (Employer portion)	142,186
Other benefits	105,127
Total employee remuneration (B)	2,140,772
Audited FS salaries and benefits	2,140,772
Difference	-

**INNOVATE BC
STATEMENT OF SEVERANCE AGREEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

There were three severance agreements under which payment commenced between Innovate BC and its non-unionized employees during fiscal year 2019/2020.

These agreements represent from one month to two months of compensation*.

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

**INNOVATE BC
SCHEDULE OF PROGRAM EXPENSES AND DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

Program expenses and disbursements exceeding \$25,000	
Accelerate Okanagan	300,000
Agrisco Supplies Corp.	50,368
Alistair Fernandes	26,705
Andion North America	36,540
BarrelWise Technologies	50,163
Bi Pure Water	37,650
Bizzabo	27,051
British Columbia Biocarbon	49,812
CommandWear Systems Inc.	26,645
Emily Carr University of Art and Design	35,000
ExcelSense Technologies	33,850
Foresight CAC	351,000
GRT Holdings Ltd.	70,000
HEG Holdings Corporation (Hydra Energy)	35,000
Innovation Central Society	210,000
Innovation Island Technology Association	250,638
Inventa	84,457
Kamloops Innovation Centre Society	200,000
Kootenay Association for Science & Technology	400,000
Launch Academy	117,500
Lightship Works Inc.	35,000
Ministry of Agriculture	33,685
National Research Council Canada	46,800
New Ventures BC Society	300,000
Open Ocean Robotics	70,000
ReachLocal	35,750
Simon Fraser University	691,325
Technology Brewing Corporation	52,215
University of British Columbia	738,615
University of Victoria	43,700
Victoria Innovation, Advanced Technology & Entrepreneurship Council	510,000
	4,949,469
Consolidated and distributed to suppliers who received \$25,000 or less	416,126
Total program expenses	5,365,595

**INNOVATE BC
SCHEDULE OF SUPPLIERS
FOR THE YEAR ENDED MARCH 31, 2020**

Program expenses and disbursements	5,365,595
<u>Payments for goods and services exceeding \$25,000</u>	
Amortization	41,579
BC Pension Corporation (Employer portion)	142,186
Employees' salaries and benefits	1,809,964
Farris Vaughan, Wills & Murphy LLP	34,760
FullTech Systems Inc.	34,574
GWL Realty Advisor	334,516
KPMG LLP, T4348	36,525
Minister of Finance	121,552
Receiver General (EI & CPP employer portion)	83,495
	2,639,151
Payments for goods and services of \$25,000 and under	476,640
Total expenses	8,481,386