

British Columbia Innovation Council

2016/17 ANNUAL SERVICE PLAN REPORT



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Board Chair's Accountability Statement



The British Columbia Innovation Council is the province's lead agency promoting the development and application of advanced or innovative technologies to meet the needs of industry in B.C. Our mission is to build B.C.'s economy by accelerating the growth of B.C. ventures through the support of entrepreneurs and technology startup companies.

The *British Columbia Innovation Council 2016/17 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2016/17 - 2018/19 Service Plan*. I am accountable for those results as reported.

A handwritten signature in black ink, appearing to read 'Derek Lew'.

Derek Lew, Board Chair
BC Innovation Council

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Chair/CEO Report Letter



BC Innovation Council continued to serve B.C.'s tech sector in meaningful ways in 2016/17, guided by the Mandate Letter issued by the Minister of Technology, Innovation and Citizens' Services. BC Innovation Council adhered to Board Resourcing and Development Office policies and best practices, and implemented outcome-based metrics, aligned with the B.C. Jobs Plan and including measures of job creation and investment. The BC Innovation Council team builds and maintains an extensive range of partnerships and has diversified programming to strengthen entrepreneurship development and support regional expansion.



In addition, the Mandate Letter serves the public and respects the Taxpayer Accountability Principles. The Mandate Letter outlines actions to enable BC Innovation Council and the ministry to work more effectively together and to ensure accountability for outcomes and measurements identified by the minister responsible. The two parties are fulfilling the actions outlined in this plan, which include regular meetings – and specific areas of discussion at those meetings – between representatives at several levels from the ministry and BC Innovation Council.

BC Innovation Council's activities are guided by the #BCTECH Strategy. In March 2017, BC Innovation Council co-hosted the #BCTECH Summit, where the #BCTECH Strategy was renewed and a fourth pillar, Data, was added. The Summit supported the Strategy's four pillars – Talent, Capital, Markets and Data – through activities such as the coding camp, Investment Showcase, and Business-to-Business Meetings.

In 2016/17, BC Innovation Council continued quarterly assessments of performance and finances. BC Innovation Council's CEO meets with Government regularly to implement initiatives that directly support and accelerate commercialization in the province and ensure BC Innovation Council programs align with the #BCTECH Strategy.

In 2016/17, BC Innovation Council also met the requirement to undertake more comprehensive and appropriate communication, orientation and training regarding the accountability framework, the Taxpayer Accountability Principles, and roles and expectations for the BC Innovation Council Board and executive team. BC Innovation Council will continue to conduct regular briefings and training on the Taxpayer Accountability Principles and offer an orientation program for Board members and staff.

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Derek Lew, Board Chair, BC Innovation Council

A handwritten signature in black ink, appearing to read 'Carl'.

Carl Anderson, President & CEO, BC Innovation Council

Purpose of the Organization

The [British Columbia Innovation Council](#) is a Crown corporation under the [British Columbia Innovation Council Act](#).

BC Innovation Council encourages the development and application of advanced or innovative technologies to meet the needs of industry in British Columbia (B.C.). It accelerates technology commercialization by supporting startups, developing entrepreneurs and creating programs for growth. BC Innovation Council works with partners across industry, academia, Government and associations. BC Innovation Council partners support entrepreneurship, the development of talent, the provisioning of capital and/or access to markets. With its partners, BC Innovation Council delivers programs that promote company growth resulting in jobs, increased revenue and economic development in B.C.

Helping entrepreneurs and companies expand innovative products and services into the local and global marketplace enhances B.C.'s competitiveness and provides high quality jobs for British Columbians. BC Innovation Council supports programs that accelerate adoption of technology by all B.C. companies.

Strategic Direction and Context

The [2016/17 Mandate Letter](#) required BC Innovation Council and Government work in partnership to continue to advance commercialization in B.C. The Government directed BC Innovation Council to undertake the following specific actions:

- 1) Continue to work in partnership with Government on the full implementation of the approved recommendations of the BC Innovation Council (BCIC) Mandate Review and report to Government quarterly on BCIC's results-to-date and planned actions to:
 - a) Adhere to the Board Resourcing and Development Office policies and best practices;
 - b) Refine and implement outcome-based metrics including measures of job creation and investment; and
 - c) Build and maintain partnerships and diversify programming in order to strengthen entrepreneurship development in the [B.C. Jobs Plan's](#) priority sectors and to support regional expansion.
- 2) Support the Government in the implementation of the [#BCTECH Strategy](#) as required.
- 3) Meet with Government quarterly to develop and implement initiatives that directly support and accelerate commercialization in British Columbia and ensure BC Innovation Council programs are aligned with the [#BCTECH Strategy](#).

BC Innovation Council was also directed to adhere to the [Taxpayer Accountability Principles](#) (TAP) and deliver programs in respect to TAP action items.

Technology and innovation are critical drivers of success for the B.C. economy. In 2016/17, BC Innovation Council continued to support programs for early stage companies and, recognizing the potential for growth in more established companies, delivered additional programs that met their needs.

BC Innovation Council worked closely with the B.C. Government to co-host the second [#BCTECH Summit](#) in March 2017, where a fourth #BCTECH Strategy pillar, Data, was added. BC Innovation

Council is supporting all four pillars of this strategy – Talent, Capital, Markets and Data – in its programs, initiatives and communications.

British Columbia's real GDP increased by 3.7 per cent in 2016 (according to preliminary GDP by industry data from Statistics Canada), the strongest growth among provinces. Employment in B.C. grew by 3.2 per cent in 2016, its fastest annual pace since 1994. Consumer spending was strong for a third consecutive year as retail sales were supported by strong employment growth, increased tourism, interprovincial migration and low interest rates. B.C.'s housing market saw elevated levels of activity in 2016, with the highest number of annual housing starts since 1993. B.C. manufacturing shipments and exports expanded in 2016 as goods exports to both the US and the rest of the world increased.

2016/17 was also a banner year for B.C.'s robust technology ecosystem. The technology sector reached over 100,000 employed while generating record high revenues, supplementing traditional sectors across the province. BC Innovation Council is responding to this with programs and services for B.C.'s growing technology sector.

BC Innovation Council effectively delivered expanded programs in 2016/17, supported by a stable operating environment and strong leadership in the technology community. Potential risks identified in the 2016/17 Service Plan were managed under mitigation strategies.

Report on Performance

In 2016/17, BC Innovation Council achieved its major objectives. This included continuing to work in partnership with Government on the full implementation of action items in the Mandate Letter and the Taxpayer Accountability Principles (TAP). BC Innovation Council has undertaken comprehensive and appropriate communication, orientation and training on these principles, the accountability framework and roles and expectations for board members and the executive team. BC Innovation Council's Board Chair and Minister meet annually, and the CEO and Deputy Minister meet biannually to discuss performance against the TAP, outcomes and strategic decision making.

The Chair/CEO Report Letter in this report provides an accounting of BC Innovation Council's performance concerning expectations outlined in the Mandate Letter, delivering on one of the TAP Action Items.

BC Innovation Council has developed and implemented an evaluation plan to measure specific efficiency and performance measures related to the TAP, which stipulate:

- BC Innovation Council funding agreements be program-based.
- The satisfaction level across BC Innovation Council-funded programs.
- The operating expenses as a portion of overall budget.
- The requirement of an annual staff orientation for BC Innovation Council's Code of Ethics.
- The consistent communication to the BC Innovation Council network.

The BC Innovation Council TAP strategies are documented in a Strategic Engagement Plan, found in Appendix C. BC Innovation Council met all performance measure targets in 2016/17.

Goals, Strategies, Measures and Targets

Four goals guided BC Innovation Council's actions in 2016/17:

1. Commercializing innovative technology.
2. Developing and enhancing entrepreneurial skills.
3. Focusing resources on entrepreneurs who will build their companies in B.C.
4. Engaging B.C. companies with industry opportunities and targeted growth programs.

Together these goals provide a strong foundation for BC Innovation Council to meet its legislated mandate and Government's priorities while supporting both job creation and increased investment in the technology sector in B.C. Technology is identified as one of eight key sectors in the provincial economy by the B.C. Jobs Plan. Each of the four BC Innovation Council goals is supported by strategies, performance measures and targets.

Goal 1: Commercializing Innovative Technology

Commercialization is an entrepreneurial activity that takes a technology or intellectual property and creates a business around it. BCIC's goal of facilitating the commercialization of innovative technology is supported by its network of acceleration programs, programs that develop entrepreneurial talent at the post-secondary level, and support of events that increase the number of entrepreneurs and new business opportunities across B.C.

Strategies

- Build a network of Venture Acceleration Programs.
- Facilitate post-secondary programs to support entrepreneurial talent development.
- Sponsor and promote appropriate conferences, competitions and events.
- Facilitate the introduction of B.C.-based companies with potential partners and actively identify opportunities that expand the scope of engagement and commercial opportunities.

Performance Measure 1: Patent-protected innovations and trade secrets

Performance Measure	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
The percentage of ventures in BC Innovation Council-funded programs with patent protection for their innovations or a structured approach to maintaining secrecy.	45%	49%	40%	47%*	45%	45%

Data Source: Progress reports from program partners.

*2016/17 data based on responses from 352 participating companies.

Discussion

BC Innovation Council supports programs and initiatives that help innovative technologies reach the market. A patent demonstrates the innovative nature of a new technology. Trade secrets are also an

effective way of shielding intellectual property. A product based on a novel technology tends to have a stronger chance of competing against established players because it can offer differentiated value to customers. Companies with patented intellectual property (IP) are better able to defend their innovation when they become successful in the market. By encouraging the use of patents and trade secrets, BC Innovation Council's programs will improve the growth rate and survivability of small- and medium-sized business located in B.C.

The target represents a goal to achieve a high level of patent protection. 2013/14 was the first year this performance measure was tracked. After the original target of 30% was exceeded, the target was increased to 40%. Results in 2016/17 outperformed this target by 7 percentage points. In analyzing this performance measure, BC Innovation Council has been attempting to identify variables influencing the increased success metric. This is detailed in BC Innovation Council's [2017/18 – 2019/20 Service Plan](#) which also sets an increased target of 45%.

Not all entrepreneurs need to secure such IP protection. Some ventures may still be at the early idea stage and not yet ready to file a patent. Other ventures in the information and communication technology field (including digital media and software as a service) often do not file patent protection or register trade secrets because copyright already exists for their source code.

Goal 2: Developing and Enhancing Entrepreneurial Skills

BC Innovation Council works with its program partners to help British Columbians become successful entrepreneurs.

Strategies

- Provide relevant training to support early-stage entrepreneurs to commercialize concepts.
- Partner with educational institutions and industry organizations to provide relevant knowledge and training for emerging entrepreneurs.

Performance Measure 2.1: Health Score of ventures in BC Acceleration Network

Performance Measure	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
The overall level to which BC Innovation Council Acceleration Network clients have a solid business foundation for the success of their companies. ¹	56**	85	87	90*	89	89

Data Source: Progress reports from program partners.

¹ This measure presents an overall score out of a possible 100 points. The score is determined by a set of indicators identified by BC Innovation Council as important elements for a venture to progress.

* Data from 60 companies accounts for the 2016/17 actual score.

** For comparative purposes, the results for 2014/15 would be approximately 85 using the new criteria detailed in the Discussion section below.

Discussion

BC Innovation Council activities support job creation in B.C. It is essential that startup companies in BC Innovation Council-funded programs progress from early-stage ventures to larger mature companies with job opportunities. The BCIC Health Score reflects the level to which startup companies in BC Innovation Council-funded programs are on track to progress into companies that will experience job growth. The previous Health Score model has been updated to improve tangibility. The updated model better reflects a venture's progress relative to jobs, revenue, investments and skill development. Also, targets for 2016/17 and beyond are higher than initially designated in the 2015/16 – 2017/18 Service Plan because of this update. BC Innovation Council attempted to balance this in its [2017/18 – 2019/20 Service Plan](#) where a score of 89 was targeted for subsequent fiscal years.

Performance Measure 2.2: Participant evaluation of the effectiveness of BC Innovation Council's programs and services

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
The percentage of participants in BC Innovation Council-funded programs who confirm BC Innovation Council's programs have a high value impact in advancing their technology venture. ¹	88%	92%	94%	90%	94%*	90%	90%

Data Source: Progress reports from program partners.

¹ This measure is based on sample surveys where high impact value is defined as a value of 7 or more on a 10-point evaluation scale.

* 2016/17 data based on responses from 1,027 participants.

Discussion

BC Innovation Council aims to support programs that provide high value to technology entrepreneurs, equipping them with the knowledge and tools to advance their technologies. To address its ability to fulfill this goal, BC Innovation Council solicits the feedback of entrepreneurs within its programs. Confirmation from entrepreneurs that BC Innovation Council-funded programs enable their ventures to progress adds important perspective and enables assessment of how well a program is delivering on its aim. Reports from the participants in BC Innovation Council support programs and services help to shape, refine and improve offerings and position BC Innovation Council as an integral component to the growth and success of client companies. Performance targets are based on similar surveys delivered to entrepreneurs in previous fiscal years. BC Innovation Council aims to deliver high value to all ventures, with a target of 90% of ventures rating the service they receive as high value. BC Innovation Council has seen this score exceed the target slightly over this fiscal year, mostly due to positive feedback regarding the BCIC Innovator Skills Initiative and BC Tech Co-op Grants program. BC Innovation Council maintains that a 90% target represents a commendable satisfaction in funded programs.

Goal 3: Focusing Resources on Entrepreneurs who will Build their Companies in B.C.

BC Innovation Council invests in opportunities for startup companies who will build their companies in our province.

Strategies

- Work with program partners to focus program resources on entrepreneurs who can achieve early customer acquisition while maintaining base operations in B.C.

Performance Measure 3: Entrepreneurs who can build a successful venture based in B.C.

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
The percentage of participants in BC Innovation Council-funded programs who are assessed as being able to be successful in their venture without needing to leave B.C. to do so. ¹	99%	87%	93%	90%	95%*	93%	93%

Data Source: Progress reports from program partners.

¹ This measure is based on the experience and knowledge of Executives-in-Residence and mentors who evaluate the opportunities they are supporting.

* 2016/17 data based on responses from 352 participants.

Discussion

Entrepreneurs with early stage innovative concepts and business ventures are highly mobile. For many, it is tempting to move to new locations outside of B.C. to be near their key customers, suppliers or financiers. Of the three prime relationships, the most compelling is that with customers, who are the ultimate source of value in an entrepreneurial venture. BC Innovation Council assesses the likelihood that a venture will stay in B.C. to avoid committing taxpayer resources to ventures that may create jobs elsewhere.

As a result of quality programs, the vast majority (95% in 2016/17) of ventures supported by BC Innovation Council-funded programs are expected to be successful without needing to leave B.C. While these programs are highly effective in equipping the next cohort of entrepreneurs with drive and resources to stay in this province, it is conceivable that a small percentage of entrepreneurs will need to exit B.C. to be successful. Thus, a target of 90% was established. Though realistic, this target was exceeded in 2016/17 in line with the trend seen over the past two fiscal years. To balance this, a new, 93% target is reflected in [BC Innovation Council's 2017/18 – 2019/20 Service Plan](#).

Goal 4: Engaging B.C. Companies with Industry Opportunities and Targeted Growth Programs

Strategies

- Assist high potential companies to identify critical talent, capital and market opportunities to increase jobs and accelerate revenue growth.
- Match innovators with industry driven needs and opportunities in the Clean Technology and Natural Resource sectors, where B.C. has a competitive advantage.
- Provide high potential companies with tailored input and assistance as to how they can best prepare and position their companies to capitalize on growth and industry opportunities.
- Strategically assist B.C. companies across all sectors to increase their competitive advantage through adoption of innovative technology.

Performance Measure 4: BC Innovation Council supported companies that yielded improved company growth.

Performance Measure	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
The average score of participants engaged in BC Innovation Council-funded advanced access programming that received support, yielding improved company growth (via talent, capital, market) and industry opportunities. ¹	N/A	N/A	75	71.7	75	75

Data Source: Future progress reports from program partners.

¹ This measure is based on participant surveys and presents an average of the overall weighted score out of a possible 100 points.

Discussion

B.C. has had significant success in launching highly innovative startups; however, it is Canada's mid-sized businesses that have the greatest growth and impact on the economy. These growing and mid-sized companies hire more employees, pay larger wages and have the resources to invest and export. As such, BC Innovation Council's advanced access programming seeks to catapult high potential startups and established companies into this rapid growth phase.

To support these priorities, and to support the objectives of the #BCTECH Strategy, BC Innovation Council seeks to further the development of medium-sized firms in B.C. This is done by providing high potential companies with advanced access to growth (talent, capital, market) and industry opportunities with the aim of accelerating job growth and economic returns for the province. This new measure is designed to reveal the impact of programming targeted at companies more advanced in their life-cycle that have the potential for rapid growth.

2016/17 was the first year this performance measure was tracked via weighted survey response of companies in the RevUP program delivered to companies in this growth stage. Survey questioning was divided into scores for three areas: talent, capital and markets. Then, an average between those

three scores is calculated, resulting in a score out of 100. This averaged score is seen as 2016/17 Actual for this performance measure.

Capital and markets-based reporting showed that RevUP exceeded targets for this area, with scores of 88 and 77.1 respectively. Talent-based questioning reported scores of 50, which caused the whole of the 2016/17 score to drop below the target. BC Innovation Council has received feedback that survey questioning is not seamlessly aligned to the program's curriculum and that resulted in the peculiarly low score of the talent-based questions. BC Innovation Council is in the process of implementing this feedback into a survey that better reflects the program and, in accordance with this, updated the targets for this performance measure. It is also worth noting that the actual result of 2016/17 performance remains representative of a strong startup ecosystem.

Financial Report

Discussion of Results

Highlights

BCIC's core operations and activities are funded by the Province through the Ministry of Technology, Innovation and Citizens' Services. With these funds, BCIC will continue to leverage partnerships across the province to develop and deliver programs that meet its mandate. To deliver the best returns on investments, BCIC's partners are encouraged to leverage government funding to gain additional sources of revenue.

A summary of the BC Innovation Council's financial results is presented below.

Financial Resource Summary Table

SUMMARY OF FINANCIAL RESULTS AND BUDGET PROJECTIONS									
<i>(in thousands of dollars)</i>									
	2011/12	2012/13	2013/14	2014/15	2015/16		2016/17		
							BUDGET	YEAR	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE	VARIANCE
Revenues									
Province of British Columbia	9,650	6,150	6,090	8,090	8,090	8,860	8,090	770	770
Internal Program Funding (1)	0	171	2,372	5,154	3,727	3,408	2,654	754	(319)
NRAS Endowment	568	3	10	0	45	783	800	(17)	738
Interest and Other (2)	124	291	154	212	393	2,253	108	2,145	1,860
Total Revenues	10,342	6,615	8,626	13,456	12,255	15,304	11,652	3,652	3,049
Expenses									
Programs and Initiatives	7,430	4,956	6,840	11,619	9,894	11,752	8,292	3,460	1,858
NRAS Endowment	568	3	10	0	45	783	800	(17)	738
Salaries and Benefits	1,392	1,027	1,125	1,347	1,644	1,907	1,907	0	263
Rent	418	223	229	173	307	308	308	0	1
Amortization	48	41	34	38	67	77	77	0	10
Other operating costs (3)	485	364	387	278	271	462	268	194	191
Total Expenses	10,341	6,614	8,625	13,455	12,228	15,289	11,652	3,637	3,061
Annual Surplus	1	1	1	1	27	15	0	15	(12)
Funds Committed to Future Programs (4)	11,653	22,180	20,264	15,712	13,167	10,507	15,712	(5,205)	(2,660)
Capital Expenditures (5)	13	36	27	147	89	44	50	(6)	(45)
Total Debt	0	0	0	0	0	0	0	0	0

(1) Internal Program Funding is drawn from unrestricted assets and deferred program revenues. The amount for 2015/2016 and 2016/2017 is related to the asset gifted with restrictions from the Leading Edge Endowment Fund, the funding from the Ministry of Jobs and the Agriculture Science and Innovation funds.

(2) Interest and other includes proceeds from sale of investments.

(3) Other operating costs include professional services, travel and office expenses.

(4) The balance of Funds Committed to Future Programs includes unrestricted assets and deferred revenue balances. Year-to-year changes include Annual Surplus (Deficit), changes to tangible capital assets and deferred revenues as detailed in note 4 and note 6 of the audited financial statements.

(5) For 2016/2017, capital expenditures include the costs of computers and office equipment.

The above financial information, including forecast information, was prepared based on current Public Sector Accounting Standards.

Natural and Applied Science Endowment Fund

NATURAL AND APPLIED SCIENCES ENDOWMENT FUND									
<i>(in thousands of dollars)</i>									
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17			
							BUDGET	YEAR	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE	VARIANCE
NRAS Endowment Fund	50,000	50,000	50,000	50,000	50,000	50,000	50,000	0	0
Interest Accumulated, Begin of the year	76	502	1,461	2,426	3,360	4,365	4,365	-	1,005
Annual investment income	994	962	975	957	1,050	1,092	1,000	92	42
Awards and administration fees	(8)	(3)	(10)	(23)	(45)	(783)	(800)	17	(738)
Interest Accumulated, End of the year	502	1,461	2,426	3,360	4,365	4,674	4,565	109	309

In the 2005/06 fiscal year, BC Innovation Council was charged with stewarding \$50 million from the Province of British Columbia for the Natural Resources and Applied Sciences (NRAS) Research Endowment Fund. As an endowment, it is expected that the capital will be preserved and only the interest earnings will be spent on program activities. For 2016/17, a program was identified and the earnings were spent.

Assessment of Changes in Results and Reasons for Significant Variances and Trends

In 2016/17, BCIC received \$9.15 million from the province, \$6.09 million as core funding per the original budget and \$3.06 million to go towards specific commercialization initiatives.

Annual total funding is expected to return to \$6.09 million for 2017/18.

Overall, BCIC committed \$11,752 million of provincial funding, university endowment funding and other funding to support programs and initiatives that drive commercialization, research and the development of entrepreneurial skills compared to \$9.89 million in the prior year. In 2016/17, BCIC funded \$2.65 million from deferred program revenues to the Innovator Skills Initiative and BC Tech Co-op Grants Program for small companies, compared to \$3.15 million in the previous year.

In 2016/17, BCIC continued to enhance technology integration across all industry sectors. Salaries and benefits were also higher in 2016/17 to cover the additional expense of two maternity leaves and new hires.

Major Risks and Uncertainties that Affected Financial Performance

BCIC's operations are primarily funded by annual funding from the Province and any changes to the level of annual provincial funding will have significant impact on BCIC's operations. Strategies to mitigate this risk include ongoing communications with BCIC's existing and potential funding sources, in order to build awareness of the level of support required. BCIC also measures the impact of program and service delivery to demonstrate the effectiveness of the programs. In addition, BCIC leverages existing programs, stakeholders and its province-wide ecosystem to yield best results while optimizing on capital efficiencies. Lastly, BCIC explores the development and implementation of programs and initiatives that are either self-supporting or leveraged with other revenue generating sources.



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Minister of Technology, Innovation and Citizens' Services of British Columbia

We have audited the accompanying financial statements of British Columbia Innovation Council, which comprise the statement of financial position as at March 31, 2017, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the British Columbia Innovation Council as at March 31, 2017 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

May 18, 2017
Burnaby, Canada

Financial Statements of

**BRITISH COLUMBIA
INNOVATION COUNCIL**

Year ended March 31, 2017

BRITISH COLUMBIA INNOVATION COUNCIL

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Financial Assets		
Cash and cash equivalents:		
Unrestricted	\$ 1,713,031	\$ 357,194
Restricted - deferred programs (note 6)	1,168,351	10,512
Restricted - NRAS endowment (note 7)	957,954	28
	<u>3,839,336</u>	<u>367,734</u>
Investments:		
Unrestricted (note 3)	6,031,147	5,845,995
Restricted - deferred programs (notes 3 and 6)	3,051,237	6,915,620
Restricted - NRAS endowment (notes 3 and 7)	3,716,246	4,365,236
	<u>12,798,630</u>	<u>17,126,851</u>
Accounts receivable	95,568	81,762
	<u>16,733,534</u>	<u>17,576,347</u>
Liabilities		
Accounts payable and accrued liabilities	1,620,456	115,340
Deferred program revenues (note 6)	4,219,588	6,926,132
Deferred revenue from NRAS endowment (note 7)	4,674,200	4,365,264
	<u>10,514,244</u>	<u>11,406,736</u>
Net Financial Assets	6,219,290	6,169,611
Non-Financial Assets		
Restricted - NRAS endowment:		
Investments (notes 3 and 7)	50,000,000	50,000,000
Tangible capital assets (note 4)	208,286	239,155
Prepaid expenses	66,890	70,789
	<u>50,275,176</u>	<u>50,309,944</u>
Accumulated surplus (note 5)	<u>\$ 56,494,466</u>	<u>\$ 56,479,555</u>

Commitments (note 8)

Contractual obligations (note 9)

Employee future benefits (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

BRITISH COLUMBIA INNOVATION COUNCIL

Statement of Operations and Accumulated Surplus

Year ended March 31, 2017, with comparative information for 2016

	Budget 2017	2017	2016
	(Note 2(e))		
Revenue:			
Grants from the Province of British Columbia (note 11)	\$ 8,090,000	\$ 8,860,000	\$ 8,090,000
Program revenue (note 6)	2,654,400	3,407,623	3,727,481
Other	-	2,103,494	259,321
Interest	108,000	149,308	133,880
NRAS endowment (note 7)	800,000	783,497	44,621
	11,652,400	15,303,922	12,255,303
Expenses (note 12):			
Program expenses and disbursements:			
Academic	2,535,000	2,600,000	2,517,160
Commercialization	5,813,400	9,069,370	7,289,684
NRAS endowment (note 7)	800,000	783,497	44,621
Premier's Technology Council	425,000	460,574	263,228
Technology Awareness	280,000	246,626	478,977
General administration	1,799,000	2,128,944	1,634,871
	11,652,400	15,289,011	12,228,541
Annual surplus	-	14,911	26,762
Accumulated surplus, beginning of year	56,479,555	56,479,555	56,452,793
Accumulated surplus, end of year	\$ 56,479,555	\$ 56,494,466	\$ 56,479,555

See accompanying notes to financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL

Statement of Changes in Net Financial Assets

Year ended March 31, 2017, with comparative information for 2016

	Budget 2017 (Note 2(e))	2017	2016
Annual surplus	\$ -	\$ 14,911	\$ 26,762
Acquisition of tangible capital assets	(50,000)	(48,072)	(89,401)
Amortization of tangible capital assets	63,000	76,621	67,452
Disposition of tangible capital assets	-	3,953	-
Accumulated amortization of disposition	-	(1,633)	-
	13,000	45,780	4,813
Acquisition of prepaid expenses	-	(69,958)	(111,782)
Use of prepaid expenses	-	73,857	91,190
	-	3,899	(20,592)
Change in net financial assets	13,000	49,679	(15,779)
Net financial assets, beginning of year	6,169,611	6,169,611	6,185,390
Net financial assets, end of year	\$ 6,182,611	\$ 6,219,290	\$ 6,169,611

See accompanying notes to financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating:		
Annual surplus	\$ 14,911	\$ 26,762
Items not involving cash:		
Amortization of tangible capital assets	76,621	67,452
Changes in non-cash operating working capital:		
Accounts receivable	(13,806)	(35,634)
Prepaid expenses	3,899	(20,592)
Accounts payable and accrued liabilities	1,505,116	10,624
Deferred program revenues	(2,706,544)	(2,549,392)
	(1,119,803)	(2,500,780)
Capital:		
Purchase of tangible capital assets	(48,072)	(89,401)
Proceeds on disposal of tangible capital assets	2,320	-
	(45,752)	(89,401)
Investments:		
Purchase of investments	(9,026,600)	(15,462,513)
Proceeds on maturity of investments	13,354,821	17,321,798
Increase in deferred revenue from NRAS endowment	308,936	1,005,641
	4,637,157	2,864,926
Increase in cash and cash equivalents	3,471,602	274,745
Cash and cash equivalents, beginning of year	367,734	92,989
Cash and cash equivalents, end of year	\$ 3,839,336	\$ 367,734

See accompanying notes to financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements

Year ended March 31, 2017, with comparative information for 2016

1. Authority and purpose:

British Columbia Innovation 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").

The Council is governed by a Board of Directors, appointed by the provincial government of British Columbia (the "Province"). The Council 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 the Council have certain immunities in the exercise of their duties carried out in their connection with the Council.

The Council's mandate is to advance commercialization in British Columbia through focused support to startup companies and facilitation of partnerships between industry and academia.

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 a nominal market value.

(d) Revenue recognition:

Unrestricted contributions and government grants 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.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(d) Revenue recognition (continued):

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 statements are based on the 2017 operating budget approved by the Board of Directors on January 14, 2016.

(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.

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

(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.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(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. No write-downs were determined to be necessary during the current year.

(j) Prepaid expenses:

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

(k) Employee future benefits:

The Council accrues employee vacation entitlements. These accruals are included in accounts payable and accrued liabilities. The Council is a member of the Public Service multi-employer pension plan (note 10). 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.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2017

3. Investments:

Restricted and unrestricted investments consist of term deposits and guaranteed investment certificates with maturity dates ranging from May 2017 to June 2021, bearing interest at rates ranging from 0.95% to 2.25%.

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, 2017, the Council has assessed these shares of privately-held corporations to have nominal market value. As such, these investments are recorded at a nominal value of \$1 each for each company shareholding. The estimated market value of the long-term investments as at March 31, 2017 is \$6 (2016 - \$7).

During the year, the Council received proceeds from the sale of an investment in the amount of \$1,754,955 which is included in Other in the Statement of Operations and Accumulated Surplus. In the sales agreement is a provision to hold back of 10% of the proceeds which was placed into escrow. The escrow funds of approximately \$190,000 will be released at 50% on the first anniversary date of closing and the balance on the 18-month anniversary of closing. The escrow amount of \$190,000 is not reflected in the financial statements.

4. Tangible capital assets:

Cost	Balance, March 31, 2016	Additions	Disposals	Balance, March 31, 2017
Furniture, fixtures and equipment	\$ 207,459	\$ 2,956	\$ -	\$ 210,415
Computer hardware and software	531,073	45,116	3,953	572,236
Leasehold improvements	120,569	-	-	120,569
	\$ 859,101	\$ 48,072	\$ 3,953	\$ 903,220

Accumulated Amortization	Balance, March 31, 2016	Amortization	Accumulated amortization of disposals	Balance, March 31, 2017
Furniture, fixtures and equipment	\$ 143,980	\$ 12,399	\$ -	\$ 156,379
Computer hardware and software	428,996	45,023	1,633	472,386
Leasehold improvements	46,970	19,199	-	66,169
	\$ 619,946	\$ 76,621	\$ 1,633	\$ 694,934

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Tangible capital assets (continued):

	Net book value March 31, 2016	Net book value March 31, 2017
Furniture, fixtures and equipment	\$ 63,479	\$ 54,036
Computer hardware and software	102,077	99,850
Leasehold improvements	73,599	54,400
	\$ 239,155	\$ 208,286

There were no write-downs or reversals of write-downs previously recorded on any tangible capital assets.

5. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2017	2016
Invested in tangible capital assets	\$ 208,286	\$ 239,155
NRAS Endowment	50,000,000	50,000,000
Unrestricted	6,286,180	6,240,400
	\$ 56,494,466	\$ 56,479,555

6. Deferred program revenues:

	Balance March 31, 2016	Funds received	Funds expended	Balance March 31, 2017
Agriculture Science and Innovation	\$ 2,099,615	\$ -	\$ (456,000)	\$ 1,643,615
Agriculture Science (Challenge Event)	-	137,958	(119,601)	18,357
Aquaculture & Environment Research	376,024	-	-	376,024
Regional Innovation Scholarship	-	285,000	(181,255)	103,745
Industrial Innovation Scholarship	102,750	-	-	102,750
LEEF Student Program	3,227,382	22,096	(2,650,767)	598,711
	5,805,771	445,054	(3,407,623)	2,843,202
BC Tech Summit (a)	1,120,361	2,735,946	(2,479,921)	1,376,386
Total	\$ 6,926,132	\$ 3,181,000	\$ (5,887,544)	\$ 4,219,588

(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.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2017

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

In fiscal year 2005/2006, the Council 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. Restricted cash and investments of \$54,674,200 are comprised of the permanently restricted endowment balance of \$50,000,000 and unspent interest earnings of \$4,674,200. During the year, the Council awarded Ignite Awards of \$616,737 (2016 - nil) to research projects in natural resources and applied sciences.

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

	2017	2016
Accumulated interest, beginning of year	\$ 4,365,264	\$ 3,359,623
Interest earned net of fees	1,092,433	1,050,262
Awards and administration fees	(783,497)	(44,621)
Accumulated interest, end of year	\$ 4,674,200	\$ 4,365,264

8. Commitments:

The Council 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:

2018	\$ 310,601
2019	316,259
2020	263,946
	\$ 890,806

9. Contractual obligations:

The Council has entered into a number of project grant contracts as at March 31, 2016 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 conditions included in the contract being satisfied. As such, no liability has been accrued in the financial statements as the Council is not liable for payments until these conditions have been met.

The contractual obligations of the Council as at March 31, 2017 are \$2,859,638 (2016 - \$3,667,800).

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2017

10. Employee future benefits:

The Council 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, the Council accounts for its payments on the basis of a defined contribution plan. The plan covers approximately 53,622 active employees.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan 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, 2014, indicated a funding surplus of \$194,000,000 for basic pension benefits on a going concern basis. The next valuation will be as at March 31, 2017, with results available in early 2018.

During the year, the Council paid and expensed \$131,677 (2016 - \$111,356) for contributions to the Plan.

11. Related parties:

The Council 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.

The Council received \$9,145,000 (2016 - \$8,090,000) in provincial funding from the Ministry of Technology, Innovation and Citizens' Services.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2017

12. Expenses by object:

The following is a summary of expenses by object:

	2017	2016
Expenses:		
Program expenses and disbursements	\$ 12,535,306	\$ 9,893,905
Salaries and benefits	1,907,333	1,644,453
Rent	308,271	306,702
Contracted services	128,509	61,586
Office expenses	149,531	133,619
Other costs	183,440	120,824
	15,212,390	12,161,089
Amortization	76,621	67,452
Total expense	\$ 15,289,011	\$ 12,228,541

Appendix A - Additional and Contact Information

Organizational Overview

Enabling Legislation

The BC Innovation Council is a provincial Crown Corporation, operating under the [British Columbia Innovation Council Act](#) (Amended in Bill 15 – 2006).

Mandate

The provincial Government has provided the following mandate direction to BC Innovation Council under the [British Columbia Innovation Council Act](#):

- To advance commercialization of technology in British Columbia through focused support to startup companies and facilitation of partnerships between industry and academia;
- To work with willing partners in industry, academia, Government and associations that support entrepreneurship and the development of entrepreneurial talent.

Vision

A strong and rapidly growing innovation economy, creating rewarding careers for British Columbians.

Mission

To strengthen British Columbia's economy by accelerating the growth of B.C. ventures through the support of entrepreneurs and technology companies.

Corporate Governance

Role and Membership of the Board

The Lieutenant Governor, through Order-in-Council, appoints the members of BC Innovation Council's board and delegates the role of the chair. The board chair reports to the British Columbia Legislative Assembly through the Minister of Technology, Innovation and Citizens' Services. The board of directors has five members:

- Derek Lew, Chair
- Lorraine Larkin
- Larkin MacKenzie-Ast
- Andrew Chan
- Salil Munjal

Senior Management

- Carl Anderson, President & CEO
- Jennie Choboter, Chief Financial Officer
- Sandra Wear, Managing Director, Marketing and Communications

Contact Information

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Appendix B - Crown Corporations Mandate and Actions Summary

In the 2016/17 Mandate Letter from the minister responsible, the BC Innovation Council received direction on strategic priorities for the 2016/17 fiscal year. These priorities and the Crown corporation's resulting actions are summarized below:

Mandate Letter Direction	Crown Corporation's Action
1. a) Adhere to the Board Resourcing and Development Office policies and best practices.	BC Innovation Council continued to ensure consistency with the Board Resourcing and Development Office policies and best practices.
b) Refine and implement outcome-based metrics including measures of job creation and investment.	Measures used by BC Innovation Council in 2016/17 continue to evaluate aspects of participating companies' ability to progress toward job creation and investment. In addition, in 2015/16, BC Innovation Council contracted a research firm to conduct a survey of participants in six BC Innovation Council-funded programs, resulting in an Impact Assessment Report that continued to guide its work in this fiscal year. In addition, BC Innovation Council conducted internal assessments of the metrics to ensure the most accurate reporting.
c) Build and maintain partnerships and diversify programming in order to strengthen entrepreneurship development in the B.C. Jobs Plan's priority sectors and to support regional expansion.	<ul style="list-style-type: none"> • BC Innovation Council hosted a seven-city tour known as the Regional Innovation Opportunities Tour. These events were a platform for industry, government, and regional stakeholders to communicate and discuss their innovation challenges with B.C. researchers, companies and entrepreneurs. Presenting companies included, but were not limited to, IBM, Ministry of Agriculture, BCStats and FortisBC. • The BC Acceleration Network was maintained by 14 delivery partners in 2016/17. • BC Innovation Council continued to provide two experiential learning programs, the Innovator Skills Initiative and the BC Tech Co-op Grants Program. Over the two years (2015/16-2016/17) of delivery, these programs awarded just under 1000 grants to organizations hiring students. • In 2016/17, BC innovation Council hosted the first and second-ever BCIC Ignite

	Awards. These celebrated the awarding of funding to accelerate commercialization of new technologies and innovations in the natural resources and applied sciences in B.C.
2. Support the Government in the implementation of the #BCTECH Strategy as required.	<p>BC Innovation Council activities are aligned with the actions outlined in the #BCTECH Strategy. Specifically, BC Innovation Council:</p> <ul style="list-style-type: none"> • Provided commercialization and entrepreneurship support through BC Innovation Council's Venture Acceleration Program. • Facilitated the expansion and ongoing development of regional innovation networks, including the BC Acceleration Network. • Focused on offering opportunities for students to gain hands-on experience in a startup environment. • Increased focus on driving commercialization of technologies that will support priority industries in which B.C. has a competitive advantage.
3. Meet with Government quarterly to develop and implement initiatives that directly support and accelerate commercialization in British Columbia and ensure BC Innovation Council programs are aligned with the #BCTECH Strategy.	BC Innovation Council's CEO meets with Government quarterly to develop and implement initiatives.

Appendix C - Strategic Engagement Plan

[Click hyperlink to see Strategic Engagement Plan.](#)