

Innovate BC

**2020/21
Annual Service Plan Report**



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Board Chair's Accountability Statement



The *Innovate BC 2020/21 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2020/21 – 2022/23 Service Plan* created in February 2020. The Board is accountable for those results as reported.

A handwritten signature in black ink that reads "Andrew Petter". The signature is written in a cursive, flowing style.

Andrew Petter
Board Chair
July 22, 2021

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Letter from the Board Chair & CEO

Innovate BC continued to serve B.C.'s tech sector in meaningful ways in 2020/21, guided by the Mandate Letter issued by the Minister of Jobs, Economic Recovery and Innovation. Innovate BC adhered to Crown Agencies and Board Resourcing Office policies and best practices, and utilized outcome-based metrics, including measures of job creation and investment. The Innovate BC team builds and maintains an extensive range of partnerships and continues to diversify programming to strengthen entrepreneurship development and support regional initiatives.

The Mandate Letter outlines actions to enable Innovate BC and the Ministry to work more effectively together and to ensure accountability for outcomes and measurements identified by the Minister responsible. The two entities 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 Innovate BC.

Innovate BC's actions are aligned with its mandate and with Government's key commitment to building a strong, sustainable economy that works for everyone. Additionally, Innovate BC's actions help to both build and support the services that people count on in B.C., creating high-paying jobs and opportunities for all British Columbians to benefit from a strong, forward-looking economy.

Through initiatives like the BC Acceleration Network (BCAN), Venture Acceleration Program, Digital Economy: Rapid Response + Resiliency Program and Tech Resiliency Program, Innovate BC reached companies across all regions of the Province. Programs such as Ignite and the BC Fast Program supported research and pilot commercialization and the Tech Co-op Grants Program, Innovator Skills Initiative, and Digital Skills for Youth Program supported talent development, all of which directly contributed to building a strong innovation economy.

In 2020/21, Innovate BC continued quarterly assessments of performance and finances. Innovate BC's CEO met with Government regularly to implement initiatives that directly supported and accelerated commercialization in the province and ensured that Innovate BC's programs align with Government priorities.

Andrew Petter



Board Chair, Innovate BC
July 22, 2021

Raghwa Gopal



President & CEO, Innovate BC
July 22, 2021

Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the [Budget Transparency and Accountability Act](#) (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

Purpose of the Organization

Innovate BC is a Crown agency under the [Innovate BC Act](#).

Innovate BC has a mandate to help companies to start, scale and stay in B.C., and ensure that the benefits of technology and innovation are felt in all regions of our Province. Innovate BC funds and delivers programs that support the growth of B.C. companies by helping them access and develop talent, secure capital and connect with customers. Innovate BC plays a unique role in the B.C. ecosystem due to its truly province-wide reach, with program delivery partners that provide services accessible to companies in every region across B.C.

Innovate BC's responsibilities are to:

- Deliver programs to help technology start-ups grow and create jobs in B.C.;
- Offer a spectrum of business development and partnership opportunities responsive to industry needs;
- Support B.C. entrepreneurs and companies at all stages of growth, offering tools, resources and expert guidance;
- Build the capacity of B.C. companies to access global markets and attract new investment;
- Curate and facilitate strong relationships between industry and B.C. public post-secondary institutions;
- Provide policy and program advice to Government to foster innovation and commercialization of B.C. technologies; and
- Work with regional partners to ensure the benefits of technology and innovation are felt around the province.

Innovate BC is a primary point of contact for entrepreneurs and businesses across B.C., providing them with the tools and resources they need to benefit from the opportunities of the emerging economy.

Strategic Direction

The strategic direction set by Government in 2017, and expanded upon in the Board Chair's [2020 Mandate Letter](#) from the Minister Responsible, shaped the goals, objectives, performance measures and financial plan outlined in the [2020/21 Innovate BC Service Plan](#) and actual results reported on in this annual report.

The global COVID-19 pandemic resulted in many shifts in priorities, structures and operations across the public sector. Any changes to Innovate BC goals, objectives, performance measures or financial plan to align with the strategic direction established by Government in late 2020 are presented in the 2021/22 Service Plan.

Operating Environment

British Columbia's economy declined in 2020, as the negative impacts from the COVID-19 pandemic pushed economies all over the world into deep recessions. B.C.'s real GDP contraction of 3.8 per cent was the fourth smallest among provinces (behind Prince Edward Island, Nova Scotia, and New Brunswick). The decline in B.C.'s real GDP was almost entirely driven by service-producing industries, while goods-producing industries had modest declines. Output in the arts, entertainment and recreation, accommodation and food services and transportation were some of the main drivers of the decrease in the service sector. In B.C.'s goods producing sector declines in manufacturing and natural resources were partially offset by increases in the construction sector. Employment in B.C. decreased by 6.6 per cent in 2020. However, wages and salaries remained relatively stable compared to 2019 as low-wage workers accounted for the majority of job losses. Retail trade increased by 1.3 per cent in 2020, while consumer prices increased by 0.8 per cent. Residential construction activity slowed but remained relatively strong, with housing starts declining in 2020 after experiencing all-time highs in 2019. In contrast, after declining for three consecutive years home sales reached record levels in late 2020. On the external front, global international trade experienced significant disruptions as the pandemic unfolded. B.C.'s international merchandise exports contracted in 2020 reflecting a combination of weaker global demand and lower commodity prices.

Innovate BC operates with support from its primary funder, the Ministry of Jobs, Economic Recovery and Innovation. B.C.'s innovation economy is a long-term opportunity and requires partners at all levels of government, institutions and the private sector to remain committed.

In 2020, Innovate BC adapted its programming to provide support for B.C. businesses directly in response to the pandemic. Innovate BC launched three new programs: the Digital Economy: Rapid Response + Resiliency Program (DER3), the Tech Resiliency Program (TRP), and the Mitacs Innovate BC program. These programs aimed to provide business coaching and/or funding to local businesses in need of additional support due to the pandemic. Furthermore, two of Innovate BC's existing programs – Ignite and BC Fast Pilot – pivoted to favour projects offering solutions to challenges brought on by COVID-19.

A skilled labour force is required to meet the growing need for technology-related jobs, within the tech sector as well as in other sectors. In 2020/21, Innovate BC administered programs and services to help support this need, including the BC Tech Co-op Grant and Innovator Skills Initiative programs which provided students with opportunities to gain work experience and develop their technology or entrepreneurial skills. In addition, Innovate BC launched a new program in 2020, the Digital Skills for Youth program, which provided funding and skills training for companies who hire underemployed youth aged 15 to 30. This hands-on training

focused on supporting underrepresented groups, and helped youth gain the skills that our province needs.

Another significant challenge for small and mid-sized technology companies is access to capital. To address this, Innovate BC delivers several programs, including the Ignite program which provides up to \$300,000 to B.C.-based technology companies to fund their innovation projects in the natural resources and applied sciences. In partnership with the federal Industrial Research Assistance Program (IRAP), Innovate BC administered the BC Fast Pilot program, which provided funding for B.C.-based small- and medium-sized enterprises (SMEs) to design, build and operate a pilot plant or small demonstration site for their technology in real-world conditions. This allowed companies to demonstrate the impact of their product, measure the value of their solution and encourage customer adoption.

Innovate BC supported the Province's larger economic vision by exposing small and mid-sized technology companies to local and international investors. It also assisted B.C. companies with accessing federal funding programs and partnered with the federal government and other funding agencies to leverage program funding for B.C. companies.

In 2020/21, Innovate BC successfully pivoted from organizing in-person events and meetings to staging and supporting connections in the virtual environment.

Report on Performance: Goals, Objectives, Measures and Targets

The goals, objectives and strategies outlined in this plan are in alignment with Government's strategic priorities. To ensure continued alignment in 2020/21, Innovate BC met quarterly with Government to discuss performance, finances and the implementation of initiatives that directly support and accelerate commercialization in the province.

Goal 1: Encourage the Development and Application of Advanced or Innovative Technology to Meet the Needs of Industry and Support Provincial Priority Areas

Objective 1: Facilitate the Commercialization of Innovative Technology

Commercialization is an entrepreneurial activity that takes a technology or intellectual property, creates a business around it, and introduces the new product or service to the market.

Innovate BC's objective of facilitating the commercialization of innovative technology is supported by a range of strategies, including its network of acceleration programs, outreach to industry to understand market challenges, matching innovators with industry-driven needs and opportunities and funding commercializable research projects.

Key Highlights

- Delivered Innovate BC Ignite, which provides funding to accelerate commercialization of new technologies and innovations in the natural resources and applied sciences.
- Continued the BC Fast Pilot program, which provides funding to companies to design, build and operate pilot plants and small demonstrations of their technology with goal of driving customer adoption.
- Matched innovators with industry-driven needs and opportunities, with a focus on areas where B.C. has a competitive advantage.
- Provided market validation training and other support to early-stage companies to commercialize concepts through the BC Venture Acceleration Program, which is delivered by the BC Acceleration Network and Executives-in-Residence (EIRs) throughout the province.
- Provided business coaching and mentorship to non-tech B.C. businesses struggling to adapt to changes brought on by COVID-19 through the Digital Economy: Rapid Response and Resiliency Program and the Tech Resiliency Program.
- Strategically assisted B.C. companies across all sectors to increase their competitive advantage through the adoption of innovative technology.

Performance Measure	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
1.1a The percentage of Innovate BC-funded companies who have made progress towards commercialization. ¹	62	86	97	86	86

¹Data Source: Progress reports from program partners. This measure is based on participant surveys and presents the percentage of companies that have reported having majority or all milestones on track or completed in their plan towards commercialization.

Discussion of Results

Innovate BC delivers programs and initiatives that help innovative technologies reach the market (commercialization). The Innovate BC Ignite and BC Fast Pilot programs consider the viability of an innovation or technology to commercialize within a defined time period. These programs then provide direct support to selected innovations on their path towards commercialization and track progress through reports. Program participants reporting on their positive progress towards commercialization as a result of Innovate BC support, indicates that the programs are having the desired impact: facilitating and accelerating the commercialization of promising innovations.

This was a new measure for Innovate BC in 2020/21. Targets selected for this new measure were based on benchmarks and data from previous years of Innovate BC operations, notably Ignite awardee progress reports. Innovate BC exceeded the target for this measure in 2020/21, despite a challenging year due to the COVID-19 pandemic. The awardees in these Innovate BC programs were able to make significant progress towards the commercialization of their innovations to solve known industry needs and benefit industry in B.C. and the global market.

Goal 2: Strengthen Entrepreneurship and Talent Development in B.C.

Objective 2.1: Develop and Enhance Entrepreneurial and Technology Skills and Expertise

Innovate BC works with its program partners, including accelerators and post-secondary institutions, to train entrepreneurs and students (future leaders in business and technology) in B.C. to become successful. By training entrepreneurs and developing their skills, companies are more likely to succeed and grow, creating well-paying jobs in B.C. and strengthening our local economy. By training students to work at technology companies and become future entrepreneurs, Innovate BC’s programs help to develop talent that will support the growth and success of B.C. companies now and in the future.

Key Highlights

- Funded and supported post-secondary programs to develop entrepreneurial and technology talent including the BC Tech Co-op Grant Program, Innovator Skills Initiative and Digital Skills for Youth Program.
- Promoted mentorship and training through Innovate BC’s network of Executives-in-Residence (EIRs) and accelerators (BC Acceleration Network).

- Offered programming in physical locations across the province, as well as virtually in more remote areas where there is no local venture accelerator.
- Sponsored and promoted conferences, competitions and events that provide valuable education and networking opportunities including the Innovate BC-New Ventures BC Competition.
- Funded province-wide training to develop senior leadership, focused on essential competencies for driving scale in business, including human resources, investor readiness and intellectual property.

Performance Measures	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
2.1a The percentage of participants in Innovate BC funded accelerator or incubator programs who report that programs have a high value impact in advancing their entrepreneurial skills. ¹	90	87	69	87	87
2.1b The percentage of students previously employed by a company through an Innovate BC talent development program that were subsequently hired by the same company. ²	50 ³	50	76	50	50

¹ Data Source: Participant responses from the Venture Acceleration Program and ScaleUpBC Program.

² Data Source: Participant responses from the Digital Skills for Youth Program.

³ Forecast, data on actuals not available as this was a new measure.

Discussion of Results

These were new measures for Innovate BC in 2020/21.

Innovate BC was below target for measure 2.1a. This measure provides confirmation from entrepreneurs and businesses that Innovate BC-funded programs provided them with entrepreneurial skills and expertise to advance their businesses. However, the target was set prior to the COVID-19 pandemic based on data collected in previous years. Given the challenges experienced by companies during the pandemic, their focus was less on entrepreneurial skill development, and instead more on organizational survival, and where possible on market retention and growth. As a result, this target was not met.

Innovate BC exceeded the target for measure 2.1b. This measure was calculated using participant responses from the Digital Skills for Youth Program. Talent acquisition is an important component to a company’s success. The Digital Skills for Youth Program supported companies to hire and train youth in technology and digital economy related roles, and it is clear this program provides critical and valuable talent skills for companies. As a result, many opted to retain employees following the program placement to help further their company’s growth.

Goal 3: Increase Company Growth and Expansion

Objective 3.1: Deliver Programs and Services that Help Companies Increase Revenue, Jobs and Investment

Innovate BC and its partners deliver programs that help entrepreneurs start companies, connect with experts and validate their markets. In addition, Innovate BC provides high-potential companies with enhanced support, including mentorship workshops, and connections to capital and new market opportunities. Through programs that encourage company growth and expansion, Innovate BC aims to drive sustainable company growth, while ensuring the benefits of this growth are felt in all regions of the province.

Key Highlights

- Offered programming in physical accelerator locations across the province as well as virtually for those in more remote areas or areas where an accelerator is not physically present.
- Worked with partners to focus program resources on entrepreneurs who can achieve early customer acquisition while maintaining base operations in B.C.
- Provided regional support in the form of curated solutions and matching innovators to potential buyers for early validation and a roadmap to global markets.

Performance Measures	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
3.1a The percentage of participants in Innovate BC-funded programs who report that Innovate BC’s programs have a high value impact in advancing their technology company. ¹	100	87	87	87	87
3.1b The percentage of companies that took part in Innovate BC programs that generated incremental revenue, jobs and/or investment. ²	75 ³	75	61	75	75

¹ Data Source: Participant responses from the Venture Acceleration Program, ScaleUpBC, New Ventures BC Competition, BC Fast Pilot Program, Ignite Program, Innovator Skills Initiative, Tech Co-op Grants Program, and Digital Skills for Youth Program.

² Data Source: Participant responses from the Venture Acceleration Program, Tech Resiliency Program, ScaleUpBC Program, BC Fast Pilot Program, and Ignite Program.

³ Forecast, data on actuals not available as this was a new measure.

Discussion of Results

Innovate BC achieved the target for measure 3.1a. The goal is to support programs that provide a high value to technology entrepreneurs, equipping them with the knowledge and tools to advance their technology ventures. Validation of Innovate BC’s programs at this high percentile suggests significant value and effectiveness. These results enable Innovate BC to assess how well it is

delivering on its mission to provide unique programs and services that accelerate B.C. companies.

Innovate BC is below target for measure 3.1b. As a new measure, Innovate BC had no prior data that could be used to inform target projections and the targets were set in advance of the COVID-19 pandemic. A reported increase in revenue, jobs and investment at a company participating in an Innovate BC program indicates that the program is having its desired impact of increasing company growth and/or expansion. However, given the challenges experienced by companies during the pandemic, their focus was on organizational survival, and where possible on market retention and growth. As a result, this target was not met.

Goal 4: Support Government in the Implementation of Strategic Initiatives that Strengthen B.C.’s Position as a Preferred Location for New and Emerging Technologies

Objective 4.1: Support Entrepreneurs to be Successful in Building Their Companies in B.C.

Innovate BC invests in programs for entrepreneurs who will build their companies in our province so that the benefits resulting from company growth (job creation, economic growth, first access to innovation) are felt by British Columbians. Innovate BC also focuses on programs that support companies in later stages to help keep talent and jobs in B.C.

Key Highlights

- Worked with partners to focus program resources on entrepreneurs who can achieve early customer acquisition while maintaining base operations in B.C.
- Provided regional support in the form of curated solutions and match-making innovators to potential buyers for early validation and a roadmap to global markets.
- Worked with government to encourage the purchase of innovative technology products that allow for more efficient delivery of government services.

Performance Measure	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
4.1a The percentage of participants in Innovate BC-funded programs who reported being able to be successful in their venture without needing to leave B.C. to do so. ¹	100	95	95	95	95

¹ Data source: Participant responses from the Venture Acceleration, ScaleUpBC Program, and New Ventures BC Competition.

Discussion of Results

Innovate BC met its target for this measure in 2020/21. 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. Innovate BC encourages companies to grow and stay in B.C. in order to avoid committing taxpayer resources to ventures that may create jobs elsewhere.

As a result of quality programs, the vast majority of ventures supported by Innovate BC-funded programs have demonstrated they can 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.

Financial Report

For the auditor's report and audited financial statements, see [Appendix B](#). These can also be found on the Innovate BC [website](#).

Discussion of Results

Innovate BC's core operations and activities are funded by the Province of B.C. through the Ministry of Jobs, Economic Recovery and Innovation. With these funds, Innovate BC will continue to leverage partnerships across the province to develop and deliver programs that meet its mandate. To deliver the best returns on investments, Innovate BC's partners are encouraged to leverage other funding sources, public and private, to gain additional sources of revenue.

A summary of Innovate BC's financial results is presented on the following page. This financial information was prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Financial Summary

(\$000)	2019/20 Actual	2020/21 Budget	2020/21 Actual	2020/21 Variance
Revenue				
By Major Sources				
Province of British Columbia	6,090	6,090	6,090	-
Federal Government	-	-	6,803	6,803
Internal Program Funding	616	982	1,102	120
NRAS Endowment	1,051	1,823	1,767	(56)
Interest and Other	744	1,986	472	(1,514)
Total Revenue	8,501	10,881	16,234	5,353
Expenses				
By Program Area or Function				
Programs and Initiatives	4,395	5,438	11,924	6,486
NRAS Endowment	970	1,823	1,646	(177)
Salaries and Benefits	2,141	2,440	2,000	(440)
Rent	333	347	349	2
Amortization	42	45	43	(2)
Operational & Administrative Expenses	600	788	254	(534)
Total Expenses	8,481	10,881	16,216	5,335
Annual Surplus (Deficit)	20	-	18	18
Total [Liabilities/Debt]	8,095	11,182	7,056	(4,126)
Capital Expenditures	114	80	37	(43)
Accumulated Surplus	57,079	57,058	57,097	39

Note 1: The above financial information was prepared based on current Canadian Public Sector Accounting Standards.

Note 2: Consistent with Public Sector Accounting Standards (PSAS) and section 23.1 of *the Budget Transparency and Accountability Act* of the Province of British Columbia, when expenses support a range of service delivery activities, they are allocated to those service activities.

Note 3: For a breakdown of the NRAS Endowment, see Audited Financial Statements — Note 7, Natural Resources and Applied Science Research Endowment.

Note 4: For a detailed breakdown of Expenses, see Audited Financial Statements — Note 13, Expenses by Object.

Note 5: 2020/21 Budget figures are based on Innovate BC's 2020/21-2022/23 Service Plan.

Variance and Trend Analysis

Revenues increased by \$5.4 million from budgeted in 2020/21. Innovate BC received \$6.8 million from the federal government for the following: \$3.9 million for the Digital Skills for Youth (DS4Y) program funded by Innovation, Science and Economic Development Canada, and \$2.9 million for the BC Technology Sector Resiliency program funded by Western Economic Diversification Canada. Interest and Other was \$1.5 million lower than budgeted in 2020/21 largely because the #BCTECHSummit 2020 was cancelled due to COVID-19.

Total expenses were \$5.3 million higher than budgeted mainly due to payments to the DS4Y and BC Technology Sector Resiliency programs. Salaries and benefits were lower due to position vacancies. Operational and Administrative costs decreased significantly due to the impact of COVID-19, including work from home arrangements and cancellation of events, travel and meetings.

Risks and Uncertainties

Innovate BC's programs are primarily funded by core funding from the Province of B.C. with the organization aligning its funding to programs which meet its mandate. Innovate BC has limited access to its restricted funds (funds accumulated from past years that were not spent and have been directed to future programs). Interest returns on investments decreased on investments re-invested in the current year due to significantly lower rates. Future interest returns are unknown. Innovate BC continues to work to secure additional funding from the federal government and other sources.

The COVID-19 pandemic was declared in March 2020 by the World Health Organization, and it continues to be present as of March 31, 2021. As the duration and magnitude of the impact is uncertain, an estimate of the future financial effect on Innovate BC cannot be predicted. Despite the challenges of COVID-19, however, Innovate BC successfully continued to deliver services to its clients throughout 2020/21, through strategies such as increased online delivery of events, training and networking.

Appendix A: Additional Information

Organizational Overview

Enabling Legislation

Innovate BC is a provincial Crown agency, operating under the [*Innovate BC Act*](#).

Corporate Governance

Role and Membership of the Board

The Lieutenant Governor, through Order-in-Council, appoints the members of Innovate BC's board and delegates the role of the chair. The board chair reports to the B.C. Legislative Assembly through the Minister of Jobs, Economic Recovery and Innovation. In 2020/21, the Board of Directors had 15 members:

- Dr. Alan Shaver, Chair (until March 2021)
- Andrew Petter, Chair (from March 2021)
- Jack Chang
- Dr. Lesley Esford
- Michael Fergusson
- Suzanne Gill
- Rose Hoher
- Dave Krysko
- Dr. Elicia Maine
- Dr. Gail Murphy
- Michael LeBourdais
- Dr. Tom Roemer
- Gerri Sinclair
- Benjamin Sparrow
- Don Stuckert
- Denise Williams

Senior Management

- Raghwa Gopal, President & CEO
- Jennie Choboter, Chief Financial Officer
- Tomica Divic, Vice President, Operations
- Sandra Wear, Vice President, Marketing & Communications (from October 2020)

Contact Information

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Appendix B: Auditor's Report and Audited Financial Statements



Financial statements

Innovate BC

March 31, 2021

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Independent Auditor's Report

To the Board of Directors of **Innovate BC**

To the Ministry of Jobs, Economic Development and Competitiveness of
British Columbia

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Opinion

We have audited the financial statements of Innovate BC (the “Entity”), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and accumulated operating surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Innovate BC as at March 31, 2021, and its results of operations, its changes in its 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Innovate BC 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 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.

In preparing the financial statements, management is responsible for assessing Innovate BC's ability to continue as a going concern, disclosing, as applicable, matters related to a 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.

Auditor's 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 auditor's 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 these 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 auditor's 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 auditor's 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.

We 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.

Other matters

The accompanying comparative information, which comprises the statement of financial position as at March 31, 2020, the statement of operations and accumulated operating surplus, statement of changes in net financial assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, were audited by another auditor who expressed an unmodified opinion on May 14, 2020.

Vancouver, Canada
May 13, 2021

Grant Thornton LLP

Chartered Professional Accountants

Innovate BC

Statement of Financial Position

March 31

2021

2020

Financial assets

Cash and cash equivalents

Unrestricted	\$ 402,185	\$ 1,224,901
Restricted - deferred programs (Note 6)	917,493	916,004
Restricted - NRAS endowment (Note 7)	1,774,119	1,928,142
	<u>3,093,797</u>	<u>4,069,047</u>

Investments (Note 3)

Unrestricted	3,233,821	5,677,537
Restricted - deferred programs (Note 6)	1,006,076	2,084,828
Restricted - NRAS endowment (Note 7)	2,779,926	2,913,730
	<u>7,019,823</u>	<u>10,676,095</u>

Receivables

Accounts and accrued interest receivable	26,938	231,977
Accounts receivable from Federal Government	3,714,909	-
	<u>3,741,847</u>	<u>231,977</u>
	<u>13,855,467</u>	<u>14,977,119</u>

Liabilities

Accounts payable and accrued liabilities	578,185	251,881
Deferred program revenues (Note 6)	1,923,569	3,000,832
Deferred revenue from NRAS endowment (Note 7)	4,554,045	4,841,872
	<u>7,055,799</u>	<u>8,094,585</u>

Net financial assets

	<u>6,799,668</u>	<u>6,882,534</u>
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Non-financial assets

Restricted - NRAS endowment investments (Note 7)	50,000,000	50,000,000
Tangible capital assets (Note 4)	153,048	161,839
Prepaid expenses	144,157	34,211
	<u>50,297,205</u>	<u>50,196,050</u>

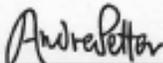
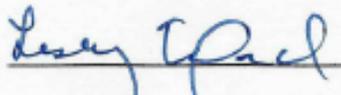
Accumulated surplus

	<u>\$ 57,096,873</u>	<u>\$ 57,078,584</u>
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Commitments and contingencies (Note 8)

Contractual obligations (Note 9)

Impact of COVID-19 (Note 15)

 Director
  Director

Innovate BC**Statement of Operations and Accumulated Operating Surplus**

Year ended March 31	Budget 2021	2021	2020
Revenue			
Grants from the Province of British Columbia (Note 12)	\$ 6,090,000	\$ 6,090,000	\$ 6,090,000
Grants from the Federal Government (Note 15)	-	6,803,229	-
NRAS endowment (Note 7)	1,823,000	1,766,871	1,050,559
Program revenue (Note 6)	982,000	1,101,462	616,346
Other	1,766,000	293,075	489,435
Interest	220,000	179,233	255,325
	<u>10,881,000</u>	<u>16,233,870</u>	<u>8,501,665</u>
Expenses (Note 13)			
Program expenses and disbursements:			
Programs and initiatives	5,438,415	11,924,006	4,395,140
NRAS endowment funds	1,823,000	1,646,477	970,455
Salaries and benefits	2,440,085	1,999,790	2,140,772
Rent	347,000	348,478	333,182
Operational and administrative expenses	832,500	296,830	641,837
	<u>10,881,000</u>	<u>16,215,581</u>	<u>8,481,386</u>
Annual surplus	-	18,289	20,279
Accumulated surplus, beginning of year	<u>57,078,584</u>	<u>57,078,584</u>	<u>57,058,305</u>
Accumulated surplus, end of year	<u>\$ 57,078,584</u>	<u>\$ 57,096,873</u>	<u>\$ 57,078,584</u>

Innovate BC

Statement of Changes in Net Financial Assets

Year ended March 31	Budget 2021		2021	2020
Annual surplus	\$	-	\$ 18,289	\$ 20,279
Additions to tangible capital assets		(80,000)	(36,549)	(113,887)
Amortization of tangible capital assets		45,000	43,468	41,579
Disposition of tangible capital assets		-	5,563	-
Accumulated amortization of disposition		-	(3,691)	1,168
		(35,000)	27,080	(50,861)
Acquisition of program funds under management		-	-	-
Funds under management transferred to Innovate BC		-	-	987,100
		-	-	987,100
Acquisition of prepaid expenses		-	(167,356)	(18,802)
Use of prepaid expenses		-	57,410	36,898
		-	(109,946)	18,096
Change in net financial assets		(35,000)	(82,866)	954,335
Net financial assets, beginning of year		6,882,534	6,882,534	5,928,199
Net financial assets, end of year	\$	6,847,534	\$ 6,799,668	\$ 6,882,534

Innovate BC

Statement of Cash Flows

Year ended March 31

2021

2020

Cash derived from (applied to)		
Operating activities		
Operating surplus	\$ 18,289	\$ 20,279
Adjustments for items not affecting cash		
Amortization of tangible capital assets	43,468	41,579
Loss on disposal of tangible capital assets	1,872	1,168
	<u>63,629</u>	<u>63,026</u>
Changes in non-cash working capital items		
Accounts receivable	(3,509,870)	(170,714)
Program funds under management	-	987,100
Prepaid expenses	(109,946)	18,096
Accounts payable and accrued liabilities	326,304	(1,324,444)
Deferred program revenues	(1,077,263)	(350,178)
Deferred revenue from NRAS endowment	(287,827)	464,283
	<u>(4,594,973)</u>	<u>(312,831)</u>
Capital		
Purchase of tangible capital assets	(36,549)	(113,887)
Investments:		
Purchase of investments	(2,766,297)	(7,468,540)
Proceeds on maturity of investments	6,422,569	7,480,493
	<u>3,656,272</u>	<u>11,953</u>
Net (decrease) in cash	(975,250)	(414,765)
Cash and cash equivalents, beginning of year	4,069,047	4,483,812
Cash and cash equivalents, end of year	\$ <u>3,093,797</u>	\$ <u>4,069,047</u>

Innovate BC

Notes to the Financial Statements

March 31, 2021

1. Nature of operations

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, 2019, 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 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 the connection with Innovate BC.

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

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards ("PSAS") established by the Canadian Public Sector Accounting Board.

Cash and cash equivalents

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

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.

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

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 the Financial Statements

March 31, 2021

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

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.

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.

Budget figures

The budget figures presented in these financial statements are based on the fiscal year 2021 operating budget, approved by the Board of Directors on February 5, 2020.

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 receivable 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.

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.

Innovate BC

Notes to the Financial Statements

March 31, 2021

2. Summary of significant accounting policies (continued)

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:

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.

Prepaid expenses

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

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.

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.

3. Investments

Restricted and unrestricted investments consist of term deposits and guaranteed investment certificates with maturity dates ranging from May 2021 to December 2023, bearing interest at rates ranging from 0.45% to 3.36% (2020 – 1.65% to 3.36%).

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, 2021, 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, 2021 is \$5 (2020 - \$5).

Innovate BC

Notes to the Financial Statements

March 31, 2021

4. Tangible capital assets

Cost	Balance, March 31, 2020	Additions	Disposals	Balance, March 31, 2021
Furniture, fixtures and equipment	\$ 256,749	\$ 7,697	546	\$ 263,900
Computer hardware and software	406,373	16,533	5,017	417,889
Leasehold improvements	157,540	12,319	-	169,859
	<u>\$ 820,662</u>	<u>\$ 36,549</u>	<u>\$ 5,563</u>	<u>\$ 851,648</u>
Accumulated Amortization	Balance, March 31, 2020	Amortization	Disposals	Balance, March 31, 2021
Furniture, fixtures and equipment	\$ 186,180	\$ 15,223	\$ 36	\$ 201,367
Computer hardware and software	378,219	12,833	3,655	387,397
Leasehold improvements	94,424	15,412	-	109,836
	<u>\$ 658,823</u>	<u>\$ 43,468</u>	<u>\$ 3,691</u>	<u>\$ 698,600</u>
Net book value	2020			2021
Furniture, fixtures and equipment	\$ 70,569			\$ 62,533
Computer hardware and software	28,154			30,492
Leasehold improvements	63,116			60,023
	<u>\$ 161,839</u>			<u>\$ 153,048</u>

5. Accumulated surplus

Accumulated surplus is comprised of the following:

	2021	2020
Invested in tangible capital assets	\$ 153,048	\$ 161,839
NRAS endowment	50,000,000	50,000,000
Unrestricted	6,943,825	6,916,745
	<u>\$ 57,096,873</u>	<u>\$ 57,078,584</u>

Innovate BC

Notes to the Financial Statements

March 31, 2021

6. Deferred program revenues

	Balance, March 31, 2020	Funds Received	Funds expended	Balance, March 31, 2021
Agriculture Science and Innovation	\$ 879,169	\$ -	\$ (601,368)	\$ 277,801
LEEF Student Program	916,005	14,299	(12,811)	917,493
Aquaculture & Environment Research	376,024	-	(6,622)	369,402
Industrial Innovation Scholarship	102,750	-	-	102,750
Innovation Exchange	472,600	-	(472,600)	-
#BCTECH Summit	254,284	9,900	(8,061)	256,123
	<u>\$ 3,000,832</u>	<u>\$ 24,199</u>	<u>\$ (1,101,462)</u>	<u>\$ 1,923,569</u>

Funds restricted for future program expenses have been separated and classified as restricted cash and cash equivalents – deferred programs and restricted investments – deferred programs.

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, 2021, restricted cash and investments of \$54,554,045 (2020 - \$54,841,872) are comprised of the permanently restricted endowment balance of \$50,000,000 and unspent interest earnings of \$4,554,045 (2020 - \$4,841,872). Unspent interest includes \$2,853,025 (2020 - \$1,201,576) which is committed for future payments of contracted awards (Note 9). During the year ended March 31, 2021, Innovate BC awarded Ignite Awards totaling \$1,523,551 (2020 - \$912,380) to research projects in natural resources and applied sciences.

Deferred revenue from the NRAS endowment balance comprises the following:

	<u>2021</u>	<u>2020</u>
Accumulated interest, beginning of year	\$ 4,841,872	\$ 4,377,589
Interest earned net of fees	1,479,044	1,514,842
Awards and administration fees	<u>(1,766,871)</u>	<u>(1,050,559)</u>
Accumulated interest, end of year	<u>\$ 4,554,045</u>	<u>\$ 4,841,872</u>

Innovate BC

Notes to the Financial Statements

March 31, 2021

8. Commitments and contingencies

(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:

2022	\$	351,648
2023		358,776
2024		364,716
2025		303,840
2026		1,569
		<hr/>
	\$	1,380,549

(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 is undeterminable at this time and accordingly no provision has been made for these claims.

9. Contractual obligations

Innovate BC has entered into a number of project grant contracts as at March 31, 2021 to provide future funding of research projects to be completed subsequent to 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 are as follows:

	<u>2021</u>	<u>2020</u>
Ignite awards	\$ 2,853,025	\$ 1,201,576
Venture Acceleration Program	115,000	1,560,000
B.C. Fast Pilot	-	87,000
	<hr/>	<hr/>
	\$ 2,968,025	\$ 2,848,576

Innovate BC

Notes to the Financial Statements

March 31, 2021

10. Contractual rights

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

2022	\$	42,948
2023		17,642
2024		17,938
2025		14,948
		<hr/>
	\$	93,476

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 67,000 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, 2020, indicated a funding surplus of \$2,667,000,000 for basic pension benefits on a going concern basis. The next valuation will be as at March 31, 2023, with results available in early 2024.

During the year ended March 31, 2021, Innovate BC paid and expensed \$134,534 (2020 - \$142,186) for contributions to the Plan.

12. Related party transactions

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, 2021, Innovate BC received \$6,090,000 (2020 - \$6,090,000) in provincial funding from the Ministry of Jobs, Economic Development and Competitiveness.

Innovate BC

Notes to the Financial Statements

March 31, 2021

13. Expenses by object

The following is a summary of expenses by object:

	<u>2021</u>	<u>2020</u>
Expenses		
Program expenses and disbursements	\$ 13,570,483	\$ 5,365,595
Salaries and benefits (a)	1,999,790	2,140,772
Rent	348,478	333,182
Contracted services	64,830	134,720
Office expenses	86,892	152,946
Other costs	101,640	312,592
	<u>16,172,113</u>	<u>8,439,807</u>
Amortization	<u>43,468</u>	<u>41,579</u>
Total expense	<u>\$ 16,215,581</u>	<u>\$ 8,481,386</u>

(a) Salary and benefits of \$1,053,176 were associated with the delivery of programs during the current year (2020 - \$765,858).

14. Financial risk management

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligation 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.

(c) Market risk:

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

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

Innovate BC

Notes to the Financial Statements

March 31, 2021

15. Impact of COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization, and it is present as at March 31, 2021. 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;
- b. Innovate BC delivered the BC Technology Sector Resiliency Program, providing business support services in response to the economic impact the COVID-19 crisis. The program was funded by Western Economic Diversification Canada (WD) and \$2,950,000 has been recognized as income in the current period on the statement of operations;
- c. Innovate BC delivered Digital Skills for Youth (DS4Y) to help underemployed post-secondary graduates enhance and develop digital and soft skills through work and training to improve their employability and use their talent to their full potential and succeed in the digital economy. The program was funded by Innovation, Sciences and Economic Development Canada and will continue in the next fiscal year and \$3,853,229 has been recognized as income in the current period on the statement of operations;
- d. Deployment of work from home protocols for Innovate BC's office.

Management has assessed the financial impact 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 impact on Innovate BC's business could affect future revenue. As the situation is dynamic and the ultimate duration and magnitude of the impact is uncertain, an estimate of the future financial effect on Innovate BC is not practicable at this time.
