



Financial statements

Innovate BC

March 31, 2026

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innovate BC

Statement of Management Responsibility

Scope of Responsibility

Management has supervised preparation of the accompanying financial statements and related note disclosures and is responsible for their integrity and objectivity. The financial statements of Innovate BC have been prepared by management in accordance with Canadian public sector accounting standards.

We believe that these financial statements present fairly Innovate BC's financial position as at March 31, 2026 and the statement of operations and accumulated surplus, change in net financial assets, changes in net remeasurement gains and losses and cash flows for the year ending March 31, 2026 and that the other information contained in the entity's annual report is consistent with the financial statements as presented.

Internal Controls

Management is responsible for the integrity of the financial statements and has established systems of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records are properly maintained to facilitate the preparation of the financial statements in a timely manner. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. We believe our system of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the financial statements are prevented or detected in the normal course of business.

Board of Directors and Audit and Finance Committee

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's discharge of its financial reporting responsibilities. An Audit and Finance Committee is appointed by the Board. The Audit and Finance Committee reviews the financial statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditors. The Audit and Finance Committee has reviewed these statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

Independent Auditors

Doane Grant Thornton has performed an independent audit of the financial statements of Innovate BC. The Auditor's Report, as attached, outlines the scope of this independent audit and expresses an opinion on the financial statements of Innovate BC.

A handwritten signature in black ink, appearing to read 'Lawrence Davis', positioned above a horizontal line.

Lawrence Davis
CFO

A handwritten signature in black ink, appearing to read 'Lily Sui', positioned above a horizontal line.

Lily Sui
Director, Finance

Vancouver, British Columbia
May 14, 2026

Independent Auditor's Report

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

To the Ministry of Finance

Opinion

We have audited the financial statements of Innovate BC, which comprise the statement of financial position as at March 31, 2026, and the statements of operations and accumulated operating surplus, statement of remeasurement gains and losses, 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, 2026, and its results of operations, its changes in its net financial assets, net remeasurement gains and losses 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 Innovate BC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Innovate BC'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 Innovate BC'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 Innovate BC's '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 Innovate BC 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.

Doane Grant Thornton LLP

Chartered Professional Accountants

Vancouver, Canada
May 14, 2026

Innovate BC

Statement of Financial Position

As at March 31

2026

2025

Financial assets

Cash and cash equivalents	\$	12,397,680	\$	7,802,509
Investments (Note 3 and 15)		10,733,124		7,267,287
Accounts receivable and accrued interest receivable		614,492		110,208
Accounts receivable from Provincial Government		-		413,831
Accounts receivable from Federal Government		1,962,213		4,019,172
		<u>25,707,509</u>		<u>19,613,007</u>

Liabilities

Accounts payable and accrued liabilities		3,446,040		4,374,584
Accounts payable to Provincial Government		307,939		2,185,290
Deferred program revenues (Note 6)		756,968		344,875
Deferred revenue from NRAS endowment (Note 7)		14,824,974		6,353,810
		<u>19,335,921</u>		<u>13,258,559</u>

Net financial assets

		<u>6,371,588</u>		<u>6,354,448</u>
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Non-financial assets

Restricted - NRAS endowment investments (Note 7 and 15)		48,955,382		53,167,521
Tangible capital assets (Note 4)		607,427		660,015
Prepaid expenses		268,168		183,174
		<u>49,830,977</u>		<u>54,010,710</u>

Accumulated surplus (Note 5)

	\$	<u>56,202,565</u>	\$	<u>60,365,158</u>
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Accumulated surplus is comprised of:

Accumulated operating surplus	\$	57,247,183	\$	57,197,637
Accumulated remeasurement (losses) gains		(1,044,618)		3,167,521
	\$	<u>56,202,565</u>	\$	<u>60,365,158</u>

Commitments and contingencies (Note 8)

Contractual obligations (Note 9)

On behalf of the Board of Directors

 Director

 Director

Innovate BC

Statement of Operations and Accumulated Operating Surplus

Twelve months ended March 31	Budget 2026	2026	2025
Revenue			
Grants from the Province of British Columbia (Note 12)	\$ 8,861,000	\$ 18,489,776	\$ 17,980,858
Grants from the Federal Government	2,160,000	4,630,081	7,546,898
NRAS endowment (Note 7)	1,900,000	1,497,391	1,274,811
Service Revenue from the Government of Canada	-	1,114,058	686,383
Investment income (Note 3)	250,000	1,917,154	605,561
Other	136,000	464,970	273,779
	<u>13,307,000</u>	<u>28,113,430</u>	<u>28,368,290</u>
Expenses (Note 13)			
Programs and initiatives	8,136,000	23,441,462	24,254,987
Operational and administrative expenses	3,271,000	3,125,031	2,799,097
NRAS endowment funds	1,900,000	1,497,391	1,274,811
	<u>13,307,000</u>	<u>28,063,884</u>	<u>28,328,895</u>
Annual surplus	-	49,546	39,395
Accumulated surplus, beginning of year	<u>57,197,637</u>	<u>57,197,637</u>	<u>57,158,242</u>
Accumulated surplus, end of year	<u>\$ 57,197,637</u>	<u>\$ 57,247,183</u>	<u>\$ 57,197,637</u>

Innovate BC**Statement of Remeasurement Gains and Losses**

Twelve months ended March 31

2026**2025**

Accumulated remeasurement gains, beginning of year	\$ 3,167,521	\$ 1,209,906
Unrealized gains on investments	3,672,426	3,086,092
Realized gains on investments reclassified to statement of financial position as deferred revenue from NRAS	(7,884,565)	(1,128,477)
Net remeasurement (losses) gains for the year	(4,212,139)	1,957,615
Accumulated remeasurement (losses) gains, end of year	\$ (1,044,618)	\$ 3,167,521

Innovate BC**Statement of Changes in Net Financial Assets**

Twelve months ended March 31	Budget 2026	2026	2025
Annual surplus	\$ -	\$ 49,546	\$ 39,395
Additions to tangible capital assets	(50,000)	(168,445)	(568,187)
Amortization of tangible capital assets	-	218,634	50,507
Disposition of tangible capital assets	-	10,756	766,738
Accumulated amortization of disposition	-	(8,357)	(747,770)
	<u>(50,000)</u>	<u>102,134</u>	<u>(459,317)</u>
Acquisition of prepaid expenses	-	(317,660)	(218,156)
Use of prepaid expenses	-	232,666	122,755
	<u>-</u>	<u>(84,994)</u>	<u>(95,401)</u>
Change in net financial assets	(50,000)	17,140	(554,718)
Net financial assets, beginning of year	<u>6,354,448</u>	<u>6,354,448</u>	<u>6,909,166</u>
Net financial assets, end of year	<u>\$ 6,304,448</u>	<u>\$ 6,371,588</u>	<u>\$ 6,354,448</u>

Innovate BC

Statement of Cash Flows

Twelve months ended March 31

2026

2025

Cash derived from (applied to)

Operating activities

Operating surplus	\$ 49,546	\$ 39,395
Adjustments for items not affecting cash		
Amortization of tangible capital assets	218,634	50,507
Loss on disposal of tangible capital assets	2,399	18,968
	<u>270,579</u>	<u>108,870</u>

Changes in non-cash working capital items

Accounts receivable	1,966,506	(3,997,304)
Prepaid expenses	(84,994)	(95,401)
Accounts payable and accrued liabilities	(2,805,895)	2,910,854
Deferred program revenues	412,093	195,342
Deferred revenue from NRAS endowment	8,471,164	1,955,155
	<u>8,229,453</u>	<u>1,077,516</u>

Financing

Purchase of tangible capital assets	<u>(168,445)</u>	<u>(568,187)</u>
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Investments

Purchase of investments	(65,005,250)	(23,131,598)
Proceeds on maturity of investments	61,539,413	22,008,307
	<u>(3,465,837)</u>	<u>(1,123,291)</u>

Net increase (decrease) in cash 4,595,171 (613,962)

Cash and cash equivalents, beginning of year 7,802,509 8,416,471

Cash and cash equivalents, end of year \$ 12,397,680 \$ 7,802,509

Cash and cash equivalents

Unrestricted	\$ 6,382,289	\$ 3,195,258
Restricted - deferred programs (Note 6)	756,968	344,875
Restricted - NRAS endowment - BCI (Note 7)	2,700,270	2,708,804
Restricted - NRAS endowment - other (Note 7)	2,558,153	1,553,572
	<u>\$ 12,397,680</u>	<u>\$ 7,802,509</u>

Innovate BC

Notes to the Financial Statements

March 31, 2026

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.

A Crown Agency of British Columbia, Innovate BC works to foster innovation across the province and bolster the growth of the local economy through delivering a wide range of programs that help companies start and scale, access talent and encourage technology development, commercialization, and adoption. Innovate BC also harnesses crucial data collection and research, and works to forge strategic industry and community partnerships that create more opportunities for B.C. innovators.

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.

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.

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.

Innovate BC

Notes to the Financial Statements

March 31, 2026

2. Summary of significant accounting policies (continued)

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.

Budget figures

The budget figures presented in these financial statements are based on the fiscal year 2026 operating budget, approved by the Board of Directors on February 17, 2025.

Financial instruments

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

Investments in fixed income securities, 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. 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.

The restricted Natural Resources and Applied Science Research Endowment (“NRAS”) endowment investments portfolio held with British Columbia Investment Management Corporation, which includes investments in various equity funds, is recorded at market value.

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

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.

Other financial instruments such as cash and cash equivalents, receivables and accounts payable and accrued liabilities, are recorded at amortized cost, which approximate their fair value due to their short-term maturities.

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.

Innovate BC

Notes to the Financial Statements

March 31, 2026

2. Summary of significant accounting policies (continued)

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

Innovate BC's investments are invested through Vancouver City Savings Credit Union ("Vancity") and British Columbia Investment Management Corporation ("BCI").

Investments include the following:

As at March 31	<u>2026</u>	<u>2025</u>
Unrestricted	\$ 1,166,573	\$ 5,175,853
Restricted - NRAS endowment	<u>9,566,551</u>	<u>2,091,434</u>
	<u>\$ 10,733,124</u>	<u>\$ 7,267,287</u>

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, 2026, 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, 2026 is \$4 (2025 - \$5).

During the year, Innovate BC received proceeds from the sale of a private corporation in the amount of \$1,367,447, which is included in investment income in the Statement of Operations and Accumulated Surplus. There may be further proceeds from this sale, but the amount and likelihood of these proceeds occurring are not determinable as of the preparation of these financial statements. No provision has been recorded.

Innovate BC

Notes to the Financial Statements

March 31, 2026

4. Tangible capital assets

Cost	<u>2025</u>	<u>Additions</u>	<u>Disposals</u>	<u>2026</u>
Furniture, fixtures and equipment	\$ 160,859	\$ 11,680	\$ -	\$ 172,539
Leasehold improvements	91,082	49,380	-	140,462
Computer hardware and software	533,173	107,385	10,756	629,802
	<u>\$ 785,114</u>	<u>\$ 168,445</u>	<u>\$ 10,756</u>	<u>\$ 942,803</u>
Accumulated Amortization	<u>2025</u>	<u>Amortization</u>	<u>Disposals</u>	<u>2026</u>
Furniture, fixtures and equipment	\$ 82,018	\$ 16,283	\$ -	\$ 98,301
Leasehold improvements	3,253	23,583	-	26,836
Computer hardware and software	39,828	178,768	8,357	210,239
	<u>\$ 125,099</u>	<u>\$ 218,634</u>	<u>\$ 8,357</u>	<u>\$ 335,376</u>
Net book value	<u>2025</u>			<u>2026</u>
Furniture, fixtures and equipment	\$ 78,841			\$ 74,238
Leasehold improvements	87,829			113,626
Computer hardware and software	493,345			419,563
	<u>\$ 660,015</u>			<u>\$ 607,427</u>

5. Accumulated surplus

Accumulated surplus is comprised of the following:

As at March 31	<u>2026</u>	<u>2025</u>
Invested in tangible capital assets	\$ 607,427	\$ 660,015
NRAS endowment	50,000,000	50,000,000
Remeasurement gains	(1,044,618)	3,167,521
Unrestricted	6,639,756	6,537,622
	<u>\$ 56,202,565</u>	<u>\$ 60,365,158</u>

Innovate BC

Notes to the Financial Statements

March 31, 2026

6. Deferred program revenues

	<u>2025</u>	<u>Funds received</u>	<u>Funds expended</u>	<u>2026</u>
BC On-Farm Technology Adoption	\$ 256,675	\$ 2,400,000	\$ (2,043,156)	\$ 613,519
Innovator Skills Initiative	-	58,443	-	58,443
Transport Canada	57,367	-	(18,855)	38,512
Integrated Marketplace Initiative	-	9,789,677	(9,761,063)	28,614
IP Hub	-	60,000	(42,120)	17,880
Capital Compass	19,583	-	(19,583)	-
AccelerateIP	11,250	-	(11,250)	-
	<u>\$ 344,875</u>	<u>\$ 12,308,120</u>	<u>\$ (11,896,027)</u>	<u>\$ 756,968</u>

Deferred funds for BC On-Farm Technology Adoption, Innovator Skills Initiative, Integrated Marketplace, and IP Hub are restricted for future program expenses. The funds remaining for Transport Canada are associated with funds received in advance of deliverables being completed for revenue recognition.

7. Natural Resources and Applied Science Research Endowment

In fiscal year 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, 2026, restricted cash and investments are comprised of the following:

	<u>2026</u>	<u>2025</u>
Fair value of endowment	\$ 48,955,382	\$ 53,167,521
Unspent interest earnings	14,824,974	6,353,810
	<u>\$ 63,780,356</u>	<u>\$ 59,521,331</u>

This is represented as follows:

As at March 31	<u>2026</u>	<u>2025</u>
Total restricted cash and investments	\$ 63,780,356	\$ 59,521,331
Less restricted cash in non BCI accounts	(2,558,153)	(1,553,572)
Fair value of investments managed at BCI	<u>\$ 61,222,203</u>	<u>\$ 57,967,759</u>

Innovate BC

Notes to the Financial Statements

March 31, 2026

7. Natural Resources and Applied Sciences Research Endowment (continued)

Deferred revenue from the NRAS endowment balance comprises the following:

As at March 31	<u>2026</u>	<u>2025</u>
Accumulated interest, beginning of year	\$ 6,353,810	\$ 4,398,655
Interest earned net of fees	2,083,990	2,101,489
Realized gains	7,884,565	1,128,477
Awards and administration fees	<u>(1,497,391)</u>	<u>(1,274,811)</u>
Accumulated interest, end of year	<u>\$ 14,824,974</u>	<u>\$ 6,353,810</u>

This is held as follows:

As at March 31	<u>2026</u>	<u>2025</u>
Cash - BCI	\$ 2,700,270	\$ 2,708,804
Cash - non BCI	2,558,153	1,553,572
Investments	<u>9,566,551</u>	<u>2,091,434</u>
Accumulated interest, end of year	<u>\$ 14,824,974</u>	<u>\$ 6,353,810</u>

Unspent interest includes \$1,216,500 (2025 - \$1,880,000) which is committed for future payments of contracted awards (Note 9).

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:

2027	\$ 371,365
2028	371,365
2029	371,365
2030	186,891
2031	<u>1,209</u>
	<u>\$ 1,302,195</u>

(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.

Innovate BC

Notes to the Financial Statements

March 31, 2026

9. Contractual obligations

Innovate BC has entered into a number of project grant contracts as at March 31, 2026, 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.

As at March 31, 2026, the contractual obligations of Innovate BC are as follows:

Integrated Marketplace Initiative	\$ 4,348,077
HDZEV	2,693,428
Ignite awards	1,216,500
BC On Farm Technology Adoption Program	<u>348,128</u>
	<u>\$ 8,606,133</u>

10. Contractual rights

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

2027	\$ 12,824,416
2028	9,184,136
2029	34,780
2030	<u>18,000</u>
	<u>\$ 22,061,332</u>

11. Employee future benefits

Innovate BC and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the Public Sector Pension Plans Act (the "Act"). The Public Service Pension Board of Trustees, representing Plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. As the Plan is a multi-employer, defined benefit plan, Innovate BC accounts for its payments on the basis of a defined contribution plan. The Plan covers approximately 79,000 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.

Innovate BC

Notes to the Financial Statements

March 31, 2026

11. Employee future benefits (continued)

The latest actuarial valuation as at March 31, 2023, indicated a funding surplus of \$4,491,000,000 for basic pension benefits on a going concern basis. The next valuation will be as at March 31, 2026, with results available in early 2027.

During the year ended March 31, 2026, Innovate BC expensed \$277,265 (2025 Restated - \$238,877) 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, 2026, Innovate BC received \$6,744,000 (2025 - \$nil) in provincial funding from the Ministry of Finance, \$9,789,677 (2025 - \$15,368,000) in provincial funding from the Ministry of Jobs and Economic Growth, \$2,400,000 (2025 - \$2,220,000) in provincial funding from the Ministry of Agriculture and Food and \$nil (2025 - \$500,000) in provincial funding from the Ministry of Energy and Climate Solutions.

13. Expenses by object

The following is a summary of expenses by object:

Twelve months ended March 31	<u>2026</u>	<u>2025</u>
Program expenses and disbursements	\$ 22,462,846	\$ 23,523,984
Salaries and benefits	4,254,077	3,538,179
Office expenses and other costs	556,639	481,064
Rent	369,239	370,312
Contracted services	200,050	346,181
Amortization	218,634	50,507
Loss on disposal of assets	2,399	18,668
	<u>\$ 28,063,884</u>	<u>\$ 28,328,895</u>

14. Financial risk management

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 cash equivalents and receivables, 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.

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14. Financial risk management (continued)

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.

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 exposed to market risk on its investments with BCI.

15. Fair value of financial instruments

Canadian public sector accounting standards define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination.

The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Innovate BC's investments held at Vancouver City Savings Credit Union are Level 1 financial instruments.

Innovate BC's investments managed at BCI are categorized as:

As at March 31, 2026

Fair value hierarchy

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 100,252	\$ -	\$ -	\$ 100,252
Fixed-income investments	2,600,018	14,198,116	-	16,798,134
Equity investments	-	25,370,713	-	25,370,713
Other financial investments	-	3,641,023	15,413,189	19,054,212
Derivatives	-	(101,108)	-	(101,108)
Total	\$ 2,700,270	\$ 43,108,744	\$ 15,413,189	\$ 61,222,203

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15. Fair value of financial instruments (continued)

As at March 31, 2025

Fair value hierarchy	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 4,511	\$ -	\$ -	\$ 4,511
Fixed-income investments	2,704,293	14,128,868	-	16,833,161
Equity investments	-	23,494,996	-	23,494,996
Other financial investments	-	3,705,696	14,075,214	17,780,910
Derivatives	-	(145,819)	-	(145,819)
Percent of total	\$ 2,708,804	\$ 41,183,741	\$ 14,075,214	\$ 57,967,759

The following shows the movement of financial assets where fair value has been determined based upon significant unobservable inputs (Level 3):

As at March 31	2026	2025
Balance, beginning of year	\$ 14,075,214	\$ 10,930,729
Total gains included in profit or loss	97,253	(418,530)
Purchases	3,240,786	4,405,251
Sales	(2,000,064)	(842,236)
Balance, end of year	\$ 15,413,189	\$ 14,075,214

16. Web Summit Host City Contingent Liability

Innovate BC has entered into contractual agreements with third parties that are organizing the Web Summit Vancouver conferences in May of 2026 and 2027. As a co-supporter of the conference, Innovate BC has agreed to provide a guarantee that the obligations to the organizer are fully met. The obligations include fixed payments (\$1,400,000) to the organizer and contingent amounts tied to the attendance (up to \$600,000). If one of the other parties fails to make its payments, Innovate BC could be obligated to provide support up to \$2,000,000 per year in each of fiscal years ending March 31, 2027 and 2028. The amounts and likelihood of these payments occurring are not determinable as of the preparation of these financial statements, therefore no provision has been recorded.