

Innovate BC
(formerly known as BC Innovation Council)

2017/18
ANNUAL SERVICE PLAN REPORT

July 2018



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Board Chair's Accountability Statement



Innovate BC (formerly BC Innovation Council) is the province's lead agency promoting the development and application of advanced or innovative technologies to meet the needs of industry in B.C. Our mission is to build B.C.'s economy by accelerating the growth of B.C. ventures through programs, tools and resources that help support company growth.

The *Innovate BC 2017/18 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the [2017/18 - 2019/20 Service Plan](#) created in September 2017. I am accountable for those results as reported.

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

Alan Shaver
Board Chair

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Chair/CEO Report Letter



Innovate BC (formerly BC Innovation Council) continued to serve B.C.'s tech sector in meaningful ways in 2017/18, guided by the [Mandate Letter](#) issued by the Minister of Jobs, Trade and Technology. Innovate BC adhered to Board Resourcing and Development Office policies and best practices, and implemented outcome-based metrics, including measures of job creation and investment. The Innovate BC team builds and maintains an extensive range of partnerships and has diversified programming to strengthen entrepreneurship development and support regional expansion.

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 parties are fulfilling the actions outlined in this plan, which include regular meetings – and specific areas of discussion at those meetings – between representatives at several levels from the ministry and Innovate BC.



Innovate BC's actions are aligned with its mandate and with Government's key commitment to building a strong, sustainable innovation 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) and the BC Growth Opportunities (#BCGO) Tour, Innovate BC reached companies across all regions of the Province. The #BCTECH Summit, which Innovate BC co-hosted together with the Province, facilitated connections between industry, academia, government and members of the tech community. Programs such as BCIC Ignite and the B.C. Tech Co-op Grants Program supported research and talent development, which directly contributed to building a strong innovation economy.

In 2017/18, 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 the #BCTECH Strategy.

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

Alan Shaver, Board Chair, Innovate BC

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

Shirley Vickers, President & CEO, Innovate BC

Purpose of the Organization

[Innovate BC](#) is a Crown agency under the [Innovate BC Act](#) (previously the *British Columbia Innovation Council Act*).

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

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

In 2017/18, the Government passed the *Innovate BC Act*, replacing the previous BC Innovation Council Act. As part of this new act, BC Innovation Council was renamed to "Innovate BC" and the Innovate BC mandate was expanded significantly. Moving forward, Innovate BC will be a single 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. Along with continuing its current programs and services, Innovate BC will be exploring ways to best fulfill this expanded mandate in future years.

Strategic Direction and Operating Environment

The [2017/18 Mandate Letter](#) required that Innovate BC and Government work in partnership to continue to advance commercialization in B.C. The Government directed Innovate BC to work with Government and other ministries to achieve the Government's three commitments to British Columbians:

- 1) Make life more affordable
- 2) Deliver the services that people count on
- 3) Build a strong, sustainable innovative economy that works for everyone

Technology and innovation are critical drivers of success for the B.C. economy. In 2017/18, Innovate BC continued to support programs for early stage companies and, recognizing the potential for growth in more established companies, delivered additional programs that met their needs.

Innovate BC worked closely with the B.C. Government to co-host the third [#BCTECH Summit](#) in May 2018, where it supported all four pillars of the #BCTECH strategy – Talent, Capital, Markets and Data – in its programs, initiatives and communications.

British Columbia's real GDP increased by 3.9 per cent in 2017 (according to preliminary GDP by industry data from Statistics Canada), the second strongest growth among provinces. Employment in

BC grew by 3.7 per cent in 2017, its fastest annual pace since 1994. Consumer spending was strong for a fourth consecutive year as retail sales were supported by strong employment growth, increased tourism, high consumer confidence and relatively low interest rates. BC's housing market saw elevated levels of construction activity in 2017, with the highest number of annual housing starts in data going back to 1955. BC manufacturing shipments and exports expanded in 2017 as goods exports to both the US and the rest of the world increased.

2017/18 was a banner year for B.C.'s robust technology ecosystem. The technology sector reached over 100,000 employed while generating record high revenues, supplementing traditional sectors across the province. Innovate BC responded to this with programs and services for B.C.'s growing technology sector. The sector was also buoyed by the formation of Canada's [Digital Technology Supercluster](#), a B.C.-led consortium of companies, startups, SMEs, researchers and post-secondary institutions and chosen as one of five superclusters that will share in up to \$950M in federal funds. Innovate BC is proud to support the Digital Supercluster and will be working to ensure its success in creating large-scale economic growth across the province.

Innovate BC effectively delivered expanded programs in 2017/18, supported by a stable operating environment and strong leadership in the technology community. Potential risks identified in the *2017/18 Service Plan* were managed under mitigation strategies described in [Appendix B](#) of the *2017/18 Service Plan*.

Report on Performance

In 2017/18, Innovate BC achieved its major objectives. This included continuing to work in partnership with Government on the full implementation of action items in the [Mandate Letter](#). Innovate BC's Board Chair and Minister met quarterly, and the CEO and Deputy Minister met regularly to discuss performance, outcomes and strategic decision making.

The Chair/CEO Report Letter in this report provides an accounting of Innovate BC's performance concerning expectations outlined in the Mandate Letter.

Goals, Strategies, Measures and Targets

Four goals guided Innovate BC's actions in 2017/18:

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

Together, these goals provide a strong foundation for Innovate BC to meet its legislated mandate and Government's priorities while supporting both job creation and increased investment in the technology sector in B.C. Each of the four goals is supported by strategies, performance measures and targets.

Goal 1: Commercializing Innovative Technology.

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

Strategies

- Understanding market challenges within key sectors including: AgriTech, CleanTech, HealthTech, and Quantum Computing.
- Managing Venture Acceleration Programs.
- Overseeing a network of accelerators, known as the B.C. Acceleration Network.
- Supporting post-secondary programs to develop entrepreneurial talent development.
- Sponsoring and promoting appropriate conferences, competitions and events.
- Facilitating the introduction of B.C. based companies with potential partners and actively identifying opportunities that expand the scope of engagement and commercial opportunities.
- Running BCIC Ignite, which provides funding to accelerate commercialization of new technologies and innovations in the natural resources and applied sciences.
- Hosting events across the province to connect companies that require innovation to solve their business challenges with local innovators.
- Working with universities across the province to help commercialize research in natural resources and applied sciences.

Performance Measure 1: Patent-protected innovations and trade secrets.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
1. The percentage of ventures in Innovate BC-funded programs with patent protection for their innovations or a structured approach to maintaining trade secrecy. ¹	49%	47%	45%	60%	45%	45%

Data Source: Progress reports from program partners.

¹ 2017/18 data based on responses from 381 companies.

Discussion

Innovate BC supports programs and initiatives that help innovative technologies reach the market. A patent demonstrates the innovative nature of a new technology. Trade secrets are also an effective way of shielding intellectual property. A product based on a novel technology tends to have a stronger chance of competing against established players because it can offer differentiated value to customers. Companies with patented intellectual property (IP) are better able to defend their innovation when they become successful in the market. By encouraging the use of patents and trade secrets, Innovate

BC's programs will improve the growth rate and survivability of small- and medium-sized business located in B.C.

The target represents a goal to achieve a high level of patent protection. 2013/14 was the first year this performance measure was tracked. After the original target of 30 percent was exceeded, the target was increased to 40 percent. Results in 2016/17 outperformed this target by 7 percentage points. This is detailed in Innovate BC's [2017/18 – 2019/20 Service Plan](#), which also set an increased target of 45 percent.

Innovate BC exceeded this target in 2017/18, which may be attributed to two main factors. The first is the growth in number of healthtech and medical device sector companies participating in the Venture Acceleration Program. Companies in this sector normally seek IP protection for their innovations, which led to a higher positive response rate from Venture Acceleration Program companies compared to previous years. A second factor could be the inclusion of higher-caliber companies. The programs that are evaluated using this measure have changed, from more early stage companies to later-stage companies that may be more interested in securing IP protection for their innovations.

Goal 2: Developing and Enhancing Entrepreneurial Skills.

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

Strategies

- Providing relevant training to support early-stage entrepreneurs to commercialize concepts.
- Partnering with educational institutions and industry organizations to provide relevant knowledge and training for emerging entrepreneurs.
- Promoting mentorship through our B.C.-based network of Executives-in-Residence (EiRs).
- Having accelerators and programming available in physical locations across the province, as well as virtually to those in more remote areas or areas where an accelerator is not physically present.

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

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
2.1 The overall level to which B.C. Acceleration Network clients have a solid business foundation for the success of their companies. ¹	85	90	89	91*	89	89

Data Source: Progress reports from program partners.

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

*2017/18 data based on responses from 99 companies.

Discussion

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

Innovate BC met and slightly exceeded this target in 2017/18 with a score of 91.

Performance Measure 2.2: Participant evaluation of the effectiveness of Innovate BC's programs and services.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
2.2 The percentage of participants in Innovate BC-funded programs who confirm Innovate BC's programs have a high value impact in advancing their technology venture. ¹	94%	94%	90%	92%*	90%	90%

Data Source: Progress reports from program partners.

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

* 2017/18 data based on responses from 857 companies.

Discussion

As shown in Performance Measure 2.2, companies who have engaged with Innovate BC have reported great value coming from Innovate BC's programs and services. Confirmation from entrepreneurs that Innovate BC-funded programs enable their ventures to progress, adds perspective to how our measures progress. Our goal is to support programs that provide high value to technology entrepreneurs, equipping them with the knowledge and tools to advance their technologies.

Evaluation of programs at this percentile represents immense value and effectiveness. Evaluation results enable us to assess how well we are delivering on our mission to provide unique programs and services. Reports from the participants in Innovate BC-supported programs and services help to inform, shape, refine and improve our offerings and position Innovate BC as an integral component to the growth and success of our client companies.

The 2017/18 score of 92 percent indicates a high satisfaction with Innovate BC's programs and services, and only slightly exceeds our target of 90 percent.

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

Innovate BC focuses on opportunities for ventures who will build their companies in our province.

Strategies

- Working with partners to focus program resources on entrepreneurs who can achieve early customer acquisition while maintaining base operations in B.C.
- Managing Venture Acceleration Programs.
- Overseeing a network of accelerators, known as the B.C. Acceleration Network, across the province.
- Providing regional support in the form of curated solutions and match-making innovators to potential buyers for early validation and a roadmap to global markets.
- Working with government to encourage the purchase of innovative technology products that allow for more efficient delivery of government services.

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

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
3. The percentage of participants in Innovate BC-funded programs who are assessed as being able to be successful in their venture without needing to leave B.C. to do so. ¹	93%	95%	93%	97%	93%	93%

Data Source: Progress reports from program partners.

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

* 2017/18 data based on responses from 386 companies.

Discussion

Entrepreneurs with early stage innovative concepts and business ventures are highly mobile. For many, it is tempting to move to new locations outside of B.C. to be near their key customers, suppliers or financiers. Of the three prime relationships, the most compelling is that with customers, who are the ultimate source of value in an entrepreneurial venture. 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 are expected to be successful without needing to leave B.C. While these programs are highly effective in equipping the next cohort of entrepreneurs with drive and resources to stay in this province, it is conceivable that a small percentage of entrepreneurs will need to exit B.C. to be

successful. Thus, a target of 90 percent was established. Though realistic, this target was exceeded in 2016/17 in line with the trend seen over the past two fiscal years. To balance this, a new 93 percent target was reflected in Innovate BC's [2017/18 – 2019/20 Service Plan](#).

Innovate BC exceeded this target with a total of 97 percent in 2017/18, the highest score ever recorded by Innovate BC for this measure. The programs included in this measure for 2017/18 targeted ambitious companies and provided more hands-on support compared to previous years. Thus, the companies included in this measure were higher-caliber, more established companies that were receiving targeted support, and were therefore more confident in their ability to be successful without leaving the province.

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

Strategies

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

Performance Measure 4: Innovate BC-supported companies that yielded improved company growth.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
4. The average score of participants engaged in Innovate BC-funded access programming that received support, yielding improved company growth (via talent, capital, market) and industry opportunities ¹	N/A	72	75	65	75	75

Data Source: Progress reports from program partners.

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

Discussion

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

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

2016/17 was the first year this performance measure was tracked via weighted survey response of companies in the RevUP program delivered to companies in this growth stage. Survey questioning was divided into scores for three areas: talent, capital and markets. Then, an average between those three scores is calculated, resulting in a score out of 100. This averaged score is seen as 2016/17 Actual for this performance measure.

This is a fairly new measure, so Innovate BC is still trying to ensure the questions asked in this measure are in line with services offered by the RevUP program. The Talent component of the measure was revised based on feedback from partners, likely leading to a 20-point increase for Talent as compared to the previous year. However, the Capital and Markets components of this measure did not meet the target and may need to be revised.

Not all companies in RevUP were seeking help in all three areas covered by the measure (Talent, Capital and Markets), evidenced by a low score on one or more components. Based on these results, Innovate BC will work with our program partners on this measure to ensure that it reflects the services delivered to companies in the program.

Financial Report

Discussion of Results

Highlights

Innovate BC's core operations and activities are funded by the Province through the Ministry of Jobs, Trades and Technology. 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.

Financial Resource Summary Table

\$ millions	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Budget	2017/18 Actual	2017/18 Variance
Operating Revenue						
Province of British Columbia ⁽¹⁾	8,090	8,090	8,860	21,590	19,590	(2,000)
Internal Program Funding ⁽²⁾	5,154	3,727	3,408	329	696	367
NRAS Endowment ⁽³⁾	0	45	783	1,330	1,470	140
Interest & Other	212	393	2,253	415	581	166
Total Revenue	13,456	12,255	15,304	23,664	22,338	(1,326)
Operating Expenses						
Programs and Initiatives	11,619	9,894	11,752	19,568	18,044	(1,524)
NRAS Endowment ⁽³⁾	0	45	783	1,330	1,470	140
Salaries and Benefits	1,347	1,644	1,907	1,939	1,728	(211)
Rent	173	307	308	306	317	11
Amortization	38	67	77	63	58	(5)
Operational & administrative expenses ⁽⁴⁾	278	271	462	458	699	241
Total Expenses	13,455	12,228	15,289	23,664	22,316	(1,348)
Net Income from Operations	1	27	15	0	21	21
Capital Expenditures ⁽⁶⁾	147	89	48	50	10	(40)
Total Liabilities (even if zero)	12,940	11,407	10,514	8,168	9,543	1,375
Accumulated Surplus/ Retained Earnings (even if zero) ⁽⁵⁾	56,452	56,480	56,495	56,495	56,516	21

1 In 2017/18, Innovate BC received \$6,090,000 in annual funding and \$13,500,000 in funding for the BC Tech Co-op Grants Program.

2 Internal Program Funding represents the use of deferred program revenues.

3 Accumulated interest from the Natural Resource and Applied Science Research (NRAS) Endowment Fund capital will provide funding for research activities of B.C. academic institutions and technology developers, leading to commercializable projects.

4 Other operating costs include legal, audit, travel and office expenses.

5 Accumulated Surplus includes the \$50 million NRAS Endowment Fund capital.

6 Capital expenditures include costs of computer hardware and software.

* Further information on program funding and vote recoveries is available in the [Estimates and Supplement to the Estimates](#).

Variance and Trend Analysis

Revenues were \$1.3 million lower than budgeted in 2017/18. Revenue from the province was \$2 million less than budgeted because a program was delayed until 2018/19. Interest and other revenue was \$166,000 more than budgeted because additional proceeds were received for sale of investment in the prior year.

Total expenses were \$1.35 million lower than budgeted in 2017/18. Program and Initiatives expenses were \$1.5 million lower than budgeted because a \$2 million program was delayed until next year. However, commercialization expenses were increased. Salaries and benefits were \$211,000 lower than budgeted because several positions were vacated and not replaced during the year. Operational and administrative costs were \$241,000 more than budgeted because contractors were used as temporary replacements, and also due to higher legal expenses. Interest earned on investments is forecast to remain stable over the next three years.

Innovate BC will work both with companies directly and with all the regional partners and various organizations across the province to develop and deliver programs that accelerate the commercialization of technology and development of entrepreneurs.

Risks and Uncertainties

Innovate BC's programs will be primarily funded by the core funding from the Province of B.C. and the organization will align its funding to programs that 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 remain low under the current economy, and it is unlikely that the interest returns will change significantly in the near term.

Financial Statements of

INNOVATE BC

(FORMERLY "BRITISH COLUMBIA INNOVATION COUNCIL")

Year ended March 31, 2018



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Innovate BC (formerly "British Columbia Innovation Council"), which comprise the statement of financial position as at March 31, 2018, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



Innovate BC
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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Innovate BC as at March 31, 2018 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

May 3, 2018
Burnaby, Canada

INNOVATE BC

(FORMERLY "BRITISH COLUMBIA INNOVATION COUNCIL")

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash and cash equivalents:		
Unrestricted	\$ 1,026,983	\$ 1,713,031
Restricted - deferred programs (note 6)	1,045,332	1,168,351
Restricted - NRAS endowment (note 7)	2,039,526	957,954
	4,111,841	3,839,336
Investments:		
Unrestricted (note 3)	5,958,017	6,031,147
Restricted - deferred programs (notes 3 and 6)	3,422,552	3,051,237
Restricted - NRAS endowment (notes 3 and 7)	2,267,843	3,716,246
	11,648,412	12,798,630
Accounts receivable	80,466	95,568
	15,840,719	16,733,534
Liabilities		
Accounts payable and accrued liabilities	767,567	1,620,456
Deferred program revenues (note 6)	4,467,884	4,219,588
Deferred revenue from NRAS endowment (note 7)	4,307,369	4,674,200
	9,542,820	10,514,244
Net Financial Assets	6,297,899	6,219,290
Non-Financial Assets		
Restricted - NRAS endowment:		
Investments (notes 3 and 7)	50,000,000	50,000,000
Tangible capital assets (note 4)	156,812	208,286
Prepaid expenses	61,539	66,890
	50,218,351	50,275,176
Accumulated surplus (note 5)	\$ 56,516,250	\$ 56,494,466

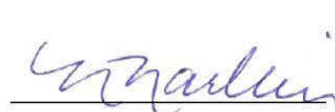
Commitments (note 8)
 Contractual obligations (note 9)
 Contractual rights (note 10)
 Employee future benefits (note 11)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

INNOVATE BC

(FORMERLY "BRITISH COLUMBIA INNOVATION COUNCIL")

Statement of Operations and Accumulated Surplus

Year ended March 31, 2018, with comparative information for 2017

	Budget 2018 (Note 14)	2018	2017
Revenue:			
Grants from the Province of British Columbia (note 12)	\$ 8,090,000	\$ 6,090,000	\$ 8,860,000
Program revenue from the Province of British Columbia (note 12 and 6)	13,500,000	13,500,000	-
Other program revenue (note 6)	329,000	696,274	3,407,623
Other	290,000	413,272	2,103,494
Interest	125,000	168,199	149,308
NRAS endowment (note 7)	1,330,000	1,470,196	783,497
	23,664,000	22,337,941	15,303,922
Expenses (note 13):			
Program expenses and disbursements:			
Academic	235,000	611,487	2,600,000
Commercialization	18,488,000	17,326,889	9,069,370
NRAS endowment (note 7)	1,330,000	1,470,196	783,497
Premier's Technology Council	625,000	721,296	460,574
Technology Awareness	220,000	86,176	246,626
General administration	2,766,000	2,100,113	2,128,944
	23,664,000	22,316,157	15,289,011
Annual surplus	-	21,784	14,911
Accumulated surplus, beginning of year	56,494,466	56,494,466	56,479,555
Accumulated surplus, end of year	\$ 56,494,466	\$ 56,516,250	\$ 56,494,466

See accompanying notes to financial statements.

INNOVATE BC

(FORMERLY "BRITISH COLUMBIA INNOVATION COUNCIL")

Statement of Changes in Net Financial Assets

Year ended March 31, 2018, with comparative information for 2017

	Budget 2018 (Note 14)	2018	2017
Annual surplus	\$ -	\$ 21,784	\$ 14,911
Acquisition of tangible capital assets	(50,000)	(9,505)	(48,072)
Amortization of tangible capital assets	68,000	57,989	76,621
Disposition of tangible capital assets	-	10,042	3,953
Accumulated amortization of disposition	-	(7,052)	(1,633)
	18,000	73,258	45,780
Acquisition of prepaid expenses	-	(62,056)	(69,958)
Use of prepaid expenses	-	67,407	73,857
	-	5,351	3,899
Change in net financial assets	18,000	78,609	49,679
Net financial assets, beginning of year	6,219,290	6,219,290	6,169,611
Net financial assets, end of year	\$ 6,237,290	\$ 6,297,899	\$ 6,219,290

See accompanying notes to financial statements.

INNOVATE BC

(FORMERLY "BRITISH COLUMBIA INNOVATION COUNCIL")

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating:		
Annual surplus	\$ 21,784	\$ 14,911
Items not involving cash:		
Amortization of tangible capital assets	57,989	76,621
Changes in non-cash operating working capital:		
Accounts receivable	15,102	(13,806)
Prepaid expenses	5,351	3,899
Accounts payable and accrued liabilities	(852,889)	1,505,116
Deferred program revenues	248,296	(2,706,544)
	(504,367)	(1,119,803)
Capital:		
Purchase of tangible capital assets	(9,505)	(48,072)
Proceeds on disposal of tangible capital assets	2,990	2,320
	(6,515)	(45,752)
Investments:		
Purchase of investments	(16,696,829)	(9,026,600)
Proceeds on maturity of investments	17,847,047	13,354,821
Increase (decrease) in deferred revenue from NRAS endowment	(366,831)	308,936
	783,387	4,637,157
Increase in cash and cash equivalents	272,505	3,471,602
Cash and cash equivalents, beginning of year	3,839,336	367,734
Cash and cash equivalents, end of year	\$ 4,111,841	\$ 3,839,336

See accompanying notes to financial statements.

INNOVATE BC

(FORMERLY "BRITISH COLUMBIA INNOVATION COUNCIL")

Notes to Financial Statements

Year ended March 31, 2018, with comparative information for 2017

1. Authority and purpose:

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

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

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

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

2. Significant accounting policies:

(a) Basis of accounting and presentation:

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

(b) Cash and cash equivalents:

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

(c) Investments:

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

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

(d) Revenue recognition:

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

INNOVATE BC

(FORMERLY "BRITISH COLUMBIA INNOVATION COUNCIL")

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

(d) Revenue recognition (continued):

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

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

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

(e) Government transfers:

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

(f) Financial instruments:

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

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

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

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

(g) 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

(FORMERLY "BRITISH COLUMBIA INNOVATION COUNCIL")

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):**(h) Tangible capital assets:**

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

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

When events or circumstances indicate that a tangible capital asset no longer has any long-term service potential, the net carrying amount is written down to the residual value of the asset. No write-downs were determined to be necessary during the current year.

(i) Prepaid expenses:

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

(j) Employee future benefits:

Innovate BC accrues employee vacation entitlements. These accruals are included in accounts payable and accrued liabilities. Innovate BC is a member of the Public Service multi-employer pension plan (note 10). Defined contribution plan accounting is applied to the multi-employer defined benefit plan and, accordingly, contributions are expensed when paid or payable.

(k) Use of estimates:

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

INNOVATE BC

(FORMERLY "BRITISH COLUMBIA INNOVATION COUNCIL")

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. Investments:

Restricted and unrestricted investments consist of term deposits and guaranteed investment certificates with maturity dates ranging from June 2018 to June 2021, bearing interest at rates ranging from 1.30% to 2.31%.

Included in unrestricted investments are shares of previous British Columbia Advanced Systems Foundation ("ASI") program participant private corporations received in exchange for all or a portion of loan or royalty interests. As at March 31, 2017, Innovate BC has assessed these shares of privately-held corporations to have nominal market value. As such, these investments are recorded at a nominal value of \$1 each for each company shareholding. The estimated market value of the long-term investments as at March 31, 2018 is \$6 (2017 - \$6).

In 2016, Innovate BC received correspondence that one of the privately-held corporations in which it had shares was being sold. At the time of the sale, Innovate BC's share in the corporation was valued at \$2,116,564. During the year, Innovate BC received proceeds of \$88,735 (2017 - \$1,754,955) from the sale of an investment that was sold in the previous year, the proceeds are included in Other in the Statement of Operations and Accumulated Surplus. In the sales agreement is a provision to hold back of 10% of the proceeds which was placed into escrow. During 2017, approximately 50% of the escrow funds was released on the first anniversary of the closing date. The final escrow funds of approximately \$90,600 will be released in the fiscal year 2019 on the 18-month anniversary of the closing date. The remaining escrow balance is not reflected in the financial statements.

4. Tangible capital assets:

Cost	Balance, March 31, 2017	Additions	Disposals	Balance, March 31, 2018
Furniture, fixtures and equipment	\$ 210,415	\$ -	\$ -	\$ 210,415
Computer hardware and software	572,236	9,505	10,042	571,699
Leasehold improvements	120,569	-	-	120,569
	\$ 903,220	\$ 9,505	\$ 10,042	\$ 902,683

Accumulated Amortization	Balance, March 31, 2017	Amortization	Accumulated amortization of disposals	Balance, March 31, 2018
Furniture, fixtures and equipment	\$ 156,379	\$ 10,807	\$ -	\$ 167,186
Computer hardware and software	472,386	27,982	7,052	493,316
Leasehold improvements	66,169	19,200	-	85,369
	\$ 694,934	\$ 57,989	\$ 7,052	\$ 745,871

INNOVATE BC

(FORMERLY "BRITISH COLUMBIA INNOVATION COUNCIL")

Notes to Financial Statements (continued)

Year ended March 31, 2018

4. Tangible capital assets (continued):

	Net book value March 31, 2018	Net book value March 31, 2017
Furniture, fixtures and equipment	\$ 43,229	\$ 54,036
Computer hardware and software	78,383	99,850
Leasehold improvements	35,200	54,400
	\$ 156,812	\$ 208,286

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

5. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2018	2017
Invested in tangible capital assets	\$ 156,812	\$ 208,286
NRAS Endowment	50,000,000	50,000,000
Unrestricted	6,359,438	6,286,180
	\$ 56,516,250	\$ 56,494,466

6. Deferred program revenues:

	Balance March 31, 2017	Funds received	Funds expended	Balance March 31, 2018
Agriculture Science and Innovation	\$ 1,643,615	\$ -	\$ (376,488)	\$ 1,267,127
Agriculture Science (Challenge Event)	18,357	28,114	(46,471)	-
Aquaculture & Environment Research	376,024	-	-	376,024
BC Growth Opportunities	103,745	-	(103,745)	-
Industrial Innovation Scholarship	102,750	-	-	102,750
BCIC Tech Works	-	13,523,110	(13,523,110)	-
Internet of Things Challenge	-	87,000	(53,579)	33,421
Smart Communities Pilot	-	130,000	-	130,000
LEEF Student Program	598,711	352,211	(45,545)	905,377
	2,843,202	14,120,435	(14,148,938)	2,814,699
BC Tech Summit (a)	1,376,386	1,120,270	(843,471)	1,653,185
Total	\$ 4,219,588	\$ 15,240,705	\$ (14,992,409)	\$ 4,467,884

INNOVATE BC

(FORMERLY "BRITISH COLUMBIA INNOVATION COUNCIL")

Notes to Financial Statements (continued)

Year ended March 31, 2018

6. Deferred program revenues (continued):

- (a) The revenue and expenses for the BC Tech Summit are recorded on a net basis.
- (b) Funds restricted for future program expenses have been separated and classified as restricted cash and cash equivalents - deferred programs and restricted investments - deferred programs.
- (c) Included within funds expended are \$47,336 of expenses for which funds have not been received. The amount is included in the total program revenue in the Statement of Operations and Accumulated Surplus and Accounts receivables in the Statement of Financial Position.

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. Restricted cash and investments of \$54,307,369 are comprised of the permanently restricted endowment balance of \$50,000,000 and unspent interest earnings of \$4,307,369. During the year, Innovate BC awarded Ignite Awards of \$1,276,064 (2017 - \$616,737) to research projects in natural resources and applied sciences.

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

	2018	2017
Accumulated interest, beginning of year	\$ 4,674,200	\$ 4,365,264
Interest earned net of fees	1,103,365	1,092,433
Awards and administration fees	(1,470,196)	(783,497)
Accumulated interest, end of year	\$ 4,307,369	\$ 4,674,200

8. Commitments:

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:

2019	\$ 325,623
2020	271,749
	\$ 597,372

INNOVATE BC

(FORMERLY "BRITISH COLUMBIA INNOVATION COUNCIL")

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Contractual obligations:

Innovate BC has entered into a number of project grant contracts as at March 31, 2018 to provide future funding of research projects to be completed subsequent to the year-end. These contractual obligations are funded in installments and payments are due based on conditions included in the contract being satisfied. As such, no liability has been accrued in the financial statements as Innovate BC is not liable for payments until these conditions have been met.

The contractual obligations of Innovate BC as at March 31, 2018 are \$1,828,374 (2017 - \$2,859,638).

10. Contractual rights:

Innovate BC has entered into a number of multi-year contracts with third parties that entitles Innovate BC to receive the following amounts:

	2019	2020
Leases	\$ 75,000	\$ 62,500
Other	11,300	9,400
	<u>\$ 86,300</u>	<u>\$ 71,900</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 56,885 active employees.

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

The latest actuarial valuation as at March 31, 2017, indicated a funding surplus of \$1,896,000,000 for basic pension benefits on a going concern basis. The next valuation will be as at March 31, 2020, with results available in early 2021.

During the year, Innovate BC paid and expensed \$109,694 (2017 - \$131,677) for contributions to the Plan.

INNOVATE BC

(FORMERLY "BRITISH COLUMBIA INNOVATION COUNCIL")

Notes to Financial Statements (continued)

Year ended March 31, 2018

12. Related parties:

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

Innovate BC received \$19,590,000 (2017 - \$9,145,000) in provincial funding from the Ministry of Jobs, Trade and Technology.

13. Expenses by object:

The following is a summary of expenses by object:

	2018	2017
Expenses:		
Program expenses and disbursements	\$ 19,416,272	\$ 12,535,306
Salaries and benefits	1,826,038	1,907,333
Rent	316,565	308,271
Contracted services	388,745	128,509
Office expenses	157,054	149,531
Other costs	153,494	183,440
	22,258,168	15,212,390
Amortization	57,989	76,621
Total expense	\$ 22,316,157	\$ 15,289,011

INNOVATE BC

(FORMERLY "BRITISH COLUMBIA INNOVATION COUNCIL")

Notes to Financial Statements (continued)

Year ended March 31, 2018

14. Budget figures:

Budget figures included in the financial statements were approved by the Board on August 28, 2017 to reflect current estimates.

	Original budget	Amended budget	Change
Revenue:			
Province of British Columbia	\$ 21,590,000	\$ 21,590,000	\$ -
Program revenue (note 4)	329,000	329,000	-
NRAS Endowment Funds	1,594,000	1,330,000	(264,000)
Interest and other	258,000	415,000	157,000
Total revenue	23,771,000	23,664,000	(107,000)
Expenses:			
Programs and Initiatives	19,406,000	19,568,000	162,000
NRAS Endowment Funds	1,594,000	1,330,000	(264,000)
General administration	2,771,000	2,766,000	(5,000)
Total expenses	23,771,000	23,664,000	(107,000)
Surplus as at March 31, 2018	-	-	-
Accumulated surplus, beginning of year	56,494,466	56,494,466	-
Accumulated surplus, end of year	\$ 56,494,466	\$ 56,494,466	\$ -

Changes between the original budget and the amended budget primarily result from: (a) changes in NRAS administration expenses; (b) program and initiatives, and associated revenues and expenses.

Appendix A – Additional Information

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 British Columbia Legislative Assembly through the Minister of Jobs, Trade and Technology. The [Board of Directors](#) has 13 members:

- Dr. Alan Shaver, Chair
- Benjamin Sparrow
- Dave Krysko
- Don Stuckert
- Dr. Gail Murphy
- Jennifer Ouano
- Dr. Joy Johnson
- Dr. Lesley Esford
- Michael Fergusson
- Peter Nunoda
- Suzanne Gill
- Dr. Tom Roemer
- Dr. Alan Winter (ex-officio member)

Senior Management

- Shirley Vickers, President & CEO
- Jennie Choboter, Chief Financial Officer
- Tomica Divic, Managing Director, Operations

Organizational Overview

Enabling Legislation

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

Contact Information

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