

Innovate BC

2018/19
ANNUAL SERVICE PLAN REPORT

July 2019



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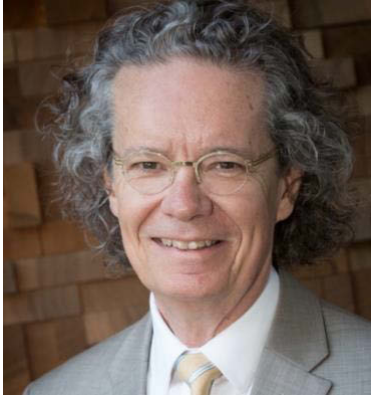
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Board Chair's Accountability Statement



Innovate BC is a Crown agency that represents the Government of British Columbia and the people who make up our innovation ecosystem in every corner of our province. Every day, we at Innovate BC come to work to serve and celebrate innovation in British Columbia, helping our industries grow, while ensuring the benefits of our thriving technology sector are felt by people in all regions of our province. We help innovators in B.C. access funding, launch their ideas, and connect with experts they need to build great companies.

The Innovate BC 2018/19 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2018/19 - 2019/20 Service Plan created in February 2018. I am accountable for those results as reported.

A handwritten signature in blue ink that reads "Alan Shaver". The signature is fluid and cursive.

Alan Shaver
Board Chair

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Chair/CEO Report Letter



Innovate BC continued to serve B.C.'s tech sector in meaningful ways in 2018/19, guided by the Mandate Letter issued by the Minister of Jobs, Trade and Technology. 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 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 Innovation Marketplace, Innovate BC reached companies across all regions of the Province. The #BCTECHSummit, which Innovate BC co-hosted together with the Province, facilitated connections between industry, academia, government and members of the tech community. Programs such as Innovate BC 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 2018/19, 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.

A handwritten signature in blue ink, reading "Alan Shaver".

Alan Shaver, Innovate BC Board Chair

A handwritten signature in blue ink, reading "Raghwa Gopal".

Raghwa Gopal, Innovate BC President + CEO

Purpose of the Annual Service Plan Report

The Annual Service Plan Report (ASPR) 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 encourages the development and application of advanced or innovative technologies to meet the needs of industry in British Columbia (B.C.). The organization helps innovators in B.C. access funding, launch their ideas, and connect with the experts they need to build great companies. Innovate BC's scope of responsibility is 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. Along with continuing its current programs and services, Innovate BC has been exploring ways to best fulfill this expanded mandate and is working to develop a strategic business plan.

Strategic Direction

The strategic direction set by Government in 2017 and expanded upon in the Board Chair's [Mandate Letter](#) from the Minister Responsible in 2018 shaped the [2018/19 Service Plan](#) and the results reported in this Annual Service Plan Report.

The following table highlights the key goals, objectives or strategies that support the key priorities of Government identified in the 2018/19 Innovate BC Service Plan:

Government Priorities	Innovate BC Aligns with These Priorities By:
A strong, sustainable economy	<ul style="list-style-type: none"> Implementing Strategic Initiatives that Strengthen British Columbia's Position as a Preferred Location for New and Emerging Technologies (Goal 3).

Operating Environment

Technology and innovation help to drive prosperity and job creation throughout B.C. and enable growth and competitiveness across industries.

The most recent data offering a snapshot of the technology sector in B.C. are from 2017. In that year, B.C.'s high technology sector generated 7 per cent of the province's GDP. The high technology sector grew at a slightly slower pace (3.4 per cent) than the overall provincial economy (3.9 per cent) due to strong growth in certain service industries such as real estate and construction.

Employment in the high technology sector continued to rise in 2017 to 114,280 jobs, an all-time high and an increase of 5.4 per cent over 2016, making up 5 per cent of B.C.'s workforce. More than 10,500 B.C. companies employed workers in the high technology sector, 93 per cent of which were in service sector industries.

All industries benefit from technology adoption. Particularly, traditional industries adopting innovative solutions enable them to become more competitive, efficient, scalable, and profitable. Through its programs and initiatives, Innovate BC supported industrial innovation across the province and encouraged the development of technology to solve B.C.'s most pressing business challenges.

In 2018/19, Innovate BC's Board of Directors appointed a new President and CEO, Raghwa Gopal. Mr. Gopal draws on more than three decades of business and technology experience as he leads Innovate BC, which is dedicated to ensuring the benefits of B.C.'s thriving technology sector are felt by people in all regions of the province.

Innovate BC effectively delivered its programs in 2018/19, supported by a stable operating environment and strong leadership in the technology community.

The potential risks identified in the 2018/19 Service Plan were managed under mitigation strategies described in [Appendix D](#) of the 2018/19 Service Plan. Specifically, identified risks included the

possibility that Innovate BC programs do not improve company outcomes, despite the quality and care taken in programs' design, and the possibility that our delivery partners decline to continue delivering Innovate BC programs. To mitigate these potential risks, Innovate BC programs are customized for the B.C. context and, program delivery and support burden is divided among several partners to help ensure that if one partner drops out, others can quickly develop capacity to replace them.

Report on Performance

Goals, Objectives, Measures and Targets

Goal 1: Encourage the Development and Application of Advanced or Innovative Technology to Meet the Needs of Industry in British Columbia

Objective 1.1: 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 commercialization acceleration programs, outreach to industry to understand market challenges, matching innovators with industry driven needs and opportunities and funding commercially-viable research programs.

Key Highlights:

- Oversaw a network of accelerators, known as the BC Acceleration Network.
- Delivered Innovate BC Ignite, which provides funding to accelerate commercialization of new technologies and innovations in the natural resources and applied sciences.
- 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.
- Strategically assisted B.C. companies across all sectors to increase their competitive advantage through the adoption of innovation technology.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
1.1a The percentage of ventures in Innovate BC-funded programs with patent protection for their innovations or a structured approach to maintaining trade secrecy ¹	47%	60%	45%	62%	55%	55%

¹Data Source: Progress reports from program partners. This measure is based on participant surveys and presents the percentage of "Yes" responses relative to the total number of participants answering the survey. 2018/19 data based on responses from 316 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 improve the growth rate and survivability of small- and medium-sized businesses located in B.C.

The target represents a goal to achieve a high level of patent protection. The target of 45 per cent for 2018/19 was increased from 40 to 45 per cent in Innovate BC's [2017/18 – 2019/20 Service Plan](#) based on the percentage achieved in 2016/17, namely 47 per cent.

In 2018/19, 62 per cent of ventures in Innovate BC programs answered in the affirmative, exceeding our target of 45 per cent. We have thus reviewed our targets for 2019/20 and 2020/21 and increased them by 10 percentage points, from 45 to 55 per cent, to better reflect the upward trend in the rate of patent protection by companies in Innovate BC programs.

Goal 2: Strengthen Entrepreneurship Development and Increase Company Growth

Objective 2.1: Enhance Entrepreneurial Skills

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

Key Highlights:

- Provided mentorship and training through our B.C.-based network of EIRs and accelerators (B.C. Acceleration Network).
- Sponsored and promoted appropriate conferences, competitions and events that provide valuable education and networking opportunities including the New Ventures BC Competition and Vancouver Entrepreneurs' Forum.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
2.1a The overall level to which B.C. Acceleration Network clients have a solid business foundation for the success of their companies (Innovate BC Health Score) ¹	90	91	89	89	89	89

Data Source: Progress reports from program partners.

¹This measure presents an overall score out of a possible 100 points. 2018/19 data based on responses from 74 companies. The score is determined by a set of indicators identified by Innovate BC as important elements for a venture to progress.

Discussion

Innovate BC met its target of 89 in 2018/19. Innovate BC's activities and programs support job creation in B.C. It is essential that companies in Innovate BC 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. Specifically, the model used reflects a venture's progress relative to jobs, revenue, investment and skills development.¹

¹ Refer to [Appendix B of the 2018/19 Service Plan](#) for more details on how targets have been set and are measured.

Objective 2.2: Engage B.C. Companies with Industry Opportunities and Targeted Growth Programs

Innovate BC helps connect B.C. ventures with numerous resources to help them grow and scale their businesses, leading to job growth and economic development across the province.

Key Highlights:

- Assisted companies to identify and connect with innovative technology solutions, critical talent, capital, and market opportunities to increase jobs and accelerate revenue growth.
- Provided 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.
- Continued to collect feedback from participants in Innovate BC-funded programs on a regular basis so that we can continually improve the quality of Innovate BC's programs and services.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
2.2a The average score of participants engaged in Innovate BC-funded advanced access programming that received support, yielding improved company growth (via talent, capital, market) and industry opportunities ¹	72	65	75	72	70	70

Data Source: Progress reports from program partners.

¹ This measure is based on participant surveys and presents an average of the overall weighted score out of a possible 100 points. 2018/19 data based on responses from 10 companies. Targets for 2019/20 and 2020/21 were reduced from 75 to 70 respectively in the 2019/20 – 2021/22 Service Plan released February 2019.

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 aims to catapult high potential ventures and established companies into this rapid growth phase.

To support these priorities, Innovate BC seeks to further the development of medium-sized firms in B.C. with the RevUP program. RevUP provides high potential companies with advanced access to growth (in talent, capital, and markets) and industry opportunities with the objective of accelerating job creation and economic returns for the province. This 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 is divided into scores for three thematic areas from which an average is calculated.

The 2018/19 performance measure result was very close to the target.

Talent, Capital and Markets are the core thematic pillars of Innovate BC's advanced access programming. Each pillar consists of four questions totalling a score of 100. Improved management capabilities, a "Basic Threshold" in our survey, is the most heavily weighted component of each pillar, scoring 40 points out of 100. The remaining three questions in each pillar are allocated 20 points each. A breakdown of the scoring system is located in Appendix C of Innovate BC's [2018/19 Service Plan](#).

It is the nature of the RevUP program that most companies are dedicated to improving one aspect (pillar) of their organization, rather than focusing on all three pillars simultaneously. As anticipated, companies scored higher for one pillar than the other two in most cases. A forecast made in the 2018/19 Service Plan was that all companies would achieve the Basic Threshold for all pillars; however, three companies did not achieve this, causing the final score to land at 72 instead of 75. It is worth noting that scores may fluctuate from year to year due to external factors beyond the program's control.

Performance Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
2.2b The percentage of participants in Innovate BC-funded programs who confirm programs have a high value impact in advancing their technology venture ¹	94%	92%	90%	96%	92%	92%

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. 2018/19 data based on responses from 933 companies. Targets for 2019/20 and 2020/21 were increased from 90 per cent to 92 per cent respectively in the 2019/20 – 2021/22 Service Plan released February 2019.

Discussion

As shown in Performance Measure 2.2b, 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 suggests significant 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 2018/19 score of 96 per cent indicates a high degree of satisfaction with Innovate BC's programs and services, and exceeds the target of 90 per cent.

Goal 3: Support the Government in the Implementation of Strategic Initiatives that Strengthen British Columbia's Position as a Preferred Location for New and Emerging Technologies

Objective 3.1: Focus Resources on Entrepreneurs Who Will Build their Companies in B.C.

Key Highlights:

- Made accelerators and programming available in physical 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 Measure	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
3.1a 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	95%	97%	93%	98%	95%	95%

Data Source: Progress reports from program partners.

¹ This measure is based on the experience and knowledge of Executives-in-Residence and mentors who evaluate the opportunities they are supporting. The 2018/19 data is based on responses from 338 companies. Targets for 2019/20 and 2020/21 were increased from 93 per cent to 95 per cent respectively in the 2019/20 – 2021/22 Service Plan released February 2019.

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. A target of 93 per cent was established in the [2017/18 – 2019/20 Service Plan](#). Though realistic, this target was exceeded in 2017/18, in line with the upward trend seen in the previous two fiscal years.

Innovate BC exceeded its target with a total of 98 per cent in 2018/19. The programs included in this measure for 2018/19 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.

Financial Report

Discussion of Results

Highlights

Innovate BC's core operations and activities are funded by the Province of B.C. through the Ministry of Jobs, Trade 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. 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.

Resource Summary

(\$ 000)	2017/18 Actual ⁽²⁾	2018/19 Budget	2018/19 Actual	2018/19 Variance
Total Revenue				
By Major Sources				
Province of British Columbia ⁽¹⁾	19,878	8,090	6,099	(1,991)
Internal Program Funding	696	210	276	66
NRAS Endowment	1,470	2,385	1,211	(1,174)
Interest and Other	582	495	805	310
Total Revenue	22,626	11,180	8,391	(2,789)
Total Expenses				
By Program and Initiatives				
Program and Initiatives	17,709	5,813	3,844	(1,969)
NRAS endowment	1,470	2,385	1,211	(1,174)
Salaries and Benefits	1,826	2,160	2,013	(147)
Rent	317	310	324	14
Amortization	58	50	58	8
Operational & administrative expenses	699	462	924	462
Total Expenses	22,079	11,180	8,374	(2,806)
Net Income from Operations	547	-	17	17
Capital Expenditures	10	50	16	(34)
Total Liabilities (even if zero)	10,025	5,820	9,305	3,485
Accumulated Surplus/ Retained Earnings (even if zero)	57,041	56,495	57,058	563

¹ Province of British Columbia: In 2017/18, Innovate BC received funding of \$13,500,000 which was expended on the BC Tech Co-op Grants Program and Innovator Skills Initiative.

² Restated figures (see note 2 of the Financial Statements).

Variance and Trend Analysis

Revenues were \$2.8 million lower than budgeted in 2018/19. Revenue from the province was \$2.0 million less than budgeted because a \$2.0 million procurement concierge initiative was delayed until 2019/20. The Natural Resource and Applied Sciences (NRAS) Research Endowment revenue was lower than budgeted due to timing differences between awarding and distribution of Ignite Awards. The Interest and Other category was higher than budgeted mainly due to higher interest rates on unrestricted funds.

Total expenses were \$2.8 million lower than budgeted in 2018/19. Program and Initiatives expenses were \$2.0 million lower than budgeted because of the delayed initiative. Salaries and benefits were \$147,000 lower than budgeted because several positions were vacated and not replaced during the year. Operational and administrative costs were \$462,000 greater than budgeted because contractors were hired as temporary replacements, and Innovate BC incurred higher legal expenses and the expense of rebranding the organization.

Innovate BC will continue to deliver programs and initiatives that strengthen entrepreneurship development and increase company growth, ensuring that the benefits of technology and innovation are felt around the province, including rural, northern and Indigenous communities, and by equity-seeking groups.

Risks and Uncertainties

Innovate BC's programs are 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 increased in current year but it is unknown whether the interest returns will remain at this level in the next term.

Auditor's Report and Audited Financial Statements

Financial Statements of

INNOVATE BC

And Independent Auditors' Report thereon

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Innovate BC (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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.

Comparative Information - Restated Financial Statements

We draw attention to Note 2 to the financial statements which indicates that the financial statements as at and for the year ended March 31, 2019 that we originally reported on May 23, 2019 and certain comparative information presented for the year ended March 31, 2018 have been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate the financial statements for the year ended March 31, 2019 and comparative information for the year ended March 31, 2018.

Our conclusion is not modified in respect to this matter.

As part of our audit of the restated financial statements for the year ended March 31, 2019, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2018. In our opinion, such adjustments are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants

Vancouver, Canada

May 23, 2019, except as to note 2, which is as of July 11, 2019

INNOVATE BC

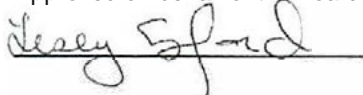
Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019 (Restated - Note 2)	2018 (Restated - Note 2)
Financial Assets		
Unrestricted	\$ 2,121,444	\$ 1,026,983
Cash and cash equivalents:		
Restricted - deferred programs (note 7)	908,218	1,045,332
Restricted - NRAS endowment (note 8)	1,454,150	2,039,526
	4,483,812	4,111,841
Investments:		
Unrestricted (note 4)	5,794,417	5,958,017
Restricted - deferred programs (notes 4 and 7)	1,970,192	3,422,552
Restricted - NRAS endowment (notes 4 and 8)	2,923,439	2,267,843
	10,688,048	11,648,412
Accounts receivable	61,263	80,466
	15,233,123	15,840,719
Liabilities		
Accounts payable and accrued liabilities	1,576,325	767,567
Deferred program revenues (note 7)	3,351,010	4,950,129
Deferred revenue from NRAS endowment (note 8)	4,377,589	4,307,369
	9,304,924	10,025,065
Net Financial Assets	5,928,199	5,815,654
Non-Financial Assets		
Restricted - NRAS endowment:		
Investments (notes 4 and 8)	50,000,000	50,000,000
Tangible capital assets (note 5)	90,699	156,812
Program funds under management	987,100	525,000
Prepaid expenses	52,307	543,784
	51,130,106	51,225,596
Accumulated surplus (note 6)	\$ 57,058,305	\$ 57,041,250
Commitments and contingency (note 9)		
Contractual obligations (note 10)		
Contractual rights (note 11)		
Employee future benefits (note 12)		

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

INNOVATE BC

Statement of Operations and Accumulated Surplus

Year ended March 31, 2019, with comparative information for 2018

	Budget 2019	2019	2018
	(Note 3(e))	(Restated -Note 2)	(Restated - Note 2)
Revenue:			
Grants from the Province of British Columbia (note 13)	\$ 8,090,000	\$ 6,099,645	\$ 6,377,755
Program revenue from the Province of British Columbia	-	-	13,500,000
Other program revenue (note 7)	210,000	275,459	696,274
Other	370,000	572,371	413,272
Interest	125,000	232,946	168,199
NRAS endowment (note 8)	2,385,000	1,210,938	1,470,196
	11,180,000	8,391,359	22,625,696
Expenses (note 14):			
Program expenses and disbursements:			
Academic	235,000	533,626	611,487
Commercialization	5,574,000	3,836,797	17,089,644
NRAS programs (note 8)	2,385,000	1,210,938	1,470,196
Premier's Technology Council	-	93,104	721,296
Technology Awareness	220,000	173,887	86,176
General administration	2,766,000	2,525,952	2,100,113
	11,180,000	8,374,304	22,078,912
Annual surplus	-	17,055	546,784
Accumulated surplus, beginning of year	56,516,250	57,041,250	56,494,466
Accumulated surplus, end of year	\$ 56,516,250	\$ 57,058,305	\$ 57,041,250

See accompanying notes to financial statements.

INNOVATE BC

Statement of Changes in Net Financial Assets

Year ended March 31, 2019, with comparative information for 2018

	Budget 2019 (Note 3(e))	2019 (Restated – Note 2)	2018 (Restated – Note 2)
Annual surplus	\$ -	\$ 17,055	\$ 546,784
Acquisition of tangible capital assets	(50,000)	(15,845)	(9,505)
Amortization of tangible capital assets	50,000	58,031	57,989
Impairment of tangible capital assets	-	23,478	-
Loss on disposal of tangible capital assets	-	449	2,990
	-	83,168	598,258
Acquisition of program funds under management	-	(482,245)	(525,000)
Use of program funds under management	-	20,145	-
	-	(462,100)	(525,000)
Acquisition of prepaid expenses	-	(35,015)	(62,056)
Use of prepaid expenses	-	526,492	355,162
	-	491,477	293,106
Change in net financial assets	-	112,545	366,364
Net financial assets, beginning of year	6,297,899	5,815,654	5,449,290
Net financial assets, end of year	\$ 6,297,899	\$ 5,928,199	\$ 5,815,654

See accompanying notes to financial statements.

INNOVATE BC

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
	(Restated – Note 2)	(Restated Note 2)
Cash provided by (used in):		
Operating:		
Annual surplus	\$ 17,055	\$ 546,784
Items not involving cash:		
Amortization of tangible capital assets	58,031	57,989
Impairment of tangible capital assets	23,478	-
Loss on disposal of tangible capital assets	449	2,990
	99,013	607,763
Changes in non-cash operating working capital:		
Accounts receivable	19,203	15,102
Program funds under management	(462,100)	(525,000)
Prepaid expenses	491,477	293,106
Accounts payable and accrued liabilities	808,758	(852,889)
Deferred program revenues	(1,599,119)	(39,459)
Increase (decrease) in deferred revenue from NRAS endowment	70,220	(366,831)
	(572,548)	(868,208)
Capital:		
Purchase of tangible capital assets	(15,845)	(9,505)
	(15,845)	(9,505)
Investments:		
Purchase of investments	(39,998,710)	(16,696,829)
Proceeds on maturity of investments	40,959,074	17,847,047
	960,364	1,150,218
Increase in cash and cash equivalents	371,971	272,505
Cash and cash equivalents, beginning of year	4,111,841	3,839,336
Cash and cash equivalents, end of year	\$ 4,483,812	\$ 4,111,841

See accompanying notes to financial statements.

INNOVATE BC

Notes to Financial Statements

Year ended March 31, 2019

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. Restatement of financial statements:

Innovate BC has restated the financial statements for the years ended March 31, 2018 and March 31, 2019 that were originally reported on May 3, 2018 and May 23, 2019, respectively. Contributions received by Innovate BC that are externally restricted for specific purposes, are recorded as deferred revenue and recognized as revenue in the Statement of Operations in the year which stipulations are met. Innovate BC subsequently recognizes contributions made to partner organizations as an expense in the Statement of Operations in the period the transfer is authorized and the recipient has met all eligibility criteria for the receipt of the transfer, provided Innovate BC does not continue to receive direct economic benefit that it can control in exchange for the transfer.

The restatement is a result of obligations arising from contributions received by Innovate BC for which the related stipulations had not been met and Innovate BC also maintaining control of certain funds subsequent to the transfer to a partner organization. Accordingly, those contributions received should be recorded as deferred revenue and recognized as revenue in the year which the stipulations were met instead of being recognized in the year received. In addition, contributions made to partner organizations should be recorded as an asset instead of an expense in the period the funds were granted.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Restatement of financial statements (continued):

The impact of the restatement is as follows:

Statement of financial position:

Deferred program revenue, as at March 31, 2018 as previously reported	\$ 4,467,884
Deferred program revenue, adjustment (Net – Opening & FY 18 adjustment)	482,245
Deferred program revenue, as at March 31, 2018, as restated	\$ 4,950,129
Deferred program revenue, as at March 31, 2019 as previously reported	\$ 2,878,410
Deferred program revenue, adjustment (Net – Opening & FY 18 adjustment)	482,245
Program revenue (FY 19 adjustment)	(9,645)
Deferred program revenue, as at March 31, 2019 as restated	\$ 3,351,010
Prepaid expenses, as at March 31, 2018 as previously reported	\$ 61,539
Prepaid program services, adjustment (net)	482,245
Prepaid expenses, as at March 31, 2018, as restated	\$ 543,784
Program funds under management, as at March 31, 2018, as previously reported	\$ -
Program funds under management transfer, adjustment	525,000
Program funds under Management, as at March 31, 2018 as restated	\$ 525,000
Program funds under management, as at March 31, 2019 as previously reported	\$ -
Program funds under management transfer, adjustment (FY 18 & FY 19)	1,007,245
Program expense – Commercialization, adjustment (FY 19)	(20,145)
Program funds under management, as at March 31, 2019 as restated	\$ 987,100

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Restatement of financial statements (continued):

Statement of Operations and Accumulated Surplus:

Revenue – Province of British Columbia, at March 31, 2018 as previously reported	\$ 6,090,000
Program revenue, adjustment (FY 18)	287,755
Revenue – Province of British Columbia, for the year ended March 31, 2018, as restated	\$ 6,377,755
Revenue – Province of British Columbia, at March 31, 2019 as previously reported	\$ 6,090,000
Program revenue, adjustment (FY 19)	9,645
Revenue – Province of British Columbia, for the year ended March 31, 2019, as restated	\$ 6,099,645
Program Expenses – Commercialization, at March 31, 2018 as previously reported	\$ 17,326,889
Expenses incurred per prepaid program services agreement, adjustment	287,755
Program funds under management transfer, adjustment	(525,000)
Program Expenses – Commercialization, at March 31, 2018, as restated	\$ 17,089,644
Program Expenses – Commercialization, at March 31, 2019 as previously reported	\$ 3,816,652
Program funds under Management transfer, adjustment	20,145
Program Expenses – Commercialization, at March 31, 2019, as restated	\$ 3,836,797

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Restatement of financial statements (continued):

The impact of the adjustment on Surplus and Accumulated Surplus:

Annual Surplus, at March 31, 2018, as previously reported	\$ 21,784
Expenses incurred per prepaid program services agreement, adjustment	(287,755)
Program funds under Management transfer, adjustment (FY 18)	525,000
Deferred program revenue, adjustment (FY 18)	287,755
Annual Surplus for the year ended March 31, 2018, as restated	\$ 546,784
Ending Accumulated Surplus, as at March 31, 2018 as previous reported	\$ 56,516,250
Program funds under Management transfer, adjustment	525,000
Ending Accumulated Surplus, as at March 31, 2018 as restated	\$ 57,041,250
Annual Surplus, at March 31, 2019 as previously reported	\$ 27,555
Program funds under Management transfer, adjustment (FY 19)	(20,145)
Deferred program revenue, adjustment (FY 19)	9,645
Annual Surplus for the year ended March 31, 2019, as restated	\$ 17,055
Ending Accumulated Surplus, as at March 31, 2019, as previous reported	\$ 56,543,805
Program funds under Management transfer, adjustment (FY 18)	525,000
Program funds under Management transfer, adjustment (FY19)	(20,145)
Deferred program revenue, adjustment (FY 19)	9,645
Ending Accumulated Surplus, as at March 31, 2019 as restated	\$ 57,058,305

3. 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.

3. Significant accounting policies (continued):

(d) Revenue recognition:

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

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

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

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

(e) Budget figures:

The budget figures present in these financial statement are based on the fiscal year 2019 operating budget, approved by the Board of Directors on February 22, 2018.

(f) Government transfers:

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

(g) Financial instruments:

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

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

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

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

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

3. Significant accounting policies (continued):

(h) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

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

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

When events or circumstances indicate that a tangible capital asset no longer has any long-term service potential, the net carrying amount is written down to the residual value of the asset.

(j) Prepaid expenses:

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

(k) Employee future benefits:

Innovate BC accrues employee vacation entitlements, included in accounts payable and accrued liabilities. Innovate BC is a member of the Public Service multi-employer pension plan (note 11). Defined contribution plan accounting is applied to the multi-employer defined benefit plan and, accordingly, contributions are expensed when paid or payable.

(l) Use of estimates:

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

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

4. Investments:

Restricted and unrestricted investments consist of term deposits and guaranteed investment certificates with maturity dates ranging from June 2019 to December 2023, bearing interest at rates ranging from 2.00% to 3.46%.

Included in unrestricted investments are shares of previous British Columbia Advanced Systems Foundation ("ASI") program participant private corporations received in exchange for all or a portion of loan or royalty interests. As at March 31, 2019, 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, 2019 is \$5 (2018 - \$6).

During fiscal year 2019, Innovate BC received the final escrow proceeds of \$90,081 (2018 - \$88,735) from the sale of an investment in fiscal 2017. The proceeds are included in Other revenue in the Statement of Operations and Accumulated Surplus.

5. Tangible capital assets:

Cost	Balance, March 31, 2018	Additions	Disposals and Impairment	Balance, March 31, 2019
Furniture, fixtures and equipment	\$ 210,415	\$ -	\$ -	\$ 210,415
Computer hardware and software	571,699	15,845	181,171	406,373
Leasehold improvements	120,569	-	-	120,569
	\$ 902,683	\$ 15,845	\$ 181,171	\$ 737,357

Accumulated Amortization	Balance, March 31, 2018	Amortization	Accumulated amortization of disposals and impairment	Balance, March 31, 2019
Furniture, fixtures and equipment	\$ 167,186	\$ 8,646	\$ -	\$ 175,832
Computer hardware and software	493,316	30,185	157,244	366,257
Leasehold improvements	85,369	19,200	-	104,569
	\$ 745,871	\$ 58,031	\$ 157,244	\$ 646,658

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

5. Tangible capital assets (continued):

	Net book value March 31, 2019	Net book value March 31, 2018
Furniture, fixtures and equipment	\$ 34,583	\$ 43,229
Computer hardware and software	40,116	78,383
Leasehold improvements	16,000	35,200
	\$ 90,699	\$ 156,812

During fiscal 2019, it was determined that the long term service potential of certain tangible capital assets included in computer hardware and software were impaired. As a result, an impairment loss of \$23,478 is recorded under general administration expenses.

6. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2019 (Restated – Note 2)	2018 (Restated – Note 2)
Invested in tangible capital assets	\$ 90,699	\$ 156,812
NRAS Endowment	50,000,000	50,000,000
Unrestricted	6,967,606	6,884,438
	\$ 57,058,305	\$ 57,041,250

7. Deferred program revenues:

	Balance March 31, 2018 (Restated – Note 2)	Funds received	Funds expended	Balance March 31, 2019 (Restated – Note 2)
Agriculture Science and Innovation	\$ 1,267,127	\$ -	\$ (106,402)	\$ 1,160,725
Student Program	905,377	12,931	(10,064)	908,244
Aquaculture & Environment Research	376,024	-	-	376,024
Industrial Innovation Scholarship	102,750	-	-	102,750
Internet of Things Challenge	33,421	4,081	(33,423)	4,079
Smart Communities Pilot	130,000	-	(125,570)	4,430
Innovation Exchange	482,245	-	(9,645)	472,600
	3,296,944	17,012	(285,104)	3,028,852
BC Tech Summit (a)	1,653,185	4,224,728	(5,555,755)	322,158
Total	\$ 4,950,129	\$ 4,241,740	\$ (5,840,859)	\$ 3,351,010

(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.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. 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, 2019, restricted cash and investments of \$54,377,589 are comprised of the permanently restricted endowment balance of \$50,000,000 and unspent interest earnings of \$4,377,589. During the year ended March 31, 2019, Innovate BC awarded Ignite Awards totalling \$1,048,710 (2018 - \$1,276,064) to research projects in natural resources and applied sciences.

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

	2019	2018
Accumulated interest, beginning of year	\$ 4,307,369	\$ 4,674,200
Interest earned net of fees	1,281,158	1,103,365
Awards and administration fees	(1,210,938)	(1,470,196)
Accumulated interest, end of year	\$ 4,377,589	\$ 4,307,369

9. Commitments and contingency:

(a) Operating Leases:

Innovate BC has entered into operating leases for their premises and certain office equipment. Total estimated lease payments up to the end of the lease terms are as follows:

2020	\$ 276,166
2021	707
2022	707
	\$ 277,580

(b) Contingency:

From time to time, Innovate BC is subject to certain legal proceedings and claims which arise in the ordinary course of business. The outcome of such claims are undeterminable at this time and accordingly no provision has been made for these claims.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

10. Contractual obligations:

Innovate BC has entered into a number of project grant contracts as at March 31, 2019 to provide future funding of research projects to be completed subsequent to the year-end. These contractual obligations are funded in installments and payments are due based on the satisfaction of conditions included in the contracts. As such, no liability has been accrued in the financial statements as Innovate BC is not liable for payments until these conditions have been met.

The contractual obligations of Innovate BC as at March 31, 2019 are \$1,975,956 (2018 - \$1,828,374).

11. Contractual rights:

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

	2020
Leases	\$ 37,000
Other	4,500
	<hr/>
	\$ 41,500

12. 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 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, 2018, 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 \$130,312 (2018 - \$109,694) for contributions to the Plan.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

13. Related parties:

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

During the year ended March 31, 2019, Innovate BC received \$6,090,000 (2018 - \$19,590,000) in provincial funding from the Ministry of Jobs, Trade and Technology.

14. Expenses by object:

The following is a summary of expenses by object:

	2019	2018
	(Restated – Note 2)	(Restated – Note 2)
Expenses:		
Program expenses and disbursements	\$ 5,055,336	\$ 19,179,027
Salaries and benefits	2,013,185	1,826,038
Rent	323,509	316,565
Contracted services	533,766	388,745
Office expenses	194,874	157,054
Other costs	195,603	153,494
	8,316,273	22,020,923
Amortization	58,031	57,989
Total expense	\$ 8,374,304	\$ 22,078,912

15. Financial risk management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. For cash and accounts receivable, Innovate BC's credit risk is limited to the carrying value on the statement of financial position. Management does not believe that Innovate BC is subject to any significant concentration of credit risk. There have been no changes to the risk exposure from the prior year.

(b) Liquidity risk:

Liquidity risk is the risk that Innovate BC is not able to meet its financial obligations on a timely basis or at a reasonable cost. Innovate BC has established budget processes and regularly monitors cash flows to ensure the necessary funds are on hand to fulfill upcoming obligations. There have been no changes to the risk exposure from the prior year.

INNOVATE BC

Notes to Financial Statements (continued)

Year ended March 31, 2019

15. Financial risk management (continued):

(c) Market risk:

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

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

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

Senior Management

- Raghwa Gopal, President & CEO
- Jennie Choboter, Chief Financial Officer
- Tomica Divic, Vice President, Operations

Organizational Overview

Enabling Legislation

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

Contact Information

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