

**Innovate BC**

**2022/23**

**Annual Service Plan Report**

**August 2023**



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Published by Innovate BC

## Board Chair's Accountability Statement



The Innovate BC 2022/23 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2022/23 – 2024/25 Service Plan published in 2022. The Board is accountable for those results as reported.

Signed on behalf of the Board by:

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

Andrew Petter, CM, OBC, KC  
Board Chair, Innovate BC  
August 8, 2023

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## Letter from the Board Chair & CEO

In 2022/23, Innovate BC continued to advance the 5-year strategic plan it adopted last year to foster innovation across the province so that all British Columbians can benefit from a thriving, sustainable, and inclusive economy.

Innovate BC's strategic plan aligns with the goals of the Stronger BC Economic Plan and our mandate from the Ministry of Jobs, Economic Development and Innovation.

Our strategic plan seeks to strengthen B.C.'s innovation ecosystem in four priority areas: increasing the innovation capacities of B.C. industries, businesses, and communities; fostering connectivity within the innovation ecosystem; informing and shaping government innovation policy; and growing profile and awareness of Innovate BC's work on behalf of the Province.

In 2022/23, Innovate BC helped strengthen B.C.'s economy by establishing new innovation programs with the support of the Province, while continuing to deliver a wide range of programs, initiatives, and services to create jobs, train workers, and support innovators and businesses across B.C.

For example, Innovate BC launched the Integrated Marketplace Initiative to promote demand-driven innovation; expanded the Innovator Skills Initiative to help individuals from under-represented groups gain their first tech job; and helped secure federal funding to deliver the AccelerateIP program in partnership with New Ventures BC.

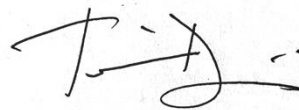
The agency also supported and expanded its extensive partnerships with businesses, public agencies, post-secondary institutions, and innovators; helped the Province develop and advance innovation policy; and contributed to the Future Ready Action Plan to train British Columbians for the high-opportunity jobs of tomorrow.

Innovate BC observed Crown Agencies and Board Resourcing Office policies and best practices, and measured its performance using outcome-based metrics, including measures of job creation and investment. The agency also continued quarterly assessments of performance and finances, and its CEO and Chair met regularly with government representatives to advance initiatives and to ensure that Innovate BC programs align with government priorities.

Sincerely,



Andrew Petter, CM, OBC, KC  
Board Chair, Innovate BC  
August 8, 2023



Tomica Divic  
Interim President + CEO, Innovate BC  
August 8, 2023

## Purpose of the Annual Service Plan Report

This annual service plan report has been developed 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, a Minister Responsible for a government organization is required to make public a report on the actual results of that organization's performance related to the forecasted targets stated in the service plan for the reported year.

## Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's 2021/22 [Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures, and financial plan outlined in the Innovate BC 2022/23 - 2024/25 Service Plan and the actual results reported on in this annual report.

## Purpose of the Organization

Established under the [Innovate BC Act](#), Innovate BC helps foster innovation so that British Columbians in all regions of the province can benefit from a thriving, sustainable, and inclusive innovation economy. Innovate BC funds and delivers programs that support the growth of the B.C. economy by helping companies start and scale, train talent that meets labour market needs, and encourage technology development, commercialization, and adoption.

Based on Innovate BC's mandate letter, its responsibilities are to:

- Provide input into the Government's development of technology and innovation policy, particularly related to program development.
- Build and maintain strategic partnerships with technology and innovation stakeholders in industry, academia, and other governments across all regions.
- Develop and deliver tools, resources, expert guidance, programs, and initiatives that strengthen entrepreneurship development and increase company growth, accelerate technology commercialization, adoption, and diffusion, and support job creation, ensuring that the benefits of technology and innovation are felt throughout the province, inclusive of Indigenous and other under-represented groups and rural and northern communities.
- In collaboration with the Ministry of Jobs, Economic Development and Innovation and key partners, support the continued development of a Provincial vision for innovation.
- Provide options on how to support the BC Fast Pilot program (a program that assists B.C. businesses to secure their first paying customer).
- Continue supporting commercialization and adoption of tech solutions that support key industries in B.C.

- Support the Government in the implementation of strategic initiatives identified throughout the year that leverage technology and innovation to support economic recovery.

## Operating Environment

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

In 2022/23, Innovate BC played a critical role in strengthening B.C.'s innovation economy and supporting economic recovery in the province. This was accomplished by delivering high-impact programs in the areas of talent development, technology development and adoption, as well as business growth and mentorship.

Now in a post-pandemic landscape, the province's small- and medium-sized enterprises (SMEs) have been able to enhance their focus on the resumption of more typical operations. However, the lingering effects of the COVID-19 pandemic and other global factors continue to impact businesses, particularly in talent availability, economic capability, and market reach.

As part of its ongoing efforts to address the growing skills shortage within the province's innovation and tech ecosystem, as well as the identified priority of diversifying its workforces, Innovate BC delivered programs such as the Innovator Skills Initiative and Digital Skills for Youth to B.C. businesses. These programs offer direct funding towards the hiring and development of new talent, with a specific focus on talent from under-represented communities or underemployed youth, respectively.

Another significant factor for SMEs is navigating economic challenges locally and globally. Specifically, supply chain issues, the cost of goods and services, access to capital, and inflation have presented a difficult environment for businesses to sustain their ability to operate. Innovate BC delivered the Ignite program to address this, funding innovation projects by B.C.-based technology companies in the natural resources and applied sciences. In partnership with the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP), Innovate BC also administered the BC Fast Pilot program, which funded B.C.-based SMEs to design, build, and operate a pilot plant or small demonstration site for their technology in real-world conditions.

In 2022/23, many B.C. SMEs in the tech and innovation space continued to struggle with expanding their market reach and accessing opportunities – locally and internationally – and among international competitors. Innovate BC, in collaboration with the government and other partners, launched the Integrated Marketplace Initiative to create a streamlined, demand-driven market for B.C. solution providers that would allow them to test and develop innovative solutions for local industry customers in a real-world environment, and later scale with a proven product. Innovate BC also offered new IP programming to provide B.C. companies with resources to help protect and develop their ideas.

## Economic Statement

After rebounding rapidly in 2021, British Columbia's economy saw slower yet strong growth in 2022. B.C.'s real GDP growth of 3.6 per cent last year was the fourth highest among provinces (tied with Ontario) and grew at the same pace as the national average, following growth of 6.2 per cent in 2021. Growth in B.C.'s real GDP was mostly supported by service-producing industries such as transportation and warehousing, accommodation and food services, and professional, scientific and technical services. Goods-producing industries also experienced growth led by construction.

While B.C.'s recovery broadened in 2022, it remained uneven as sectors such as transportation and warehousing; accommodation and food services; and arts, entertainment and recreation have yet to fully recover to pre-pandemic levels. B.C.'s labour market continued to grow in 2022, with employment growth of 3.2 per cent and an average unemployment rate of 4.6 per cent, while wages and salaries increased by 10.8 per cent. Consumer spending on goods grew slowly after a rapid expansion at the beginning of the recovery and nominal retail sales posted overall growth of 3.1 per cent. Last year, prices rose dramatically as strong demand for goods and services was met with lingering supply-chain challenges and high prices for global commodities following Russia's invasion of Ukraine.

In 2022, B.C.'s inflation rate averaged 6.9 per cent, the fastest annual rate since 1982, and up from 2.8 per cent in 2021. B.C. housing starts totaled 46,721 units in 2022, down 1.9 per cent compared to the previous year. Despite the decline, housing starts in 2022 were the second highest on record. Home sales fell sharply in 2022 as they adjusted to higher mortgage rates not seen since 2008. B.C. MLS home sales decreased by 35.2 per cent in 2022 compared to 2021. Meanwhile the MLS average home sale price rose by 7.4 per cent in 2022 because of strength early in the year, despite monthly declines in 9 of the last 10 months of the year.

On the external front, B.C.'s international merchandise exports grew by 20.4 per cent, boosted by strong commodity prices in the first half of 2022.



## Report on Performance: Goals, Objectives, and Results

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

#### **Objective 1.1: 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 technologies across industry sectors is supported by a range of strategies, including matching innovators with industry-driven needs and opportunities, outreach to understand market challenges, its network of acceleration programs, and funding research projects.

#### **Key results**

- Delivered the Ignite Program with five new projects selected. This program provides funding to accelerate the commercialization of new technologies and innovations in the natural resources and applied sciences sectors.
- Delivered the BC Fast Pilot program, funding 14 SMEs to design, build and operate demonstration sites for their technology to show impact in real-world conditions and drive customer adoption.
- Launched the Integrated Marketplace Initiative to help drive the adoption of domestic innovations related to greenhouse gas reduction, increasing efficiency/productivity, and ensuring safety.
- Assisted B.C. companies across all sectors to increase their competitive advantage through the adoption of innovative technology, such as vertical farming technology developed to increase food security in rural B.C. and First Nations communities.

#### **Summary of progress made in 2022/23**

In 2022/23, Innovate BC delivered several programs that facilitated the commercialization of innovative technology. This includes funding 14 companies to pilot their technologies and create new jobs across B.C. through the BC Fast Pilot program, which Innovate BC delivers in partnership with NRC IRAP. BC Fast Pilot helps SMEs design, build, and operate a pilot plant or small demonstration of their technology while helping to solve real-world problems. Examples of the solutions from the funded projects in fiscal 2022/23 include mitigating the impacts of climate change through CO2 sequestration technology; improving operational efficiencies with an Internet-of-Things (IoT) system to collect and analyze data for wildfire prevention; and

increasing health and safety with 3D printing human-tissue technology for drug discovery. In the past three years of the program, 62 pilot demonstrations have been funded a combined total of \$7.9 million. Notable outcomes include the creation of 97 jobs, the acquisition of 102 new customers, and an increase of \$12 million in new revenue for participating projects.

Through the Ignite Program, Innovate BC selected five research and development projects in 2022/23 that aim to accelerate the commercialization of biotech, cleantech, mining, and advanced materials and manufacturing. Since the Ignite Program launched in 2016, 41 projects have been funded with a combined \$10.7 million and have garnered more than \$239 million in follow-on investments and awards, and 21 projects have been completed, generating \$5.4 million in revenue. To date, more than 288 academic and industry jobs have been created or maintained through this program.

The Province of B.C. announced and launched the Integrated Marketplace Initiative, a new demand-driven program delivered by Innovate BC. Innovate BC formed partnerships with YVR and the Port of Prince Rupert to help them achieve decarbonization, competitiveness and health and safety objectives, including increasing throughput at the Port and reducing operational GHG emissions by expanding the electrification of vehicle fleets.

### Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.1 Percentage of Innovate BC-funded companies who have made progress towards commercialization <sup>1</sup>	97	86	86

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

<sup>1</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including performance measures and targets for 2023/24 - 2025/26, please see the latest service plan on the [BC Budget website](#).

The target for Performance Measure 1.1 was determined based on data from previous years of program delivery, namely the Ignite and BC Fast Pilot programs. Innovate BC met the target of 86 per cent for this measure in 2022/23. Awardees of these two Innovate BC programs were able to make notable progress toward the commercialization of their innovations to solve industry needs and accelerate the adoption of their technologies.

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

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

Innovate BC works with its program partners, including accelerators and post-secondary institutions, to mentor entrepreneurs and train young professionals and individuals from under-represented groups. By training entrepreneurs and developing their skills, companies are more resilient and likely to succeed and grow, creating high-paying jobs in B.C. and strengthening the local economy. Innovate BC supports the growth and success of B.C. companies now and in the future by offering programs that provide opportunities to professionals to work at technology companies, assume tech-enabled jobs in other industries, or become future entrepreneurs.

#### Key results

- Delivered 1,084 grants through the Innovator Skill Initiative to help under-represented people get their first job in B.C.'s tech sector, and support companies facing skills shortages to grow and expand.
- Provided 21 grants through the Digital Skills for Youth (DS4Y) program, which funded companies to hire and provide digital skills training to underemployed youth aged 15 to 30.
- 86 B.C. workers were upskilled through the Palette Skills project, a B.C. pilot project funded by Innovate BC aimed at supporting the talent needs of B.C.'s fast-growing tech sector. The pilot project upskilled displaced workers into technical sales roles from sectors heavily impacted by COVID-19, such as retail, hospitality, and tourism.
- Promoted mentorship and training through the B.C.-based network of Executives-in-Residence (EIRs) and accelerators (BC Acceleration Network), as well as funded province-wide training to develop senior leadership that is focused on essential competencies for driving scale in business.
- Sponsored and promoted 30 conferences, events and initiatives that provided valuable education and networking opportunities for BC SMEs, and other stakeholders and partners.

#### Summary of progress made in 2022/23

Innovate BC successfully delivered the Innovator Skills Initiative in 2022/23. Innovate BC partnered with three organizations (the Information and Communications Technology Council, Mitacs, and BC Tech Association) to provide Innovator Skills Initiative grants to employers and support work placements, leveraging industry and federal government funding, which resulted in a higher number of grants. In 2022/23, 1,084 Innovator Skills Initiative grants were administered, with 100 per cent of the grants supporting work placements for under-represented people.

Innovate BC allocated 100 per cent of available grants (\$0.51 million across 21 grants) through the DS4Y program in 2022/23.

The Palette Skills BC pilot project, conceived by Palette Skills Inc., is a national not-for-profit talent platform. This pilot project upskilled 86 B.C. workers and supported their transition into high-demand sales roles in the technology sector, exceeding the goal of training 60 individuals.

Through the Venture Acceleration Program (VAP), entrepreneurs across B.C. are assigned an experienced technology and business professional as a primary advisor, or EIR. In 2022/23, EIRs provided strategic guidance and ongoing coaching, helping 498 entrepreneurs overcome challenges and meet start-up milestones that improve company success.

Innovate BC provided employers with diversity, equity, and inclusion (DEI) hiring resources and tools, available through the DEI Resource Hub, made possible through a partnership with the Tech and People (TAP) Network.

Innovate BC sponsored 30 events and initiatives in 2022/23 that provided valuable educational and networking opportunities to the innovation community. 47 per cent of sponsorships supported organizations representing under-represented communities or had a DEI focus. Examples include: Ethos Lab’s Innovation Summit x Black-A-Thon; Council for the Advancement of Native Development Office’s (CANDO) Links to Learning Symposium; and TAP Network’s Diversity in Tech Dashboard.

**Performance measure(s) and related discussion**

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.1a The percentage of participants in Venture Acceleration Program and/or ScaleUp program who report that programs have a high value impact in advancing their entrepreneurial skills <sup>1,2</sup>	65	87	82
2.1b The percentage of participants previously employed by a company through a talent development program that were subsequently hired by the same company or by another company in an equivalent position <sup>3,4</sup>	69	50	62

<sup>1</sup>Data source: Progress reports from program partners and/or program participants. This measure is based on participant surveys where high value is defined as a value of 7 or more on a 10-point evaluation scale.

<sup>2</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including performance measures and targets for 2023/24 - 2025/26, please see the latest service plan on the [BC Budget website](#).

<sup>3</sup>Data source: Final reporting from program participants, at the close of the employment opportunity.

<sup>4</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including performance measures and targets for 2023/24 - 2025/26, please see the latest service plan on the BC Budget website.

Innovate BC was below target for Performance Measure 2.1a; however, the result of 82 per cent is a notable improvement from past years. The target of 87 per cent was set before the COVID-19 pandemic based on data collected in previous years. With the challenges businesses have faced following the initial years of the COVID-19 pandemic and the decline in global economic conditions, the inability to meet this target indicated a needed shift in the types of training and skill development offered to encompass more aspects of business resilience and growth. Innovate BC has reviewed and adapted its programs to make these necessary shifts, and the Performance Measures included in the 2023/24 Service Plan are reflective of these changes.

Innovate BC exceeded the target for Performance Measure 2.1b. This result is based on participant responses from DS4Y and Innovator Skills Initiative.

## **Goal 3: Increase Company Growth and Expansion**

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

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

#### **Key results**

- Provided 416 high-potential companies<sup>1</sup> with tailored input and assistance as to how they can best prepare and position their companies to capitalize on growth and industry opportunities through the VAP and ScaleUp programs.
- Assisted high-potential companies to identify critical talent, capital, and market opportunities to increase jobs and accelerate revenue growth through the VAP and ScaleUp programs.
- Formed a partnership with Innovation Asset Collective (IAC) and the Province of B.C. to provide business owners and entrepreneurs in B.C. better access to intellectual

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<sup>1</sup> Firms are determined to be "high potential" based on their entrepreneurs going through an intake evaluation process to ensure prospective ventures meet eligibility requirements. The process consists of a thorough interview, a company presentation to subject-matter experts and program manager(s), and further dialogue as necessary to determine the venture's potential.

- property (IP) resources (such as information sessions and education events offered through IAC) to protect and develop their ideas.
- Offered new IP programming called IP Assist to B.C. entrepreneurs, increasing IP awareness amongst 36 participants who represent companies in cleantech, life sciences and information and communications technologies.
  - Sponsored the New Ventures BC Competition, which awards education, mentorship, and prizes to B.C.'s top new startups. More than 200 startups entered the 2022 competition.

### **Summary of progress made in 2022/23**

Through the BC Acceleration Network, consisting of 10 regional accelerators and incubators, Innovate BC delivered a structured venture growth program: the Venture Acceleration Program. This program is designed to guide and grow ambitious early-stage technology entrepreneurs and their technology ventures. 353 companies were supported through the VAP in 2022-23.

In 2022/23, Innovate BC offered new IP programming to B.C. entrepreneurs. As part of its partnership with IAC and the Province, Innovate BC hosted three events during fiscal year 2022/23 to help educate B.C. entrepreneurs, which resulted in eight companies referred to IAC as members (six associate memberships and two full memberships).

Innovate BC also delivered IP Assist, a program funded by NRC IRAP. Innovate BC has completed the delivery and reporting of Level 1 services, which entail matching a referred SME with an IP Advisor to provide education of key aspects of IP, demonstrate the value and benefits of an IP strategy and ways to use IP to support business goals. Innovate BC connected 36 SMEs that are NRC IRAP clients to service providers for IP awareness.

As the presenting sponsor of the New Ventures BC Competition, Innovate BC supported B.C. entrepreneurs in gaining the skills to launch and manage a start-up through a 10-week business seminar and networking series while competing to win one of several prize packages totalling \$250,000 in capital and prizes, which includes one-year complimentary access to VAP and other in-kind services from other sponsors. In 2022, more than 200 startups entered the competition, with Vancouver-based [OVOU](#) winning the first-place prize package. Since the competition's launch in 2000, more than 3,400 startups have participated and over \$4 million in cash and prizes have been awarded.

**Performance measure(s) and related discussion**

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
3.1a The percentage of participants in Innovate BC-funded programs who report that Innovate BC’s programs have a high value impact in advancing their technology venture <sup>1,2</sup>	86	87	86
3.1b The percentage of companies that took part in the Venture Acceleration Program that generated revenue, jobs and/or investment <sup>3,4</sup>	88	75	66

<sup>1</sup>Data source: Progress reports from program partners and/or program participants. Program participants rate the program’s high value impact on a 10-point scale. The responses are converted to the percentage that rate the program as high value, 7+ on the 10-point scale.

<sup>2</sup>This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measures and targets for 2023/24 - 2025/26, please see the latest service plan on the [BC Budget website](#).

<sup>3</sup>Data source: Progress reports from program partners. This measure is based on the percentage of total companies in a program that generated jobs and/or revenue and/or investment.

<sup>4</sup>PM 3.1b targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 75 and 75, respectively. For forward-looking planning information, including current targets for 2023/24 - 2025/26, please see the latest service plan on the BC Budget website.

Innovate BC was slightly below target for Performance Measure 3.1a, likely because of the global economic challenges businesses faced in advancing their ventures and maintaining business activity.

Innovate BC was below target for Performance Measure 3.1b and this may be attributed to a change in the method used to collect the data related to revenue, jobs, and investment, which led to a higher response rate from program delivery partners than the previous year. The result can also be tied to the prolonged downturn in economic activity. Businesses, large and small, are facing declines in sales and profits and their efforts to cut costs may include lay-offs and cuts to capital spending and marketing. Investment in small businesses and startups may drop in value during an economic downturn due to higher associated risks.

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

### **Objective 4.1: Support Entrepreneurs to be Successful in Building their Companies in B.C.**

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

#### **Key results**

- Collaborated with partners through the BC Acceleration Network to focus program resources on entrepreneurs who can achieve early customer acquisition in B.C.
- Provided regional support to innovators in the form of solutions for early validation and a roadmap to global markets.
- Hosted eight events that introduced the industry to made-in-B.C. technologies and innovations, and connect local innovators to real market opportunities, with a focus on regional and under-represented groups.
- Celebrated and promoted B.C. innovation and companies to expand opportunities for growth and investment through Innovate BC hosted and supported events.
- Collaborated with two partners, Vancouver Tech Journal and Jelly Academy, to collect and analyze data, producing a series of reports to support the Province's economic, environmental, and social priorities.

#### **Summary of progress made in 2022/23**

In 2022/23, Innovate BC successfully delivered and supported several programs, VAP, ScaleUp, and the NVBC Competition to assist companies with starting and growing their businesses and staying in B.C.

Innovate BC hosted eight events (virtual, in-person, and hybrid) in 2022/23, providing valuable educational and networking opportunities to B.C. innovators. These events also provided opportunities to celebrate and showcase B.C. companies and their innovations.

Innovate BC completed research on various topics related to the innovation ecosystem to gain better awareness and understanding of the components related to building and growing a business in B.C. and accelerating innovative technologies. In partnership with the Vancouver Tech Journal, Innovate BC completed a study on B.C. companies reaching unicorn status (companies that reach \$1 billion valuation) over the past year (through private investment,



acquisition, or initial public offering). The study provides insights from these companies on starting, sustaining, and growing a business to a \$1 billion valuation. Innovate BC also completed a second study with the Vancouver Tech Journal, exploring the growth of cleantech businesses in the province. Collaborating with Jelly Academy, Innovate BC supported three studies on the topics of Hiring Practices in Canada; How Canada’s Workforce Approached Digital Skills Training; and Retention of Digital Marketing and Tech Roles.

**Performance measure(s) and related discussion**

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
4.1 The percentage of participants in Innovate BC-funded programs who are assessed as being able to be successful in starting and growing their venture within B.C. <sup>1</sup>	99	95	91

Data source: Progress reports from program partners.

<sup>1</sup>This performance measure was removed in the latest service plan. For more details on forward-looking planning information, including the performance measures and targets for 2023/24 - 2025/26, please see the latest service plan on the [BC Budget website](#).

Innovate BC was slightly short of meeting the target for Performance Measure 4.1. This metric is based on participant responses to a question asking if they feel they can successfully start and grow a venture in B.C. The result is likely indicative of the challenges businesses have faced in maintaining and growing their businesses amid current economic conditions. To address regional-specific challenges and needs, Innovate BC has made changes to certain programs to allow for more tailored program design and delivery, and improve the likelihood of success.

## Financial Report

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

## Discussion of Results

Innovate BC's core operations and activities are funded by the Province of B.C. through the Ministry of Jobs, Economic Development and Innovation's contributions of over \$6 million. 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.

In 2022/23, the Province of British Columbia provided an additional one-time funding of \$5 million for the newly expanded and redesigned Innovator Skills Initiative program to prioritize and increase the number of technology sector training opportunities for Indigenous Peoples and other groups currently under-represented in the B.C technology sector and help businesses address talent shortages for technology. The program is being delivered in partnership with the New Venture BC Society.

The Province of British Columbia awarded Innovate BC with a three-year contribution agreement for fiscals 2023-2025 totalling \$10.004 million to deliver the Integrated Market Initiative (IMI). IMI is a two-sided marketplace that enables Innovate BC to facilitate commercial adoption and scale up of innovative technology related to greenhouse gas reduction and increasing efficiency. It will create alliances of industry partners who identify and prioritize common business problems, with BC tech companies undertaking pilot solutions. This will allow industry partners to commercialize new technology, increase employment and export to new markets. In 2022/23 the Province of British Columbia provided \$1.603 million for IMI and the majority of the funds have been deferred to 2023/24 because costs incurred were less than budgeted.

In 2022/23, Innovate BC received a total of \$1.44 million from the Federal Government, including \$0.66 million for DS4Y, \$0.71 for IMI and \$0.06 for the IP Assist program.

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

## Financial Summary

(\$000)	2021/22 Actual	2022/23 Budget <sup>5</sup>	2022/23 Actual	2022/23 Variance
<b>Revenues</b>				
By Major Sources				
Province of British Columbia	20,019	6,090	11,208	5,118
Government of Canada	6,087	0	1,435	1,435
NRAS Endowment (2)	2,164	1,500	1,436	(64)
Internal Program Funding (3)	579	810	2,441	1,631
Other Income & Recoveries	209	132	545	413
<b>Total Revenue</b>	<b>29,058</b>	<b>8,532</b>	<b>17,065</b>	<b>8,533</b>
<b>Expenses (4)</b>				
By Program Area or Function				
Programs and Initiatives	24,085	3,539	12,359	8,820
NRAS Endowment	2,070	1,400	1,361	(39)
Salaries and Benefits	1,947	2,258	2,231	(27)
Rent	362	355	372	17
Amortization	44	35	46	11
Operational & Administrative Expenses	529	945	674	(271)
<b>Total Expenses</b>	<b>29,037</b>	<b>8,532</b>	<b>17,043</b>	<b>8,511</b>
<b>Net Income</b>	<b>21</b>	<b>0</b>	<b>22</b>	<b>22</b>
<b>Total [Liabilities/Debt]</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital Expenditures</b>	<b>34</b>	<b>50</b>	<b>42</b>	<b>(8)</b>
<b>Accumulated Surplus</b>	<b>55,997</b>	<b>57,097</b>	<b>55,490<sup>6</sup></b>	<b>(1,607)</b>

<sup>1</sup> The above financial information was prepared based on Public Sector Accounting Standards (PSAS) and section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia. When expenses support a range of service delivery activities, they are allocated to those service activities.

<sup>2</sup> For a breakdown of the NRAS Endowment, see Audited Financial Statements – (Note 7), Natural Resources and Applied Science Research Endowment.

<sup>3</sup> Internal program funding includes deferred revenue from the Province of B.C. and other funds. For a breakdown, see Audited Financial Statements (Note 6).

<sup>4</sup> For a detailed breakdown of expenses, see Audited Financial Statements (Note 13)

<sup>5</sup> Budget figures are based on Innovate BC's 2022/23-2024/25 Service Plan.

<sup>6</sup> Accumulated Surplus decrease by \$1.65 million due to the remeasurement loss. See Audited Financial Statements (Note 5).

## Variance and Trend Analysis

The Financial Summary table shows Innovate BC's actual revenue totalled \$17 million in 2022/23, which is \$8.53 million more than the budget. The major changes reflect provincial, federal and internal program funding revenues.

\$5 million in one-time funding was received from the Province of British Columbia for the 2022/23 Innovator Skills Initiative program to be delivered in partnership with the New Ventures BC Society.

Revenues from the Government of Canada increased by \$1.44 million from budget in 2022/23. Innovate BC received \$0.66 million for the DS4Y program funded by Innovation, Science and Economic Development Canada. The DS4Y program provides training and experience related to digital skills to underemployed post-secondary graduates. Pacific Economic Development Canada (PacifiCan) provided \$0.71 million to participate in the Province's IMI program to facilitate commercial adoption and scale up of innovative technology related to greenhouse gas reduction and increasing efficiency. PacifiCan will provide a further \$8.8 million for the IMI program in 2024/25. National Research Council (NRC) Canada provided \$0.06 million for the IP Assist program to promote the development and adoption of technology by small and medium-sized enterprises (SMEs) in Canada to stimulate wealth creation for Canada through technological innovation. NRC will provide a further \$0.88 million for IP Assist in 2023/24.

NRAS Endowment revenue decreased marginally as contracting new awards were delayed. The costs of administering the NRAS Endowment are included under the Salaries and Benefits expense category.

Internal Program Funding was \$1.63 million higher than budgeted mainly due to delivery of the Innovator Skills Initiative program comprising of \$1.07 million of deferred funds from 2021/22 and \$0.55 million of LEEF Endowment funds.

Other income and recoveries were higher by \$0.413 million than budgeted due to increased interest rates.

Salaries and benefits are lower than budgeted due to unfulfilled vacancies during part of the year and leaves.

Operational and administrative expenses were lower than budget due to reduced office expenses and travel.

Accumulated surplus decreased due to accumulated remeasurement losses of \$1.65 million. Remeasurement losses are unrealized losses in the value of the NRAS Endowment.

## Risks and Uncertainties

Innovate BC's programs are primarily funded by core funding from the Province of B.C. with the organization aligning its funding to programs that meet its mandate.

Funds from the federal government are uncertain.

Returns on investments increased in the current year; however, future returns on investments are unknown.

The success of Innovate BC is dependent on the abilities, experience, efforts and knowledge of its senior management and other key personnel, and the organization may not be able to attract and retain additional qualified personnel as needed in the future.

Innovate BC continues to work to secure additional funding from the federal government and other sources.

## Appendix A: Progress on Mandate Letter Priorities

The following is a summary of progress made on priorities as stated in the 2021/22 Mandate Letter from the Minister Responsible.

2021/22 Mandate Letter Priority	Status as of March 31, 2023
<p>Provide input into Government’s development of technology and innovation policy, particularly related to program development.</p>	<ul style="list-style-type: none"> <li>Innovate BC informed the development of the Integrated Marketplace Initiative and the Province’s Intellectual Property (IP) strategy.</li> </ul>
<p>Build and maintain strategic partnerships with technology and innovation stakeholders in industry, academia, and other governments across all regions.</p>	<ul style="list-style-type: none"> <li>Collaborated or fostered collaboration with over 60 partners, including industry, governments, academia, and other stakeholders to deliver programs and/or support innovation initiatives.</li> </ul>
<p>Develop and deliver tools, resources, expert guidance, programs and initiatives that strengthen entrepreneurship development and increase company growth, accelerate technology commercialization, adoption and diffusion, and support job creation, ensuring that the benefits of technology and innovation are felt throughout the province, inclusive of Indigenous and other under-represented groups and of rural and northern communities.</p>	<ul style="list-style-type: none"> <li>Innovate BC delivered high-impact programs in the areas of talent development, technology development and adoption, and business growth and mentorship. Innovator Skills Initiatives and DS4Y are programs that specifically support under-represented people to obtain jobs in the tech sector.</li> <li>Innovate BC completed a rural cleantech ecosystem map for the Ministry of Jobs, Economic Development and Innovation. The objective of the project is to continue to support and connect rural and regional businesses and communities across the province.</li> </ul>

2021/22 Mandate Letter Priority	Status as of March 31, 2023
<p>In collaboration with the Ministry of Jobs, Economic Development and Innovation and key partners, support the continued development of a Provincial vision for innovation.</p>	<ul style="list-style-type: none"> <li>• Collaborated with two partners to collect and analyze data, producing a series of reports to support the Province’s economic, environmental, and social priorities.</li> <li>• Engaged with the Ministry in the development of new programs and strategies, including the Integrated Marketplace Initiative and IP strategy.</li> </ul>
<p>Provide options on how to support the BC Fast Pilot program (a program that assists B.C. businesses to secure their first).</p>	<ul style="list-style-type: none"> <li>• Partnered with NRC IRAP to deliver the BC Fast Pilot program, funding 14 SMEs to design, build and operate demonstration sites for their technology to demonstrate impact in real-world conditions and drive customer adoption.</li> </ul>
<p>Continue supporting commercialization and adoption of tech solutions that support key industries in B.C.</p>	<ul style="list-style-type: none"> <li>• Innovate BC delivered the Ignite Program, which provides funding to accelerate the commercialization of new technologies and innovations in the natural resources and applied sciences sectors.</li> <li>• In collaboration with the Province, Innovate BC launched the Integrated Marketplace Initiative to help drive the adoption of domestic innovations related to greenhouse gas reduction, increasing efficiency/productivity, and ensuring safety.</li> </ul>

2021/22 Mandate Letter Priority	Status as of March 31, 2023
<p>Support Government in the implementation of strategic initiatives identified throughout the year that leverage technology and innovation to support economic recovery.</p>	<ul style="list-style-type: none"> <li>• Launched the Integrated Marketplace Initiative to help drive the adoption of domestic innovations related to greenhouse gas reduction, increasing efficiency/productivity, and ensuring safety.</li> <li>• Coordinated over 20 partners on a successful joint bid for federal funding to deliver the AccelerateIP program in partnership with New Ventures BC.</li> <li>• Responded and delivered on the Ministry of Jobs, Economic Development and Innovation’s request to develop a rural cleantech ecosystem map.</li> </ul>



## Appendix B: Auditor's Report and Audited Financial Statements



Financial statements

Innovate BC

March 31, 2023

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## Statement of Management Responsibility

### *Scope of Responsibility*

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

We believe that these financial statements present fairly Innovate BC's financial position as at March 31, 2023 and the statement of operations and accumulated surplus, change in net financial assets, changes in net remeasurement gains and losses and cash flows for the year ending March 31, 2023 and that the other information contained in the entity's annual report is consistent with the financial statements as presented.

### *Internal Controls*

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

### *Board of Directors and Audit and Finance Committee*

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

### *Independent Auditors*

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



Tomica Divic  
Interim President and CEO



Jennie Choboter  
Secretary & CFO

Vancouver, British Columbia  
May 18, 2023

# Independent Auditor's Report

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

To the Ministry of Jobs, Economic Development and Innovation (“JEDI”)

## Opinion

We have audited the financial statements of Innovate BC, which comprise the statement of financial position as at March 31, 2023, and the statements of operations and accumulated operating surplus, changes in net financial assets, changes in net remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Innovate BC as at March 31, 2023, and its results of operations, its changes in its net financial assets, net remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Innovate BC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of management and those charged with governance for the financial statements

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

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

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Innovate BC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Innovate BC's 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Innovate BC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Grant Thornton LLP*

Vancouver, Canada  
May 18, 2023

Chartered Professional Accountants

# Innovate BC

## Statement of Financial Position

March 31

2023

2022

### Financial assets

Cash and cash equivalents	\$ 6,256,698	\$ 18,058,651
Investments (Note 3)	7,471,216	2,165,075
Receivables		
Accounts and accrued interest receivable	13,821	14,418
Accounts receivable from Federal Government	814,828	163,707
	<u>14,556,563</u>	<u>20,401,851</u>

### Liabilities

Accounts payable and accrued liabilities	2,259,116	7,459,596
Deferred program revenues (Note 6)	1,595,214	2,421,714
Deferred revenue from NRAS endowment (Note 7)	3,780,538	3,624,189
	<u>7,634,868</u>	<u>13,505,499</u>

### Net financial assets

	<u>6,921,695</u>	<u>6,896,352</u>
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### Non-financial assets

Restricted - NRAS endowment investments (Note 7)	48,350,189	48,879,097
Tangible capital assets (Note 4)	138,020	142,151
Prepaid expenses	80,020	79,243
	<u>48,568,229</u>	<u>49,100,491</u>

### Accumulated surplus

	<u>55,489,924</u>	<u>55,996,843</u>
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### Accumulated surplus is comprised of:

Accumulated operating surplus	\$ 57,139,735	\$ 57,117,746
Accumulated remeasurement losses	<u>(1,649,811)</u>	<u>(1,120,903)</u>
	<u>\$ 55,489,924</u>	<u>\$ 55,996,843</u>

Commitments and contingencies (Note 8)

Contractual obligations (Note 9)

On behalf of the Board of Directors

 Director

 Director



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

Year ended March 31	Budget 2023	2023	2022
<b>Revenue</b>			
Grants from the Province of British Columbia (Note 12)	\$ 6,090,000	\$ 11,208,000	\$ 20,018,939
Program revenue	810,000	2,441,178	579,184
NRAS endowment (Note 7)	1,500,000	1,435,923	2,163,440
Grants from the Federal Government	-	1,435,447	6,087,236
Interest	77,000	468,235	142,764
Other	55,000	76,378	66,027
	<u>8,532,000</u>	<u>17,065,161</u>	<u>29,057,590</u>
<b>Expenses (Note 13)</b>			
Programs and initiatives	3,539,000	13,171,906	25,188,781
NRAS endowment funds	1,400,000	1,435,923	2,163,440
Operational and administrative expenses	3,593,000	2,435,343	1,684,496
	<u>8,532,000</u>	<u>17,043,172</u>	<u>29,036,717</u>
Annual surplus	-	21,989	20,873
Accumulated surplus, beginning of year	<u>57,117,746</u>	<u>57,117,746</u>	<u>57,096,873</u>
Accumulated surplus, end of year	<u>\$ 57,117,746</u>	<u>\$ 57,139,735</u>	<u>\$ 57,117,746</u>

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

Year ended March 31	2023	2022
Accumulated remeasurement gains, beginning of year	\$ (1,120,903)	\$ -
Net remeasurement losses for the year	<u>(528,908)</u>	<u>(1,120,903)</u>
Accumulated remeasurement losses, end of year	<u>\$ (1,649,811)</u>	<u>\$ (1,120,903)</u>

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# Innovate BC

## Statement of Changes in Net Financial Assets

Year ended March 31	Budget 2023	2023	2022
Annual surplus	\$ -	\$ 21,989	\$ 20,873
Additions to tangible capital assets	(50,000)	(42,160)	(33,642)
Amortization of tangible capital assets	-	45,771	44,340
Disposition of tangible capital assets	-	6,827	7,466
Accumulated amortization of disposition	-	(6,307)	(7,267)
	<u>(50,000)</u>	<u>26,120</u>	<u>31,770</u>
Acquisition of prepaid expenses	-	(61,474)	(97,316)
Use of prepaid expenses	-	60,697	162,230
	-	<u>(777)</u>	<u>64,914</u>
Change in net financial assets	(50,000)	25,343	96,684
Net financial assets, beginning of year	<u>6,896,352</u>	<u>6,896,352</u>	<u>6,799,668</u>
Net financial assets, end of year	<u>\$ 6,846,352</u>	<u>\$ 6,921,695</u>	<u>\$ 6,896,352</u>

# Innovate BC

## Statement of Cash Flows

Year ended March 31

2023

2022

Cash derived from (applied to)		
<b>Operating activities</b>		
Operating surplus	\$ 21,989	\$ 20,873
Adjustments for items not affecting cash		
Amortization of tangible capital assets	45,771	44,340
Loss on disposal of tangible capital assets	520	199
	<u>68,280</u>	<u>65,412</u>
Changes in non-cash working capital items		
Accounts receivable	(650,524)	3,563,722
Prepaid expenses	(777)	64,914
Accounts payable and accrued liabilities	(5,200,480)	6,881,411
Deferred program revenues	(826,500)	498,145
Deferred revenue from NRAS endowment	156,349	(929,856)
	<u>(6,453,652)</u>	<u>10,143,748</u>
<b>Financing</b>		
Purchase of tangible capital assets	<u>(42,160)</u>	<u>(33,642)</u>
<b>Investments:</b>		
Purchase of investments	(6,365,786)	(22,055,660)
Proceeds on maturity of investments	1,059,645	26,910,408
	<u>(5,306,141)</u>	<u>4,854,748</u>
Net (decrease) increase in cash	(11,801,953)	14,964,854
Cash and cash equivalents, beginning of year	<u>18,058,651</u>	<u>3,093,797</u>
Cash and cash equivalents, end of year	<u>\$ 6,256,698</u>	<u>\$ 18,058,651</u>
<hr/>		
Cash and cash equivalents		
Unrestricted	\$ 2,767,016	\$ 13,142,572
Restricted - deferred programs (Note 6)	1,595,214	2,421,714
Restricted - NRAS endowment (Note 7)	1,894,468	2,494,365
	<u>\$ 6,256,698</u>	<u>\$ 18,058,651</u>

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# Innovate BC

## Notes to the Financial Statements

March 31, 2023

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### 1. Nature of operations

Innovate BC was established on March 15, 2018, by an amendment of the British Columbia Innovation Council Act to the Innovate BC Act (the “Act”). Prior to March 15, 2019, Innovate BC was known as British Columbia Innovation Council (the “Council”). The Council was established in 2006 by an amendment of the Innovation and Science Council Act to the British Columbia Council Act.

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

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

Innovate BC helps foster innovation in B.C. so that British Columbians in all regions of the province can benefit from a thriving, sustainable and inclusive innovation economy. A Crown Agency of British Columbia, Innovate BC funds and delivers programs that support the growth of the B.C. economy by helping companies start and scale, train talent that meets labour market needs, and encourage technology development, commercialization and adoption.

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### 2. Summary of significant accounting policies

#### Basis of accounting

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

#### Cash and cash equivalents

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

#### Revenue recognition

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

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

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

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

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# Innovate BC

## Notes to the Financial Statements

March 31, 2023

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### 2. Summary of significant accounting policies (continued)

#### Revenue recognition (continued)

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

#### Budget figures

The budget figures presented in these financial statements are based on the fiscal year 2023 operating budget, approved by the Board of Directors on January 26, 2022.

#### Financial instruments

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

Investments in fixed income securities, which include investments with original terms to maturity of greater than 90 days, are recorded at amortized cost plus accrued interest, which approximates market value. Income on these investments is recognized in the Statement of Operations and Accumulated Surplus over the period of time the investments are held, except for those that are restricted in use. The income from investments that are restricted in use are included within deferred revenue and recognized in the Statement of Operations and Accumulated Surplus when restrictions are satisfied.

The restricted NRAS endowment investments portfolio held with British Columbia Investment Management Corporation, which includes investments in various equity funds, is recorded at market value.

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

Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are included in the cost of the related investments.

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

#### Tangible capital assets

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

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

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

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# Innovate BC

## Notes to the Financial Statements

March 31, 2023

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### 2. Summary of significant accounting policies (continued)

#### Prepaid expenses

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

#### Employee future benefits

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

#### Use of estimates

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

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### 3. Investments

Innovate BC's investments are invested through Vancouver City Savings Credit Union (Vancity), RBC Dominion Securities Inc. (RBCD) and British Columbia Investment Management Corporation (BCI).

Investments include the following:

	<u>2023</u>	<u>2022</u>
Unrestricted	\$ 5,585,146	\$ 1,035,251
Restricted - NRAS endowment	<u>1,886,070</u>	<u>1,129,824</u>
	<u>\$ 7,471,216</u>	<u>\$ 2,165,075</u>

Included in unrestricted investments are shares of previous British Columbia Advanced Systems Foundation ("ASI") program participant private corporations received in exchange for all or a portion of loan or royalty interests. As at March 31, 2023, 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, 2023 is \$5 (2022 - \$5).

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# Innovate BC

## Notes to the Financial Statements

March 31, 2023

### 4. Tangible capital assets

<b>Cost</b>	Balance, March 31, 2022	Additions	Disposals	Balance, March 31, 2023
Furniture, fixtures and equipment	\$ 275,030	\$ 27,933	\$ -	\$ 302,963
Computer hardware and software	432,935	14,227	6,827	440,335
Leasehold improvements	169,859	-	-	169,859
	<u>\$ 877,824</u>	<u>\$ 42,160</u>	<u>\$ 6,827</u>	<u>\$ 913,157</u>
<b>Accumulated Amortization</b>	Balance, March 31, 2022	Amortization	Disposals	Balance, March 31, 2023
Furniture, fixtures and equipment	\$ 215,318	\$ 14,817	\$ -	\$ 230,135
Computer hardware and software	395,107	15,542	6,307	404,342
Leasehold improvements	125,248	15,412	-	140,660
	<u>\$ 735,673</u>	<u>\$ 45,771</u>	<u>\$ 6,307</u>	<u>\$ 775,137</u>
<b>Net book value</b>	2022			2023
Furniture, fixtures and equipment	\$ 59,712			\$ 72,828
Computer hardware and software	37,828			35,993
Leasehold improvements	44,611			29,199
	<u>\$ 142,151</u>			<u>\$ 138,020</u>

### 5. Accumulated surplus

Accumulated surplus is comprised of the following:

	2023	2022
Invested in tangible capital assets	\$ 138,020	\$ 142,151
NRAS endowment	50,000,000	50,000,000
Program funds under management	-	-
Remeasurement loss	(1,649,811)	(1,120,903)
Unrestricted	7,001,715	6,975,595
	<u>\$ 55,489,924</u>	<u>\$ 55,996,843</u>



# Innovate BC

## Notes to the Financial Statements

March 31, 2023

### 6. Deferred program revenues

	Balance, March 31, 2022	Funds received	Funds expended	Balance, March 31, 2023
Agriculture Science and Innovation	\$ 176,069	\$ -	\$ (176,069)	\$ -
LEEF Student Program	918,461	11,678	(930,139)	-
Innovator Skills Initiative	1,071,061	-	(1,071,061)	-
Integrated Marketplace	-	1,603,000	(7,786)	1,595,214
#BCTECH Summit	256,123	-	(256,123)	-
	<u>\$ 2,421,714</u>	<u>\$ 1,614,678</u>	<u>\$ (2,441,178)</u>	<u>\$ 1,595,214</u>

Deferred funds are restricted for future program expenses.

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

In fiscal year 2005/2006, Innovate BC was charged with stewarding an endowment contribution of \$50,000,000 from the Ministry of Economic Development. Investment earnings are restricted for the support of training, research and development in natural resources and applied sciences.

As at March 31, 2023, restricted cash and investments are comprised of the following:

	<u>2023</u>	<u>2022</u>
BCI investments in equity funds	\$ 22,113,725	\$ 22,063,435
RBCD investments in fixed income securities	<u>26,236,464</u>	<u>26,815,662</u>
Permanently restricted NRAS endowment investments	48,350,189	48,879,097
Unspent interest earnings	<u>3,780,538</u>	<u>3,624,189</u>
	<u>\$ 52,130,727</u>	<u>\$ 52,503,286</u>

Deferred revenue from the NRAS endowment balance comprises the following:

	<u>2023</u>	<u>2022</u>
Accumulated interest, beginning of year	\$ 3,624,189	\$ 4,554,045
Interest earned net of fees	1,581,523	1,233,584
Funds returned	10,749	-
Awards and administration fees	<u>(1,435,923)</u>	<u>(2,163,440)</u>
Accumulated interest, end of year	<u>\$ 3,780,538</u>	<u>\$ 3,624,189</u>

Unspent interest includes \$1,827,350 (2022 - \$3,183,500) which is committed for future payments of contracted awards (Note 9). During the year ended March 31, 2023, Innovate BC paid Ignite Awards totaling \$1,256,150 (2022 - \$1,994,525) to research projects in natural resources and applied sciences. There were no new awards in the year ended March 31, 2023.

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# Innovate BC

## Notes to the Financial Statements

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### 8. Commitments and contingencies

#### (a) Operating leases

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

2024	\$	392,959
2025		327,729
2026		<u>1,569</u>
	\$	<u>722,257</u>

#### (b) Contingencies

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

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### 9. Contractual obligations

Innovate BC has entered into a number of project grant contracts as at March 31, 2023 to provide future funding of research projects to be completed subsequent to year-end. These contractual obligations are funded in installments and payments are due based on the satisfaction of conditions included in the contracts. As such, no liability has been accrued in the financial statements as Innovate BC is not liable for payments until these conditions have been met.

The contractual obligations of Innovate BC are as follows:

	<u>2023</u>	<u>2022</u>
Ignite awards	\$ 1,827,350	\$ 3,183,500
Venture Acceleration Program	661,250	1,230,000
B.C. Fast Pilot	<u>-</u>	<u>25,000</u>
	<u>\$ 2,488,600</u>	<u>\$ 4,438,500</u>

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# Innovate BC

## Notes to the Financial Statements

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### 10. Contractual rights

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

2024	\$	4,397,286
2025		<u>12,996,949</u>
	\$	<u>17,394,235</u>

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### 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 68,000 active employees.

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

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

During the year ended March 31, 2023, Innovate BC paid and expensed \$147,229 (2022 - \$129,021) for contributions to the Plan.

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### 12. Related party transactions

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

During the year ended March 31, 2023, Innovate BC received \$12,791,000 (2022 - \$21,090,000) in provincial funding from the Ministry of Jobs, Economic Development and Innovation.

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# Innovate BC

## Notes to the Financial Statements

March 31, 2023

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### 13. Expenses by object

The following is a summary of expenses by object:

	<u>2023</u>	<u>2022</u>
Program expenses and disbursements	\$ 13,720,252	\$ 26,154,288
Salaries and benefits	2,231,442	1,946,621
Office expenses and other costs	504,470	384,850
Rent	372,440	362,482
Contracted services	168,797	144,136
Amortization	45,771	44,340
Total expense	<u>\$ 17,043,172</u>	<u>\$ 29,036,717</u>

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### 14. Financial risk management

#### Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligation resulting in a financial loss. For cash and 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.

#### Liquidity risk

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

#### Market risk

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

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# Innovate BC

## Notes to the Financial Statements

March 31, 2023

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### 15. Fair value of financial instruments

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

The different levels are defined as follows:

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

Innovate BC's investments are all considered to be level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. Changes in fair valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there was no transfer of securities between the different levels.

Innovate BC's investments are invested mainly through RBC Dominion Securities Inc. (RBCD) and British Columbia Investment Management Corporation (BCI).

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