

Innovate BC

2023/24
Annual Service Plan Report

August 2024



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Board Chair's Accountability Statement



The Innovate BC 2023/24 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2023/24 - 2025/26 Service Plan published in 2023. The Board is accountable for those results as reported.

Signed on behalf of the Board by:

A handwritten signature in black ink, appearing to read 'Emilie de Rosenroll', written over a light blue horizontal line.

Emilie de Rosenroll
Board Chair, Innovate BC
August 7, 2024

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Letter from the Board Chair & CEO

In 2023/24, Innovate BC continued its work to advance innovation across the province so that all British Columbians can benefit from a thriving, sustainable, and inclusive economy.

This work included 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.

Notably, Innovate BC launched several programs and initiatives that would extend its reach into new areas of support for companies and innovators operating within the province's ecosystem. The B.C. On-Farm Technology Adoption Program, delivered on behalf of the Ministry of Agriculture and Food, provided cost-shared funding to eligible B.C. farmers to help them adopt new technologies that can enhance their profitability, productivity, and efficiency. As well, in partnership with New Ventures BC, Innovate BC provided startups and entrepreneurs with access to education, support, and strategy development for protecting and leveraging Intellectual Property (IP) through the new AccelerateIP program. In collaboration with the Province of B.C., InBC Investment Corp. (InBC), PacifiCan and New Ventures BC, Innovate BC launched Capital Compass, a comprehensive and free-to-use platform that offers centralized intelligence on startups, scaleups, investors, entrepreneurial resources, and investment capital flow in the province.

Innovate BC also announced the Port of Vancouver as the third testbed of the Integrated Marketplace, which will offer another platform for demand-driven technology adoption in support of B.C. industry and solution providers, and continued the delivery of impactful programs like Ignite, BC Fast Pilot, the Venture Acceleration Program through the BC Acceleration Network, and the Innovator Skills Initiative.

In 2023/24, Innovate BC also hosted and supported events that created positive impact and connections within B.C.'s tech and innovation space, including #IGNITE, a funding and innovation showcase that featured inspiring speakers and sessions, networking and pitching, and the announcement of over \$1 million in funding through our Ignite program.

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.



Emilie de Rosenroll
Board Chair
August 9, 2024



Peter Cowan, P.Eng, MBA, LL.M
President + CEO
August 9, 2024

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 Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures and financial plan outlined in the Innovate BC [2023/24 – 2025/26 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 British Columbia (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:

- Build and maintain strategic partnerships with technology and innovation stakeholders, particularly with industry and other adopters of technology.
- Develop and deliver tools, resources, expert guidance, programs, and initiatives that increase company growth, accelerate technology commercialization, adoption, diffusion and export, and support job creation, ensuring that the benefits of technology and innovation are felt around the province, inclusive of Indigenous and other under-represented groups and rural and northern communities.
- Provide input into Government's development of technology and innovation policy, particularly related to technology adoption and scale up.
- Provide options on how to support the BC Fast Pilot program (a program that assists BC businesses to secure their first paying customer).

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.

Over the past year, B.C. companies emerged from the full shadow of the COVID-19 pandemic to find a new economic and business landscape. This includes the normality of remote and hybrid workplaces; widespread availability of new artificial intelligence (AI) and digital technologies; a challenging venture capital market; and national concerns about Canadian productivity, innovation, and prosperity. Other global factors continued to impact businesses, particularly in talent availability, economic capability, and market reach.

To help address these challenges, Innovate BC delivered new and existing programs and initiatives in 2023/24 to help B.C. companies start and scale, access talent and encourage technology development, commercialization, and adoption. Innovate BC also worked to forge strategic industry and community partnerships that create more opportunities for innovators and businesses in B.C.

Innovate BC delivered the final year of the Innovator Skills Initiative to B.C. businesses in 2023/24 to help under-represented British Columbians get their first job in the tech sector. The Province continues to address talent needs through the [StrongerBC: Future Ready Action Plan](#), announced in 2023, which includes other grant programs and scholarships, including a co-investment with Mitacs into 10,000 paid internships over five years.

Another significant factor for small- and medium-size enterprises (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, providing non-dilutive funding to 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.

It continued to be a challenge for B.C. SMEs in the tech and innovation ecosystem to expand their market reach locally and internationally. Through 2023/24, Innovate BC continued delivery of its Integrated Marketplace program, a demand-driven initiative to de-risk technology adoption for regional industries and large organizations while providing B.C.-based solution providers an avenue to test and develop innovative solutions and potentially gain a significant first customer. Also, in collaboration with the Ministry of Agriculture and Food, the BC On-Farm Technology Adoption program launched as part of the Integrated Marketplace's suite of commercialization and technology adoption programs. The program

provides funding to producers to adopt proven productivity enhancing technologies such as mechanized picking platforms and digital tools that are new to Canada and BC that will enhance profitability and efficiency. Through these programs, Innovate BC continues to help both innovators and BC companies adopt innovation to support inclusive and sustainable growth.

To further help companies stay competitive in today's global economy, as well as to help safeguard their ideas, Innovate BC expanded its IP programming to include the AccelerateIP program. Led by New Ventures BC, Innovate BC is the prime collaborator of this program.

To support B.C. companies in navigating funding sources and enhancing their visibility, Innovate BC also launched Capital Compass with partners from the Ministry of Jobs, Economic Development and Innovation, PacifiCan, InBC and New Ventures BC. This platform offers centralized intelligence on startups, scaleups, investors, entrepreneurial resources, and investment capital flow within the province.

Economic Statement

Following two years of strong recovery from the pandemic, economic growth in British Columbia moderated in 2023. After expanding by 3.9 per cent in 2022, B.C.'s real GDP increased by 1.6 per cent in 2023, the second highest growth rate among provinces (tied with Saskatchewan and Ontario) and outperforming the national average. Growth in B.C.'s real GDP was supported by service-producing industries such as real estate, rental and leasing; professional, scientific and technical services; transportation and warehousing; and healthcare. Despite steady growth in the construction and mining, quarrying and oil and gas extraction sectors, output for goods-producing industries decreased in 2023, partly due to lower manufacturing activity. While B.C.'s economy continued to expand in 2023, some sectors such as transportation and warehousing and accommodation and food services have yet to fully return to pre-pandemic levels.

B.C.'s labour market continued to grow in 2023, with employment growth of 1.6 per cent and wages and salaries increasing by 6.9 per cent. However, B.C.'s unemployment rate rose to 5.2 per cent in 2023 from 4.6 per cent in the previous year as the labour force, supported by record high immigration, grew faster than employment. High interest rates tempered consumer spending on goods in 2023 and nominal retail sales edged down 0.1 per cent. In 2023, price pressures in B.C. moderated among a broad number of goods and services but remained elevated. B.C.'s inflation rate averaged 3.9 per cent in 2023, down from 6.9 per cent in 2022. B.C. home construction activity strengthened in 2023. Housing starts totalled 50,490 units in 2023, the highest annual pace on record and up 8.1 per cent compared to the previous year. High interest rates continued to weigh on home sales activity last year. B.C. MLS home sales decreased by 9.2 per cent in 2023, while the MLS average home sale price was 2.6 per cent lower than 2022. On the external front, B.C.'s international merchandise exports declined by 13.5 per cent in 2023, due to weaker global demand and lower commodity prices compared to 2022.

Report on Performance: Goals, Objectives, and Results

The following goals, objectives and performance measures have been restated from the 2023/24 – 2025/26 service plan. For forward-looking planning information, including current targets for 2024/25 – 2026/27, please see the latest service plan on the [BC Budget website](#).

Goal 1: B.C. is a Leader in Bringing Sustainable Innovations to Market

Objective 1.1: Facilitate the Development, Adoption and Scaling of Innovative Solutions

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

Innovate BC's objective of facilitating the development and commercialization of innovative technologies across industry sectors is supported by a range of strategies and initiatives that represent a continuum of support for businesses, including matching innovators with industry buyers, outreach to understand market challenges, a network of acceleration programs, and funding research projects.

Key results

- Awarded \$1.365 million through the Ignite Program to five B.C. research and development projects in natural resources and applied sciences that are accelerating the commercialization of clean technology, advanced materials and manufacturing, and life science projects.
- The NRC IRAP provided a combined total of \$2.014 million in pre-commercial funding to 13 companies in British Columbia piloting cleantech projects through the BC Fast Pilot program to support the development of a greener B.C. and bolster the province's cleantech sector.
- Deployed total project funding for the Integrated Marketplace as of March 31, 2024 and announced the Port of Vancouver as its third testbed for the program. The port is a key player in supporting B.C.'s economy, serving as a large platform to test and develop local innovations that address priority areas for the Province including decarbonization, competitiveness and safety.
- Delivered the B.C. On Farm Technology Adoption program on behalf of the Ministry of Agriculture and Food, providing funding to eligible B.C. farm operators to support them in adopting new technologies that will help them increase production, efficiency and

profitability while addressing the impacts of labour shortages and operational cost increases due to inflation and supply chain disruptions.

Summary of progress made in 2023/24

In 2023/24, Innovate BC delivered several programs that facilitated the commercialization of innovative technology.

Through the Ignite Program, Innovate BC selected five research and development projects in 2023/24 that aim to accelerate the commercialization of biotech, cleantech, mining, and advanced materials and manufacturing. Since the program started in 2016, 41 projects have been funded by a combined \$10.7 million, and have garnered more than \$239 million in follow-on investments and awards, and 21 projects have been completed to date generating \$5.4 million in revenue. To date, more than 288 academic and industry jobs have been created or maintained through this program.

13 companies were funded 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 2023/24 include biosecurity of ports and conservation locations, a precision irrigation support system, and new standards for electrical safety, ease of use, and IoT-capabilities for marinas. Since the program started in 2019, 75 pilot demonstrations have been funded for a combined total of \$9.9 million. Notable outcomes include the creation of 117 jobs, the acquisition of 136 new customers, and an increase of \$23.5 million in new revenue for participating projects.

The Integrated Marketplace continued into its second year, seeing the launch of its third testbed in the Port of Vancouver and progression across the previously announced Vancouver International Airport and Port of Prince Rupert testbeds. During this period, the first project operating as part of the Integrated Marketplace was also formally announced: a new battery energy storage system (BESS), developed by Coquitlam-based Moment Energy, which will soon provide reliable, high speed charging capacity for both public and fleet vehicles at the Vancouver International Airport.

The B.C. On-Farm Technology Adoption program, delivered through the Integrated Marketplace office in collaboration with the Ministry of Agriculture and Food, successfully launched its first intake in November. The program, which provides funding assistance to B.C. farmers so they can access on-farm technologies and innovations, provides up to \$3 million over two years from the Governments of Canada and British Columbia.

Performance measure(s) and related discussion

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
[1a] Percentage of companies that reported Innovate BC programs have helped facilitate their business' commercialization ^{1,3}	N/A	75	78
[1b] Percentage of Innovate BC program participants that acquired new customers and/or new revenue ^{2,4}	N/A	50	71

¹Data source: Progress and/or final reports from program partners and/or program participants. This measure is based on participant surveys and presents the percentage of companies in the Ignite, BC Fast Pilot, Integrated Marketplace Initiative, VAP and ScaleUp programs that provided a rating of 7 or above on a 10-point evaluation scale.

²Data source: Progress and/or final reports and/or client surveys from program partners and/or program participants of the Ignite, BC Fast Pilot, Integrated Marketplace Initiative, and VAP Programs (excluding Idea, Discovery and Validation stage companies).

³PM [1a] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 75 and 75, respectively.

⁴PM [1b] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 50 and 50, respectively.

The performance measures for this goal were newly introduced for 2023/24, with targets set using internal data from comparable past measures. Consequently, Innovate BC is establishing baselines for these measures in 2023/24, and actual performance may vary from the set targets.

The target for Performance Measure 1a of 75 per cent was met, with 78 per cent of companies reporting that Innovate BC programs have helped facilitate their businesses' commercialization.

The target for Performance Measure 1b of 50 per cent was met, with 71 per cent of program participants reporting that they acquired new customers and/or new revenue through Innovate BC direct or indirect programs.

Goal 2: B.C. has a Resilient and Inclusive Technology and Innovation Workforce

Objective 2.1: Develop and Enhance Technology and Business Skills to Strengthen B.C. Companies

Innovate BC works with its program partners, including accelerators and post-secondary institutions, to mentor entrepreneurs and train young professionals and individuals from underrepresented 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 train professionals to work at technology companies, to assume tech-enabled jobs in other industries, or to become future entrepreneurs.

Key results

- Completed delivery of the final year of the Innovator Skills Initiative program, providing tech companies with funding to hire and develop talent, including those from under-represented groups.
- 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.
- Through Innovate BC's sponsorship program, 33 conferences, events and initiatives were provided funding and promotional support as part of efforts to bolster inclusivity, knowledge development, and community connectivity, and profile B.C.'s strengths to investors and potential customers. Supported initiatives include the Tech and People (TAP) Network's Diversity in Tech Dashboard, which benchmarks the representation of various demographic groups within Canada's tech sector, and a weekly webinar series with the Council for the Advancement of Native Development Officers (CANDO), among others.

Summary of progress made in 2023/24

Innovate BC successfully delivered the Innovator Skills Initiative in 2023/24. Innovate BC partnered with four organizations (the Information and Communications Technology Council, Mitacs, First Nations Technology Council 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 2023/24, 621 Innovator Skills Initiative grants were administered, with 100 per cent of the grants supporting work placements for under-represented people.

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 2023/24, EIRs provided strategic guidance and ongoing coaching, helping 471 entrepreneurs overcome challenges and meet start-up milestones that improved company success.

Innovate BC sponsored 33 events and initiatives in 2023/24 that provided valuable educational and networking opportunities to the innovation community. 45 per cent of sponsorships supported organizations representing under-represented communities or had a DEI focus. Examples include: Girls + STEAM, CANDO's Links to Learning Symposium; and TAP Network's Diversity in Tech Dashboard.

Performance measure(s) and related discussion

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
[2a] The percentage of participants who report that Innovate BC programs helped to advance their business and/or technology skills. ^{1,4}	N/A	87	91
[2b] The percentage of program participants who gained employment following completion of the program. ^{2,5}	N/A	50	67
[2c] The percentage of program participants who identify as underrepresented. ^{3,6}	N/A	30	79

¹Data source: Progress reports from program partners and/or program participants. This measure is based on participant surveys responses of 7 or more on a 10-point evaluation scale.

²Data Source: Final reporting from participants of talent and skill development program(s).

³Data Source: Program applications and reports from program partners and/or participants.

⁴PM [2a] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 87 and 87, respectively.

⁵PM [2b] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 50 and 50, respectively.

⁶PM [2c] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 30 and 30, respectively.

The performance measures for this goal were newly introduced for 2023/24, with targets set using internal data from comparable past measures. Consequently, Innovate BC is establishing baselines for these measures in 2023/24, and actual performance may vary from the set targets.

Performance Measures 2a, 2b and 2c were all met successfully, with 91 per cent of participants reporting that Innovate BC programs helped to advance their business and/or technology skills, 67 per cent of participants gaining employment following completion of their program, and 79 per cent of participants identifying as underrepresented.

Goal 3: B.C. Technology and Innovation Companies Have Support and Programs Available to Grow and Scale

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, new market opportunities and talent. 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

- Delivered IP education through the New Ventures BC-led AccelerateIP program, where 62 mentors and EIRs received training through the Train the Trainer component of the program.
- A delivery partner of NRC-IRAP's IP Assist program, Innovate BC connected 147 SMEs to appropriate IP service providers in 2023/24.
- Provided 471 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 through the VAP.
- Sponsored the New Ventures BC Competition, which awards education, mentorship, and prizes to B.C.'s top new startups.

Summary of progress made in 2023/24

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. 471 companies were supported through the VAP in 2023/24.

Innovate BC is the prime collaborator of the AccelerateIP program, led by New Ventures BC. In 2023/24, Innovate BC partnered with Innovation Asset Collective (IAC) and other IP specialists to train 62 EIRs through the Train the Trainer component of the program.

Innovate BC also delivered IP Assist, a program funded by NRC IRAP. Innovate BC has completed the delivery and reporting of Level 1 and Level 2 services, which entail matching a referred SME with an IP Advisor to provide education on key aspects of IP, demonstrate the value and benefits of an IP strategy, ways to use IP to support business goals, develop an IP Strategy and establish a competitive advantage. Innovate BC connected 147 SMEs that are NRC IRAP clients to service providers for IP awareness and strategy.

In 2023/24, Innovate BC continued to support B.C. cleantech entrepreneurs on IP education and resources through its partnership with IAC and the Province.

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 2023, more than 200 startups entered the competition, with Vancouver-based [RetreatsandVenues](#) winning the first-place prize package. Since its launch in 2000, the competition has supported more than 3,500 startups that have created more than 9,000 jobs and raised over \$1.5 billion in financing.

Performance measure(s) and related discussion

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
[3a] The percentage of program participants that report Innovate BC’s programs helped advance their technology development and/or their technology adoption. ^{1,4}	N/A	50	81
[3b] The percentage of Innovate BC program participants that generated revenue, jobs and/or investment. ^{2,5}	N/A	75	85
[3c] The percentage of program participants that report Innovate BC programs had an impact on increasing their business’ IP awareness and/or activity. ^{3,6}	N/A	50	76

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

²Data source: Progress and final reports from program partners and/or program participants. This measure is based on the percentage of total companies in a program that generated jobs and/or revenue and/or investment.

³Data Source: This measure is based on participant surveys and presents the percentage of companies in the Ignite, BC Fast Pilot, VAP, ScaleUp, and Innovate BC IP-related programs that provided a rating of 7+ on a 10-point scale.

⁴PM [3a] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 50 and 50, respectively.

⁵PM [3b] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 75 and 75, respectively.

⁶PM [3c] targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 50 and 50, respectively.

The performance measures for this goal were newly introduced for 2023/24, with targets set using internal data from comparable past measures. Consequently, Innovate BC is establishing baselines for these measures in 2023/24, and actual performance may vary from the set targets.

Performance Measure 3a was met, with 81 per cent of program participants reporting that Innovate BC’s programs helped advance their technology development and/or their technology adoption.

Performance Measure 3b was met, with 85 per cent of Innovate BC program participants generating revenue, jobs and/or investment versus the target of 75 per cent.

Performance Measure 3c was met, with 76 per cent of program participants reporting that Innovate BC programs had an impact on increasing their business’ IP awareness and/or activity.

Financial Report

For the auditor's report and audited financial statements, see [Appendix B](#). These documents can also be found on Innovate BC's 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 \$6.297 million annually. 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 Innovate BC with a three-year contribution agreement for 2023-2025 totalling \$10.004 million to deliver the Integrated Marketplace. Integrated Marketplace 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. In 2023/24 Innovate BC received \$4.219 million from the Province of British Columbia.

In 2023/24, the Province of British Columbia provided Innovate BC with three new program funding agreements:

- \$2.5 million for the Accelerate IP program, of which \$2 million was for Train the Startup-Certification delivered by New Ventures BC and \$0.5 million was for the creation of an IP Hub;
- \$3 million for the two-year B.C. On-Farm Technology Adoption Program to strengthen B.C.'s agriculture sector through the adoption of new technology. The Program is led by the Ministry of Agriculture of Food and received \$2 million in 2023/24
- \$4.1 million for the three-year CRM Digital Skills Bootcamp program to support innovation and business development in the technology sector. \$1.5 million was received in 2023/24. In 2023/24, Innovate BC received \$1 million from the Government of Canada through the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) for the IP Assist program. The IP Assist program promotes the development and adoption of technology by SMEs in Canada to stimulate wealth creation for Canada through technological innovation. 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

(\$000s)	2022/23 Actual	2023/24 Budget	2023/24 Actual	2023/24 Variance
Revenues				
By Major Sources				
Province of British Columbia	11,208	10,428	16,565	6,137
Federal Government	1,435	-	841	841
Internal Program Funding (2)	2,441	-	1,595	1,595
NRAS Endowment (3)	1,436	1,700	1,843	143
Other Income & Recoveries	545	375	1,102	727
Total Revenue	17,065	12,503	21,946	9,443
Expenses				
Programs and Initiatives	12,359	6,588	15,981	9,393
NRAS Endowment	1,361	1,600	1,773	173
Salaries and Benefits	2,231	3,100	3,060	(40)
Rent	372	380	385	5
Amortization	46	40	51	11
Operational & Administrative Expenses	674	795	677	(118)
Total Expenses (4)	17,043	12,503	21,927	9,424
Surplus	22	-	19	19
Total Liabilities (5)	7,635	-	8,197	8,197
Capital Expenditures	42	50	74	24
Accumulated Surplus (6)	55,490	55,997	58,368	2,371

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

Note 2: Internal program funding includes deferred revenue from the Province of B.C. For a breakdown, see Audited Financial Statements (Note 6)

Note 3: For a breakdown of the NRAS Endowment, see Audited Financial Statements – (Note 7), Natural Resources and Applied Science Research Endowment. Salaries related to the delivery of the NRAS Endowment are classified as Salaries and Benefits, which resulted in a difference between revenue and expenses.

Note 4: For a detailed breakdown of expenses, see Audited Financial Statements (Note 13).

Note 5: Liabilities were not budgeted for 2023/24. In 2023/24, the liabilities of \$8.2 million was comprised of \$3.65 million in accounts payable and accrued liabilities and \$4.5 million in deferred program revenues.

Note 6: Accumulated Surplus increased by \$2.37 million mainly due to the remeasurement gain. See Audited Financial Statements (Note 5).

Variance and Trend Analysis

The Financial Summary table shows Innovate BC's actual revenue totalled \$21.9 million in 2023/24, which is \$9.44 million more than the budget. The major changes reflect provincial, federal, and internal program funding as well as interest and other revenues.

The \$6 million variance from the Province of British Columbia was a result of additional funding received in 2023/24 for three new programs that were not budgeted. \$2.5 million was received from the Ministry of Jobs, Economic Development and Innovation for the one-year IP Strategy program to be delivered in partnership with New Ventures BC. \$2 million was received from the Ministry of Agriculture and Food as the first instalment for the two-year B.C. On Farm Technology Adoption program. \$1.5 million was received from Ministry of Jobs, Economic Development and Innovation as the first instalment for the three-year CRM Digital Skills Bootcamp program to support small and medium sized businesses.

Revenues from the Government of Canada increased by \$0.8 million from the budgeted amount in 2023/24 mainly due to NRC IRAP funding for the IP Assist program.

Internal program funding was \$1.595 million higher than budgeted due to the delivery of the Integrated Marketplace initiative from 2022/23 deferred funds.

NRAS Endowment revenue increased marginally due to awards paid for prior year contracts. The costs of administering the NRAS Endowment are included under the Salaries and Benefits expense category.

Other income and recoveries increased mainly due to high interest rates during the year on cash and cash equivalents and for the delivery of additional programs in partnership with New Venture BC: AccelerateIP, Capital and Business Ecosystem Map Project (known as Capital Compass), and other.

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

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

Accumulated surplus increased due to accumulated remeasurement gains. Remeasurement gains are unrealized gains in the value of the NRAS Endowment.

Risks and Uncertainties

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

Funds from the federal government are uncertain.

Interest returns on investments increased in the current year. Future interest returns 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.

Appendix A: Progress on Mandate Letter Priorities

The following is a summary of progress made on priorities as stated in the 2021 and 2023 Mandate Letters from the Minister Responsible.

2021 Mandate Letter Priority	Status as of March 31, 2024
Provide input into Government's development of technology and innovation policies, particularly those related to program development.	<ul style="list-style-type: none"> Initial actions and recommendations to address this priority were undertaken in 2021. For a detailed update on progress and impact, please refer to the related priority in the 2023 Mandate Letter table.
Build and maintain strategic partnerships with technology and innovation stakeholders in industry, academia, and other governments across all regions.	<ul style="list-style-type: none"> Initial actions and recommendations to address this priority were undertaken in 2021. For a detailed update on progress and impact, please refer to the related priority in the 2023 Mandate Letter table.
Develop and deliver tools, resources, expert guidance, programs and initiatives that strengthen entrepreneurship development, 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.	<ul style="list-style-type: none"> Initial actions and recommendations to address this priority were undertaken in 2021. For a detailed update on progress and impact, please refer to the related priority in the 2023 Mandate Letter table. In 2022/23, 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.
In collaboration with the Ministry of Jobs, Economic Development and Innovation and key partners, support the continued development of a Provincial vision for innovation.	<ul style="list-style-type: none"> Collaborated with two partners to collect and analyze data, producing a series of reports to support the Province's economic, environmental, and social priorities. Engaged with the Ministry in the development of new programs and strategies, including the Integrated Marketplace Initiative and IP strategy.

2021 Mandate Letter Priority	Status as of March 31, 2024
<p>Provide options on how to support the BC Fast Pilot program (a program that assists B.C. businesses to secure their first customer).</p>	<ul style="list-style-type: none"> Initial actions and recommendations to address this priority were undertaken in 2021. For a detailed update on progress and impact, please refer to the related priority in the 2023 Mandate Letter table.
<p>Continue supporting commercialization and adoption of tech solutions that support key industries in B.C.</p>	<ul style="list-style-type: none"> 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. 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.
<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"> Launched the Integrated Marketplace initiative to help drive the adoption of domestic innovations related to greenhouse gas reduction, increasing efficiency/productivity, and ensuring safety. Coordinated over 20 partners on a successful joint bid for federal funding to deliver the AccelerateIP program in partnership with New Ventures BC. Responded and delivered on the Ministry of Jobs, Economic Development and Innovation’s request to develop a rural cleantech ecosystem map.

2023 Mandate Letter Priority	Status as of March 31, 2024
<p>Provide input into Government’s development of technology and innovation policies, particularly those related to technology adoption and scale up.</p>	<ul style="list-style-type: none"> Innovate BC worked collaboratively with the Province to design and implement the Integrated Marketplace framework and initiatives, the Province’s IP Strategy, as well as the design of several other initiatives.
<p>In alignment with Government’s strategic direction, continue to build and maintain strategic partnerships with technology and innovation stakeholders, particularly with industry and other adopters of technology.</p>	<ul style="list-style-type: none"> Collaborated or fostered collaboration with close to 60 partners, including industry, governments, academia, and other stakeholders to deliver programs and/or support innovation initiatives. This includes a memorandum of understanding with the Innovation Asset Collective to support B.C. cleantech entrepreneurs with IP education and resources; and a partnership with InBC, PacifiCan and NVBC to launch the Capital Compass platform, offering centralized intelligence on startups, scaleups, investors, entrepreneurial resources, and investment capital flow within the province.
<p>Continue to develop and deliver tools, resources, expert guidance, programs, and initiatives that increase company growth, accelerate technology commercialization, adoption, diffusion and export, and support job creation, ensuring that the benefits of technology and innovation are felt around the province, inclusive of under-represented groups including IBPOC (Indigenous, Black and People of Colour), and rural and northern communities.</p>	<ul style="list-style-type: none"> Innovate BC delivered high-impact programs in the areas of talent development, technology development and adoption, and business growth and mentorship, supporting nearly 1,350 businesses in B.C. In 2023/24, 621 Innovator Skills Initiative grants were administered, with 100 per cent of the grants supporting work placements for under-represented people.

2023 Mandate Letter Priority	Status as of March 31, 2024
<p>Provide options on how to support the BC Fast Pilot program (a program that assists BC businesses to secure their first paying customer).</p>	<ul style="list-style-type: none"> Innovate BC has implemented strategies to continue delivery of the BC Fast Pilot program, funding 13 SMEs to design, build and operate demonstration sites for their technology to demonstrate its impact in real-world conditions and drive customer adoption. This includes funding for Browns Bay Packing Company Ltd.'s project to transition Styrofoam products to curbside recyclable alternatives and introduce plant-based biodegradable bioplastic material that will create cost efficient and sustainable thermal packaging.

Appendix B: Auditor's Report and Audited Financial Statements



Financial statements

Innovate BC

March 31, 2024

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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, 2024 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, 2024 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

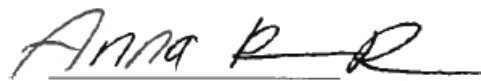
The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's discharge of its financial reporting responsibilities. An Audit and Finance Committee is appointed by the Board. The Audit and Finance Committee reviews the financial statements, adequacy 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
VP, Operations



Anna Biesiada-Panas
Director, Finance

Vancouver, British Columbia
May 13, 2024

Independent Auditor's Report

Grant Thornton LLP
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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, 2024, and the statements of operations and accumulated operating surplus, statement of remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Innovate BC as at March 31, 2024, 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 13, 2024

Chartered Professional Accountants

Innovate BC

Statement of Financial Position

March 31

2024

2023

Financial assets

Cash and cash equivalents	\$	8,416,471	\$	6,256,698
Investments (Note 3)		6,143,996		7,471,216
Receivables				
Accounts receivable and accrued interest receivable		15,395		13,821
Accounts receivable from Federal Government		530,512		814,828
		<u>15,106,374</u>		<u>14,556,563</u>

Liabilities

Accounts payable and accrued liabilities		3,649,020		2,259,116
Deferred program revenues (Note 6)		149,533		1,595,214
Deferred revenue from NRAS endowment (Note 7)		4,398,655		3,780,538
		<u>8,197,208</u>		<u>7,634,868</u>

Net financial assets

		<u>6,909,166</u>		<u>6,921,695</u>
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Non-financial assets

Restricted - NRAS endowment investments (Note 7)		51,209,906		48,350,189
Tangible capital assets (Note 4)		161,303		138,020
Prepaid expenses		87,773		80,020
		<u>51,458,982</u>		<u>48,568,229</u>

Accumulated surplus (Note 5)

	\$	<u>58,368,148</u>	\$	<u>55,489,924</u>
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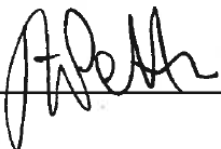
Accumulated surplus is comprised of:

Accumulated operating surplus	\$	57,158,242	\$	57,139,735
Accumulated remeasurement gains (losses)		1,209,906		(1,649,811)
	\$	<u>58,368,148</u>	\$	<u>55,489,924</u>

Commitments and contingencies (Note 8)

Contractual obligations (Note 9)

On behalf of the Board of Directors

 Director

 Director

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

Year ended March 31	Budget 2024	2024	2023
Revenue			
Grants from the Province of British Columbia (Note 12)	\$ 10,428,000	\$ 16,564,617	\$ 11,208,000
Program revenue	-	1,595,214	2,441,178
NRAS endowment (Note 7)	1,700,000	1,842,753	1,435,923
Grants from the Federal			
Government	-	840,653	1,435,447
Investment income	320,000	595,074	468,235
Other	55,000	507,616	76,378
	<u>12,503,000</u>	<u>21,945,927</u>	<u>17,065,161</u>
Expenses (Note 13)			
Programs and initiatives	6,488,000	17,658,224	13,171,906
Operational and administrative expenses	4,315,000	2,426,443	2,435,343
NRAS endowment funds	1,700,000	1,842,753	1,435,923
	<u>12,503,000</u>	<u>21,927,420</u>	<u>17,043,172</u>
Annual surplus	-	18,507	21,989
Accumulated surplus, beginning of year	<u>57,139,735</u>	<u>57,139,735</u>	<u>57,117,746</u>
Accumulated surplus, end of year	<u>\$ 57,139,735</u>	<u>\$ 57,158,242</u>	<u>\$ 57,139,735</u>

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

Year ended March 31

2024**2023**

Accumulated remeasurement losses, beginning of year	\$ (1,649,811)	\$ (1,120,903)
Unrealized gains (losses) on investments	3,342,999	(525,885)
Realized gains on investments reclassified to statement of financial position as deferred revenue from NRAS	(483,282)	(3,023)
Net remeasurement gains (losses) for the year	2,859,717	(528,908)
Accumulated remeasurement gains (losses), end of year	\$ 1,209,906	\$ (1,649,811)

Innovate BC

Statement of Changes in Net Financial Assets

Year ended March 31	Budget 2024		2024	2023
Annual surplus	\$ -	\$ -	\$ 18,507	\$ 21,989
Additions to tangible capital assets	(50,000)		(74,270)	(42,160)
Amortization of tangible capital assets	-		50,887	45,771
Disposition of tangible capital assets	-		3,762	6,827
Accumulated amortization of disposition	-		(3,662)	(6,307)
	<u>(50,000)</u>		<u>(4,776)</u>	<u>26,120</u>
Acquisition of prepaid expenses	-		(67,303)	(61,474)
Use of prepaid expenses	-		59,550	60,697
	-		<u>(7,753)</u>	<u>(777)</u>
Change in net financial assets	(50,000)		(12,529)	25,343
Net financial assets, beginning of year	<u>6,921,695</u>		<u>6,921,695</u>	<u>6,896,352</u>
Net financial assets, end of year	<u>\$ 6,871,695</u>	<u>\$ -</u>	<u>\$ 6,909,166</u>	<u>\$ 6,921,695</u>

Innovate BC

Statement of Cash Flows

Year ended March 31

2024

2023

Cash derived from (applied to)		
Operating activities		
Operating surplus	\$ 18,507	\$ 21,989
Adjustments for items not affecting cash		
Amortization of tangible capital assets	50,887	45,771
Loss on disposal of tangible capital assets	100	520
	<u>69,494</u>	<u>68,280</u>
Changes in non-cash working capital items		
Accounts receivable	282,742	(650,524)
Prepaid expenses	(7,753)	(777)
Accounts payable and accrued liabilities	1,389,904	(5,200,480)
Deferred program revenues	(1,445,681)	(826,500)
Deferred revenue from NRAS endowment	618,117	156,349
	<u>906,823</u>	<u>(6,453,652)</u>
Financing		
Purchase of tangible capital assets	<u>(74,270)</u>	<u>(42,160)</u>
Investments		
Purchase of investments	(29,320,693)	(6,365,786)
Proceeds on maturity of investments	30,647,913	1,059,645
	<u>1,327,220</u>	<u>(5,306,141)</u>
Net increase (decrease) in cash	2,159,773	(11,801,953)
Cash and cash equivalents, beginning of year	<u>6,256,698</u>	<u>18,058,651</u>
Cash and cash equivalents, end of year	<u>\$ 8,416,471</u>	<u>\$ 6,256,698</u>
Cash and cash equivalents		
Unrestricted	\$ 4,297,870	\$ 2,767,016
Restricted - deferred programs (Note 6)	149,533	1,595,214
Restricted - NRAS endowment (Note 7)	3,969,068	1,894,468
	<u>\$ 8,416,471</u>	<u>\$ 6,256,698</u>

Innovate BC

Notes to the Financial Statements

March 31, 2024

1. Nature of operations

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

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

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

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

2. Summary of significant accounting policies

Basis of accounting

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

Cash and cash equivalents

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

Revenue recognition

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

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

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

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

Innovate BC

Notes to the Financial Statements

March 31, 2024

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 2024 operating budget, approved by the Board of Directors on February 28, 2023.

Financial instruments

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

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

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

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

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

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

Tangible capital assets

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

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

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

Innovate BC

Notes to the Financial Statements

March 31, 2024

2. Summary of significant accounting policies (continued)

Prepaid expenses

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

Employee future benefits

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

Use of estimates

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

3. Investments

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

Investments include the following:

	<u>2024</u>	<u>2023</u>
Unrestricted	\$ 5,714,409	\$ 5,585,146
Restricted - NRAS endowment	<u>429,587</u>	<u>1,886,070</u>
	<u>\$ 6,143,996</u>	<u>\$ 7,471,216</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, 2024, 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, 2024 is \$5 (2023 - \$5).

Innovate BC

Notes to the Financial Statements

March 31, 2024

4. Tangible capital assets

Cost	<u>2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>2024</u>
Furniture, fixtures and equipment	\$ 302,963	\$ 4,379	\$ -	\$ 307,342
Leasehold improvements	169,859	-	-	169,859
Computer hardware and software	440,335	69,891	3,762	506,464
	<u>\$ 913,157</u>	<u>\$ 74,270</u>	<u>\$ 3,762</u>	<u>\$ 983,665</u>
Accumulated Amortization	<u>2023</u>	<u>Amortization</u>	<u>Disposals</u>	<u>2024</u>
Furniture, fixtures and equipment	\$ 230,135	\$ 14,785	\$ -	\$ 244,920
Leasehold improvements	140,660	15,412	-	156,072
Computer hardware and software	404,342	20,690	3,662	421,370
	<u>\$ 775,137</u>	<u>\$ 50,887</u>	<u>\$ 3,662</u>	<u>\$ 822,362</u>
Net book value	<u>2023</u>			<u>2024</u>
Furniture, fixtures and equipment	\$ 72,828			\$ 62,422
Leasehold improvements	29,199			13,787
Computer hardware and software	35,993			85,094
	<u>\$ 138,020</u>			<u>\$ 161,303</u>

5. Accumulated surplus

Accumulated surplus is comprised of the following:

	<u>2024</u>	<u>2023</u>
Invested in tangible capital assets	\$ 161,303	\$ 138,020
NRAS endowment	50,000,000	50,000,000
Remeasurement gains (losses)	1,209,906	(1,649,811)
Unrestricted	6,996,939	7,001,715
	<u>\$ 58,368,148</u>	<u>\$ 55,489,924</u>

Innovate BC

Notes to the Financial Statements

March 31, 2024

6. Deferred program revenues

	2023	Funds received	Funds expended	2024
On-Farm Technology Adoption	\$ -	\$ 149,533	\$ -	\$ 149,533
Integrated Marketplace	1,595,214	-	(1,595,214)	-
	<u>\$ 1,595,214</u>	<u>\$ 149,533</u>	<u>\$ (1,595,214)</u>	<u>\$ 149,533</u>

Deferred funds are restricted for future program expenses.

7. Natural Resources and Applied Science Research Endowment

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

As at March 31, 2024, restricted cash and investments are comprised of the following:

	2024	2023
BCI investments in equity funds	\$ 39,281,254	\$ 22,113,725
Invested in fixed income securities	<u>11,928,652</u>	<u>26,236,464</u>
Permanently restricted NRAS endowment investments	51,209,906	48,350,189
Unspent interest earnings	<u>4,398,655</u>	<u>3,780,538</u>
	<u>\$ 55,608,561</u>	<u>\$ 52,130,727</u>

Deferred revenue from the NRAS endowment balance comprises the following:

	2024	2023
Accumulated interest, beginning of year	\$ 3,780,538	\$ 3,624,189
Interest earned net of fees	2,460,870	1,581,523
Funds returned	-	10,749
Awards and administration fees	<u>(1,842,753)</u>	<u>(1,435,923)</u>
Accumulated interest, end of year	<u>\$ 4,398,655</u>	<u>\$ 3,780,538</u>

Unspent interest includes \$1,562,350 (2023 - \$1,827,350) which is committed for future payments of contracted awards (Note 9). During the year ended March 31, 2024, Innovate BC paid Ignite Awards totaling \$1,630,000 (2023 - \$1,256,150) to research projects in natural resources and applied sciences.

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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:

2025	\$	327,729
2026		<u>1,569</u>
	\$	<u>329,298</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.

9. Contractual obligations

Innovate BC has entered into a number of project grant contracts as at March 31, 2024, 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>2024</u>	<u>2023</u>
Ignite awards	\$ 1,562,350	\$ 1,827,350
Venture Acceleration Program	334,000	661,250
BC On Farm Technology Adoption Program	91,369	-
Integrated Marketplace Initiative	<u>2,793,270</u>	<u>-</u>
	<u>\$ 4,780,989</u>	<u>\$ 2,488,600</u>

10. Contractual rights

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

2025	\$	18,907,700
2026		1,359,334
2027		<u>2,453,000</u>
	\$	<u>22,720,034</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 71,000 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, 2023, indicated a funding surplus of \$4,491,000,000 for basic pension benefits on a going concern basis. The next valuation will be as at March 31, 2026, with results available in early 2027.

During the year ended March 31, 2024, Innovate BC paid and expensed \$175,979 (2023 - \$147,229) for contributions to the Plan.

12. Related party transactions

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

During the year ended March 31, 2024, Innovate BC received \$14,526,150 (2023 - \$12,791,000) in provincial funding from the Ministry of Jobs, Economic Development and Innovation and \$2,188,000 (2023 - \$Nil) in provincial funding from the Ministry of Agriculture and Food.

13. Expenses by object

The following is a summary of expenses by object:

	<u>2024</u>	<u>2023</u>
Program expenses and disbursements	\$ 17,753,986	\$ 13,720,252
Salaries and benefits	3,059,538	2,231,442
Office expenses and other costs	446,330	504,470
Rent	384,846	372,440
Contracted services	231,835	168,797
Amortization	50,887	45,771
	<u>\$ 21,927,420</u>	<u>\$ 17,043,172</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 cash equivalents and receivables, Innovate BC's credit risk is limited to the carrying value on the statement of financial position. Management does not believe that Innovate BC is subject to any significant concentration of credit risk. There have been no changes to the risk exposure from the prior year.

Liquidity risk

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

Market risk

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

15. Fair value of financial instruments

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

The different levels are defined as follows:

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

Innovate BC's investments are all considered to be level 1 and level 2 financial instruments. 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 British Columbia Investment Management Corporation, Vancouver City Savings Credit Union and Toronto-Dominion Canada Trust.
