

Financial Statements of

**BRITISH COLUMBIA  
INNOVATION COUNCIL**

Year ended March 31, 2017



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and the Minister of Technology, Innovation and Citizens' Services of British Columbia

We have audited the accompanying financial statements of British Columbia Innovation Council, which comprise the statement of financial position as at March 31, 2017, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the British Columbia Innovation Council as at March 31, 2017 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

Chartered Professional Accountants

May 18, 2017  
Burnaby, Canada

# BRITISH COLUMBIA INNOVATION COUNCIL

## Statement of Financial Position

March 31, 2017, with comparative information for 2016

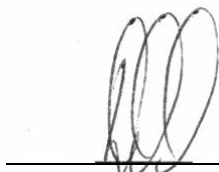
	2017	2016
<b>Financial Assets</b>		
Cash and cash equivalents:		
Unrestricted	\$ 1,713,031	\$ 357,194
Restricted - deferred programs (note 6)	1,168,351	10,512
Restricted - NRAS endowment (note 7)	957,954	28
	<u>3,839,336</u>	<u>367,734</u>
Investments:		
Unrestricted (note 3)	6,031,147	5,845,995
Restricted - deferred programs (notes 3 and 6)	3,051,237	6,915,620
Restricted - NRAS endowment (notes 3 and 7)	3,716,246	4,365,236
	<u>12,798,630</u>	<u>17,126,851</u>
Accounts receivable	95,568	81,762
	<u>16,733,534</u>	<u>17,576,347</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,620,456	115,340
Deferred program revenues (note 6)	4,219,588	6,926,132
Deferred revenue from NRAS endowment (note 7)	4,674,200	4,365,264
	<u>10,514,244</u>	<u>11,406,736</u>
<b>Net Financial Assets</b>	<b>6,219,290</b>	<b>6,169,611</b>
<b>Non-Financial Assets</b>		
Restricted - NRAS endowment:		
Investments (notes 3 and 7)	50,000,000	50,000,000
Tangible capital assets (note 4)	208,286	239,155
Prepaid expenses	66,890	70,789
	<u>50,275,176</u>	<u>50,309,944</u>
Accumulated surplus (note 5)	<u>\$ 56,494,466</u>	<u>\$ 56,479,555</u>

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

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

# BRITISH COLUMBIA INNOVATION COUNCIL

## Statement of Operations and Accumulated Surplus

Year ended March 31, 2017, with comparative information for 2016

	Budget 2017	2017	2016
	(Note 2(e))		
Revenue:			
Grants from the Province of British Columbia (note 11)	\$ 8,090,000	\$ 8,860,000	\$ 8,090,000
Program revenue (note 6)	2,654,400	3,407,623	3,727,481
Other	-	2,103,494	259,321
Interest	108,000	149,308	133,880
NRAS endowment (note 7)	800,000	783,497	44,621
	11,652,400	15,303,922	12,255,303
Expenses (note 12):			
Program expenses and disbursements:			
Academic	2,535,000	2,600,000	2,517,160
Commercialization	5,813,400	9,069,370	7,289,684
NRAS endowment (note 7)	800,000	783,497	44,621
Premier's Technology Council	425,000	460,574	263,228
Technology Awareness	280,000	246,626	478,977
General administration	1,799,000	2,128,944	1,634,871
	11,652,400	15,289,011	12,228,541
Annual surplus	-	14,911	26,762
Accumulated surplus, beginning of year	56,479,555	56,479,555	56,452,793
Accumulated surplus, end of year	\$ 56,479,555	\$ 56,494,466	\$ 56,479,555

See accompanying notes to financial statements.

# BRITISH COLUMBIA INNOVATION COUNCIL

## Statement of Changes in Net Financial Assets

Year ended March 31, 2017, with comparative information for 2016

	Budget 2017	2017	2016
	(Note 2(e))		
Annual surplus	\$ -	\$ 14,911	\$ 26,762
Acquisition of tangible capital assets	(50,000)	(48,072)	(89,401)
Amortization of tangible capital assets	63,000	76,621	67,452
Disposition of tangible capital assets	-	3,953	-
Accumulated amortization of disposition	-	(1,633)	-
	13,000	45,780	4,813
Acquisition of prepaid expenses	-	(69,958)	(111,782)
Use of prepaid expenses	-	73,857	91,190
	-	3,899	(20,592)
Change in net financial assets	13,000	49,679	(15,779)
Net financial assets, beginning of year	6,169,611	6,169,611	6,185,390
Net financial assets, end of year	\$ 6,182,611	\$ 6,219,290	\$ 6,169,611

See accompanying notes to financial statements.

# BRITISH COLUMBIA INNOVATION COUNCIL

## Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating:		
Annual surplus	\$ 14,911	\$ 26,762
Items not involving cash:		
Amortization of tangible capital assets	76,621	67,452
Changes in non-cash operating working capital:		
Accounts receivable	(13,806)	(35,634)
Prepaid expenses	3,899	(20,592)
Accounts payable and accrued liabilities	1,505,116	10,624
Deferred program revenues	(2,706,544)	(2,549,392)
	(1,119,803)	(2,500,780)
Capital:		
Purchase of tangible capital assets	(48,072)	(89,401)
Proceeds on disposal of tangible capital assets	2,320	-
	(45,752)	(89,401)
Investments:		
Purchase of investments	(9,026,600)	(15,462,513)
Proceeds on maturity of investments	13,354,821	17,321,798
Increase in deferred revenue from NRAS endowment	308,936	1,005,641
	4,637,157	2,864,926
Increase in cash and cash equivalents	3,471,602	274,745
Cash and cash equivalents, beginning of year	367,734	92,989
Cash and cash equivalents, end of year	\$ 3,839,336	\$ 367,734

See accompanying notes to financial statements.

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements

Year ended March 31, 2017, with comparative information for 2016

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## 1. Authority and purpose:

British Columbia Innovation Council (the "Council"), was established in 2006 by an amendment of the Innovation and Science Council Act to the British Columbia Innovation Council Act (the "Act").

The Council is governed by a Board of Directors, appointed by the provincial government of British Columbia (the "Province"). The Council 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 the Council have certain immunities in the exercise of their duties carried out in their connection with the Council.

The Council's mandate is to advance commercialization in British Columbia through focused support to startup companies and facilitation of partnerships between industry and academia.

## 2. Significant accounting policies:

### (a) Basis of accounting and presentation:

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

### (b) Cash and cash equivalents:

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

### (c) Investments:

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

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

### (d) Revenue recognition:

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

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

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



# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 2. Significant accounting policies (continued):

### (d) 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.

### (e) Budget figures:

The budget figures presented in these financial statements are based on the 2017 operating budget approved by the Board of Directors on January 14, 2016.

### (f) Government transfers:

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

### (g) Financial instruments:

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

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

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

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

### (h) Non-financial assets:

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

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 2. Significant accounting policies (continued):

(i) Tangible capital assets:

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

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

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

(j) Prepaid expenses:

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

(k) Employee future benefits:

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

(l) Use of estimates:

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

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2017

### 3. Investments:

Restricted and unrestricted investments consist of term deposits and guaranteed investment certificates with maturity dates ranging from May 2017 to June 2021, bearing interest at rates ranging from 0.95% to 2.25%.

Included in unrestricted investments are shares of previous British Columbia Advanced Systems Foundation ("ASI") program participant private corporations received in exchange for all or a portion of loan or royalty interests. As at March 31, 2017, the Council has assessed these shares of privately-held corporations to have nominal market value. As such, these investments are recorded at a nominal value of \$1 each for each company shareholding. The estimated market value of the long-term investments as at March 31, 2017 is \$6 (2016 - \$7).

During the year, the Council received proceeds from the sale of an investment in the amount of \$1,754,955 which is included in Other in the Statement of Operations and Accumulated Surplus. In the sales agreement is a provision to hold back of 10% of the proceeds which was placed into escrow. The escrow funds of approximately \$190,000 will be released at 50% on the first anniversary date of closing and the balance on the 18-month anniversary of closing. The escrow amount of \$190,000 is not reflected in the financial statements.

### 4. Tangible capital assets:

<b>Cost</b>	Balance, March 31, 2016	Additions	Disposals	Balance, March 31, 2017
Furniture, fixtures and equipment	\$ 207,459	\$ 2,956	\$ -	\$ 210,415
Computer hardware and software	531,073	45,116	3,953	572,236
Leasehold improvements	120,569	-	-	120,569
	\$ 859,101	\$ 48,072	\$ 3,953	\$ 903,220

<b>Accumulated Amortization</b>	Balance, March 31, 2016	Amortization	Accumulated amortization of disposals	Balance, March 31, 2017
Furniture, fixtures and equipment	\$ 143,980	\$ 12,399	\$ -	\$ 156,379
Computer hardware and software	428,996	45,023	1,633	472,386
Leasehold improvements	46,970	19,199	-	66,169
	\$ 619,946	\$ 76,621	\$ 1,633	\$ 694,934

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 4. Tangible capital assets (continued):

	Net book value March 31, 2016	Net book value March 31, 2017
Furniture, fixtures and equipment	\$ 63,479	\$ 54,036
Computer hardware and software	102,077	99,850
Leasehold improvements	73,599	54,400
	<b>\$ 239,155</b>	<b>\$ 208,286</b>

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

## 5. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2017	2016
Invested in tangible capital assets	\$ 208,286	\$ 239,155
NRAS Endowment	50,000,000	50,000,000
Unrestricted	6,286,180	6,240,400
	<b>\$ 56,494,466</b>	<b>\$ 56,479,555</b>

## 6. Deferred program revenues:

	Balance March 31, 2016	Funds received	Funds expended	Balance March 31, 2017
Agriculture Science and Innovation	\$ 2,099,615	\$ -	\$ (456,000)	\$ 1,643,615
Agriculture Science (Challenge Event)	-	137,958	(119,601)	18,357
Aquaculture & Environment Research	376,024	-	-	376,024
Regional Innovation Scholarship	-	285,000	(181,255)	103,745
Industrial Innovation Scholarship	102,750	-	-	102,750
LEEF Student Program	3,227,382	22,096	(2,650,767)	598,711
	5,805,771	445,054	(3,407,623)	2,843,202
BC Tech Summit (a)	1,120,361	2,735,946	(2,479,921)	1,376,386
<b>Total</b>	<b>\$ 6,926,132</b>	<b>\$ 3,181,000</b>	<b>\$ (5,887,544)</b>	<b>\$ 4,219,588</b>

(a) The revenue and expenses for the BC Tech Summit are recorded on a net basis.

(b) Funds restricted for future program expenses have been separated and classified as restricted cash and cash equivalents - deferred programs and restricted investments - deferred programs.

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2017

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

In fiscal year 2005/2006, the Council was charged with stewarding an endowment contribution of \$50,000,000 from the Ministry of Economic Development. Investment earnings are restricted for the support of training, research and development in natural resources and applied sciences. Restricted cash and investments of \$54,674,200 are comprised of the permanently restricted endowment balance of \$50,000,000 and unspent interest earnings of \$4,674,200. During the year, the Council awarded Ignite Awards of \$616,737 (2016 - nil) to research projects in natural resources and applied sciences.

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

	2017	2016
Accumulated interest, beginning of year	\$ 4,365,264	\$ 3,359,623
Interest earned net of fees	1,092,433	1,050,262
Awards and administration fees	(783,497)	(44,621)
Accumulated interest, end of year	\$ 4,674,200	\$ 4,365,264

## 8. Commitments:

The Council 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:

2018	\$ 310,601
2019	316,259
2020	263,946
	\$ 890,806

## 9. Contractual obligations:

The Council has entered into a number of project grant contracts as at March 31, 2016 to provide future funding of research projects to be completed subsequent to the year-end. These contractual obligations are funded in installments and payments are due based on conditions included in the contract being satisfied. As such, no liability has been accrued in the financial statements as the Council is not liable for payments until these conditions have been met.

The contractual obligations of the Council as at March 31, 2017 are \$2,859,638 (2016 - \$3,667,800).

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 10. Employee future benefits:

The Council 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, the Council accounts for its payments on the basis of a defined contribution plan. The plan covers approximately 53,622 active employees.

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

The latest actuarial valuation as at March 31, 2014, indicated a funding surplus of \$194,000,000 for basic pension benefits on a going concern basis. The next valuation will be as at March 31, 2017, with results available in early 2018.

During the year, the Council paid and expensed \$131,677 (2016 - \$111,356) for contributions to the Plan.

## 11. Related parties:

The Council 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.

The Council received \$9,145,000 (2016 - \$8,090,000) in provincial funding from the Ministry of Technology, Innovation and Citizens' Services.

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 12. Expenses by object:

The following is a summary of expenses by object:

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	2017	2016
Expenses:		
Program expenses and disbursements	\$ 12,535,306	\$ 9,893,905
Salaries and benefits	1,907,333	1,644,453
Rent	308,271	306,702
Contracted services	128,509	61,586
Office expenses	149,531	133,619
Other costs	183,440	120,824
	15,212,390	12,161,089
Amortization	76,621	67,452
Total expense	\$ 15,289,011	\$ 12,228,541

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