

**INNOVATION AND SCIENCE COUNCIL OF
BRITISH COLUMBIA
(Previously Science Council of British Columbia)**

FINANCIAL STATEMENTS

31 MARCH 2004

**INNOVATION AND SCIENCE COUNCIL OF
BRITISH COLUMBIA**
(Previously Science Council of British Columbia)
Financial Statements
For the Year Ended 31 March 2004

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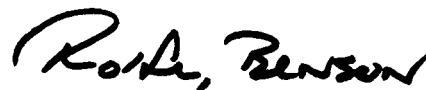
AUDITORS' REPORT

To the Board of Directors of the Innovation and Science Council of British Columbia and
to the Minister of Small Business & Economic Development
(Previously Science Council of British Columbia)

We have audited the statement of financial position of the Innovation and Science Council of British Columbia (Previously Science Council of British Columbia) as at 31 March 2004 and the statements of operations and appropriations, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 2004 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS

Vancouver, Canada

7 May 2004

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Previously Science Council of British Columbia)
Statement of Financial Position
31 March 2004

	Base	B.C. STIP	Health Product & Functional Food	Property & Equipment	Total 2004	Total 2003
	\$	\$	\$	\$	\$	\$
Assets						
Current						
Cash and short-term investments (Note 5)	2,257,608	-	-	-	2,257,608	1,971,675
Accounts receivable	403,835	-	-	-	403,835	231,396
Awards and contributions receivable	391,113	305,758	-	-	696,871	454,508
Interest receivable	1,597	-	-	-	1,597	8,594
Prepaid expenses	3,530	-	-	-	3,530	4,209
Due from programs	206,709	-	84,400	-	291,109	135,669
	<u>3,264,392</u>	<u>305,758</u>	<u>84,400</u>	<u>-</u>	<u>3,654,550</u>	<u>2,806,051</u>
Property and equipment (Note 3)			-	88,497	88,497	145,116
	<u>3,264,392</u>	<u>305,758</u>	<u>84,400</u>	<u>88,497</u>	<u>3,743,047</u>	<u>2,951,167</u>
Liabilities						
Current						
Accounts payable and accrued liabilities	234,793	-	-	-	234,793	308,571
Accrued awards and projects	995,450	14,649	84,400	-	1,094,499	652,771
Due to programs	-	291,109	-	-	291,109	135,669
	<u>1,230,243</u>	<u>305,758</u>	<u>84,400</u>	<u>-</u>	<u>1,620,401</u>	<u>1,097,011</u>
Commitments (Note 4)						
Appropriations						
Invested in property and equipment	-	-	-	88,497	88,497	157,116
Externally restricted	-	-	-	-	-	15,401
Unrestricted (Note 1 (e))	2,034,149	-	-	-	2,034,149	1,681,639
	<u>2,034,149</u>	<u>-</u>	<u>-</u>	<u>88,497</u>	<u>2,122,646</u>	<u>1,854,156</u>
	<u>3,264,392</u>	<u>305,758</u>	<u>84,400</u>	<u>88,497</u>	<u>3,743,047</u>	<u>2,951,167</u>

APPROVED BY THE COUNCIL

 Member

 Member

The accompanying notes are an integral part of these financial statements.

**INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Previously Science Council of British Columbia)
Statement of Appropriations
For the Year Ended 31 March 2004**

	<u>Base</u> \$	<u>B.C. STIP</u> \$	Health Product & Functional Food	Property & Equipment \$	<u>2004</u> \$	Total <u>2003</u> \$
Appropriations - beginning of year	1,681,639		15,401	157,116	,854,156	3,673,441
Excess (deficiency) of revenue over expenditures after reductions	334,399	23,088	(14,316)	(74,681)	268,490	(1,819,285)
Transfers (Note 1(e))	<u>18,111</u>	<u>(23,088)</u>	<u>(1,085)</u>	<u>6,062</u>		-
Appropriations - end of year	2,034,149	-	-	88,497	2,122,646	1,854,156

The accompanying notes are an integral part of these financial statements.

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Previously Science Council of British Columbia)
Statement of Operations
For the Year Ended 31 March 2004

	Base	B.C. STIP	Health Product & Functional Food	Property & Equipment	Total 2004	Total 2003
	\$	\$	\$	\$	\$	\$
Revenue						
Contributions from the Ministry of Small Business and Economic Development						
Base budget	1,300,000	-	-	-	1,300,000	1,300,000
Aquaculture	1,278,291	-	-	-	1,278,291	364,403
B.C. STIP	-	-	-	-	-	164,905
ECO-Efficiency	52,277	-	-	-	52,277	20,000
Fisheries Renewal B.C.	-	-	-	-	-	(23,456)
Forestry Innovation Investment	97,400	-	-	-	97,400	81,600
Health Product & Functional Food	-	-	185,930	-	185,930	20,000
I.B.M. Development Scholarship	102,500	-	-	-	102,500	95,000
International	1,257,408	-	-	-	1,257,408	113,987
Special projects	4,033	-	-	-	4,033	6,000
Interest	33,701	-	-	-	33,701	90,442
Other income	263,970	-	-	-	263,970	207,314
	4,389,580	-	185,930	-	4,575,510	2,440,195
Expenditures						
Human Resource Award Programs						
GREAT	20,000	-	-	-	20,000	963,951
Aquaculture	1,214,300	-	-	-	1,214,300	176,573
B.C. STIP	-	-	-	-	-	176,904
Communications and recognition	168,171	-	-	-	168,171	141,036
ECO-Efficiency	12,000	-	-	-	12,000	47,407
Forestry Innovation Investment	109,483	-	-	-	109,483	66,631
Forest Renewal B.C.	-	-	-	-	-	1,258,450
Health Product and Functional Food grants	-	-	176,300	-	176,300	-
I.B.M. Development Scholarship	100,000	-	-	-	100,000	112,300
International	861,321	-	-	-	861,321	332,587
Science Fair Recognition	41,978	-	-	-	41,978	39,185
Special projects	44,541	-	-	-	44,541	39,000
Triumf Scholarships	5,741	-	-	-	5,741	-
Operations	1,495,659	6,756	23,946	74,681	1,601,042	1,870,599
Interest expense	-	3,738	-	-	3,738	1,397
	4,073,194	10,494	200,246	74,681	4,358,615	5,226,020
Excess (deficiency) of revenue over expenditures	316,386	(10,494)	(14,316)	(74,681)	216,895	(2,785,825)
Reduction in commitments and refunds	18,013	33,582	-	-	51,595	966,540
Excess (deficiency) of revenue over expenditures after reductions	334,399	23,088	(14,316)	(74,681)	268,490	(1,819,285)

The accompanying notes are an integral part of these financial statements.

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Previously Science Council of British Columbia)
Statement of Cash Flows
For the Year Ended 31 March 2004

	<u>Base</u>	<u>B.C.</u>	<u>Health Product</u>	<u>Property</u>	<u>Total</u>	
	<u>\$</u>	<u>STIP</u>	<u>& Functional</u>	<u>&</u>	<u>2004</u>	<u>2003</u>
	<u>\$</u>	<u>\$</u>	<u>Food</u>	<u>Equipment</u>	<u>\$</u>	<u>\$</u>
Cash provided for (used in):						
Operating activities						
Excess (deficiency) of revenues over expenditures after reductions	334,399	23,088	(14,316)	(74,681)	268,490	(1,819,285)
Add (deduct) transfers	<u>18,111</u>	<u>(23,088)</u>	<u>(1,085)</u>	<u>6,062</u>	-	-
Excess (deficiency) of revenues over expenditures after reductions and transfers	352,510		(15,401)	(68,619)	268,490	(1,819,285)
Add (deduct) non-cash transactions				74,681	74,681	94,967
Changes in non-cash working capital balances						
Accounts receivable	(172,439)				(172,439)	(120,508)
Awards and contributions receivable	(242,363)				(242,363)	1,361,888
Interest receivable	6,997				6,997	26,548
Prepaid expenses	679				679	35,947
Accounts payable and accrued liabilities	(73,778)	-	-	-	(73,778)	206,913
Accrued awards and projects	512,768	(155,440)	84,400	-	441,728	(5,654,442)
	<u>384,374</u>	<u>(155,440)</u>	<u>68,999</u>	<u>6,062</u>	<u>303,995</u>	<u>(5,867,972)</u>
Investing activities						
Purchase of equipment				(18,062)	(18,062)	(47,892)
Net increase (decrease) in cash	384,374	(155,440)	68,999	(12,000)	285,933	(5,915,864)
Cash - beginning of year	1,971,675				1,971,675	7,887,539
Transfers	<u>(98,441)</u>	<u>155,440</u>	<u>(68,999)</u>	<u>12,000</u>	-	-
Cash - end of year	<u>2,257,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,257,608</u>	<u>1,971,675</u>
Supplemental Cash Flow Information:						
Interest received					40,698	115,592

The accompanying notes are an integral part of these financial statements.

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Previously Science Council of British Columbia)
Notes to the Financial Statements
For the Year Ended 31 March 2004

1. Statement of Purpose

The Science Council of British Columbia was established in 1978 under the Science Council of British Columbia Act. In 1989, the Science Council of British Columbia and the Secretariat on Science, Research and Development were amalgamated pursuant to the Science Council Act, Chapter 77, and continued as the Science Council of British Columbia. The Council's name was changed from Science Council of British Columbia to Innovation and Science Council of British Columbia ("Innovation and Science Council") through Royal Assent on 12 March 2003.

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

The Innovation and Science Council's mission is to promote economic development and enhance the quality of life in British Columbia through innovative applications of science and technology. The following funds are represented in the financial statements:

(a) Base Funding

Base Funding accounts for the Innovation and Science Council's general program delivery and administrative activities, including GREAT scholarships, Aquaculture Research Grants and the PEARL II International Project, on behalf of the Ministry of Small Business and Economic Development.

(b) Health Product and Functional Food Program

The purposes of the Health Product and Functional Food Program is to foster growth and development of the health product and functional food industry in British Columbia, by funding projects that further the growth and expansion of the BC industry. The program is administered on behalf of the British Columbia Functional Foods and Nutraceuticals Network.

(c) B.C. Science & Technology Infrastructure Program (B.C. STIP)

This program provides funds to institutions in order to assist them in the preparation of proposals for funding to the Canada Foundation for Innovation (CFI). Successful applications are required to have CFI funds matched by income from other sources, and this program also provides a portion of those funds, sourced by Discovery Foundation.

(d) Property and Equipment

This fund accounts for property and equipment acquired by the Innovation and Science Council.

(e) Cancelled Programs

The following programs were cancelled or phased out as of or before 31 March 2004:

- Fisheries Renewal BC
- Forest Renewal BC
- GREAT

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
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Notes to the Financial Statements
For the Year Ended 31 March 2004

Statement of Purposes - Continued

(e) Cancelled Programs

Final disbursements for the above programs have been made in fiscal 2004. There will be no further activity in these funds after 31 March 2004. Any surpluses or deficits from the cancelled programs have been transferred to Base funding as at 31 March 2004 (refer to the statement of appropriations).

(f) Aquaculture and Environment Research Fund Program

The purpose of the Aquaculture and Environment Research Fund Program is to provide support for the research on the environmental aspects of the finfish and shellfish aquaculture relevant to the province of British Columbia. Such research will enable adoption of sustainable management and operational practices as well as address questions of public interest and policy.

The program's original seed amount of \$3.75 million was provided by the Ministry of Agriculture, Food and Fisheries and is being held by the University of British Columbia (UBC) on behalf of the Innovation and Science Council of British Columbia. A total of \$1,204,300 was committed to during the year. Payments totalling \$1,006,948 were received from UBC in the year. The remaining balance of \$197,532 was recorded as receivable at the fiscal year end. The total amount of funding still held by UBC and available as at 31 March 2004 is \$2,395,700.

2. Summary of Significant Accounting Policies

(a) Operations

The Innovation and Science Council's operations are dependent upon the continued funding from the various governmental agencies to carry out its programs. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which contemplate the continuation of the Innovation and Science Council as a "going concern".

(b) Financial Instruments

The Innovation and Science Council's financial instruments consist of cash and short-term investments, accounts receivable, awards and contributions receivable, accounts payable and accrued liabilities and accrued awards and projects payable. Unless otherwise noted, it is management's opinion that the Innovation and Science Council is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The Innovation and Science Council invests surplus funds in accordance with the BC Financial Administration Act (RSCBC 1996) Chapter 138.

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Previously Science Council of British Columbia)
Notes to the Financial Statements
For the Year Ended 31 March 2004

2. Summary of Significant Accounting Policies - Continued

(c) Basis of Accounting for Revenues, Expenditures and Appropriations

The Innovation and Science Council follows the restricted fund method of accounting for contributions under which separate details of the financial statement elements are reported as either restricted or unrestricted.

Award revenues are accounted for in the year the government organization commits to disburse the award amounts to the Innovation and Science Council

Full provision is made for all accrued liabilities at 31 March 2004, including outstanding Program commitments payable within the future, which are accrued when committed

(d) Restricted and Unrestricted Appropriations

No provision has been made for future operational expenses required for normal delivery of existing programs.

(e) Short-term Investments

Short-term investments are recorded at the lower of cost and market value.

(f) Property and Equipment

Property and equipment expenditures with a value greater than \$1,000 are recorded at cost and amortized over their estimated useful lives at the following annual rates:

Furniture, fixtures and equipment	20%	declining balance
Computer hardware and software	33 1/3%	declining balance
Leasehold improvements	70	months straight-line

(g) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingencies at the date of the statement of financial position. Actual results could differ from those estimates.

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
(Previously Science Council of British Columbia)
Notes to the Financial Statements
For the Year Ended 31 March 2004

3. Property and Equipment

	Cost	Accumulated Amortization	Net Book Value	
			2004	2003
Furniture, fixtures and equipment	\$ 44,945	\$ 35,896	\$ 9,049	\$ 11,311
Computer hardware and software	413,458	334,010	79,448	96,594
Leasehold improvements	-	-	-	37,211
	<u>\$ 458,403</u>	<u>\$ 369,906</u>	<u>\$ 88,497</u>	<u>\$ 145,116</u>

4. Commitments

The Innovation and Science Council is committed to lease its office premises until 31 August 2005 at a monthly rental of approximately \$5,200 plus its share of monthly operating costs of approximately \$5,800.

The Innovation and Science Council leases office premises in the Philippines at a monthly rental of approximately \$2,100. This lease expires 19 November 2005.

The Innovation and Science Council is also committed to lease a photocopier until 31 March 2007 at a quarterly rental of \$2,974 and a fax machine until 31 March 2007 at a quarterly rental of \$252.

Total lease commitments for the next three years are as follows:

2005	\$ 169,723
2006	84,840
2007	<u>11,896</u>
	<u>\$ 266,459</u>

5. Letter of Guarantee

The Innovation and Science Council has deposited with the Canadian International Development Agency (CIDA) a Bank Guarantee in the amount of \$500,000. This letter of guarantee is to provide assurance to CIDA as to repayment of certain amounts funded by CIDA on the PEARL II project in the Philippines should the Innovation and Science Council default on its obligations under the project contract.

INNOVATION AND SCIENCE COUNCIL OF BRITISH COLUMBIA
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Notes to the Financial Statements
For the Year Ended 31 March 2004

6. International Program (PEARL II)

The PEARL II project is a development project in the Philippines being jointly delivered by the Innovation and Science Council of British Columbia and the British Columbia Institute of Technology, and is being funded by the Canadian International Development Agency (CIDA), a federal government agency. The contract with CIDA was signed on 16 August 2002 and provides for up to \$8,632,505 in funding over a five year period. The arrangement with CIDA allows for the advance of funds from CIDA to the Innovation and Science Council. Project disbursements and expenses are paid by the Innovation and Science Council and billed to CIDA on a monthly basis. CIDA's payment of the monthly billing includes a deduction for partial repayment of the advance. Payments totalling \$955,260 were received from CIDA in the year. At 31 March 2004, the CIDA advance balance was \$65,020 and the amount receivable from CIDA was \$292,187. The total amount of funding still held by CIDA and available at 31 March 2004 is \$7,260,385.

7. Subsequent Event

On 23 April 2004, it was announced that the Advanced Systems Institute of BC will be merged into the Innovation and Science Council of British Columbia, to be known as the British Columbia Innovation Council. The merger is expected to be completed by September 2004.