

Financial Statements of

**BRITISH COLUMBIA INNOVATION COUNCIL**

Year ended March 31, 2015



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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, 2015, 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 in our audit 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, 2015 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

May 13, 2015

Burnaby, Canada

# BRITISH COLUMBIA INNOVATION COUNCIL

## Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
<b>Financial Assets</b>		
Cash and cash equivalents:		
Unrestricted	\$ 86,324	\$ 169,253
Restricted – deferred programs (note 6)	6,665	258,484
Restricted – NRAS endowment (note 7)	-	1,821
Investments:		
Unrestricted (note 3)	6,157,654	6,405,737
Restricted – deferred programs (notes 3 and 6)	9,468,859	13,663,059
Restricted – NRAS endowment (notes 3 and 7)	3,359,623	2,424,305
Accounts receivable	46,128	15,792
	19,125,253	22,938,451
<b>Liabilities</b>		
Accounts payable and accrued liabilities	104,716	280,137
Deferred program revenues (note 6)	9,475,524	13,921,543
Deferred revenue from NRAS endowment (note 7)	3,359,623	2,426,126
	12,939,863	16,627,806
<b>Net Financial Assets</b>	6,185,390	6,310,645
<b>Non-Financial Assets</b>		
Restricted – NRAS endowment:		
Investments (notes 3 and 7)	50,000,000	50,000,000
	50,000,000	50,000,000
Tangible capital assets (note 4)	217,206	108,712
Prepaid expenses	50,197	32,200
	50,267,403	50,140,912
<b>Accumulated surplus (note 5)</b>	<b>\$ 56,452,793</b>	<b>\$ 56,451,557</b>


Commitments and contingencies (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, 2015, with comparative information for 2014

	Budget 2015 (note 2(e))	2015	2014
<b>Revenue:</b>			
Grants from the Province of British Columbia	\$ 6,090,000	\$ 8,090,000	\$ 6,090,000
Program revenue (note 6)	-	5,153,806	2,371,960
Other	-	53,049	-
Interest	125,000	159,611	154,055
NRAS endowment	1,000,000	-	10,456
	<u>7,215,000</u>	<u>13,456,466</u>	<u>8,626,471</u>
<b>Expenses (note 13):</b>			
Program expenses and disbursements:			
Academic	350,000	2,322,600	2,379,334
Commercialization	3,795,000	9,181,695	4,248,248
NRAS endowment	1,000,000	-	10,456
Premier's Technology Council	425,000	315,402	291,637
Technology Awareness	200,000	251,202	322,367
General administration (note 12)	1,445,000	1,384,331	1,373,088
	<u>7,215,000</u>	<u>13,455,230</u>	<u>8,625,130</u>
Annual surplus	-	1,236	1,341
Accumulated surplus, beginning of year	56,451,557	56,451,557	56,450,216
Accumulated surplus, end of year	<u>\$ 56,451,557</u>	<u>\$ 56,452,793</u>	<u>\$ 56,451,557</u>

See accompanying notes to financial statements.

# BRITISH COLUMBIA INNOVATION COUNCIL

## Statement of Changes in Net Financial Assets

Year ended March 31, 2015, with comparative information for 2014

	Budget 2015 (note 2(e))	2015	2014
Annual surplus	\$ -	\$ 1,236	\$ 1,341
Acquisition of tangible capital assets	(50,000)	(146,990)	(27,377)
Amortization of tangible capital assets	40,000	38,496	33,628
Disposition of tangible capital assets	-	-	5,713
Accumulated amortization of disposition	-	-	(952)
	(10,000)	(107,258)	12,353
Acquisition of prepaid expenses	-	(100,588)	(72,955)
Use of prepaid expenses	-	82,591	79,344
	-	(17,997)	6,389
Change in net financial assets	(10,000)	(125,255)	18,742
Net financial assets, beginning of year	6,310,645	6,310,645	6,291,903
Net financial assets, end of year	\$ 6,300,645	\$ 6,185,390	\$ 6,310,645

See accompanying notes to financial statements.

# BRITISH COLUMBIA INNOVATION COUNCIL

## Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating:		
Annual surplus	\$ 1,236	\$ 1,341
Items not involving cash:		
Amortization of tangible capital assets	38,496	33,628
Loss on disposition of tangible capital assets	-	3,734
Changes in non-cash operating working capital:		
Accounts receivable	(30,336)	32,693
Prepaid expenses	(17,997)	6,389
Accounts payable and accrued liabilities	(175,421)	(118,404)
Deferred program revenues	(4,446,019)	(1,928,177)
	(4,630,041)	(1,968,796)
Capital:		
Purchase of tangible capital assets	(146,990)	(27,377)
Disposition of tangible capital assets	-	1,027
	(146,990)	(26,350)
Investments:		
Purchase of investments	(151,458,180)	(89,781,107)
Proceeds on maturity of investments	154,965,145	64,434,303
Increase in deferred revenue from NRAS endowment	933,497	965,459
	4,440,462	(24,381,345)
Decrease in cash & cash equivalents	(336,569)	(26,376,491)
Cash & cash equivalents, beginning of year	429,558	26,806,049
Cash & cash equivalents, end of year	\$ 92,989	\$ 429,558
Cash & cash equivalents are comprised of:		
Financial assets:		
Unrestricted	\$ 86,324	\$ 169,253
Restricted – deferred programs	6,665	258,484
Restricted – NRAS endowment	-	1,821
Cash & cash equivalents, end of year	\$ 92,989	\$ 429,558

See accompanying notes to financial statements.

# BRITISH COLUMBIA INNOVATION COUNCIL

## Notes to Financial Statements

Year ended March 31, 2015, with comparative information for 2014

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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 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.

#### (d) Revenue recognition:

The Council follows the accrual method of accounting for contributions. 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.

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, 2015, with comparative information for 2014

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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.

Investment income that is subject to external restrictions is deferred and recognized as revenue in the year in which the related expense is incurred.

### (e) Budget figures:

The budget figures presented in these financial statements is based on the 2015 operating budget approved by the Board of Directors on January 15, 2014.

### (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. Due to the nature of these investments, the carrying amounts approximate fair value.

The carrying amount of other financial instruments such as cash and cash equivalent, 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.

### (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:



# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

## 2. Significant accounting policies (continued):

(i) Tangible capital assets (continued):

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) Expense by function:

The data presented in these financial statements are by expense function. Note 13 provides a breakdown of expenditures by object.

(l) 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.

(m) 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, 2015, with comparative information for 2014

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### 3. Investments:

Restricted and unrestricted investments consist of term deposits and guaranteed investment certificates with maturity dates ranging from May of 2015 to Dec of 2018, bearing interest at rates ranging from 1.40% to 2.22%.

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, 2015, 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, 2015 is \$20 (2014 - \$20).

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

## 4. Tangible capital assets:

Cost	Balance at March 31, 2014	Additions	Disposal	Balance at March 31, 2015
Furniture, fixtures and equipment	\$ 155,567	\$ 23,817	\$ -	\$ 179,384
Computer hardware and software	439,373	30,374	-	469,747
Leasehold improvements	27,770	92,799	-	120,569
	\$ 622,710	\$ 146,990	\$ -	\$ 769,700

Accumulated Amortization	Balance at March 31, 2014	Amortization	Accumulated amortization of disposals	Balance at March 31, 2015
Furniture, fixtures and equipment	\$ 123,564	\$ 7,871	\$ -	\$ 131,435
Computer hardware and software	362,664	30,625	-	393,289
Leasehold improvements	27,770	-	-	27,770
	\$ 513,998	\$ 38,496	\$ -	\$ 552,494

	Net book value March 31, 2014	Net book value March 31, 2015
Furniture, fixtures and equipment	\$ 32,003	\$ 47,949
Computer hardware and software	76,709	76,458
Leasehold improvements	-	92,799
	\$ 108,712	\$ 217,206

There were no writedowns or reversals of writedowns previously recorded on any tangible capital assets.

## 5. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2015	2014
Invested in tangible capital assets	\$ 217,206	\$ 108,712
NRAS Endowment	50,000,000	50,000,000
Unrestricted	6,235,587	6,342,845
	\$ 56,452,793	\$ 56,451,557

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

## 6. Deferred program revenues:

	Balance March 31, 2014	Funds Received	Funds Expended	Funds Returned	Balance March 31, 2015
1. Science and Innovation	\$ 2,633,615	\$ -	\$ 207,000	\$ -	\$ 2,426,615
Aquaculture & Environment Research	376,024	-	-	-	376,024
Industrial Innovation Scholarship	102,750	-	-	-	102,750
2. Forestry Innovation Scholarship	1,516,055	-	1,516,055	-	-
3. Fellowship Programs	751,084	-	751,084	-	-
4. Mentorship BC	6,540	-	2,690	3,850	-
5. LEEF Student Program	6,238,016	93,578	16,895	-	6,314,699
6. Research Chairs	2,297,459	11,539	2,308,998	-	-
7. International Science and Technology Partnerships	-	606,520	351,084	-	255,436
<b>Total</b>	<b>\$ 13,921,543</b>	<b>\$ 711,637</b>	<b>\$ 5,153,806</b>	<b>\$ 3,850</b>	<b>\$ 9,475,524</b>

1. BCIC and the Ministry of Agriculture signed a MOU to fund \$25,000 to Sumas Regional Consortium for High Tech ("SRCTec") to research and develop a proposal for the delivery of the Venture Acceleration Program ("VAP") to agricultural innovation related entrepreneurs in the Fraser Valley. Another agreement was signed to distribute \$844,000 to SRCTec over three years. A total of \$207,000 was paid to SRCTec during the year.
2. BCIC paid \$1,516,055 to fund the Ministry of Forests, Lands and Natural Resources Initiative Program as directed by the Ministry of Technology, Innovation, and Citizens Services ("MTICS").
3. BCIC paid \$751,084 to fund the Ministry of Forests, Lands and Natural Resources Initiative Program as directed by MTICS.
4. The balance of \$3,850 from Mentorship BC was returned to the Ministry of Jobs, Tourism and Skills Training after transition costs of \$2,690 were incurred.
5. BCIC incurred \$16,895 to administer the BC Innovator Skills Initiative.
6. BCIC paid \$2,308,998 to the University of Northern British Columbia for the development of the UNBC Tall Wood Building Chair, which included \$58,998 of accumulated interest.
7. BCIC received \$606,520 through MTICS from the International Science and Technology Partnerships Canada to further BCIC's objectives. During the year \$351,084 was used of which \$250,000 was paid for a feasibility study.

Funds restricted for future program expenses have been separated and classified as restricted cash & cash equivalents – deferred programs and restricted investments – deferred programs.

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

## 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 \$53,359,623 are comprised of the permanently restricted endowment balance of \$50,000,000 and unspent interest earnings of \$3,359,623.

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

	2015	2014
Accumulated interest, beginning of year	\$ 2,426,126	\$ 1,460,667
Interest earned net of fees	956,513	975,915
Administration and professional fees	(23,016)	(10,456)
Accumulated interest, end of year	\$ 3,359,623	\$ 2,426,126

## 8. Commitments and contingencies:

- (a) The Council occupies offices under a long-term lease to January 31, 2020 with option to renew. Minimum annual payments include the Council's utilities and other costs of occupancy.
- (b) The Council is committed to lease a photocopier until June 30, 2017 at a quarterly rental of \$1,746.

Total estimated lease payments up to the end of the lease terms are as follows:

2016	\$ 302,984
2017	304,175
2018	306,084
2019	310,295
2020	258,579

## 9. Contractual obligations:

The Council has entered into a number of project grant contracts as at March 31, 2015 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, 2015 are \$6,629,160 (2014 - \$1,865,000).

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

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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 British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the Act applies. As the Plan is a multi-employer, defined benefit plan, the Council accounts for its payments on the basis of a defined contribution plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the Plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2011) indicated an unfunded liability of \$275 million. The plan covers approximately 53,500 active employees. The next required valuation will be as of March 31, 2015 with results available for the council's 2016 fiscal year.

During the year, the Council paid and expensed \$102,122 (2014 - \$83,558) 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 \$8,090,000 annual provincial funding from the Ministry of Technology, Innovation and Citizens' Services and received \$606,520 from International Science and Technology Partnerships Canada. (note 6).

## 12. General administration:

General administration expenses of \$452,101 were associated with the delivery of programs during the current year (2014 - \$435,902).

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2015, with comparative information for 2014

## 13. Expenses by object:

The following is a summary of expenses by object:

	2015	2014
Expenses:		
Program expenses and disbursements	\$ 11,618,798	\$ 6,849,998
Salaries and benefits	1,346,993	1,124,525
Rent	172,574	228,742
Contracted services	97,169	178,951
Office expenses	81,943	83,814
Other costs	99,257	125,472
	13,416,734	8,591,502
Amortization	38,496	33,628
Total expense	\$ 13,455,230	\$ 8,625,130