

Financial Statements of

**BRITISH COLUMBIA INNOVATION COUNCIL**

Year ended March 31, 2014



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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, 2014, the statement of operations, 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, 2014 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 15, 2014

Burnaby, Canada

# BRITISH COLUMBIA INNOVATION COUNCIL

## Statement of Financial Position

March 31, 2014, with comparative information for 2013

	2014	2013
<b>Financial Assets</b>		
Cash and cash equivalents:		
Unrestricted	\$ 169,253	\$ 307,738
Restricted – deferred programs (note 6)	258,484	45,143
Restricted – NRAS endowment (note 7)	1,821	1,460,667
Investments:		
Unrestricted (note 3)	6,405,737	6,334,221
Restricted – deferred programs (notes 3 and 6)	13,663,059	15,804,577
Restricted – NRAS endowment (notes 3 and 7)	2,424,305	-
Accounts receivable	15,792	48,485
	<u>22,938,451</u>	<u>24,000,831</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	280,137	398,541
Deferred program revenues (note 6)	13,921,543	15,849,720
Deferred revenue from NRAS endowment (note 7)	2,426,126	1,460,667
	<u>16,627,806</u>	<u>17,708,928</u>
<b>Net Financial Assets</b>	<b>6,310,645</b>	<b>6,291,903</b>
<b>Non-Financial Assets</b>		
Restricted – NRAS endowment:		
Cash and cash equivalents (note 7)	-	24,992,501
Investments (notes 3 and 7)	50,000,000	25,007,499
	<u>50,000,000</u>	<u>50,000,000</u>
Tangible capital assets (note 4)	108,712	119,724
Prepaid expenses	32,200	38,589
	<u>50,140,912</u>	<u>50,158,313</u>
Accumulated surplus (note 5)	<u>\$ 56,451,557</u>	<u>\$ 56,450,216</u>

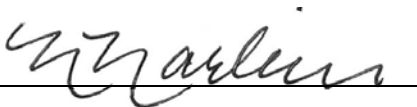
Commitments and contingencies (note 8)

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

Year ended March 31, 2014, with comparative information for 2013

	Budget 2014	2014	2013
Revenue:			
Grants from the Province of British Columbia	\$ 6,090,000	\$ 6,090,000	\$ 6,150,000
Program revenue (note 6)	5,500,000	2,371,960	171,000
Other	-	-	163,327
Interest	125,000	154,055	127,444
NRAS endowment (note 7)	1,000,000	10,456	3,139
	<u>12,715,000</u>	<u>8,626,471</u>	<u>6,614,910</u>
Expenses (note 13):			
Program expenses and disbursements:			
Academic	5,500,000	2,379,334	1,308,608
Commercialization	4,177,000	4,248,248	3,461,580
NRAS endowment (note 7)	1,000,000	10,456	3,139
Premier's Technology Council	425,000	291,637	352,386
Technology Awareness	200,000	322,367	171,467
General administration (note 12)	1,413,000	1,373,088	1,316,155
	<u>12,715,000</u>	<u>8,625,130</u>	<u>6,613,335</u>
Annual surplus	-	1,341	1,575
Accumulated surplus, beginning of year	56,450,216	56,450,216	56,448,641
Accumulated surplus, end of year	<u>\$ 56,450,216</u>	<u>\$ 56,451,557</u>	<u>\$ 56,450,216</u>

See accompanying notes to financial statements.

# BRITISH COLUMBIA INNOVATION COUNCIL

## Statement of Changes in Net Financial Assets

Year ended March 31, 2014, with comparative information for 2013

	Budget 2014	2014	2013
Annual surplus	\$ -	\$ 1,341	\$ 1,575
Acquisition of tangible capital assets	(50,000)	(27,377)	(35,496)
Amortization of tangible capital assets	40,000	33,628	40,987
Disposition of tangible capital assets	-	5,713	4,519
Accumulated amortization of disposition	-	(952)	(3,041)
	(10,000)	12,353	8,544
Acquisition of prepaid expenses	-	(72,955)	(65,849)
Use of prepaid expenses	-	79,344	93,540
	-	6,389	27,691
Change in net financial assets	(10,000)	18,742	36,235
Net financial assets, beginning of year	6,291,903	6,291,903	6,255,668
Net financial assets, end of year	\$ 6,281,903	\$ 6,310,645	\$ 6,291,903

See accompanying notes to financial statements.

# BRITISH COLUMBIA INNOVATION COUNCIL

## Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating:		
Annual surplus	\$ 1,341	\$ 1,575
Items not involving cash:		
Amortization of tangible capital assets	33,628	40,987
Loss on disposition of tangible capital assets	3,734	-
Changes in non-cash operating working capital:		
Accounts receivable	32,693	197,336
Prepaid expenses	6,389	27,691
Accounts payable and accrued liabilities	(118,404)	119,238
Deferred program revenues	(1,928,177)	10,518,746
	(1,968,796)	10,905,573
Capital:		
Purchase of tangible capital assets	(27,377)	(35,496)
Disposition of tangible capital assets	1,027	1,478
	(26,350)	(34,018)
Investments:		
Purchase of investments	(89,781,107)	(144,838,625)
Proceeds on maturity of investments	64,434,303	158,710,616
Increase in deferred revenue from NRAS endowment	965,459	958,991
	(24,381,345)	14,830,982
Increase (decrease) in cash & cash equivalents	(26,376,491)	25,702,537
Cash & cash equivalents, beginning of year	26,806,049	1,103,512
Cash & cash equivalents, end of year	\$ 429,558	\$ 26,806,049
Cash & cash equivalents are comprised of:		
Financial assets:		
Unrestricted	\$ 169,253	\$ 307,738
Restricted – deferred programs	258,484	45,143
Restricted – NRAS endowment	1,821	1,460,667
Non-financial assets:		
Restricted – NRAS endowment	-	24,992,501
Cash & cash equivalents, end of year	\$ 429,558	\$ 26,806,049

See accompanying notes to financial statements.

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements

Year ended March 31, 2014, with comparative information for 2013

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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 Canadian Institute of Chartered Accountants.

### (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, 2014, with comparative information for 2013

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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:

The budget data presented in these financial statements is based on the 2014 operating budget approved by the Board of Directors on January 16, 2013.

### (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 is 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.



# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2014, with comparative information for 2013

## 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

### (j) 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.

### (k) 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 accrual of liabilities. Actual results may differ from these estimates.

## 3. Investments:

Restricted and unrestricted investments consist of term deposits and guaranteed investment certificates with maturity dates ranging from April of 2014 to May of 2016, bearing interest at rates ranging from 1.40% to 2.40%.

Included in unrestricted investments are shares of previous British Columbia Advanced Systems Foundation program participant private corporations received in exchange for all or a portion of loan or royalty interests. As at March 31, 2014, 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, 2014 is \$20 (2013 - \$20).

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2014, with comparative information for 2013

## 4. Tangible capital assets:

Cost	Balance at March 31, 2013	Additions	Disposal	Balance at March 31, 2014
Furniture, fixtures and equipment	\$ 155,567	\$ -	\$ -	\$ 155,567
Computer hardware and software	417,709	27,377	(5,713)	439,373
Leasehold improvements	27,770	-	-	27,770
	\$ 601,046	\$ 27,377	\$ (5,713)	\$ 622,710

Accumulated Amortization	Balance at March 31, 2013	Amortization	Accumulated amortization of disposals	Balance at March 31, 2014
Furniture, fixtures and equipment	\$ 115,564	\$ 8,000	\$ -	\$ 123,564
Computer hardware and software	337,988	25,628	(952)	362,664
Leasehold improvements	27,770	-	-	27,770
	\$ 481,322	\$ 33,628	\$ (952)	\$ 513,998

	Net book value March 31, 2013	Net book value March 31, 2014
Furniture, fixtures and equipment	\$ 40,003	\$ 32,003
Computer hardware and software	79,721	76,709
Leasehold improvements	-	-
	\$ 119,724	\$ 108,712

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:

	2014	2013
Invested in tangible capital assets	\$ 108,712	\$ 119,724
NRAS Endowment	50,000,000	50,000,000
Unrestricted	6,342,845	6,330,492
	\$ 56,451,557	\$ 56,450,216

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2014, with comparative information for 2013

## 6. Deferred program revenues:

	2014	2013
Balance, beginning of year	\$ 15,849,720	\$ 5,330,974
Government contributions	300,000	-
LEEF contributions	-	10,607,332
Other contributions	-	1,518
Investment income (net of fees)	143,783	80,896
Amounts recognized to program revenues	(2,371,960)	(171,000)
Balance, end of year	\$ 13,921,543	\$ 15,849,720

During the year, the Council received \$300,000 from the Ministry of Jobs, Tourism and Skills Training, a related entity (note 11), to develop the Small Business Mentoring Program, branded as Mentorship BC, of which \$293,460 was recognized to program revenues during the current year.

During the year, the Council recognized program revenue of \$1,250,000 to fund a commitment by Leading Edge Endowment Fund (LEEF) to establish a BC Regional Research Chair at Thompson Rivers University. The Council also recognized program revenue of \$828,500, of which \$304,334 was used to fund the BCIC-Mitacs Commercialization Voucher program and \$524,166 was used to fund the BC Innovator Skills Initiative.

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

## 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 \$52,426,126 are comprised of the permanently restricted endowment balance of \$50,000,000 and unspent interest earnings of \$2,426,126.

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

	2014	2013
Accumulated interest, beginning of year	\$ 1,460,667	\$ 501,676
Interest earned	975,915	962,130
Administration and professional fees	(10,456)	(3,139)
Accumulated interest, end of year	\$ 2,426,126	\$ 1,460,667

No expenditures were made during the current year (2013 - nil).

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2014, with comparative information for 2013

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## 8. Commitments and contingencies:

- (a) The Council occupies offices under a long-term lease with varying terms to November 29, 2014. Minimum annual payments include the Council's estimated share of utilities and other costs of occupancy.
- (b) The Council is committed to lease a photocopier until June 2017 at a quarterly rental of \$1,746.

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

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2015	\$ 171,781
2016	6,985
2017	6,985
2018	1,746

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## 9. Contractual obligations:

The Council has entered into a number of project grant contracts as at March 31, 2014 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, 2014 are \$1,865,000 (2013 - \$3,973,500).

## 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, 2014 with results available in 2015.

During the year, the Council paid and expensed \$83,558 (2013 - \$84,059) for contributions to the Plan.

# BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2014, with comparative information for 2013

## 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 \$6,090,000 annual provincial funding from the Ministry of Technology, Innovation and Citizens' Services and received \$300,000 from the Ministry of Jobs, Tourism and Skills Training for the Small Business Mentoring Program (note 6).

## 12. General administration:

General administration expenses of \$435,902 were associated with the delivery of programs during the current year (2013 - \$424,030).

## 13. Expenses by object:

The following is a summary of expenses by object:

	2014	2013
Expenses:		
Program expenses and disbursements	\$ 6,849,998	\$ 4,958,450
Salaries and benefits	1,124,525	1,026,900
Rent	228,742	222,677
Contracted services	178,951	141,816
Office expenses	83,814	65,099
Other costs	125,472	157,406
	8,591,502	6,572,348
Amortization	33,628	40,987
Total expense	\$ 8,625,130	\$ 6,613,335

## 14. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted for the current year.