



ANNUAL REPORT

FISCAL YEAR 2020-2021

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Minister's Message



THE HONOURABLE ANTOINETTE PERRY

Lieutenant Governor of Prince Edward Island

May It Please Your Honour:

Pursuant to the Annual Reporting Framework of the Financial Administration Act governing Crown Corporations, I am pleased to present to you, the Annual Report of Innovation PEI for the fiscal year ending March 31, 2021.

Sincerely Yours,

A handwritten signature in black ink that reads "Matthew MacKay". The signature is written in a cursive, flowing style.

Hon. Matthew MacKay
Minister of Economic Growth, Tourism and Culture
October 15, 2021

Chief Executive Officer's Message

TO THE HONOURABLE MATTHEW MACKAY
Minister of Economic Growth, Tourism and Culture
Province of Prince Edward Island

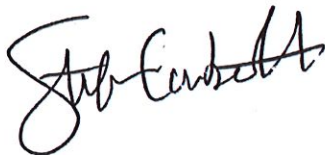
Dear Minister MacKay:

Please accept the Annual Report for the fiscal year ending March 31, 2021, in accordance with the Innovation PEI Act.

The Prince Edward Island economy persevered throughout the 2020-2021 fiscal year, despite the continued impact of the COVID-19 pandemic. Innovation PEI was proud to be part of the supports and programming provided to PEI businesses as they navigated changing restrictions and regulations.

As we move forward into post-pandemic economic recovery, Innovation PEI will help drive economic success by enabling the growth of strategic sectors, accelerating entrepreneurship, responding to Island business needs, and fostering an internal culture of operating excellence. With direction from your Department, Cabinet and our private sector Board of Directors, Innovation PEI will continue to support the growth, diversification and strength of our communities in the 2022-23 fiscal year.

Respectfully submitted,



Stefanie Corbett
Chief Executive Officer
October 15, 2021

Government Entity Overview

Innovation PEI is a crown corporation under the Ministry of Economic Growth, Tourism and Culture and is the lead economic development agency for the Province of Prince Edward Island.

Innovation PEI is committed to fostering strategic partnerships with industry, academia, and other government agencies to develop a more prosperous and vibrant Island economy that provides sustainable employment opportunities for Islanders.

Acting as a key entry point for entrepreneurs and small to medium-sized firms pursuing business development initiatives, Innovation PEI offers a number of business-related supports and services to help start and grow a business, invest in PEI, or export goods and services across Canada and around the globe. The corporation strives to reward excellence in business while celebrating our traditional values of fairness and transparency.

Innovation PEI also has a highly capable team to support our vibrant arts and culture community, working with cultural organizations and creative industry associations to provide initiatives that promote and encourage professionalization, organizational capacity, and ability to expand services, access to training, and artistic experimentation.

Innovation PEI has a staff of 47. Business Development Officers are located across the province in offices in Alberton, Charlottetown, Montague, Souris, and Summerside.

MISSION

Innovation PEI's mission is to drive economic success in Prince Edward Island. The corporation has five divisions, and one subsidiary. Each division has its own focus, and all divisions work closely to optimize results and deliver value to clients and the residents of Prince Edward Island.

Business Attraction

The Business Attraction division is responsible for attracting business investment and foreign direct investment to Prince Edward Island in the strategic sectors of aerospace, bioscience, information technology and clean technology/ renewable energy. The division works with strategic partners including the PEI BioAlliance, Slemon Park Corporation, the City of Summerside, the City of Charlottetown, and Global Affairs Canada / Invest in Canada in

promoting Prince Edward Island as a business location. In addition, the division is responsible for the management and operation of the LaunchPad PEI Program and the administration of the Start-Up Visa Program through LaunchPad PEI.

The vision for the division is to be the most responsive and client-focused business attraction unit in Canada. Success will be measured by its ability to create new employment positions within PEI's emerging sectors in addition to new business investments and startups, multi-national company expansions, Provincial return on investment of projects, impact in the province, and strategic importance.

Business Development and Innovation

The Business Development and Innovation division supports entrepreneurship and business growth within PEI. This division is very client focused and partners with industry and other stakeholders to enhance programs, services, and financial incentives that enable business growth and success. In addition to administering financial assistance, the division works closely with industry and academia to create a thriving, entrepreneurial, innovative and connected ecosystem.

The Business Development team works closely with the Global Trade Services, Business Attraction, and Cultural Development divisions to present local business with opportunities to grow through diversification, increased exports and new collaborations.

Cultural Development

The Cultural Development division is responsible for the implementation of Cultivating Growth: A Five Year Action Plan for Culture and Creative Industries. The goals of the division are to build capacity and improve the opportunities in the arts and creative industries in PEI; support the social and economic growth of culture in Island communities; and help to share our people and stories with the world through export. The Culture Action Plan will be renewed in 2022.

The Cultural Development division works primarily with non-profit industry groups and associations and with cultural organizations that contribute to the economic and social development of Prince Edward Island. The division also provides direct supports for PEI professional artists. The division's scope is province-wide and is committed to diversity and inclusion. Community partners, other Provincial government departments, and other levels of

government are also key partners for the division, which often work together to leverage resources that support the arts and creative industries.

Global Trade Services

The Global Trade Services division is mandated to grow revenue created from export sales, and works closely with Prince Edward Island companies to help them become export-ready by supporting businesses to seek new opportunities for their products and services around the world. The division provides market specific information, training workshops, funding, and in-market support for companies pursuing export opportunities. Growing PEI exports is accomplished via a three-fold approach: increase the number of PEI export companies, diversify export markets and grow export revenues.

The Global Trade Services team works closely with the Business Development and Business Attraction, and Cultural Development divisions to develop incremental and new export channels. This division works collaboratively with industry and government to create partnerships that maximize the impact of investments and efforts to achieve export growth.

Bio|Food|Tech

BioFoodTech, as a subsidiary of Innovation PEI, provides professional technical services to PEI's food and bioprocessing companies, and continues to move these strategic sectors along the innovation pathway by providing companies new products to market resulting in growth outcomes. BioFoodTech does this by helping companies turn research ideas into marketable products through our established "Concept to Pilot to Market" platform. We have 30 years of experience helping companies and entrepreneurs innovate, improve and grow their business. Our dedicated, experienced staff work with clients to determine their needs and offer solutions that meet their budgets and business goals. We provide expertise and assistance at every stage - from idea generation to pilot-scale to commercialization of new products. In addition, our support services, including a fully accredited microbial testing laboratory, helps companies by guaranteeing high quality safe products are shipped to local and export markets.

Key Indicators

Prince Edward Island's economy felt the effects of the COVID-19 pandemic in the 2020 calendar year¹, with mixed results across multiple indicators:

- 2020 economic contraction of 3.0 per cent (Real GDP By Industry).²
- Employment averaged 76,700, a year-over-year decrease of 3.6 per cent or 2,500.³
- Unemployment rate averaged 10.4 per cent, an increase of 1.6 percentage points year-over-year.⁴
- Total labour income increased by 1.9 per cent over the prior year.⁵
- International exports reached approximately \$ 1.65 billion , a decrease of 3.3 per cent over the prior year.⁶
- PEI exported goods to 127 countries in 2020.

During the fiscal year, financial assistance of \$36,111,296 was approved to support approximately 1,100 business projects, with focus on business improvements, innovations, expansions, and startups. The total value of the supported projects was \$148,910,583.

¹ Calendar year statistics are used for consistency in reporting and year-over-year comparisons, as there is a delay in availability of monthly statistics.

²⁻⁵ 47th Annual Statistical Review, https://www.princeedwardisland.ca/sites/default/files/publications/web_asr.pdf

⁶⁻⁷ Government of Canada, Trade Data Online, report for PEI exports to all countries for all products

Mandate

Vision:	Mission:	Values:
A vibrant, diverse, and growing Prince Edward Island economy.	To drive economic success in Prince Edward Island.	Client-focused, Forward-thinking, Collaborative, Results-driven, Accountable.

Innovation PEI is focused on creating a vibrant, diverse and growing economy by supporting investment, collaboration, and culture. To achieve this, the corporation operates with the following mandated objectives:

- To work with economic development agencies, including federal and municipal bodies, to develop policies and agreements in support of innovation and economic development in Prince Edward Island;
- To facilitate cooperation and communication amongst Government, academia, the research and development community, and the business ecosystem in Prince Edward Island and beyond;
- To provide financial assistance and support to businesses and entrepreneurs across the Island in order to create, maintain and expand business activity in Prince Edward Island;
- To provide business development advice, information, infrastructure and services to the private and public sectors, and industry associations to assist in the promotion of innovation, commercialization, competitiveness, and wealth creation in Prince Edward Island;
- To promote strategic partnerships in commercial ventures;
- To provide leadership in the prospecting of off-Island firms in support of strategic sectors and potential new economic sectors;
- To provide guidance in the research development and implementation of marketing and trade strategies for Prince Edward Island goods and services;
- To continue supporting businesses through the COVID-19 pandemic by adjusting programming

Lines of Business

Innovation PEI provides financial assistance to many strategic economic sectors on Prince Edward Island, including biosciences; aerospace and defence; information and communications technology; creative and cultural industries; advanced manufacturing and processing, including value-added food development and production; renewable energy and clean technology; and small business. Business counseling and navigation assistance is available to all PEI entrepreneurs and business.

Businesses that export to domestic or international markets, do value-added processing, produce import replacements, and create quality employment opportunities for PEI residents are priorities for Innovation PEI.

Small businesses¹ are a priority for the corporation. They are the largest creators and providers of private sector employment and are significant contributors to all areas of our economy, including gross domestic product, exports and innovation. Of the 6,724² PEI businesses recorded in December 2020, 6,453 had fewer than fifty employees and all but 40 had less than 200 employees. Beyond their economic contributions, small businesses contribute to the identity and improvement of their community, through participation in local service organizations and community events, sponsorship of teams and donations to local nonprofits. Small businesses often engage with local schools to enhance entrepreneurship curriculum, and are big boosters of other small businesses and aspiring entrepreneurs.

Innovation PEI's goal is to build a stronger Prince Edward Island by providing financial assistance to business to: increase the money coming in to the province from beyond our borders (exports and business attraction); develop resilient, competitive and sustainable businesses; and create quality employment opportunities. To this end, the corporation offers financial assistance to support private sector investments in:

- Entrepreneurship
- Job Creation
- New Product & Event Development and Commercialization
- Capital & Infrastructure Projects
- Export Development & Promotional Activities

¹ "Small business" used as a substitution for Small and Medium Enterprises, defined as a business establishment with 1 to 499 paid employees.

² All data in sentence sourced from: Table 33-10-0304-01 Canadian Business Counts, with employees, December 2020; DOI: <https://doi.org/10.25318/3310022201-eng>

Summary of the strategic plan and future direction

Innovation PEI's role is to drive economic success in Prince Edward Island through innovation, investment, collaboration, and culture. As the lead economic development agency of the Province, we will continue to lead the delivery of Prince Edward Island's economic growth strategy by providing support to Island businesses and the organizations that contribute to their success and growth by:

Enabling Growth of Strategic and Emerging Sectors

Innovation PEI will collaborate to build high-growth sectors in Prince Edward Island by supporting the competitiveness of strategic sectors, developing emerging sectors, addressing labor market needs, and attracting high-growth, high-skilled businesses to the Island.

Accelerating Business Growth and Entrepreneurship

We will foster a vibrant environment where Island companies and entrepreneurs can prosper by enhancing startup supports to bring ideas to market faster and providing supports for businesses to recruit highly-skilled talent. We will renew our focus on research and development, and collaborate to enhance business adoption of technology and automation.

Effectively Responding to Island Business Needs

To ensure that our clients know that their success is our priority, we will ensure accessibility of our programs, work closely with diverse populations, and regularly evaluate our programs to best support businesses in achieving their potential.

Fostering a Culture of Operating Excellence

We will develop and retain a team of passionate and engaged professionals dedicated to delivering value to our diverse client base. We will promote a culture of learning and implement the tools and processes needed to effectively serve our clients.

Although the hardships and economic impact of COVID-19 is still prevalent across the globe, PEI is fortunate to have strong leadership. With the support of the Province of Prince Edward Island and the Government of Canada, Innovation PEI has adjusted our programming throughout the pandemic to support and assist Island businesses and entrepreneurs, and we will continue to focus on business investments in the areas of planning, capital investments, marketing and promotion activities and more.

Highlights and Accomplishments

Select highlights and accomplishments include:

COVID-19 RESPONSE

- As part of the COVID-19 emergency relief and recovery strategy of the Government of Prince Edward Island, Innovation PEI designed and implemented programming in 2020 to help mitigate the financial impact on PEI's business community; provided navigation assistance and information through the PEI Business Helpline; and adapted trade related programs to provide support for virtual events.
- Employee responsibilities, from entry-level to senior management positions, were adjusted during the response to deliver these programs and respond to inquiries received through the PEI Business Helpline.
- Provided support that continues into the 2021 fiscal year with adjustments to programs that focus on business investment. Innovation PEI temporarily increased funding to eight programs to support PEI businesses impacted by COVID-19 including:
 - Small Business Investment Grant
 - Capital Acquisition
 - Marketing Assistance
 - Web Presence Assistance.

Innovation PEI Highlights:

- Attracted five new business investments to Prince Edward Island, with projected employment of 34 positions, including FreshBooks which is recognized as the number one global cloud accounting software for self-employed professionals and two video game development companies that have a growing staff.
- Attracted two entrepreneurs through the Start-Up Visa Program that is projected for 10 new positions.
- Supported 14 new businesses through the LaunchPad PEI Program that are in growth stage.
- Currently supporting 136 projects in the sales cycle at varying degrees of conclusion.
- Supported the expansion of Kensington Business Park infrastructure with construction scheduled to begin in spring summer of 2021.
- Working with Central Development Corporation and other government partners on the development of a Food Accelerator in Borden-Carleton. This facility will allow food companies to scale their business and access export markets.

INNOVATION PEI

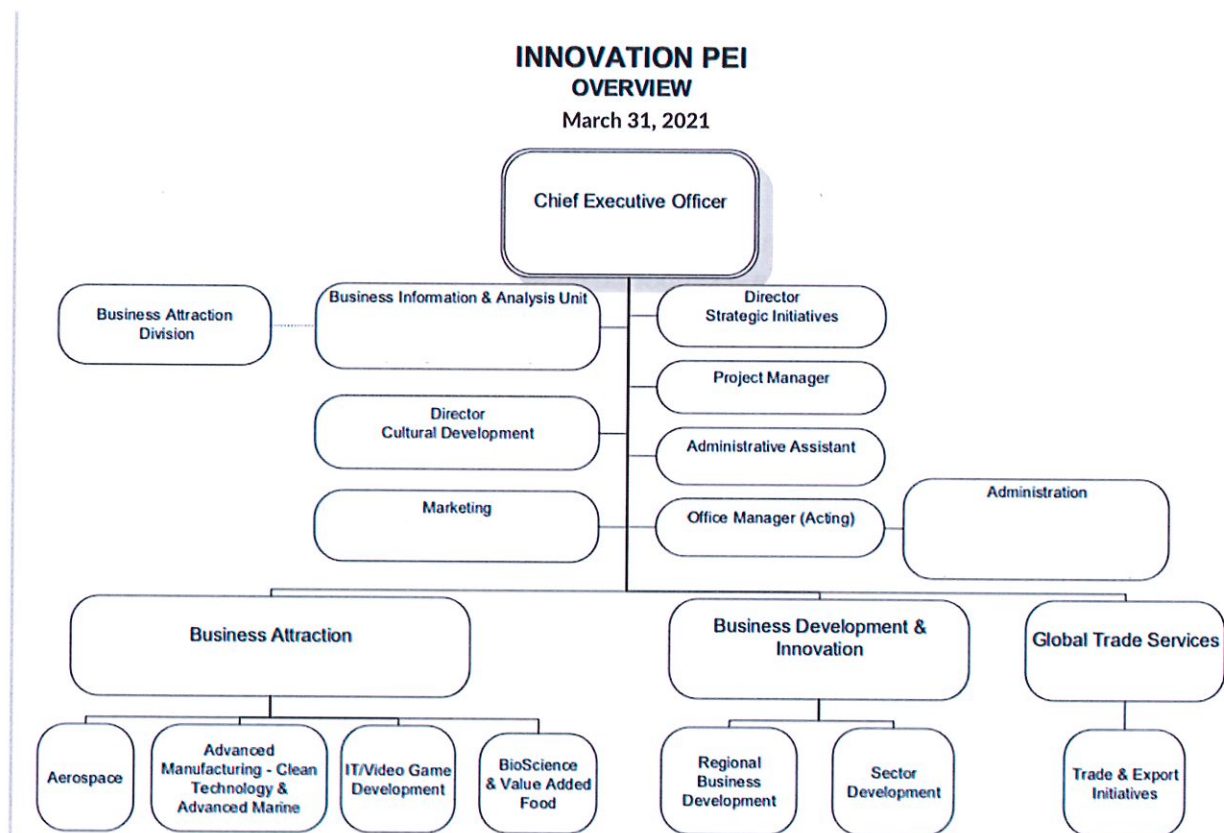
- Supported small business recovery from COVID-19, adjustments were made to eight existing programs, these adjustments resulted in a 350% increase in funds provided to small business.
- PEI Broadband Fund continued support to local PEI internet service providers, communities, businesses, and residents for the installation of enhanced broadband services. New pilot program for Internet Service Providers – Accelerated stream and Residential stream launched August 2020.
- Provided \$125,000 in Art Grants to artists from a variety of disciplines including Music, Film, Writing, Visual Arts, Theatre, Fine Craft.
- Launched new programs to support Indigenous Arts, including an Indigenous Arts grant, and established an Indigenous Art Bank program. Partnered with PEI Black Cultural Society to help them establish a staffed, resourced office and community gathering space.
- Toronto Trade Mission (pre-COVID-19) – led a multi-sector mission to Canada's largest market. 11 companies participated identifying new sales leads and export opportunities as well solidifying existing relationships and building market intelligence.
- Participated in first ever Virtual Trade Show with food, seafood and beverage buyers from North America and Asia – supported eight PEI companies to participate in June 2020.
- Coordinated five virtual trade shows/B2B missions in six countries including Japan, South Korea, Hong Kong and Philippines for the food, seafood, and beverage sectors.

Bio|Food|Tech

- Completed 59 projects for food and bioscience clients, including 36 for food and 23 for bioscience companies. They covered various activities, such as product development, proof of concept, scale up and commercial manufacturing, along with food safety support.
- 36 projects were supported in full by NRC IRAP through our Contribution to Organization grant. 5 projects were supported in full by a pilot CTO, under NRC IRAP's Agriculture Food Sector Team (AgFST). The remaining 19 had various funding, including Innovation's Product Development fund.
- Completed 17 service contracts, which are smaller projects involving nutrition labelling or shelf-life analysis for new products.

INNOVATION PEI

Organizational Structure



Board of Directors

Brian Stewart, Chair (*appointed*)

General Manager, Elanco PEI

Ravi Naidu (*appointed*)

Director of Finance, Aspin Kemp & Associates

David Trainor (*appointed*)

President, Action Aero Inc.

John Davison (*appointed*)

Owner, Haunted Mansion

Deirdre Ayre (*appointed*)

Owner, Sculpin QA

Stefanie Corbett (*at pleasure*)

CEO Innovation PEI

Erin McGrath-Gaudet (*at pleasure*)

Deputy Minister, Economic Growth, Tourism and Culture, Ex officio

Dr. Alexander (Sandy) MacDonald (*at pleasure*)

President and CEO, Holland College, Ex officio

Alaa Abd-El-Aziz (*at pleasure*)

President, University of Prince Edward Island, Ex officio

Financial Statements

Innovation PEI

Consolidated Financial Statements
March 31, 2021

Management's Report

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Management is accountable to the Board of Directors of Innovation PEI on matters of financial reporting and internal control. Management provides the Board of Directors with externally audited financial statements annually. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Board. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of Innovation PEI

Stefanie Corbett
Chief Executive Officer



June 28, 2021

Independent Auditor's Report

To the Minister of Economic Growth, Tourism and Culture

Opinion

We have audited the accompanying consolidated financial statements of Innovation PEI, which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations, changes in net financial assets, accumulated surplus, 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Innovation PEI as at March 31, 2021, and the results of its operations 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 consolidated Financial Statements* section of our report. We are independent of Innovation PEI 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Innovation PEI's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Innovation PEI or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Innovation PEI's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 Innovation PEI'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 Innovation PEI'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 consolidated 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 Innovation PEI to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Arsenault Best Cameron Ellis

Chartered Professional Accountants

Innovation PEI

Consolidated Statement of Financial Position As at March 31, 2021

	2021 \$	2020 \$
Assets		
Financial assets		
Cash	3,672,544	6,075,783
Accounts receivable (note 2)	731,396	683,428
Advances to related companies (note 6)	11,236,891	11,152,241
Due from Province of Prince Edward Island	37,447,651	27,648,832
	<u>53,088,482</u>	<u>45,560,284</u>
Liabilities		
Accounts payable and accrued liabilities (note 6)	46,795,772	39,425,133
Obligation under capital lease (note 3)	13,049	24,301
	<u>46,808,821</u>	<u>39,449,434</u>
Net financial assets	<u>6,279,661</u>	<u>6,110,850</u>
Trust funds (note 4)	-	200,020
Less: funds on deposit	-	(200,020)
	<u>-</u>	<u>-</u>
Commitments (note 5)		
Contingent Liability (note 7)		
Non-financial assets		
Property holdings (Schedule) (note 3)	729,868	825,773
Prepaid expenses and deposits (note 6)	30,120	30,425
	<u>759,988</u>	<u>856,198</u>
Accumulated surplus	<u>7,039,649</u>	<u>6,967,048</u>

Approved by the Board of Directors

Director

Director

Innovation PEI

Consolidated Statement of Accumulated Surplus

For the year ended March 31, 2021

	2021	2020
	\$	\$
Accumulated operating surplus - Beginning of year	6,601,009	6,297,067
Annual surplus	72,601	303,942
Accumulated operating surplus - End of year	6,673,610	6,601,009
Contributed surplus (note 6)	366,039	366,039
Accumulated surplus - End of year	7,039,649	6,967,048

Innovation PEI

Consolidated Statement of Operations

For the year ended March 31, 2021

	Budget (Unaudited) \$	2021 \$	2020 \$
Revenue			
Grant - Province of Prince Edward Island (note 6)	49,872,700	49,877,121	41,920,444
Project recoveries	1,779,700	1,699,951	1,626,936
Miscellaneous	39,000	61,749	25,287
	<u>51,691,400</u>	<u>51,638,821</u>	<u>43,572,667</u>
Expenses			
Salaries (note 6)	6,049,800	5,608,097	5,470,421
Operating	1,402,400	1,380,531	1,446,948
Development programs (note 6)	44,014,200	44,330,898	36,111,296
Project costs	75,000	33,565	51,724
Amortization - property holdings	150,000	208,345	188,336
Loss on sale of property holdings	-	4,784	-
	<u>51,691,400</u>	<u>51,566,220</u>	<u>43,268,725</u>
Annual surplus	<u>-</u>	<u>72,601</u>	<u>303,942</u>

Innovation PEI

Consolidated Statement of Changes in Net Financial Assets

For the year ended March 31, 2021

	2021 \$	2020 \$
Annual surplus	72,601	303,942
Acquisition of property holdings	(117,224)	(132,033)
Amortization of property holdings	208,345	188,336
Loss on sale of property holdings	4,784	-
Change due to property holdings	95,905	56,303
Change in prepaid expenses	305	(4,430)
Increase in net financial assets	168,811	355,815
Net financial assets - Beginning of year	6,110,850	5,755,035
Net financial assets - End of year	6,279,661	6,110,850

Innovation PEI

Consolidated Statement of Cash Flows For the year ended March 31, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Annual surplus	72,601	303,942
Items not affecting cash		
Amortization - property holdings	208,345	188,336
Loss on sale of property holdings	4,784	-
	285,730	492,278
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(47,968)	84,068
Increase in accounts payable and accrued liabilities	7,370,639	2,335,237
Decrease (increase) in prepaid expenses and deposits	305	(4,430)
	7,608,706	2,907,153
Financing activities		
Increase in due from Province of Prince Edward Island	(9,798,819)	-
Increase in obligation under capital lease	-	33,540
Repayment of obligation under capital lease	(11,252)	(9,239)
	(9,810,071)	24,301
Investing activities		
Decrease (increase) in advances to related companies	(84,650)	164,736
Increase in due from Province of Prince Edward Island	-	(625,698)
	(84,650)	(460,962)
Capital activity		
Additions to and purchase of property holdings	(117,224)	(132,033)
Increase in cash	(2,403,239)	2,338,459
Cash - Beginning of year	6,075,783	3,737,324
Cash - End of year	3,672,544	6,075,783

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2021

Innovation PEI (the "Corporation") is a Crown corporation established under the Innovation PEI Act. Its financial results are included in the public accounts of the Province of Prince Edward Island.

1 Summary of significant accounting policies

The financial statements of the Corporation have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Standards Board of CPA Canada. The following is a summary of significant accounting policies used in the preparation of these statements.

a) General

These consolidated financial statements include the accounts of the wholly-owned subsidiary, F.T.C. Enterprises Limited (operating as Bio/Food/Tech) and LaunchPad PEI Inc., a not-for-profit organization controlled by Innovation PEI.

b) Financial instruments

i) Measurement of financial instruments

Innovation PEI's financial instruments consist of cash, accounts receivable, advances to related companies, due from Province of Prince Edward Island, accounts payable and accrued liabilities and obligations under capital lease.

The Corporation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The Corporation subsequently measures all its financial assets and financial liabilities at amortized cost.

ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in annual surplus. The write-down reflects the difference between the carrying amount and the higher of:

- The present value of the cash flows expected to be generated by the asset or group of assets;
- The amount that could be realized by selling the asset or group of assets;
- The net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in annual surplus up to the amount of the previously recognized impairment.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2021

c) Cash

Cash is comprised of cash on hand, cash in banks and savings accounts.

d) Accounts receivable

Accounts receivable arise from trade sales, government funding, other miscellaneous receivables, staff advances and receivable. An allowance for doubtful accounts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are recorded as a recovery of doubtful accounts in the period recovered.

e) Due from the Province of Prince Edward Island

The amount due from the Province of Prince Edward Island is the funding to be received for operating grants and other approved reimbursements.

f) Programs assistance payable

Program assistance grants are expensed as development program expenditures and included in accrued liabilities when approved by the Corporation and accepted by the client except for Federal-Provincial cost shared programs and provincially-funded assistance requiring future performance criteria, which are expensed based on eligible claims.

P.E.I. labour rebate program assistance, enriched investment tax credits, development fund assistance, specialized labour rebate, cultural industry support and share purchase tax credit commitments that extend beyond two years are expensed in each year that performance criteria are met by the applicant.

g) Property holdings and amortization

i) Property holdings

Property holdings are stated at cost and amortized using the straight-line method at the following annual rates:

Buildings	5%, 20%
Equipment	10% - 100%
Equipment under capital lease	10%

A full year's amortization is recorded in the year of acquisition.

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Notes to Consolidated Financial Statements

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h) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the average monthly exchange rate.

Exchange differences are recognized into income in the period in which they arise.

i) Revenue recognition and deferred revenue

Grants from the Province of Prince Edward Island are recorded in the period authorized by the Province.

Innovation PEI's subsidiary follows the percentage-of-completion method of accounting for revenue and expenditures on project contracts. The percentage-of-completion method records the organization's project revenue based on the expenditures incurred and work completed on each contract in progress as at the statement of financial position date. Revenue billed that is unearned is recorded as deferred revenue.

j) Post retirement benefits

The Corporation provides retirement benefits to eligible employees. The benefit is based on one week's salary per year of service to a maximum of 26 weeks and is expensed on an accrual basis.

k) Employee pension plan

Most of the Corporation's staff are members of the Province of Prince Edward Island pension plan. Pension obligations are liabilities of the Province and not the Corporation and no liability for these costs has been accrued by the Corporation at March 31, 2021. The employer contributions to the pension for the year totaled \$340,487 (2020 - \$313,989).

l) Government assistance

The Corporation receives assistance from other government entities. The Corporation recognizes this assistance as revenue in the period when the transfer is authorized and all eligibility criteria and/or stipulations, if any, are met.

The Corporation received \$250,000 (2020 - \$200,000) in technical support and workshop funding from National Research Council aimed at improved productivity and competitiveness. This amount is included in revenue under project recoveries. The Corporation also received \$13,051 (2020 - nil) for salaries from Skills PEI which is recorded as a reduction to the salaries and benefits expense.

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m) Government transfers

Government transfers are transfers of assets from government that are not the result of an exchange transaction, are not expected to be repaid in the future, and are not the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates on the amounts can be determined.

n) Management estimates

The presentation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates. The following are areas in which management makes significant accounting estimates:

- The amount recorded for amortization of property holdings on the statement of operations is subject to management's assessment of the estimated useful life of the Corporation's property holdings;
- The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur; and
- The revenue recognized from long term projects under the percentage of completion method is based on an assessment of each project based on costs incurred with regard to estimated overall costs of the project.
- Since January 31, 2020, the outbreak of COVID-19 (coronavirus) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown, and global equity markets have experienced significant volatility. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the outcome of government and central bank interventions.

In management's estimation, these events have not had a material impact on the carrying value of assets and liabilities reported in these financial statements as at March 31, 2021. The duration and impact of the COVID-19 pandemic remains unclear at this time. Therefore, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Corporation for future periods.

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March 31, 2021

2 Accounts receivable

	2021	2020
	\$	\$
Trade accounts receivable and HST	737,613	699,424
Staff advances receivable	119,275	117,629
Product Development Fund receivable	2,718	3,770
	859,606	820,823
Less: Allowance for doubtful accounts	(128,210)	(137,395)
	731,396	683,428

3 Obligations under capital lease

	2021	2020
	\$	\$
0% capital lease, due May 2022, repayable in monthly principal instalments of \$931 plus applicable taxes; secured by equipment	13,049	24,301

Principal portion of obligation under capital lease is scheduled to be repaid over the next two years as follows:

	\$
Year ending March 31, 2023	11,172
2024	1,877

4 Trust funds

On May 31, 2015, Innovation PEI entered into an agreement with McCain Foods (Canada), a division of McCain Foods Limited, on behalf of the government of Prince Edward Island to manage the "Adjustment Fund" established to assist the Albany/Borden-Carleton area with mitigating lost employment and economic impacts resulting from the closure of the McCain processing facility in Albany/Borden-Carleton.

As a result, Innovation PEI received \$2,000,000 to be disbursed to approved projects in accordance with the provisions of the agreement. All remaining funds have been disbursed as of March 31, 2021.

5 Commitments

- (a) F.T.C. Enterprises Limited has entered into a 25 year lease expiring November 2038 with the University of Prince Edward Island for the land upon which the Corporation constructed its facilities. The lease cost is \$1 per year and is renewable for a further term of 25 years for the same annual consideration.

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Notes to Consolidated Financial Statements

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- (b) LaunchPad PEI Inc. has entered into a lease agreement that expires October 14, 2025. Minimum lease payments for the next five years are as follows:

	\$
Year ending March 31, 2022	217,835
2023	217,835
2024	217,835
2025	217,835
2026	108,918

- (c) Innovation PEI has committed to disbursing as development program expenses \$29,577,067 (2020 - \$32,064,695) for P.E.I. labour rebate program assistance, \$5,027,471 (2020 - \$6,259,223) for enriched investment tax credits, \$1,174,292 (2020 - \$2,265,255) for development fund assistance, \$61,056 (2020 - \$59,406) for specialized labour rebate, \$66,000 (2020 - \$132,000) for cultural industry support and \$21,000 (2020 - \$21,000) for share purchase tax credit over the next four years as companies meet the required requirements. There is no accounting recognition for these commitments.

In accordance with accounting policy note 1(f), program assistance for the PEI labour rebate program, enriched investment tax credits, development fund assistance, specialized labour rebate, cultural industry support and share purchase tax credit expenses are expensed in each year that performance criteria are met by the applicant.

6 Related party transactions

Related companies

The related companies are provincial Crown corporations or subsidiaries of provincial crown corporations or the parent entity.

Statement of Financial Position

Advances to related companies

	2021	2020
	\$	\$
Advances to (from) related companies		
Finance PEI	11,115,699	11,031,522
Island Investment Development Inc.	85,445	86,349
P.E.I. Biocommons Inc.	80	80
Atlantic Technology Centre Inc.	35,452	34,075
100417 P.E.I. Inc.	(100)	(100)
Tourism PEI	315	315
	<u>11,236,891</u>	<u>11,152,241</u>

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Notes to Consolidated Financial Statements

March 31, 2021

Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is \$92,776 (2020 - \$45,085) payable to the Province of Prince Edward Island.

F.T.C. Enterprises Limited's property and liability insurance coverage is provided by Finance PEI, a related party. As at March 31, 2021, \$14,686 (2020 - \$13,481) has been recognized as prepaid insurance and is included in accounts payable and accrued liabilities.

Contributed surplus

F.T.C. Enterprises Limited received a cumulative total of \$366,039 in funds from the Province of Prince Edward Island through Innovation PEI that have been accounted for as contributed surplus. This contribution has not been eliminated on consolidation.

Statement of Operations

Revenue

Included in revenue are grants from the Province of Prince Edward Island of \$49,877,121 (2020 - \$41,920,444).

Expenses

During the year, the Corporation paid \$81,407 (2020 - \$95,792) to Atlantic Technology Centre Inc. in rent expense and it is included in development programs expense.

The above transactions were recorded in the normal course of operations and measured at exchange amounts.

Other

During the year, Innovation PEI administered two programs on behalf of the Province of Prince Edward Island. The Corporation administered \$4,403,897 (2020 - nil) in funds for The Business Advice and Adaptation Fund, \$1,028,838 (2020 - nil) in funds for The Workspace Adaptation Assistance Fund and \$1,704,569 (2020 \$664,840) in funds for the Emergency Income Relief for Self-Employed program. As the Corporation was acting as an agent for the Province of Prince Edward Island, the revenue and expenditures for the two programs are not included in expenses of the Corporation.

7 Contingent liabilities

A counterclaim has been commenced against the Corporation in response to an action for a deficiency remaining after realization on collateral held by the P.E.I. Lending Agency, a former Crown corporation. The claimant has not provided any details as to the nature and extent of damages or loss for which they seek compensation. There is no liability recorded in these financial statements as it is management's opinion that no liability is likely to arise as a result of this counterclaim. The counterclaim is ongoing.

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Notes to Consolidated Financial Statements

March 31, 2021

8 Financial risk management objectives and policies

Innovation PEI's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with management, which approves risk management policies, delegates' limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Innovation PEI manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the Corporation's accounts receivable, advances to related companies and due from the Province of Prince Edward Island.

The Corporation's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial assets is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

The Corporation's maximum exposure to credit risk at the reporting date was:

	\$
Cash	3,672,544
Accounts receivable	731,396
Advances to related companies	11,236,891
Due from Province of Prince Edward Island	37,447,651
	<u>53,088,482</u>

(b) Liquidity risk

Liquidity risk is the risk that the Corporation may not be able to meet its financial obligations as they come due. Specifically, the Corporation needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities as they come due. The Corporation's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The Corporation's financial liabilities in the amount of \$46,808,821 (2020 - \$39,449,434) are expected to be repaid within one year.

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Notes to Consolidated Financial Statements

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(c) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Corporation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(d) Capital management

The primary objective of Innovation PEI's capital management is to ensure that it maintains a healthy financial position in order to support its business. Innovation PEI manages its capital structure and makes changes to it in light of changes in economic conditions.

Innovation PEI

Consolidated Schedule of Property Holdings
As at and for the year ended March 31, 2021

Schedule

	Cost				Accumulated amortization				2021
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Amortization \$	Disposals \$	Ending \$	Net book value \$
General									
Equipment	7,838,316	114,335	(5,980)	7,946,671	7,090,859	201,673	(1,196)	7,291,336	655,335
Equipment under capital lease	33,540	-	-	33,540	3,354	3,354	-	6,708	26,832
Buildings	4,495,767	2,889	-	4,498,656	4,447,637	3,318	-	4,450,955	47,701
	12,367,623	117,224	(5,980)	12,478,867	11,541,850	208,345	(1,196)	11,748,999	729,868
	Cost				Accumulated amortization				2020
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Amortization \$	Disposals \$	Ending \$	Net book value \$
General									
Equipment	7,760,092	88,179	(9,955)	7,838,316	6,919,006	181,808	(9,955)	7,090,859	747,457
Equipment under capital lease	-	33,540	-	33,540	-	3,354	-	3,354	30,186
Buildings	4,485,453	10,314	-	4,495,767	4,444,463	3,174	-	4,447,637	48,130
	12,245,545	132,033	(9,955)	12,367,623	11,363,469	188,336	(9,955)	11,541,850	825,773

Contact Information

Innovation PEI

94 Euston St., PO Box 910, Charlottetown, PE C1A 7L9

Tel 902-368-6300

Toll-free: 1-800-563-3734 (North America)

Fax 902-368-6301

www.innovationpei.com

innovation@gov.pe.ca



