

innovationpei

ANNUAL
REPORT

FISCAL YEAR 2019-2020

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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, 2020.

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 30, 2020

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, 2020, in accordance with the Innovation PEI Act.

The economy of the Province of Prince Edward Island continued to perform well in the 2019 calendar year, as highlighted in the "Key Indicators" section of this report. The 2019-20 fiscal year ended in a unique way, as the impacts of the global pandemic reached our shores. Innovation PEI was proud to be a part of the Government of Prince Edward Island's rapid response to the needs of our business community and all of our Island residents.

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 economy – with a particular focus in the 2020-21 fiscal year on business resiliency and positioning to capitalize on a post-pandemic economic recovery.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tyson Bradley". The signature is fluid and cursive, with the first name "Tyson" and the last name "Bradley" clearly distinguishable.

Tyson Bradley, CPA, CA
Chief Executive Officer
October 28, 2020

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 thirty-eight. Business Development Officers are located across the province in offices in Alberton, Charlottetown, Montague, Souris, and Summerside.

MISSION

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 outside business investment and foreign direct investment to Prince Edward Island in the strategic sectors of aerospace, bioscience, information technology, advanced marine technology, renewable energy and clean technology. The division works with strategic partners including the PEI BioAlliance, Slemmon Park Corporation, the City of Summerside, the City of Charlottetown, Invest in Canada and Global Affairs Canada to promote Prince Edward Island as a business location. The division

manages and operates LaunchPad PEI, which administers the LaunchPad Program and the Start-Up Visa Program.

The vision for the division is to be the most responsive and client-focused business attraction unit in Canada. Success is measured by its ability to create new employment positions within PEI's emerging sectors, new companies establishing in Prince Edward Island and growth of infrastructure that has strategic importance to the Province.

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, processes, and supports that enable business success. The division provides business counseling and financial assistance; supports entrepreneurship education and promotion; and works closely with the Global Trade Services and Business Attraction divisions to present local business with opportunities to grow through diversification, efficiencies and increased exports.

Corporate Management

The Corporate Management Division supports the overall mandate and initiatives of Innovation PEI and its divisions. Innovation PEI works with a board of directors appointed from diverse areas of the private sector and our post-secondary institutes to provide guidance and non-governmental perspective on the direction and activities of the agency.

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 Cultural Development Division works primarily with industry groups and associations and with cultural organizations that contribute to the economic and social development of Prince Edward Island. The division's scope is province-wide and requires collaboration with the provincial departments responsible for education, workforce, and tourism to develop and deliver supports. Community partners and other levels of government are also key partners for

the division, which often works with Rural Development Officers and Innovation PEI Business Development Officers across the province.

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 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, a subsidiary of Innovation PEI, provides expert technical services to Prince Edward Island's food (including seafood and agri-food) and bio-processing companies. Thirty highly-qualified scientists, engineers, technologists, and ancillary staff support the growth, diversity and strength of the food and bioscience manufacturing sectors in PEI. BioFoodTech provides expertise and assistance at every stage - from idea generation to pilot-scale to commercialization and marketing new products – and offers practical industry workshops within the categories of Food Safety, Artisan Manufacturing and pilot production.

BioFoodTech provides accredited food safety analysis services, enabling processors to export their food products to national and international markets. Similarly, PEI's bioscience sector relies on analytical services at BioFoodTech to support their manufacturing, product and process development work.

Key Indicators

Innovation PEI is a contributor to successful outcomes for PEI businesses. To gauge the corporation's impact, relevant economic indicators and economic impact from projects supported by Innovation PEI are used.

Prince Edward Island's economy continued to expand in the 2019 calendar year ¹, with positive results across multiple indicators:

- 2019 economic growth of 4.5 per cent (Real GDP By Industry) ²
- Employment averaged 78,000, a year-over-year increase of 2.6 per cent or 2,000, and the second-highest growth rate among provinces ³
- Unemployment rate averaged 8.8 per cent, a decrease of 0.6 percentage points year-over-year and the lowest annual rate on record ⁴
- Total labour income increased by 4.5 per cent over the prior year ⁵
- International exports reached approximately \$ 1.7 billion , an increase of 17 per cent over the prior year ⁶
- PEI exported goods to 125 countries in 2019 ⁷

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 ⁸.

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

²⁻⁵ 46th Annual Statistical Review, https://www.princeedwardisland.ca/sites/default/files/publications/asr_2019.pdf

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

⁸ The longer-term impacts of the Covid-19 pandemic were unknown at fiscal year end, and may impact some projects. Any projects that are cancelled will not receive funding; any that are reduced in scope/cost will receive reduced or no funding, depending on the terms of agreement.

Mandate

Innovation PEI is focused on accelerating economic development in Prince Edward Island by investing in people, culture, innovation, and infrastructure. 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, the research and development community, educational and training institutions, and the business community;
- To provide financial assistance to Prince Edward Island businesses and entrepreneurs 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 sector, public sector and industry associations to assist in the promotion of innovation, commercialization, productivity, competitiveness, and wealth creation in Prince Edward Island;
- To promote strategic partnerships in commercial ventures;
- To provide leadership with respect to the prospecting and locating of off-Island firms in support of strategic sectors and potential new economic sectors;
- To provide leadership in the research, development and implementation of marketing and trade strategies for Prince Edward Island goods and services.

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 6,923² PEI businesses recorded in December 2019, 6,650 had fewer than fifty employees and all but 41 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 33-10-0222-01 Canadian Business Counts, with employees, December 2019; DOI: <https://doi.org/10.25318/3310022201-eng>

Summary of the strategic plan and future direction

Innovation PEI will continue to lead delivery of the Province of Prince Edward Island's economic growth strategy by providing support to industries and the organizations that contribute to their success and growth. The corporation will remain informed about business and economic developments and trends as it seeks to identify new opportunities for economic growth in the province.

The corporation will work collaboratively with local and regional stakeholders, including other levels of government, non-governmental organizations, post-secondary institutes, and industry. These collaborations allow the corporation to (1) offer clients an improved experience by connecting them with other supporting organizations that provide additional funding, networking and sales opportunities, educational and development programs, and guidance on a variety of topics; (2) to increase the impact of Innovation PEI spending by leveraging additional dollars and/or other value-added benefits, including subject matter expertise and alternate delivery methods; and (3) continue to develop the entrepreneurship ecosystem and sector-specific clusters.

In the next fiscal year, Innovation PEI will complete a review of its funding programs. This will include an analysis of the usage rates and cost of programs, and identification of the gaps and overlaps of assistance available from other business funders. Innovation PEI must ensure available programming is responsive to current challenges faced by PEI businesses, and that supported projects are providing economic value.

Innovation PEI will pursue technology solutions to build on recent lessons learned from pilot IT implementations on select programs. The pilot implementations resulted in improved client experience, and improved internal efficiency and reporting capability. The corporation will seek opportunities to reduce red tape for clients, balanced with the need to maintain accountability.

Economic development and growth requires long-term efforts to build capacity, sustainability, self-sufficiency, and economic security. This is about more than jobs, infrastructure and buildings - ultimately, the goal is to create a vibrant Island that provides opportunities and quality of life improvements for our residents and business community.

Highlights and Accomplishments

Select highlights and accomplishments include:

- Attraction of seven new business investments to Prince Edward Island, with projected employment of 84 positions, including:
 - a business unit of Kabam Studios, a leading developer of games for mobile devices and web platforms. Kabam has partnered with leading entertainment brands like Disney, Hasbro and Universal to create mobile games based on iconic franchises. The company has received multiple awards, including Apple's Editor's Choice and Google Play's Best Game of the Year.
 - a business unit of Amsted Industries, a diversified global manufacturer of industrial components primarily serving the railroad, vehicular and construction and building markets. Operating under the Amsted Industries umbrella since 1962, the company has 53 facilities in 11 countries across 6 continents.
 - a business unit of PointClickCare Technologies, ranked as one of the Top 100 Private Cloud Companies and the North American healthcare IT market leader for the long-term, post-acute care (LTPAC) industry. PointClickCare helps care providers connect and collaborate within their care network, with over 21,000 skilled nursing facilities, senior living communities and home health agencies using PointClickCare today.
 - Attracted one entrepreneur through the Start-Up Visa Program
- Expanded the Food Xcel and Food Propel programs, delivered by Food Island Partnership, to provide product development support and mentoring to PEI food business.
- Continued support of entrepreneurship organizations, such as Junior Achievement, Startup Zone, LaunchPad, PEI Business Women's Association and Rural Action Centers.
- Major manufacturing plant expansions underway at CMP (50,000 square ft.) and BioVectra (49,000 square ft.) will increase production capacity significantly for the companies and add upwards of 100 new jobs within the manufacturing sector.
- Launched the PEI Broadband Fund (PEIBF) to support the installation of infrastructure that will enhance broadband services. Island communities, businesses and Internet Service Providers (ISPs) can apply for funding of up to 50% of eligible costs to

increase internet service levels, reach un-served / underserved areas, or gain access to new or upgraded services to business premises. Government will invest \$10 million into the PEIBF over the next five years.

- Awarded a total of \$100,000 in PEI Arts Grants to 29 artists in a variety of disciplines, such as visual arts, theatre, film, dance, craft, music, and writing for creation, dissemination and professional development.
- Supported over 35 community-based festivals and events that celebrated our unique, diverse and rich PEI culture while generating economic and social activity across PEI, engaging both residents and visitors.
- Partnered with Creative PEI to pilot Executive Training for Cultural Organizations, a new 36-hour certificate program in leadership and management. For Executive Directors of PEI cultural organizations, the program delivers an understanding of best practices in non-profit management, identification of competencies requiring development, and a strong network amongst arts administrators.
- Supported over 200 PEI export companies in trade initiatives including missions, trade shows and export capacity building sessions
- Organized and provided financial support for ten outgoing trade missions and four incoming missions
- With trade partners, hosted the 2019 edition of the annual PEI Export Day for 75 PEI companies and over 170 participants. Trout River Industries, based in Coleman, was recognized as “Exporter of the Year”.
- BioFoodTech (BFT) completed 62 projects for clients, 26 of which were direct contracts between BFT and clients. Thirty-six of the projects were supported through a National Research Council-IRAP Contribution Agreement with BFT, that allows companies to do small projects free of charge and without red tape. An additional 65 projects were ongoing at the end of the year – 35 through the NRC-IRAP agreement, and 30 via direct contracts between BFT and clients.
- BioFoodTech presented nine industry workshops throughout Atlantic Canada, offering practical industry workshops within the categories of Food Safety and Artisan Manufacturing.

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 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. Employees were eager to step in to any role that would service the corporation's client base during such a frightening and uncertain time.

Information in this section spans both the 2019-20 fiscal year and 2020-21 fiscal year. It is included given the significance of the pandemic, its timing in the fiscal cycle and the importance of providing a clear description of the corporation's response to the crisis.

Covid-19 Financial Assistance Programs

The corporation designed and delivered three temporary COVID-19 business relief programs on an expedited timeline: Emergency Income Relief for Self-Employed, Business Adaptation Advice Program and Workspace Adaption Assistance Fund.

Innovation PEI modified the program application and delivery process to an online platform to enable clients to access support while adhering to PEI's emergency health regulations. The corporation devised new internal process systems for the temporary programs, to enable staff to remotely process applications and payment claims. Innovation PEI would like to acknowledge the tremendous efforts of employees within the Government's Information Technology Shared Services and Web Digital Office units, and express thanks for their efforts to translate the corporation's vision to functioning systems.

COVID-19 – Emergency Income Relief for the Self-Employed was launched on March 19, 2020, and provided a bridge income for self-employed Islanders while awaiting longer-term income support measures from the federal government. The program provided up to \$500 per week for the two-week period of March 16-26, 2020. Uptake was immediate, with receipt of approximately 2,421 applications in a matter of days. Innovation PEI staff worked diligently to process applications, with the first approved applicants receiving direct-deposit payments one day after program launch. Over \$2.36M in emergency income relief was provided to PEI's self-employed entrepreneurs.

COVID-19 - Business Adaptation Advice Program was announced April 2, 2020, to respond to the significant challenges faced by PEI's businesses, entrepreneurs, not-for-profits, and non-governmental organizations. This program provided funding of 100% of eligible costs, up to \$2,500 per organization, to hire a business consultant to give professional advice

and support on adaptation measures recommended to survive and recover from the impacts of COVID-19. Over 2,230 applications were received, with total approved financial assistance of approximately \$5.18M.

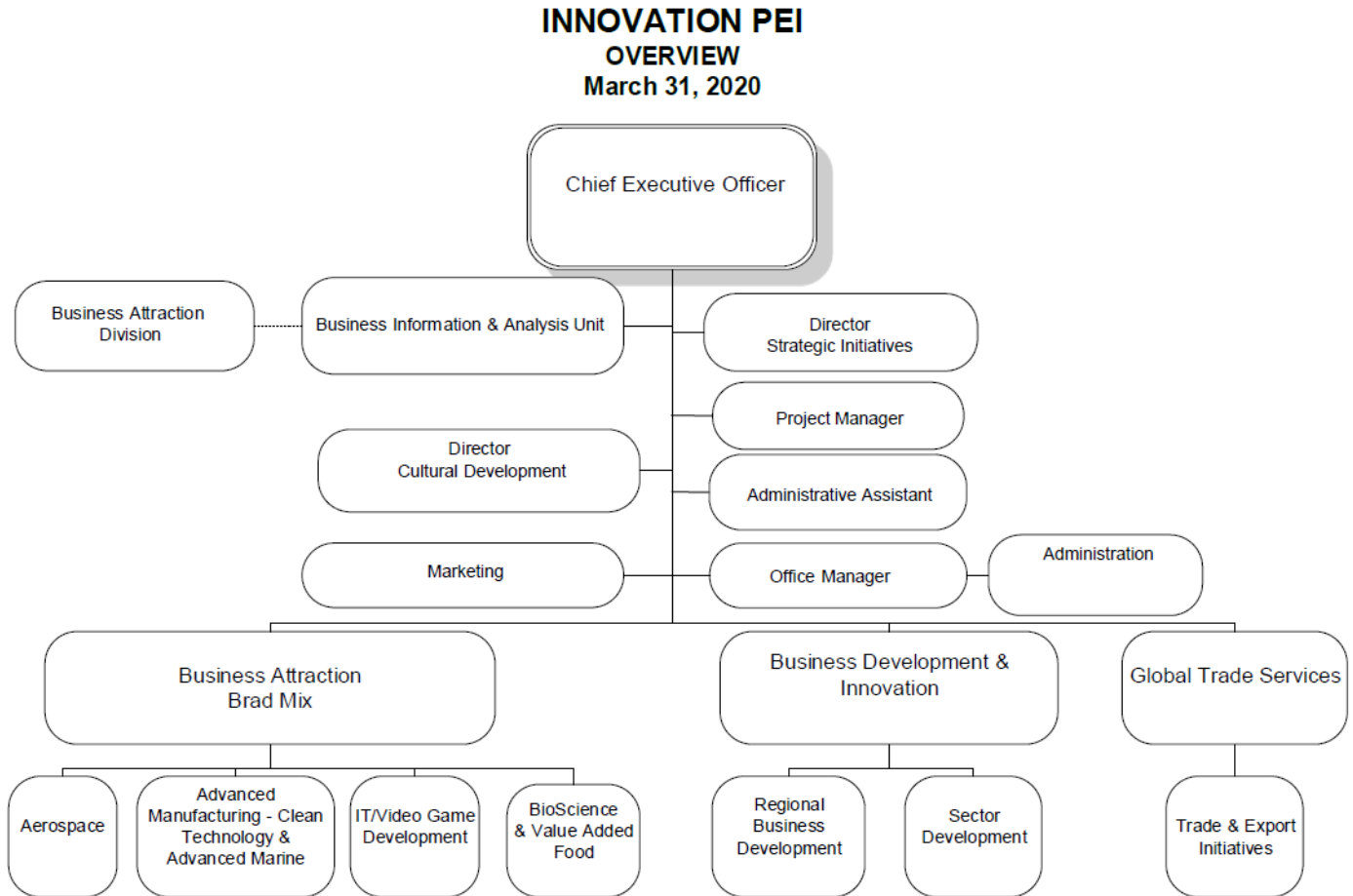
COVID-19 - Workspace Adaption Assistance Fund was announced on May 7, 2020, during Phase I of the 'Renew PEI' COVID-19 emergency measures. This program assisted businesses from all sectors with the costs of implementing a COVID-19 Operational Plan to reopen and operate safely within the emergency measures parameters. A contribution of 75% of eligible project costs, to a maximum of \$2,000, supported costs for equipment, personal protective equipment, Covid-19 signage, and required physical changes to workplaces to protect employees and customers. Recognizing that businesses deemed essential had continued to operate during lockdown, and should not be precluded from funding for the costs associated with implementing operational plans, the fund was retroactive to March 16, 2020. As of July 15, 2020, Innovation PEI processed 927 program applications and distributed over \$1.02M to Island businesses.

Covid-19 PEI Business Helpline

The PEI Business Helpline launched on March 18, 2020, with service provided by email and telephone. To April 3, 2020, more than 2,000 emails and 2,420 calls were handled. Inquiries covered a wide range of topics and were received from all sectors, business types and sizes. These inquiries helped inform additional guidance that needed to be developed and distributed to the business community, both online and during the daily updates from the Premier and Chief Health Officer.

INNOVATION PEI

Organizational Structure



Board of Directors

Brian Stewart, Chair
General Manager, Elanco PEI

Ravi Naidu
Director of Finance, Aspin Kemp & Associates

David Trainor
President, Action Aero Inc.

John Davison
Owner, Haunted Mansion

Deirdre Ayre
Owner, Sculpin QA

Erin McGrath-Gaudet
Deputy Minister, Economic Growth, Tourism and Culture, Ex officio

Dr. Alexander (Sandy) MacDonald
President and CEO, Holland College, Ex officio

Alaa Abd-El-Aziz
President, University of Prince Edward Island, Ex officio

Financial Statements

Innovation PEI

Consolidated Financial Statements
March 31, 2020

Management's Report

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

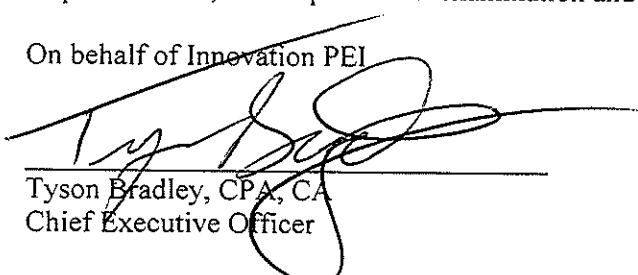
The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 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



Tyson Bradley, CPA, CA
Chief Executive Officer



Member of The AC Group of Independent Accounting Firms

September 30, 2020

Independent Auditor's Report

To the Minister of Economic Growth, Tourism and Culture

Opinion

We have audited the accompanying financial statements of Innovation PEI, which comprise the consolidated statement of financial position as at March 31, 2020, 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, 2020, 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, 2020

	2020	2019
	\$	\$
Assets		
Financial assets		
Cash	6,075,783	3,737,324
Accounts receivable (note 2)	683,428	767,496
Advances to related companies (note 6)	11,152,241	11,316,977
Due from Province of Prince Edward Island	27,648,832	27,023,134
	<u>45,560,284</u>	<u>42,844,931</u>
Liabilities		
Accounts payable and accrued liabilities (notes 6 and 9)	39,425,133	37,089,896
Obligation under capital lease (note 3)	24,301	-
	<u>39,449,434</u>	<u>37,089,896</u>
Net financial assets (note 9)	<u>6,110,850</u>	<u>5,755,035</u>
Trust funds (note 4)	200,020	344,996
Less: funds on deposit	<u>(200,020)</u>	<u>(344,996)</u>
	<u>-</u>	<u>-</u>
Commitments (note 5)		
Contingent Liability (note 7)		
Non-financial assets		
Property holdings (Schedule)	825,773	882,076
Prepaid expenses and deposits (note 6)	30,425	25,995
	<u>856,198</u>	<u>908,071</u>
Accumulated surplus (note 9)	<u>6,967,048</u>	<u>6,663,106</u>

Approved by the Board of Directors

Director



Director

Innovation PEI

Consolidated Statement of Accumulated Surplus For the year ended March 31, 2020

	2020 \$	2019 \$
Accumulated operating surplus - Beginning of year	5,980,551	5,903,934
Prior period adjustment (note 9)	316,516	353,536
Accumulated operating surplus - as restated	6,297,067	6,257,470
Annual surplus	303,942	39,597
Accumulated operating surplus - End of year	6,601,009	6,297,067
Contributed surplus (note 6)	366,039	366,039
Accumulated surplus - End of year	6,967,048	6,663,106

Innovation PEI

Consolidated Statement of Operations For the year ended March 31, 2020

	Budget (Unaudited) \$	2020 \$	2019 \$
Revenue			
Grant - Province of Prince Edward Island (note 6)	41,920,700	41,920,444	39,982,948
Project recoveries	1,779,700	1,626,936	1,933,290
Miscellaneous	39,000	25,287	33,826
	<u>43,739,400</u>	<u>43,572,667</u>	<u>41,950,064</u>
Expenses			
Salaries (note 6)	5,487,700	5,470,421	4,951,492
Operating	1,402,400	1,446,948	1,476,047
Development programs (note 6)	36,624,300	36,111,296	35,218,552
Project costs	75,000	51,724	83,904
Amortization - property holdings	150,000	188,336	180,472
	<u>43,739,400</u>	<u>43,268,725</u>	<u>41,910,467</u>
Annual surplus (note 9)	<u>-</u>	<u>303,942</u>	<u>39,597</u>

Innovation PEI

Consolidated Statement of Changes in Net Financial Assets For the year ended March 31, 2020

	2020 \$	2019 \$
Annual surplus	303,942	39,597
Acquisition of property holdings	(132,033)	(46,248)
Amortization of property holdings	188,336	180,472
Change due to property holdings	56,303	134,224
Change in prepaid expenses	(4,430)	5,937
Increase in net financial assets	355,815	179,758
Net financial assets - Beginning of year	5,755,035	5,575,277
Net financial assets - End of year	6,110,850	5,755,035

Innovation PEI

Consolidated Statement of Cash Flows For the year ended March 31, 2020

	2020	2019
	\$	\$
Cash provided by (used in)		
Operating activities		
Annual surplus	303,942	39,597
Item not affecting cash		
Amortization - property holdings	188,336	180,472
	492,278	220,069
Net change in non-cash working capital items		
Decrease in accounts receivable	84,068	124,713
Increase in accounts payable and accrued liabilities	2,335,237	9,307,425
Decrease (increase) in prepaid expenses and deposits	(4,430)	5,937
	2,907,153	9,658,144
Financing activities		
Increase in obligation under capital lease	33,540	-
Repayment of obligation under capital lease	(9,239)	-
	24,301	-
Investing activities		
Decrease (increase) in advances to related companies	164,736	(8,130)
Increase in due from Province of Prince Edward Island	(625,698)	(9,904,487)
	(460,962)	(9,912,617)
Capital activity		
Additions to and purchase of property holdings	(132,033)	(46,248)
Increase in cash	2,338,459	(300,721)
Cash - Beginning of year	3,737,324	4,038,045
Cash - End of year	6,075,783	3,737,324

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2020

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 and accounts payable and accrued liabilities.

The company 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 company 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, 2020

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 Harmonized Sales Tax 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.

h) 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.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2020

i) 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, 2020. The employer contributions to the pension for the year totaled \$313,989 (2019 - \$299,504).

j) 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.

k) 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.

l) Government assistance

The company receives assistance from other government entities. The company 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 company received \$200,000 (2019 - \$310,000) 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 company also received nil (2019 - \$8,000) for salaries from Agriculture & Agri-Food Canada which is recorded as a reduction to salaries and benefits expense.

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.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2020

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 company'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 and weakness. 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, 2020. 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 company for future periods.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2020

2 Accounts receivable

	2020	2019
	\$	\$
Trade accounts receivable	699,424	665,774
Staff advances receivable	117,629	156,412
Government assistance receivable	-	71,287
Product Development Fund receivable	3,770	2,894
	<hr/>	<hr/>
	820,823	896,367
Less: Allowance for doubtful accounts	(137,395)	(128,871)
	<hr/>	<hr/>
	683,428	767,496

3 Obligations under capital lease

	2020	2019
	\$	\$
0% capital lease, due May 2022, repayable in monthly principal instalments of \$931 plus applicable taxes; secured by equipment	24,301	-
	<hr/>	<hr/>

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

	\$
2021	11,172
2022	11,172
2023	1,957

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.

Innovation PEI received \$2,000,000 which will be disbursed to approved projects in accordance with the provisions of the agreement. Any unused portion of this fund that has not been committed to an approved project by January 31, 2019 will be returned by Innovation PEI to McCain Foods by February 15, 2019. As of March 31, 2020, the balance of unused funds is \$200,020 (2019 - \$344,996). All of these funds have been committed to approved projects.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2020

5 Commitments

- (a) F.T.C. Enterprises Limited has entered into a twenty-five 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 twenty-five years for the same annual consideration.
- (b) Innovation PEI has committed to disbursing as development program expenses \$32,064,695 (2019 - \$34,225,397) for P.E.I. labour rebate program assistance, \$6,259,223 (2019 - \$7,659,162) for enriched investment tax credits, \$2,265,255 (2019 - \$3,771,851) for development fund assistance, \$59,406 (2019 - \$59,406) for specialized labour rebate, \$132,000 (2019 - nil) for cultural industry support and \$21,000 (2019 - \$21,000) for share purchase tax credit over the next four years as companies meet the required requirements.

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.

Statement of Financial Position

Advances to related companies

	2020	2019
	\$	\$
Advances to (from) related companies		
Finance PEI	11,031,522	11,119,686
Island Investment Development Inc.	86,349	86,304
P.E.I. Biocommons Inc.	80	80
Atlantic Technology Centre Inc.	34,075	34,075
100417 P.E.I. Inc.	(100)	(100)
Tourism PEI	315	76,932
	<hr/>	<hr/>
	11,152,241	11,316,977
	<hr/>	<hr/>

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2020

Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is \$45,085 (2019 - \$139,990) 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, 2020, \$13,481 (2019 - \$14,090) 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 \$41,920,444 (2019 - \$39,982,948).

Expenses

Effective January 2017, the company's payroll is being processed and paid directly by the Province of Prince Edward Island through their central processing system. During the fiscal year, the Province paid wages and benefits totaling \$1,901,887 (2019 - \$1,876,975) on behalf of F.T.C. Enterprises Limited. These amounts were reimbursed by the company to the Province. At March 31, 2020, a total of \$19,336 (2019 - \$20,910) is owing to the Minister of Finance for wages and reimbursement of contract expense. This amount is included in accounts payable and accrued liabilities.

During the year, the company paid \$95,792 (2019 - \$120,988) to Atlantic Technology Centre Inc. through LaunchPad PEI Inc. and it is included in development programs expense.

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

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.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2020

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 company'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 Corporations's maximum exposure to credit risk at the reporting date was:

	\$
Cash	6,075,783
Accounts receivable	683,428
Advances to related companies	11,152,241
Due from Province of Prince Edward Island	<u>27,648,832</u>
	<u>45,560,284</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 \$39,449,434 (2019 - \$37,089,895) are expected to be repaid within one year.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2020

(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 company'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.

9 Prior period adjustment

During the current year, it was determined that LaunchPad PEI Inc. was controlled by Innovation PEI and should have been included in Innovation PEI's consolidated financial statements.

As a result, accumulated operating surplus at April 1, 2018 has been increased by \$353,536 and annual surplus for the year ended March 31, 2019 has been decreased by \$37,020. Accumulated surplus and net financial assets at March 31, 2019 have been increased by \$316,516, while accounts payable and accrued liabilities as at March 31, 2019 have decreased by \$316,516.

Innovation PEI

Consolidated Schedule of Property Holdings

As at and for the year ended March 31, 2020

Schedule

	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

	Cost				Accumulated amortization				2019
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Amortization \$	Disposals \$	Ending \$	Net book value \$
General									
Equipment	7,713,844	46,248	-	7,760,092	6,741,140	177,866	-	6,919,006	841,086
Buildings	4,485,453	-	-	4,485,453	4,441,857	2,606	-	4,444,463	40,990
	12,199,297	46,248	-	12,245,545	11,182,997	180,472	-	11,363,469	882,076

Contact Information

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