



ANNUAL REPORT

FISCAL YEAR 2021-2022

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Minister's Message



THE HONOURABLE ANTOINETTE PERRY
Lieutenant Governor of Prince Edward Island

May It Please Your Honour:

I have the honour to submit herewith the Annual Report of Innovation PEI for the fiscal year ending March 31, 2022. During the reporting period, the Honourable Matthew MacKay served as Minister of Economic Growth, Tourism and Culture

Respectfully Submitted,

A handwritten signature in black ink, reading "Bloyce Thompson". The signature is stylized with a large, flowing "B" and a long, horizontal stroke extending to the right.

Hon. Bloyce Thompson
Minister of Economic Growth, Tourism and Culture
October 31, 2022

Chief Executive Officer's Message

TO THE HONOURABLE BLOYCE THOMPSON
Minister of Economic Growth, Tourism and Culture
Province of Prince Edward Island


Dear Minister Thompson:

Please accept the Annual Report for the fiscal year ending March 31, 2022, in accordance with the Innovation PEI Act.

The Prince Edward Island economy persevered throughout the 2021-2022 fiscal year, and Innovation PEI is proud to help the Island economy continue to move forward and excel by attracting global businesses, supporting private industry growth, and empowering local companies and entrepreneurs.

As we forge ahead, 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 31, 2022

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 areas of focus, 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 team 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 team works with strategic partners including the PEI BioAlliance, Slemon Park Corporation, the City of Summerside, the City of Charlottetown, PEI Energy Corporation, Global Affairs Canada and

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 team is measured by its ability to promote the Province as a business location within PEI's emerging sectors for opportunities that create employment, new business investments, multi-national company expansions and projects of strategic importance.

Business Development and Innovation

The Business Development and Innovation team supports entrepreneurship and business growth within PEI. This team 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 team 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 team is responsible for the implementation of Cultivating Growth: A Five-Year Action Plan for Culture and Creative Industries. The goals of the team 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 team 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 team also provides direct supports for PEI professional artists. Community partners, other Provincial government departments, and other levels of government are also key partners, which often work together to leverage resources that support the arts and creative industries.

Global Trade Services

The Global Trade Services team 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 team 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, 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.

Global Trade Services embraces the Atlantic Growth Strategy and in collaboration with our regional provincial and federal partners continue to implement Atlantic Trade and Investment Growth Strategy (ATIGS) initiatives to support the common goal and complement our existing programs.

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. The BioFoodTech team have 30 years of experience helping companies and entrepreneurs innovate, improve and grow their business. Their dedicated, experienced staff work with clients to determine their needs and offer solutions that meet their budgets and business goals. They provide expertise and assistance at every stage - from idea generation to pilot-scale to commercialization of new products. In addition, their 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

During the fiscal year, financial assistance of \$36,913,958 was approved to support approximately 1,084 business projects, with focus on business improvements, innovations, expansions, and startups, as well as an additional \$892,068 approved for COVID-support programs.

Following significant contractions in 2020 due to the Covid-19 pandemic, Prince Edward Island's economy began to rebound in 2021¹, with mixed results across multiple indicators:

- GDP by industry for Prince Edward Island expanded by 6.6 per cent in 2021.²
- Employment averaged 79,400 people, a new all-time high for annual employment on Prince Edward Island.³
- The unemployment rate averaged 9.2 per cent in 2021, down 1.2 percentage points from 2020⁴
- Total labour income increased by 10.2 per cent over the prior year.⁵
- International exports reached approximately \$1.8 billion, an increase of 9.1 per cent over the prior year.⁶

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 48th 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:

A vibrant, diverse, and growing Prince Edward Island economy.

Mission:

To drive economic success in Prince Edward Island.

Values:

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.

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 growing and enriching the economy. 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 6,624² PEI businesses recorded in December 2021, 6,381 had fewer than fifty employees and 209 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 into 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: 33-10-0493-01 Canadian Business Counts, with employees, December 2021; DOI: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3310049301>

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:

Innovation PEI Highlights:

- Attracted seven new business investments to PEI with projected employment of 153 positions, including Landscape Management Network which is recognized as a global leader in software for the landscape industry.
- Generated 18 new business prospects of companies interested in PEI as a business location through various marketing vehicles.
- Supported 20 businesses that are in growth stage through the LaunchPad PEI Program in locations in Montague, Charlottetown, University of Prince Edward Island and Summerside.
- Over 110 projects in the sales cycle at varying degrees of conclusion.
- Completed review and realignment of Innovation PEI programs to streamline processes and better meets needs of PEI Businesses. The new program compliment was launched April 1, 2021 provides a more streamlined program listing and enhanced support targeting; small business, innovative and capital investment.
- Completion of the first phase of the Kensington Business Park. IPEI supported the \$5M project with \$700,000. 39 fully serviced commercial lots are now available for business expansion.
- Development of “Food Works”, a modern 35,000 sq. ft. food accelerator in Borden-Carleton. This facility will provide access to food grade space allowing companies to scale quicker and to access export markets. The facility is expected to be completed in late 2022.
- 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.
- Continued support of organizations such as Junior Achievement, Startup Zone, LaunchPad PEI, PEI Business Women’s Association, and Rural Action Centers. These organization play a vital role in supporting entrepreneurs through targeted programming and advisory services.
- PEI Broadband Fund continues support to investment in better internet access rural for businesses and residents. PEI has committed to ensuring all civic addresses across PEI have access to high-speed internet. The target is to ensure 95% of civic addresses can access high-speed by June 2023 and 100% of civic addresses by 2025.
 - PEI has 76,000 civic addresses
 - In 2018: 31,000 addresses were considered ‘underserved’
 - In 2021: 19,000 addresses were considered ‘underserved’

- In 2022: 6,500 addresses are considered ‘underserved’
- In 2024: 1,500 will be considered underserved

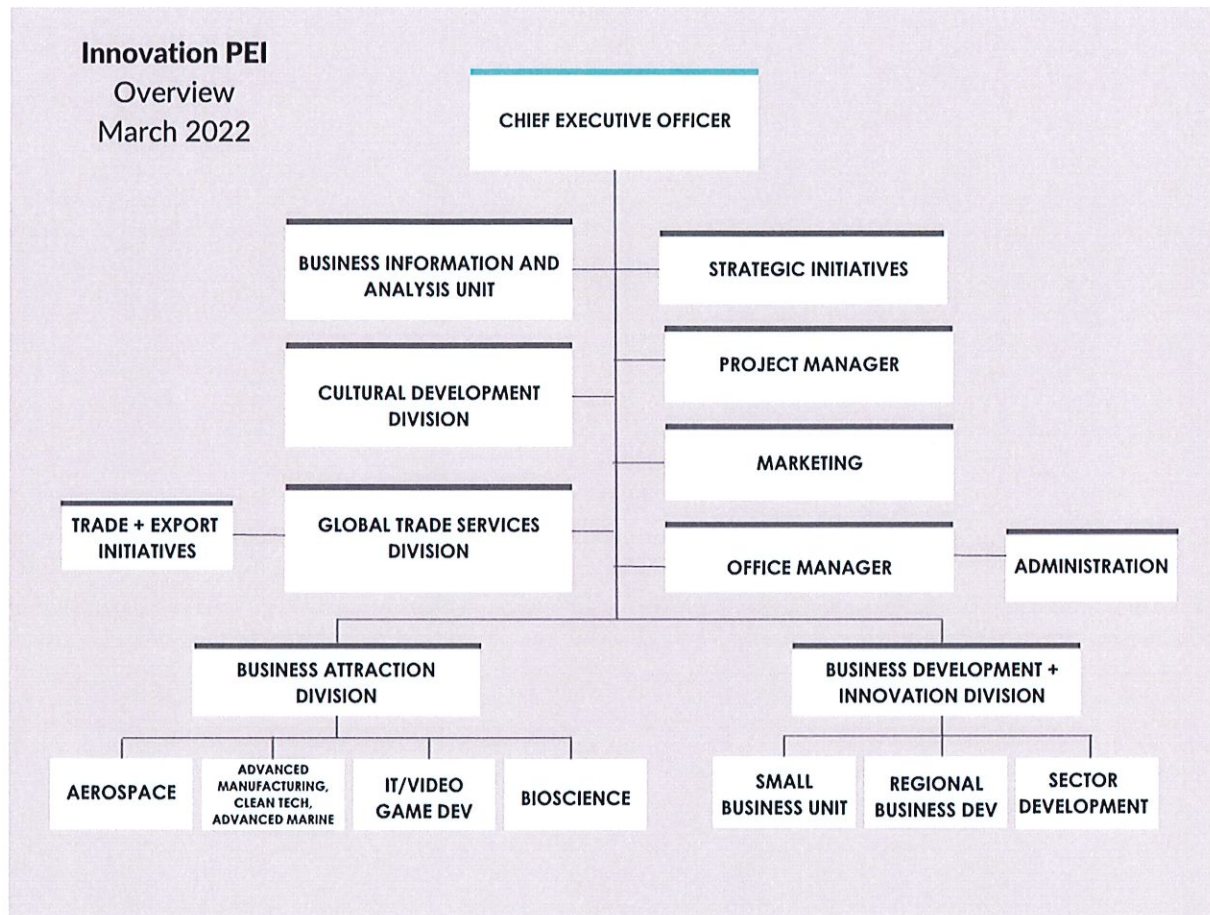
*all numbers approximate

- Developed new website to reflect Innovation PEI’s brand and voice, also reflected in marketing materials and social media presence.
- Attracted a network multi-episode, multi-million-dollar television production, “Diggestown, Season 4” which trained and employed 90 PEI residents and provided a foundation for growth for the film industry in PEI.
- Provided \$150,000 in Art Grants to 38 artists from a variety of disciplines including Music, Film, Writing, Visual Arts, Theatre, Fine Craft.
- PEI Musicians were supported to begin touring nationally and internationally again.
- Delivered programs to support Indigenous Arts, including an Indigenous Arts Grant, and established an Indigenous Art Bank program.
- Created Film Industry Growth Strategy for business attraction, infrastructure, and discoverability for the film industry on PEI.
- Asian and European Market Diversification – virtually hosted presentations from in market trade commissioners to assist PEI clients understand and explore market diversification opportunities.
- Provided training and an online “tool kit” for clients to reference for “Virtual Best Practices” as companies digitally transitioned.
- PEI supported and connected four PEI companies with in-market knowledge and resources needed to successfully expand into Southeast Asia, specifically Japan and South Korea, through the Asian Market Development Program. Two companies reported solid partnership opportunities as a result of participating in the program.
- Provided export training to seven new PEI exporters through the Grow Export Program.
- Supported seven PEI bioscience companies to attend Bio International Convention 2021, virtually.
- Seafood virtual B2B trade mission with South East Asia and a Dubai Seafood Virtual Export Café in September 2021 – PEI seafood exporters participated in several virtual B2B meetings with buyers from Southeast Asia and Dubai
- Supported nine PEI companies to participate in Fall 2021 RDEE Mission, a hybrid mission to Montreal designed to enhance business opportunities between PEI and Quebec businesses. 120 qualified B2B meetings were held during the mission.
- Atlantic Trade Investment Growth Agreement signed 2022-2027. Through this agreement, the governments of Canada and the four Atlantic provinces invest a total of \$20 million over five years to help Atlantic firms pursue international business opportunities, enter new export markets or increase their current offerings abroad, and strengthen the region’s capacity to attract.

Bio|Food|Tech highlights

- New Executive Director started in January 2022, Jillian MacCallum Sproul
- Memorandum for Jim Smith, past ED: Jim Smith Executive Director; 30 years at BioFoodTech, passed away December 17th, 2021.
- 52 projects were supported in full by NRC IRAP through our Contribution to Organization grant.
- 1 project was supported in full by a pilot CTO, under NRC IRAP's Agriculture Food Sector Team (AgFST).
- Completed 10 service contracts, which are smaller projects involving nutrition labelling or shelf-life analysis for new products, had various funding, including Innovation's Product Development fund.
- Lab services supporting food and pharmaceutical manufacturers on PEI, completed 35, 505 tests on 19, 464 samples for over 100 clients. Most of lab clients are repeat customers sending samples in weekly, biweekly and monthly.

Organizational Structure



Board of Directors

David Trainor, Chair (*appointed*)

President, Action Aero Inc.

Ravi Naidu (*appointed*)

Director of Finance, Aspin Kemp & Associates

John Davison (*appointed*)

Owner, Haunted Mansion

Deirdre Ayre (*appointed*)

Owner, Other Ocean Interactive PE Limited

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, 2022

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 2 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



ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

Member of The AC Group of Independent Accounting Firms

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June 8, 2022

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, 2022, 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, 2022, 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.

Arenault Best Cameron Ellis

Chartered Professional Accountants

Innovation PEI

Consolidated Statement of Financial Position As at March 31, 2022

	2022 \$	2021 \$
Assets		
Financial assets		
Cash	6,058,905	3,672,544
Accounts receivable (note 3)	1,081,322	731,396
Advances to related companies (note 6)	11,151,810	11,236,891
Due from Province of Prince Edward Island	36,162,029	37,447,651
	<u>54,454,066</u>	<u>53,088,482</u>
Liabilities		
Accounts payable and accrued liabilities (note 6)	48,162,630	46,795,772
Obligation under capital lease (note 4)	1,873	13,049
	<u>48,164,503</u>	<u>46,808,821</u>
Net financial assets	<u>6,289,563</u>	<u>6,279,661</u>
Contingent Liability (note 7)		
Non-financial assets		
Property holdings (Schedule) (note 4)	736,526	729,868
Prepaid expenses and deposits (note 6)	17,153	30,120
	<u>753,679</u>	<u>759,988</u>
Accumulated surplus	<u>7,043,242</u>	<u>7,039,649</u>

Approved by the Board of Directors

 Director

(3)

 Director

Innovation PEI

Consolidated Statement of Accumulated Surplus For the year ended March 31, 2022

	2022	2021
	\$	\$
Accumulated operating surplus - Beginning of year	6,673,610	6,601,009
Annual surplus	3,593	72,601
Accumulated operating surplus - End of year	6,677,203	6,673,610
Contributed surplus (note 6)	366,039	366,039
Accumulated surplus - End of year	7,043,242	7,039,649

Innovation PEI

Consolidated Statement of Operations For the year ended March 31, 2022

	Budget (Unaudited) \$	2022 \$	2021 \$
Revenue			
Grant - Province of Prince Edward Island (note 6)	45,482,800	42,908,401	49,877,121
Project recoveries and government assistance	1,788,700	1,847,618	1,699,951
Miscellaneous	30,000	38,637	61,749
	<u>47,301,500</u>	<u>44,794,656</u>	<u>51,638,821</u>
Expenses			
Salaries (note 6)	6,434,300	6,194,873	5,608,097
Operating	1,219,800	1,431,504	1,380,531
Development programs (note 6)	39,452,400	36,913,958	44,330,898
Project costs	45,000	35,940	33,565
Amortization - property holdings	150,000	214,788	208,345
Loss on sale of property holdings	-	-	4,784
	<u>47,301,500</u>	<u>44,791,063</u>	<u>51,566,220</u>
Annual surplus	<u>-</u>	<u>3,593</u>	<u>72,601</u>

Innovation PEI

Consolidated Statement of Changes in Net Financial Assets For the year ended March 31, 2022

	2022 \$	2021 \$
Annual surplus	<u>3,593</u>	<u>72,601</u>
Acquisition of property holdings	(221,445)	(117,224)
Amortization of property holdings	214,787	208,345
Loss on sale of property holdings	<u>-</u>	<u>4,784</u>
Change due to property holdings	<u>(6,658)</u>	<u>95,905</u>
Change in prepaid expenses	<u>12,967</u>	<u>305</u>
Increase in net financial assets	<u>9,902</u>	<u>168,811</u>
Net financial assets - Beginning of year	<u>6,279,661</u>	<u>6,110,850</u>
Net financial assets - End of year	<u>6,289,563</u>	<u>6,279,661</u>

Innovation PEI

Consolidated Statement of Cash Flows For the year ended March 31, 2022

	2022 \$	2021 \$
Cash provided by (used in)		
Operating activities		
Annual surplus	3,593	72,601
Items not affecting cash		
Amortization - property holdings	214,787	208,345
Loss on sale of property holdings	-	4,784
	218,380	285,730
Net change in non-cash working capital items		
Increase in accounts receivable	(349,926)	(47,968)
Increase in accounts payable and accrued liabilities	1,366,858	7,370,639
Decrease in prepaid expenses and deposits	12,967	305
	1,248,279	7,608,706
Financing activities		
Decrease (increase) in due from Province of Prince Edward Island	1,285,622	(9,798,819)
Repayment of obligation under capital lease	(11,176)	(11,252)
	1,274,446	(9,810,071)
Investing activities		
Decrease (increase) in advances to related companies	85,081	(84,650)
Capital activity		
Additions to and purchase of property holdings	(221,445)	(117,224)
Increase in cash	2,386,361	(2,403,239)
Cash - Beginning of year	3,672,544	6,075,783
Cash - End of year	6,058,905	3,672,544

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2022

1 Corporate status

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.

2 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.

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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.

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 initially recorded 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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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, 2022. The employer contributions to the pension for the year totaled \$348,875 (2021 - \$340,487).

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 \$209,603 (2021 - \$250,000) 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 nil (2021 - \$13,051) 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, 2022. 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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3 Accounts receivable

	2022	2021
	\$	\$
Trade accounts receivable and HST	1,101,603	737,613
Staff advances receivable	95,046	119,275
Product Development Fund receivable	5,898	2,718
	<u>1,202,547</u>	<u>859,606</u>
Less: Allowance for doubtful accounts	(121,225)	(128,210)
	<u>1,081,322</u>	<u>731,396</u>

4 Obligations under capital lease

	2022	2021
	\$	\$
0% capital lease, due May 2022, repayable in monthly principal instalments of \$931 plus applicable taxes; secured by equipment	<u>1,873</u>	<u>13,049</u>

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

	\$
Year ending March 31, 2023	1,877

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

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

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- (c) Innovation PEI has committed to disbursing as development program expenses \$26,617,523 (2021 - \$29,577,067) for P.E.I. labour rebate program assistance, \$10,558,569 (2021 - \$5,027,471) for enriched investment tax credits, \$1,858,798 (2021 - \$1,174,292) for development fund assistance, nil (2021 - \$61,056) for specialized labour rebate, \$817,620 (2021 - \$66,000) for cultural industry support and \$21,000 (2021 - \$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 2(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 as development program expenditures 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

	2022 \$	2021 \$
Advances to (from) related companies		
Finance PEI	11,114,204	11,115,699
Island Investment Development Inc.	420	85,445
P.E.I. Biocommons Inc.	80	80
Atlantic Technology Centre Inc.	36,891	35,452
100417 P.E.I. Inc.	(100)	(100)
Tourism PEI	315	315
	<u>11,151,810</u>	<u>11,236,891</u>

Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is \$44,801 (2021 - \$92,776) 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, 2022, \$13,074 (2021 - \$14,686) has been recognized as prepaid insurance and is included in accounts payable and accrued liabilities.

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Notes to Consolidated Financial Statements

March 31, 2022

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 \$42,908,401 (2021 - \$49,877,121).

Expenses

During the year, the Corporation paid \$96,281 (2021 - \$79,807) and \$2,070 (2021 - \$1,600) to Atlantic Technology Centre Inc. in rent expense and internet expense, respectively, 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 the following programs on behalf of the Province of Prince Edward Island:

	2022 \$	2021 \$
Business Advice and Adaptation	61,702	4,403,897
Emergency Relief for Self-Employed	59,317	1,704,569
Small Business Support Wage Grant	607,500	-
Vax Pass	110,117	-
Small Business Support Wage Rebate	53,432	-
Workspace Adaptation Assistance	-	1,028,838
	<u>892,068</u>	<u>7,137,304</u>

As the corporation was acting as an agent of the Province of Prince Edward Island, these expenditures are not included as expenses of the corporation.

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Notes to Consolidated Financial Statements

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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.

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

	2022	2021
	\$	\$
Cash	6,058,905	3,672,544
Accounts receivable	1,081,322	731,396
Advances to related companies	11,151,810	11,236,891
Due from Province of Prince Edward Island	36,162,029	37,447,651
	<u>54,454,066</u>	<u>53,088,482</u>

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Notes to Consolidated Financial Statements

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(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 \$48,164,503 (2021 - \$46,808,821) are expected to be repaid within one year.

(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, 2022

Schedule

	Cost				Accumulated amortization		2022
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Ending \$	
General							Net book value \$
Equipment	7,946,671	173,575	-	8,120,246	7,291,336	206,981	621,929
Equipment under capital lease	33,540	-	-	33,540	6,708	3,354	23,478
Buildings	4,498,656	47,870	-	4,546,526	4,450,955	4,452	91,119
	12,478,867	221,445	-	12,700,312	11,748,999	214,787	736,526

	Cost				Accumulated amortization		2021
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Ending \$	
General							Net book value \$
Equipment	7,838,316	114,335	(5,980)	7,946,671	7,090,859	201,673	655,335
Equipment under capital lease	33,540	-	-	33,540	3,354	3,354	26,832
Buildings	4,495,767	2,889	-	4,498,656	4,447,637	3,318	47,701
	12,367,623	117,224	(5,980)	12,478,867	11,541,850	208,345	729,868

(17)

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