



ANNUAL REPORT

FISCAL YEAR 2022-2023

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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, 2023. During the reporting period, the Honourable Bloyce Thompson served as Minister of Economic Growth, Tourism and Culture, which has since been renamed to Economic Development, Innovation and Trade.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "G. Arsenault". The signature is stylized with a large, sweeping flourish at the end.

Hon. Gilles Arsenault

Minister of Economic Development, Innovation and Trade

October 5, 2023

Chief Executive Officer's Message

TO THE HONOURABLE GILLES ARSENAULT
Minister of Economic Development, Innovation and Trade
Province of Prince Edward Island

Dear Minister Arsenault:

Please accept the Annual Report for the fiscal year ending March 31, 2023, in accordance with the Innovation PEI Act. During the reporting period, Stefanie Corbett served as the CEO of Innovation PEI.

The Prince Edward Island economy rebounded and strengthened in the 2022-2023 fiscal year. Innovation PEI is proud to commit to our mission to build a vibrant, diverse and growing Island economy by attracting global business opportunities, supporting private industry growth and empowering local companies, entrepreneurs, and cultural programs.

Innovation PEI continues to drive economic success in the province by championing the growth of our strategic sectors, accelerating entrepreneurship, responding to the needs of Island businesses, and fostering a culture of 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 business community and beyond in the 2023-24 fiscal year.

Respectfully submitted,



Brad Colwill
Chief Executive Officer
October 5, 2023

Government Entity Overview

Innovation PEI is a crown corporation under the Ministry of Economic Development, Innovation and Trade 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 Prince Edward Island, 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 and defence, bioscience, information and communications technology, and renewable energy and clean technology. 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 for the Island's emerging sectors and find 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 across all sectors within the Prince Edward Island economy, with a specific focus on strategic sectors. This team is 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, innovative, and connected entrepreneurship ecosystem.

The Business Development team works closely with Innovation PEI's Global Trade Services, Business Attraction, and Cultural Development divisions to present local businesses with opportunities to grow through diversification, increased exports and new collaborations.

Cultural Development

The Cultural Development team is responsible for the implementation of a five-year action plan for the Arts, Culture, and Creative Industries. The goals of the team are to build capacity and improve the opportunities in the arts and creative industries in Prince Edward Island; 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 2023 for another five years.

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 support for Island professional artists. Community partners, other provincial government departments, and other levels of government are also key partners, often working 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 Prince Edward Island exports is accomplished via a three-fold approach: increase the number of Prince Edward Island export companies, diversify export markets and grow export revenues.

The Global Trade Services team works closely with the Business Development and Innovation, 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, continues to implement Atlantic Trade and Investment Growth Strategy initiatives to support common goals and complement our existing programs.

Bio|Food|Tech

Bio|Food|Tech, a subsidiary of Innovation PEI, provides professional technical services to Prince Edward Island's food and bioprocessing companies. These services support innovation by providing companies with new products to bring to market, resulting in growth outcomes. Bio|Food|Tech does this by helping companies turn research ideas into marketable products through our established "Concept to Pilot to Market" platform. The Bio|Food|Tech team has 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, help companies by guaranteeing high quality, safe products are shipped to local and export markets.

Key Indicators

During the fiscal year, financial assistance of \$54,805,667 was approved to support business projects. Standard Innovation PEI programs supported 1,136 business projects, with a focus on business improvements, innovations, expansions, and startups. The Wage Rebate for Impacted Workers – Fiona provided assistance to 1,469 businesses to support wages paid to employees when businesses were unable to operate or earn revenue due to power outage or significant physical damage after Hurricane Fiona. Innovation PEI also delivered COVID-support programs on behalf of the Province of Prince Edward Island. Through COVID-support programs, an additional \$1,659,987 was approved for businesses, mainly through the COVID-19 Special Leave Fund support provided to 1,127 businesses.

After significant contractions in 2020 and 2021 due to COVID-19, factors other than the pandemic came to the forefront of the economic landscape in 2022 – the war in Ukraine, supply chain issues, labour shortages, high inflation, and Hurricane Fiona. Despite these challenges, Prince Edward Island's economic fundamentals remained solid in 2022¹, with mixed results across multiple indicators:

- GDP by industry for PEI expanded by 2.9 per cent in 2022.²
- Employment increased by 5.4 per cent, to average 84,200 for 2022, following a 4.0 per cent increase in 2021.³
- The unemployment rate averaged 7.6 per cent in 2022, down 2.1 percentage points from 2021.⁴
- Total labour income increased by 10.0 per cent over the prior year.⁵
- International exports of goods rose by 17.2 per cent in 2022, reaching approximately \$2.0 billion, a new all-time high.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 - 549th Annual Statistical Review, https://www.princeedwardisland.ca/sites/default/files/publications/web_asr.pdf

⁶ 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 bioscience; 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 counselling and navigation assistance is available to all Island entrepreneurs and business.

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

Small businesses¹ are a priority for 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 6,841² Prince Edward Island businesses recorded in December 2022, 6,556 had fewer than fifty employees and 285 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 2022; DOI: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3310066101>

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

We will collaborate to build high-growth sectors in Prince Edward Island by supporting the competitiveness of strategic sectors, developing emerging sectors, communicating current and future private sector labour market needs to government partners and post-secondary institutions, 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.

Highlights and Accomplishments

Select highlights and accomplishments include:

Innovation PEI Highlights:

Business Attraction highlights

- The Business Attraction team, working with strategic partners, attracted six new business investments to PEI for the projected employment of 89 positions.
- The LaunchPad PEI program attracted one company through the Start-Up Visa Program and is currently supporting five businesses that are in growth stage.
- Currently, there are 83 projects in the sales cycle at varying degrees of conclusion.
- Members of the Business Attraction team supported Innovation PEI by assisting in the administration of COVID-19 and Hurricane Fiona related business programs and rural internet broadband programs.

Business Development highlights

- Over \$200 million in new investments and expansions across the Bioscience sector. These investments included major infrastructure projects such as the completion of the 20,000-square-foot Bioscience Manufacturing Incubator and the announcement of the BioAccelerator to be built within the BioCommons Park. Innovation PEI's support across the sector was in excess of \$15 million and enabled job growth of almost 400 positions.
- Continued support in the growth of the PEI Clean Tech sector with infrastructure investments in the Georgetown Clean Tech Park and the City of Summerside's Eco Park.
- Established a new partnership with the University of Prince Edward Island (UPEI) to promote student entrepreneurship and innovation. This center will be connected within the existing PEI entrepreneurial ecosystem creating new pathways for students and business startups.
- The establishment of a dedicated Small Business Unit within the Business Development team focusing specifically on the needs of local small businesses and entrepreneurs. This team has provided counselling, resources, information, and direct financial support to over 900 individual clients during the year.

- PEI Broadband Fund continues to support investment in better rural internet access 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 were to be considered ‘underserved’
 - In 2023: By the end of the calendar year, 1,500 addresses are expected to be considered ‘underserved’
 - In 2025: 650 addresses are expected to be considered underserved. We are actively looking into a solution for these remaining civic addresses.

Cultural Development highlights

- Indigenous cultural initiatives for Black Ash Harvest, Indigenous craft market, drumming, basket making, book printing, four Mawi’omi (PowWows), Arts Grants for Indigenous artists, and purchases for the Indigenous Art Bank.
- Acadian and Francophone cultural initiatives to support Francophone content in performance venues, festival professional development/ fam tour to Louisiana.
- Attracted multiple episodes of “Diggstown, Season 4”, a multi-million-dollar network television production that trained and employed 134 PEI residents, created over \$1.6 million in salaries, and provided a foundation for growth for the film industry in PEI.
- Supported the production of the PEI feature film “Who’s Yer Father?”, which will premiere at the Atlantic International Film Festival in September 2023 and is scheduled to debut on Paramount+ in 2024.
- Supported five PEI producers and companies participating in Atlantic Canadian business development trips to major film and television markets in the United States, Canada, and Europe (specifically, Los Angeles, Toronto, Berlin, Cannes, and London).
- Supporting artists through \$10,000 in Art Bank Purchases and \$100,000 for Arts Grants.
- Support the creation of the TD Art Wall at the Charlottetown Learning Centre.
- PEI 150 Celebration: supported 40 community celebrations across the Island to commemorate the 150th Anniversary of PEI joining Confederation.

Global Trade Services highlights

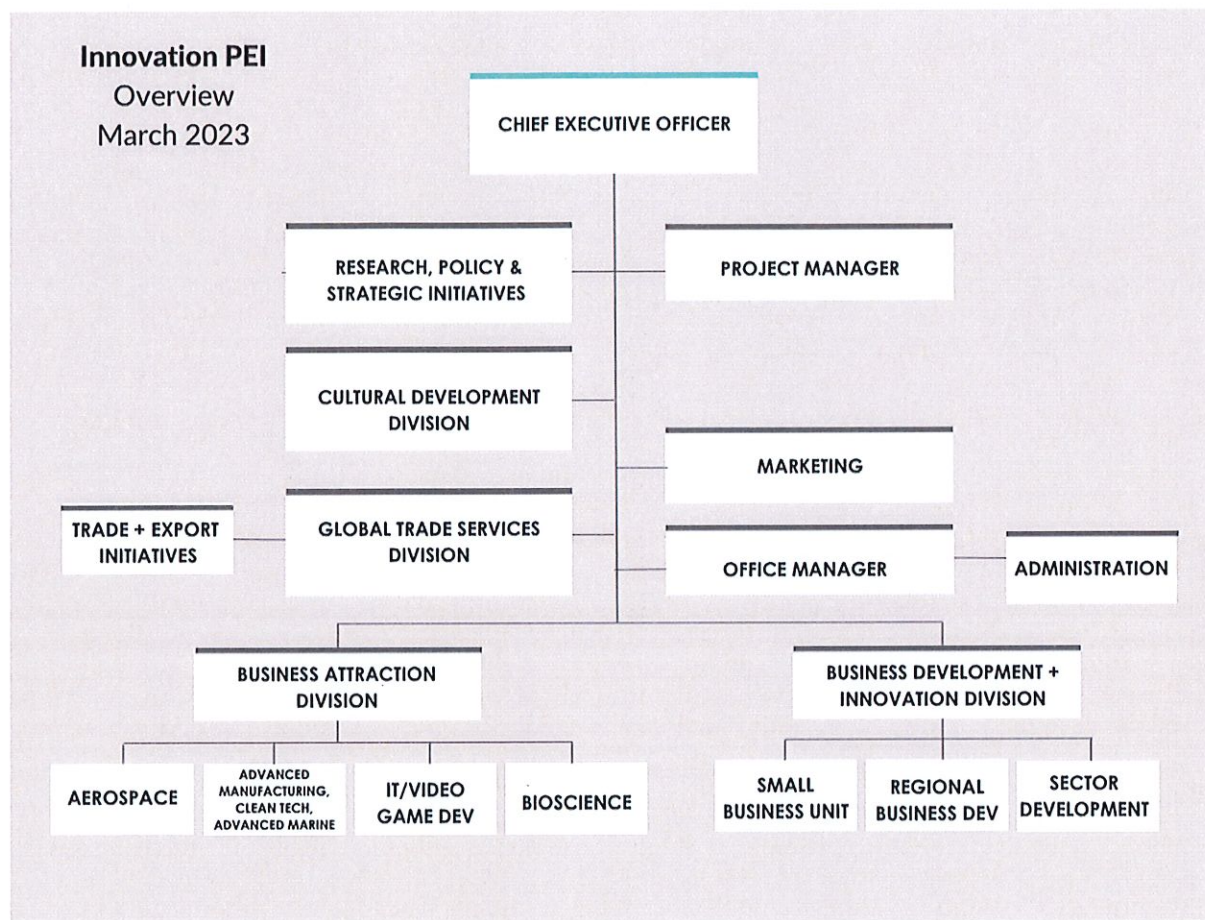
- The Global Trade Services team participated in over 25 export development activities this fiscal year including trade shows, trade missions, workshops, conferences, training events, and other trade-related activities supporting over 110 companies:
 - *Europe Market Development Program (EMDP)*, *Launch Export Program*, and the *Asian Market Development Program (AMDP)* helped PEI companies expand and diversify their export markets;
 - *Montreal International Seafood Show* provided an opportunity to re-establish in-person connections and share industry intelligence;
 - *Nature Expo East Show*, USA's largest natural, organic, healthy lifestyle product show for retail and food service helped attending PEI companies see value add options and packaging trends;
 - *New England and New York City Multi-Sector Mission* to PEI's largest trading region that allowed PEI Companies to explore opportunities for trade and investment, and to discuss sector labour challenges;
 - *New York Produce Show & Conference* provided an opportunity for PEI potato exporters to network and learn about trends, packaging ideas, and industry innovations;
 - *International Builders Show* allowed PEI Companies to get more exposure to potential buyers and suppliers in the international market, educate themselves on new high-performance products, new technologies, and best practices, and network with industry peers;
 - *Seafood Expo North America (SENA)*, North America's largest seafood trade event gathers suppliers from over 50 countries and is a one-stop shop for everything seafood. PEI seafood companies were able to learn about issues, new regulations, innovations, and trends from industry thought leaders;
 - Further developed international trade network with in-market consultants, global affairs, national embassies, and other key contacts.

Bio|Food|Tech highlights

- Completed 63 innovation projects by the end of the fiscal year, and 11 projects that were ongoing.
- Managed 145 client inquiries of which over 40% evolved to projects.

- Organization chart re-structure to combine Food and Bioscience departments into “Innovation Projects” with leadership provided by the new “Senior Innovation Manager”.
- Attended tradeshow/conferences including Food & Beverage Atlantic, PEI Automation Showcase, and A Taste of Food Excel.
- Completed Good Manufacturing and Good Laboratory Practices training for all staff.
- Maintained NRC-IRAP Agri-Food Sector Team’s Contribution to Organization funding, focused on Waste Valorization and Alternative Proteins. This fund is available to BioFoodTech clients (in addition to own C to O funding), as well as selected food centres in Canada.
- Lab services supported food and pharmaceutical manufacturers in PEI and the Maritimes, by completing over 28,854 tests on more than 16,853 samples for over 100 clients. Most lab clients are repeat customers that send samples in weekly, biweekly and/or monthly. The microbiology laboratory was also successful in its re-accreditation assessment with the Standards Council of Canada.
- Re-engaged PEI Seafood Processors Association, hosting their AGM at BioFoodTech and “winning back” PEI processor’s food safety testing contracts for the lab at BioFoodTech.
- Food Safety and Hazard analysis and critical control points (HACCP) training provided both locally on PEI and in Atlantic Canada.

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

Brad Colwill (*at pleasure*)
CEO Innovation PEI

Stefanie Corbett (*at pleasure*)
Deputy Minister, Economic Development, Innovation and Trade, Ex officio

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

Gregory Keefe (*at pleasure*)
President, University of Prince Edward Island, Ex officio

Financial Statements

Innovation PEI

Consolidated Financial Statements
March 31, 2023

Management's Report

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

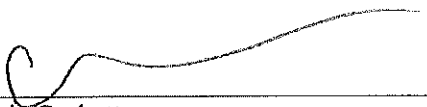
The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note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



June 28, 2023

Independent Auditor's Report

To the Minister of Economic Development, Innovation and Trade

Opinion

We have audited the accompanying consolidated financial statements of Innovation PEI, which comprise the consolidated statement of financial position as at March 31, 2023, 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, 2023, 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:



ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

Member of The AC Group of Independent Accounting Firms

Chartered Professional Accountants &
Business Advisors
8 MacLeod Crescent
Charlottetown, Prince Edward Island
Canada C1E 3K2
Telephone (902) 368-3100
Fax (902) 566-5074
www.acgca.ca

- 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, 2023

	2023 \$	2022 \$
Assets		
Financial assets		
Cash	3,408,802	6,058,905
Accounts receivable (note 3)	737,080	1,081,322
Advances to related companies (note 7)	11,110,700	11,151,810
Due from Province of Prince Edward Island	44,887,198	36,162,029
	<u>60,143,780</u>	<u>54,454,066</u>
Financial liabilities		
Accounts payable and accrued liabilities (notes 4 and 7)	53,646,556	48,162,630
Obligation under capital lease (note 5)	-	1,873
	<u>53,646,556</u>	<u>48,164,503</u>
Net financial assets	<u>6,497,224</u>	<u>6,289,563</u>
Contingent Liability (note 8)		
Non-financial assets		
Property holdings (Schedule) (note 5)	563,323	736,526
Prepaid expenses and deposits (note 7)	17,784	17,153
	<u>581,107</u>	<u>753,679</u>
Accumulated surplus	<u>7,078,331</u>	<u>7,043,242</u>

Approved by the Board of Directors

Dan Guana Director

(Signature)

Director

Innovation PEI

Consolidated Statement of Accumulated Surplus

For the year ended March 31, 2023

	2023 \$	2022 \$
Accumulated operating surplus - Beginning of year	6,677,203	6,673,610
Annual surplus	35,089	3,593
Accumulated operating surplus - End of year	6,712,292	6,677,203
Contributed surplus (note 7)	366,039	366,039
Accumulated surplus - End of year	7,078,331	7,043,242

Innovation PEI

Consolidated Statement of Operations

For the year ended March 31, 2023

	Budget (Unaudited) \$	2023 \$	2022 \$
Revenue			
Grant - Province of Prince Edward Island (note 7)	56,563,300	61,313,300	42,908,401
Project recoveries	1,788,700	1,444,756	1,847,618
Miscellaneous	30,000	32,167	38,637
Gain on sale of property holdings	-	27,000	-
	<u>58,382,000</u>	<u>62,817,223</u>	<u>44,794,656</u>
Expenses			
Salaries	6,514,800	6,286,048	6,194,873
Operating	1,319,800	1,446,206	1,431,504
Development programs (note 7)	50,352,400	54,805,667	36,913,958
Project costs	45,000	27,592	35,940
Amortization - property holdings	150,000	216,621	214,788
	<u>58,382,000</u>	<u>62,782,134</u>	<u>44,791,063</u>
Annual surplus	<u>-</u>	<u>35,089</u>	<u>3,593</u>

Innovation PEI

Consolidated Statement of Changes in Net Financial Assets For the year ended March 31, 2023

	2023 \$	2022 \$
Annual surplus	35,089	3,593
Acquisition of property holdings	(66,895)	(221,445)
Amortization of property holdings	216,620	214,787
Proceeds on disposal of property holdings	23,478	-
Change due to property holdings	173,203	(6,658)
Change in prepaid expenses	(631)	12,967
Increase in net financial assets	207,661	9,902
Net financial assets - Beginning of year	6,289,563	6,279,661
Net financial assets - End of year	6,497,224	6,289,563

Innovation PEI

Consolidated Statement of Cash Flows For the year ended March 31, 2023

	2023 \$	2022 \$
Cash provided by (used in)		
Operating activities		
Annual surplus	35,089	3,593
Items not affecting cash		
Amortization - property holdings	216,620	214,787
Gain on sale of property holdings	(27,000)	-
	224,709	218,380
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	344,242	(349,926)
Increase in accounts payable and accrued liabilities	5,483,926	1,366,858
Decrease (increase) in prepaid expenses and deposits	(631)	12,967
	6,052,246	1,248,279
Financing activities		
Decrease (increase) in due from Province of Prince Edward Island	(8,725,168)	1,285,622
Repayment of obligation under capital lease	(1,873)	(11,176)
	(8,727,041)	1,274,446
Investing activity		
Decrease in advances to related companies	41,110	85,081
	41,110	85,081
Capital activities		
Additions to and purchase of property holdings	(66,895)	(221,445)
Proceeds on disposal of property holdings	50,477	-
	(16,418)	(221,445)
Increase in cash	(2,650,103)	2,386,361
Cash - Beginning of year	6,058,905	3,672,544
Cash - End of year	3,408,802	6,058,905

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2023

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, and accounts payable and accrued liabilities.

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.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2023

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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Notes to Consolidated Financial Statements

March 31, 2023

h) Impairment of long-lived assets

The Corporation tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an assets is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

i) Asset retirement obligation

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Statement of Operations. As at March 31, 2023, no asset retirement obligations have been identified by management.

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) 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. No actuarial valuation has been performed pertaining to these benefits. No actuarial valuation has been performed pertaining to these benefits.

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Notes to Consolidated Financial Statements

March 31, 2023

m) 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, 2023. The employer contributions to the pension for the year totaled \$343,949 (2022 - \$348,875).

n) 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 \$218,981 (2022 - \$209,603) 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.

o) 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.

p) 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.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2023

3 Accounts receivable

	2023 \$	2022 \$
Trade accounts receivable and HST	775,290	1,101,603
Staff advances receivable	68,626	95,046
Product Development Fund receivable	4,958	5,898
	848,874	1,202,547
Less: Allowance for doubtful accounts	(111,794)	(121,225)
	737,080	1,081,322

4 Accounts payable and accrued liabilities

	2023 \$	2022 \$
Program assistance accruals	24,043,673	20,944,570
Tax incentive accruals	28,221,070	25,744,148
Trade payable and accruals	1,381,813	1,473,912
	53,646,556	48,162,630

5 Obligations under capital lease

	2023 \$	2022 \$
0% capital lease, due May 2022, repaid during the year	-	1,873

6 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 three years are as follows:

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

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Notes to Consolidated Financial Statements

March 31, 2023

- (c) Innovation PEI has committed to disbursing as development program expenses \$27,500,882 (2022 - \$26,617,523) for P.E.I. labour rebate program assistance, \$8,747,754 (2022 - \$10,558,569) for enriched investment tax credits, \$27,903,506 (2022 - \$1,858,798) for development fund assistance, \$408,810 (2022 - \$817,620) for cultural industry support and \$108,500 (2022 - \$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.

7 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

	2023	2022
	\$	\$
Advances to (from) related companies		
Finance PEI	11,110,395	11,114,204
Island Investment Development Inc.	-	420
P.E.I. Biocommons Inc.	-	80
Atlantic Technology Centre Inc.	90	36,891
100417 P.E.I. Inc.	(100)	(100)
Tourism PEI	315	315
	<u>11,110,700</u>	<u>11,151,810</u>

Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is nil (2022 - \$44,801) 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, 2023, \$16,900 (2022 - \$13,074) has been recognized as prepaid insurance and is included in accounts payable and accrued liabilities.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2023

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 \$61,313,300 (2022 - \$42,908,401).

Expenses

During the year, the Corporation paid \$32,081 (2022 - \$96,281) and \$690 (2022 - \$2,070) 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:

	2023 \$	2022 \$
Business Advice and Adaptation	-	61,702
Emergency Relief for Self-Employed	11,360	59,317
Small Business Support Wage Grant	132,500	607,500
Vax Pass	-	110,117
Small Business Support Wage Rebate	116,127	53,432
Special Leave	1,400,000	-
	<u>1,659,987</u>	<u>892,068</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

March 31, 2023

8 Contingent liability

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.

9 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:

	2023	2022
	\$	\$
Cash	3,408,802	6,058,905
Accounts receivable	737,080	1,081,322
Advances to related companies	11,110,700	11,151,810
Due from Province of Prince Edward Island	44,887,198	36,162,029
	<u>60,143,780</u>	<u>54,454,066</u>

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Notes to Consolidated Financial Statements

March 31, 2023

(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 \$53,646,556 (2022 - \$48,164,503) 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, 2023

Schedule

	Cost				Accumulated amortization			2023	
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Amortization \$	Disposals \$	Ending \$	Net book value \$
General									
Equipment	8,120,246	58,331	(143,098)	8,035,479	7,498,317	211,739	(143,098)	7,566,958	468,521
Equipment under capital lease	33,540	-	(33,540)	-	10,062	-	(10,062)	-	-
Buildings	4,546,526	8,564	-	4,555,090	4,455,407	4,881	-	4,460,288	94,802
	12,700,312	66,895	(176,638)	12,590,569	11,963,786	216,620	(153,160)	12,027,246	563,323

	Cost				Accumulated amortization				2022
	Beginning \$	Additions \$	Disposals/ Transfers \$	Ending \$	Beginning \$	Amortization \$	Disposals \$	Ending \$	Net book value \$
General									
Equipment	7,946,671	173,575	-	8,120,246	7,291,336	206,981	-	7,498,317	621,929
Equipment under capital lease	33,540	-	-	33,540	6,708	3,354	-	10,062	23,478
Buildings	4,498,656	47,870	-	4,546,526	4,450,955	4,452	-	4,455,407	91,119
	12,478,867	221,445	-	12,700,312	11,748,999	214,787	-	11,963,786	736,526

Contact Information

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