

innovationpei

ANNUAL REPORT

FISCAL YEAR 2023-2024

TABLE OF CONTENTS

Contents

Minister’s Message _____	1
Chief Executive Officer’s Message _____	2
Government Entity Overview _____	3
Key Indicators _____	6
Mandate _____	7
Lines of Business _____	8
Summary of the Strategic Plan and Future Direction _____	9
Highlights and Accomplishments _____	10
Organizational Structure _____	14
Board of Directors _____	15
Financial Statements _____	16
Contact Information _____	38

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, 2024.

Respectfully Submitted,

A handwritten signature in black ink, which appears to read "G. Arsenault". The signature is fluid and cursive, with a long, sweeping tail.

Hon. Gilles Arsenault
Minister of Economic Development, Innovation and Trade
September 27, 2024

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, 2024, in accordance with the Innovation PEI Act.

The Prince Edward Island economy continued to rebound and strengthen in the 2023-2024 fiscal year. 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.

The Innovation PEI team works hard to deliver on our mission to build a vibrant, diverse and growing Island economy. Our efforts are focused on supporting private industry growth by attracting global business opportunities, , empowering local companies and entrepreneurs, and supporting our artists, creative industries, and cultural initiatives. 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 2024-25 fiscal year.

Respectfully submitted,



Brad Colwill
Chief Executive Officer
September 27, 2024

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 many 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 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 38. 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's five areas of focus and one subsidiary are described below. While each division has its own focus, the 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 and communications technology, 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 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 was 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, provincial government departments and other levels of government are 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 generated from export sales and accomplishes this through efforts to increase the number of Prince Edward Island export companies, diversify export markets and grow export sales. The division works closely with Prince Edward Island companies to help them become export-ready or increase their exports 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.

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 their established "Concept to Pilot to Market" platform. The Bio|Food|Tech team has over 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 \$56,995,530 was approved to support business projects. Standard Innovation PEI programs supported business projects, with a focus on business improvements, innovations, expansions, and startups.

Factors that came to the forefront of the economic landscape in 2023 included supply chain issues, rising cost of living, labour shortages, high inflation, ongoing effects from the war in Ukraine, and recovery after the pandemic and Hurricane Fiona. Despite these challenges, Prince Edward Island's economic fundamentals remained steadfast in 2023¹, with mixed results across multiple indicators:

- GDP by industry for PEI expanded by 2.2 per cent in 2023.²
- Employment increased by 5.7 per cent, to average 89,000 for 2023, following a 5.4 per cent increase in 2022.³
- The unemployment rate averaged 7.3 percent in 2023, down 0.3 percentage points from 2022.⁴
- Total labour income increased by 8.2 per cent over the prior year.⁵
- International exports of goods rose by 17.4 per cent in 2023, reaching approximately \$2.3 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.

²⁻⁵ Prince Edward Island 50th Annual Statistical Review 2023,

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; and
- 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 6,976² Prince Edward Island businesses recorded in December 2023, 6,675 had fewer than fifty employees and 263 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: 33-10-0806-01 Canadian Business Counts, with employees, December 2023; DOI: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3310080601>

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 three new business investments to PEI with projected employment of 44 positions.
- Currently, there are 94 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 Rural Broadband Programs.

Business Development Highlights

- Detailed designs and consulting on the new 20,000-square-foot Bioscience Manufacturing Incubator was carried out in partnership with the PEI BioAlliance. Tendering was underway with construction targeted for the Fall of 2024.
- The PEI Bioscience cluster continued strong growth and now represents over 4% of PEI's GDP.
- The advancement of PEI's Cleantech sector saw the completion of the Georgetown Cleantech Park and Atlantic Canada's first certified passive energy designed industrial building in the Summerside Eco Park.
- Supported the start-up of the PEI Cleantech Alliance, an industry led organization that will be modeled after the PEI BioAlliance. This organization will spearhead research, collaboration, networking, and investment across the sector.
- Worked closely with the PEI Business Women's Association, the IT Alliance and other stakeholders in the entrepreneurial space to advance support and offerings to aspiring entrepreneurs.
- The Ignition Fund, a competitive fund to support innovative business ventures, continues to bring out the best in Island entrepreneurs and innovators. Since 2014, 100 startups have received \$2.5 million in grant support.
- The Small Business Unit created new resources and revamped existing materials to better support business start-ups in PEI. New and updated resources include: New Business Checklist; New Business Canvas; and 19 blog-style articles to provide information to Islanders on their business start-up journey.

- Financial support for the Rural Action Centers has resulted in better access to programs and services for businesses located in rural regions of the province. Over 5,000 client interactions were facilitated in 2023-24 at the three locations in Alberton, Wellington and Montague.
- 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 PEI's 76,000 civic addresses can access high-speed by June 2023 and 100% of civic addresses by 2025.
 - 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: 3,000 were to be considered 'underserved'
 - In 2024: 2,200 are to be considered 'underserved'
 - In 2025: It is expected that 100% of PEI will be considered 'served'
- The jointly funded Infrastructure Canada projects have been completed.
 - Bell has completed construction of fibre-to-the-home services to approx. 13K civic addresses
 - Xplore has completed a mixture of fibre-to-the-home and fixed wireless services to over 20K civic addresses.

Cultural Development Highlights

- Renewal of the Culture Action Plan: People, Place and Possibility (2023-2028).
- Increased the investment in the PEI Arts Grants from \$100,000 annually to \$200,000 annually to support professional artists living, working and creating in PEI.
- Created and awarded the inaugural PEI Arts Awards, which will happen annually in November of each year.
- Provided a \$75,000 investment in Indigenous Tourism Association of PEI to support business incubation activities, including the establishment of the Indigenous PEI storefront.
- Who's Yer Father?, the largest budgeted PEI-produced feature film, was released into theatres across Canada and streamed on Paramount Plus and Air Canada flights. The film also garnered three Canadian Screen Awards and is set to premiere in Ireland in 2024.
Made a \$125,000 investment in PEI Crafts Council development of a fine craft raining facility and business incubator.

Global Trade Services Highlights

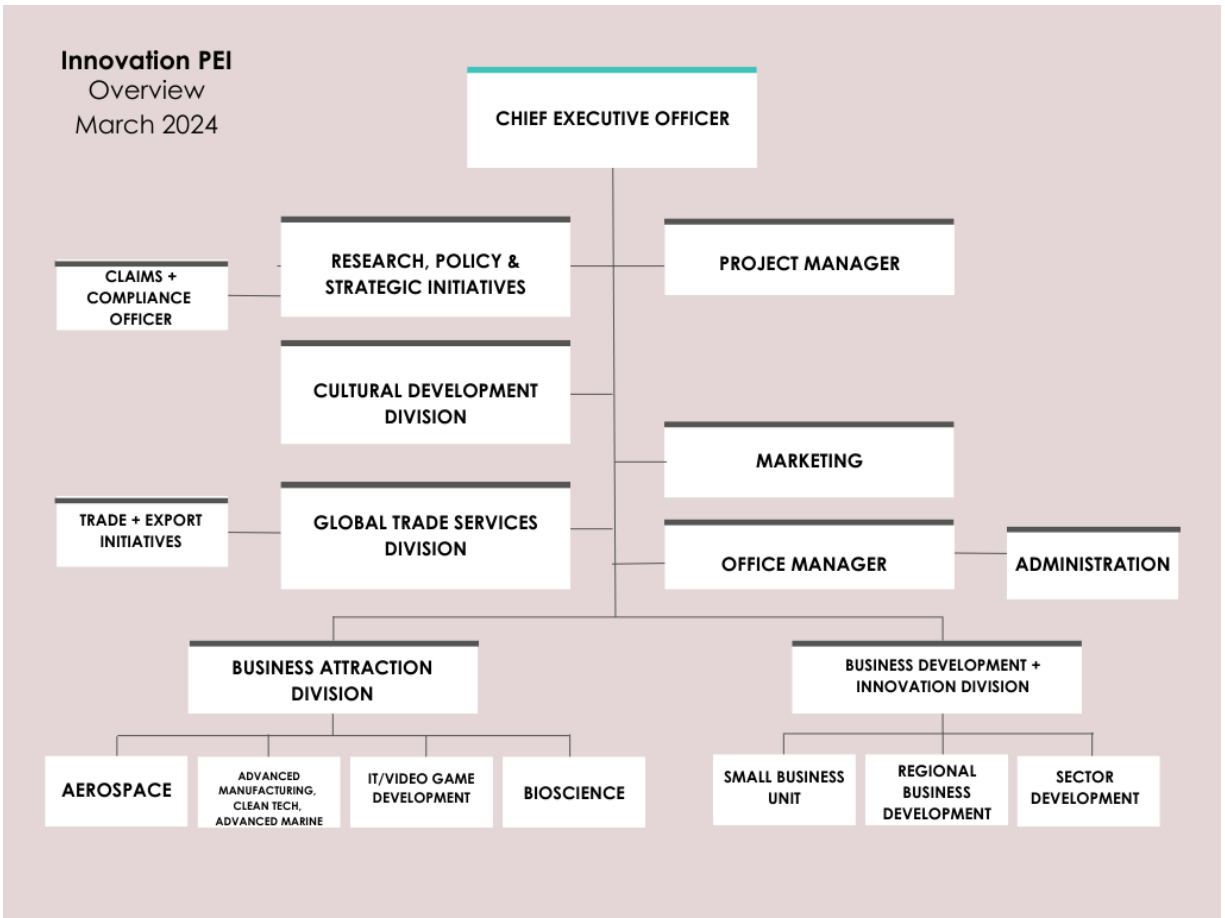
- The Global Trade Services team participated in over 25 export development activities this fiscal year, including trade shows, trade missions, workshops, conferences, training events, and other trade-related activities in support of over 110 companies:
 - *Europe Market Development Program (EMDP), Launch 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.
 - *The Seafood Export Café* mission to Taiwan, Vietnam, and Thailand enabled PEI companies to gain valuable insights into local market demands and logistics, while expanding and diversifying their export markets into Southeast Asia.
 - *The Incoming Multi-Stakeholder Potato Industry Mission and Seafood Buyer's Mission* from the Philippines expanded export opportunities for PEI's chipping potatoes, seed potatoes, potato granules, and seafood products in the Philippines.
 - *The Launch Export Atlantic Incubator* provided Island companies with practical information and training on growing their business toward export.
 - *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 labor challenges.
 - *New York Produce Show & Conference* provided an opportunity for PEI potato exporters to network and learn about trends, packaging ideas, and industry innovations.
 - *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 48 innovation projects by the end of the fiscal year.

- The organization engaged with Red Fox Consulting to create the 2024-27 strategic plan “#1000daysforward”. The organization re-defined its mission and vision, as well as creating new core values to move forward over the next 3 years. Highlights of the strategic plan include an HR strategy released in January 2024, plans to redefine and streamline services, bring digital transformation to laboratory services, and create an advisory committee from industry for the organization.
- BioFoodTech continued to increase its participation at networking events, tradeshow and conferences by creating the Industry Outreach Manager role- to continue to establish the organization's presence, credibility and influence within the industry.
- 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 and selected food centres in Canada.
- Lab services continued to grow and expand their services validating the latest rapid methods and adding them to their scope of testing. This growth enables Island processors to test and ship their products as fast as possible.
- The lab supported food and pharmaceutical manufacturers in PEI and the Maritimes, completing over 30, 810 tests on more than 16,000 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.
- 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, 2024

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



Brad Colwill
Chief Executive Officer

June 26, 2024

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, 2024, 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, 2024, 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

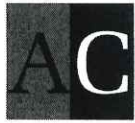
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements 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:



Member of The AC Group of Independent Accounting Firms

- 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, 2024

	2024	2023
	\$	\$
Assets		
Financial assets		
Cash	3,999,518	3,408,802
Accounts receivable (note 3)	680,417	737,080
Advances to related companies (note 6)	11,114,935	11,110,700
Due from Province of Prince Edward Island	54,208,186	44,887,198
	<u>70,003,056</u>	<u>60,143,780</u>
Financial liabilities		
Accounts payable and accrued liabilities (notes 4 and 6)	63,171,875	53,646,556
	<u>6,831,181</u>	<u>6,497,224</u>
Net financial assets		
	<u>6,831,181</u>	<u>6,497,224</u>
Contingent liability (note 7)		
Non-financial assets		
Property holdings (Schedule)	483,729	563,323
Prepaid expenses and deposits	37,598	17,784
	<u>521,327</u>	<u>581,107</u>
Accumulated surplus		
	<u>7,352,508</u>	<u>7,078,331</u>

Approved by the Board of Directors

 Director

(3)

 Director

Innovation PEI

Consolidated Statement of Accumulated Surplus For the year ended March 31, 2024

	2024	2023
	\$	\$
Accumulated operating surplus - Beginning of year	6,712,292	6,677,203
Annual surplus	274,177	35,089
Accumulated operating surplus - End of year	6,986,469	6,712,292
Contributed surplus (note 6)	366,039	366,039
Accumulated surplus - End of year	7,352,508	7,078,331

Innovation PEI

Consolidated Statement of Operations For the year ended March 31, 2024

	Budget (Unaudited)	2024	2023
	\$	\$	\$
Revenue			
Grant - Province of Prince Edward Island (note 6)	64,444,200	64,444,200	61,313,300
Project recoveries	1,788,700	1,477,340	1,444,756
Miscellaneous	30,000	31,907	32,167
Gain (loss) on sale of property holdings	-	(927)	27,000
	<u>66,262,900</u>	<u>65,952,520</u>	<u>62,817,223</u>
Expenses			
Salaries	6,695,700	6,795,432	6,286,048
Operating	1,319,800	1,711,807	1,446,207
Development programs (note 6)	58,052,400	56,995,530	54,805,667
Project costs	45,000	21,154	27,592
Amortization - property holdings	150,000	154,420	216,620
	<u>66,262,900</u>	<u>65,678,343</u>	<u>62,782,134</u>
Annual surplus	<u>-</u>	<u>274,177</u>	<u>35,089</u>

Innovation PEI

Consolidated Statement of Changes in Net Financial Assets

For the year ended March 31, 2024

	2024	2023
	\$	\$
Annual surplus	274,177	35,089
Acquisition of property holdings	(75,754)	(66,895)
Amortization of property holdings	154,420	216,620
Loss on sale of property holdings	927	-
Proceeds on disposal of property holdings	-	23,478
Change due to property holdings	79,593	173,203
Change in prepaid expenses	(19,813)	(631)
Increase in net financial assets	333,957	207,661
Net financial assets - Beginning of year	6,497,224	6,289,563
Net financial assets - End of year	6,831,181	6,497,224

Innovation PEI

Consolidated Statement of Cash Flows

For the year ended March 31, 2024

	2024	2023
	\$	\$
Cash provided by (used in)		
Operating activities		
Annual surplus	274,177	35,089
Items not affecting cash		
Amortization - property holdings	154,420	216,620
Loss (gain) on sale of property holdings	928	(27,000)
	<u>429,525</u>	<u>224,709</u>
Net change in non-cash working capital items		
Decrease in accounts receivable	56,663	344,242
Increase in accounts payable and accrued liabilities	9,525,319	5,483,926
Increase in prepaid expenses and deposits	(19,814)	(631)
	<u>9,991,693</u>	<u>6,052,246</u>
Financing activity		
Repayment of obligation under capital lease	-	(1,873)
Investing activity		
Decrease (increase) in advances to related companies	(4,235)	41,110
Increase in due from Province of Prince Edward Island	(9,320,988)	(8,725,168)
	<u>(9,325,223)</u>	<u>(8,684,058)</u>
Capital activities		
Additions to and purchase of property holdings	(75,754)	(66,895)
Proceeds on disposal of property holdings	-	50,477
	<u>(75,754)</u>	<u>(16,418)</u>
Increase (decrease) in cash	590,716	(2,650,103)
Cash - Beginning of year	<u>3,408,802</u>	<u>6,058,905</u>
Cash - End of year	<u>3,999,518</u>	<u>3,408,802</u>

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2024

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. 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, 2024

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 and bank balances.

d) Accounts receivable

Accounts receivable arise from trade sales, government funding, other miscellaneous receivables and staff advances. 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%, 25%
Equipment	10% - 100%

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

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2024

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 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 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 Consolidated Statement of Operations. As at March 31, 2024, 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 Statement of Financial Position date. Revenues and expenses denominated in foreign currencies are translated at the average monthly exchange rate.

Exchange differences are recognized as 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.

Rent is recognized when the amount to be received can be reasonably estimated and collection is reasonably assured.

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.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2024

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, 2024. The employer contributions to the pension for the year totaled \$364,250 (2023 - \$343,949).

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 \$129,870 (2023 - \$210,000) 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.

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 consolidated 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 consolidated statement of operations is subject to management's assessment of the estimated useful life of the Corporation's property holdings;
- The evaluation regarding the allowance for possible credit losses is subject to management's assessment of the performance of the company's accounts receivable;
- The recognized amounts of potential claims on tax incentive accruals 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, 2024

3 Accounts receivable

	2024	2023
	\$	\$
Trade accounts receivable and HST	601,066	738,013
Staff advances receivable	54,253	68,626
Product Development Fund receivable	-	4,958
HST receivable	187,610	37,277
	<hr/>	<hr/>
	842,929	848,874
Less: Allowance for doubtful accounts	(162,512)	(111,794)
	<hr/>	<hr/>
	680,417	737,080

4 Accounts payable and accrued liabilities

	2024	2023
	\$	\$
Program assistance accruals	25,064,585	24,043,673
Tax incentive accruals	36,292,629	28,221,070
Trade payable and accruals	1,814,661	1,381,813
	<hr/>	<hr/>
	63,171,875	53,646,556

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

	\$
Year ending March 31, 2025	327,099
2026	221,455

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2024

- (c) Innovation PEI has committed to disbursing as development program expenses \$24,720,311 (2023 - \$27,500,882) for P.E.I. labour rebate program assistance, \$5,748,221 (2023 - \$8,747,754) for enriched investment tax credits, \$20,422,657 (2023 - \$27,903,506) for development fund assistance, nil (2023 - \$408,810) for cultural industry support and \$21,000 (2023 - \$108,500) 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.

Statement of Financial Position

Advances to related companies

	2024	2023
	\$	\$
Advances to (from) related companies		
Finance PEI	11,114,943	11,110,395
Island Investment Development Inc.	(222)	-
Atlantic Technology Centre Inc.	-	90
100417 P.E.I. Inc.	(100)	(100)
Tourism PEI	314	315
	<u>11,114,935</u>	<u>11,110,700</u>

Accounts payable and accrued liabilities

F.T.C. Enterprises Limited's property and liability insurance coverage is provided by Finance PEI, a related party. As at March 31, 2024, \$59,564 (2023 - \$16,900) has been recognized as prepaid insurance and is included in accounts payable and accrued liabilities.

Contributed surplus

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

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2024

Statement of Operations

Revenue

Included in revenue are grants from the Province of Prince Edward Island of \$64,444,200 (2023 - \$61,313,300).

Expenses

During the year, the Corporation paid nil (2023 - \$32,081) and nil (2023 - \$690) 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 prior year, Innovation PEI administered the following programs on behalf of the Province of Prince Edward Island:

	2024	2023
	\$	\$
Emergency Relief for Self-Employed	-	11,360
Small Business Support Wage Grant	-	132,500
Small Business Support Wage Rebate	-	116,127
Special Leave	-	1,400,000
	<hr/>	<hr/>
	-	1,659,987
	<hr/>	<hr/>

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.

7 **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 consolidated financial statements as it is management's opinion that no liability is likely to arise as a result of this counterclaim. The counterclaim is ongoing.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2024

8 Financial risk management objectives and policies

Innovation PEI's principal business activities result in a consolidated 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 consolidated statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

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

	2024	2023
	\$	\$
Cash	3,999,518	3,408,802
Accounts receivable	680,417	737,080
Advances to related companies	11,114,935	11,110,700
Due from Province of Prince Edward Island	54,208,186	44,887,198
	<u>70,003,056</u>	<u>60,143,780</u>

(b) Liquidity risk

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

The Corporation's financial liabilities in the amount of \$63,171,875 (2023 - \$53,646,556) are expected to be repaid within one year.

Innovation PEI

Notes to Consolidated Financial Statements

March 31, 2024

(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, 2024

Schedule

	2024					Net book value \$
	Beginning \$	Additions \$	Disposals/Transfers \$	Cost Ending \$	Accumulated amortization Ending \$	
General						
Equipment	8,035,479	74,154	(6,741)	8,102,892	7,566,958	392,862
Buildings	4,555,090	1,600	-	4,556,690	4,460,288	90,867
	12,590,569	75,754	(6,741)	12,659,582	12,027,246	483,729

	2023					Net book value \$
	Beginning \$	Additions \$	Disposals/Transfers \$	Cost Ending \$	Accumulated amortization Ending \$	
General						
Equipment	8,120,246	58,331	(143,098)	8,035,479	7,498,317	468,521
Buildings	4,546,526	8,564	-	4,555,090	4,455,407	94,802
	12,666,772	66,895	(143,098)	12,590,569	11,953,724	563,323

(17)

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