

Non-Consolidated Financial Statements of

**VICTORIA INNOVATION, ADVANCED
TECHNOLOGY, ENTREPRENEURSHIP
COUNCIL**

And Independent Auditor's Report thereon

Year ended March 31, 2024



KPMG LLP

St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone (250) 480 3500
Fax (250) 480 3539

INDEPENDENT AUDITOR'S REPORT

To the Members of Victoria Innovation, Advanced Technology, Entrepreneurship Council

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying non-consolidated financial statements of the Victoria Innovation, Advanced Technology, Entrepreneurship Council (the Society), which comprise:

- the non-consolidated statement of financial position as at March 31, 2024
- the non-consolidated statement of operations for the year then ended
- the non-consolidated statement of changes in net assets for the year then ended
- the non-consolidated statement of cash flows for the year then ended
- and notes to the non-consolidated financial statements, including summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2024 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of 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 Financial Statements"** section of our auditor's report.

We are independent of the Society 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society'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 the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the 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 the Society's internal controls.
- 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 the Society'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 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 the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Victoria, Canada
August 15, 2024

VICTORIA INNOVATION, ADVANCED TECHNOLOGY, ENTREPRENEURSHIP COUNCIL

Non-Consolidated Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 302,959	\$ 411,710
Accounts receivable (note 2)	68,853	190,248
Prepaid expenses	14,268	31,863
	<u>386,080</u>	<u>633,821</u>
Capital assets (note 3)	916,800	930,603
Accumulated equity in Strata Plan 700 (note 4)	148,518	151,142
Due from related parties (note 5)	1,753,542	1,659,439
	<u>\$ 3,204,940</u>	<u>\$ 3,375,005</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 92,306	\$ 80,239
Deferred revenue	153,105	202,848
Current portion of mortgage payable (note 9)	61,883	59,106
Canada Emergency Business Account	-	40,000
	<u>307,294</u>	<u>382,193</u>
Mortgage payable (note 9)	1,268,508	1,330,391
Accumulated equity loss in VIATEC Properties Inc. (note 10)	210,984	150,327
Net assets:		
Invested in capital assets	916,801	930,603
Unrestricted	501,353	581,491
	<u>1,418,154</u>	<u>1,512,094</u>
Commitments (note 13)		
	<u>\$ 3,204,940</u>	<u>\$ 3,375,005</u>

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

<p>DocuSigned by:</p> <p><i>Maria Davidson</i></p> <p>004BAC726B7C431...</p>	Director	<p>Signed by:</p> <p><i>Darren Beckwith</i></p> <p>041D2CDDDF6A41C...</p>	Director
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VICTORIA INNOVATION, ADVANCED TECHNOLOGY, ENTREPRENEURSHIP COUNCIL

Non-Consolidated Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Program funding (note 11)	\$ 513,429	\$ 713,587
Membership	216,795	226,545
Other revenue (note 12)	163,067	170,698
Facilities	289,486	244,472
Promotion and services	43,949	73,860
Projects	45,700	38,750
Sponsorship	137,400	143,475
Events	45,335	75,469
	<u>1,455,161</u>	<u>1,686,856</u>
Expenses:		
Program costs (note 11)	525,485	598,352
Salaries	337,554	422,812
Rent and office expenses	198,836	201,524
Events	239,356	219,295
Professional fees	44,490	45,104
Amortization	32,558	28,597
Strata fees (note 6)	33,556	47,767
Website maintenance and design	18,942	18,651
Property taxes	17,757	15,379
Promotion	18,449	17,883
Travel	10,725	10,957
	<u>1,477,708</u>	<u>1,626,321</u>
Earnings (loss) before the undernoted	(22,547)	60,535
Other income (expense):		
Interest recovery from subsidiary (note 6)	54,569	56,815
Equity (loss) income in VIATEC Properties Inc.	(60,657)	(14,838)
Equity income (loss) in Strata Plan 700	(2,624)	12,862
Interest expense on mortgage payable	(62,681)	(65,257)
	<u>(71,393)</u>	<u>(10,418)</u>
Excess (deficiency) of revenue over expenses	<u>\$ (93,940)</u>	<u>\$ 50,117</u>

See accompanying notes to non-consolidated financial statements.

VICTORIA INNOVATION, ADVANCED TECHNOLOGY, ENTREPRENEURSHIP COUNCIL

Non-Consolidated Statement of Changes in Net Assets

Year ended March 31, 2024, with comparative information for 2023

	Invested in capital assets	Unrestricted	Total
Balance, March 31, 2022	\$ 927,764	\$ 534,213	\$ 1,461,977
Excess (deficiency) of revenue over expenses	(28,597)	78,714	50,117
Interfund transfer for purchase of capital assets, net of cash on disposal of assets	31,436	(31,436)	-
Balance, March 31, 2023	930,603	581,491	1,512,094
Excess (deficiency) of revenue over expenses	(32,558)	(61,382)	(93,940)
Interfund transfer for purchase of capital assets, net of cash on disposal of assets	18,756	(18,756)	-
Balance, March 31, 2024	\$ 916,801	\$ 501,353	\$ 1,418,154

See accompanying notes to non-consolidated financial statements.

VICTORIA INNOVATION, ADVANCED TECHNOLOGY, ENTREPRENEURSHIP COUNCIL

Non-Consolidated Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (93,940)	\$ 50,117
Item not involving cash:		
Amortization of capital assets	32,558	28,597
Equity loss (income) in VIATEC Properties Inc.	60,657	14,838
Equity loss (income) in Strata Plan 700	2,624	(12,862)
	1,899	80,690
Changes in non-cash operating working capital:		
Accounts receivable	121,395	22,318
Prepaid expenses	17,596	(8,787)
Accounts payable and accrued liabilities	12,066	(35,430)
Deferred revenue	(49,743)	154,039
	103,213	212,830
Investing:		
Due from related parties	(94,102)	57,688
Capital assets purchased	(18,756)	(31,428)
	(112,858)	26,260
Financing:		
Repayment of mortgage payable	(59,106)	(55,784)
Repayment of line of credit	(40,000)	-
	(99,106)	(55,784)
Cash and cash equivalents	(108,751)	183,306
Cash and cash equivalents, beginning of year	411,710	228,404
Cash and cash equivalents, end of year	\$ 302,959	\$ 411,710

See accompanying notes to non-consolidated financial statements.

VICTORIA INNOVATION, ADVANCED TECHNOLOGY, ENTREPRENEURSHIP COUNCIL

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2024

Victoria Innovation, Advanced Technology, Entrepreneurship Council (the "Society") was incorporated under the Societies Act (British Columbia) to promote and enhance the development of the advanced technology industry in Greater Victoria. The Society is a non-profit organization as defined under the Income Tax Act. The Society transitioned to the new Societies Act (British Columbia) on August 17, 2017.

1. Significant accounting policies:

The financial statements of the Society have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The following is a summary of the significant accounting policies used in the preparation of the financial statements.

(a) Cash and cash equivalents:

Cash and cash equivalents consist of cash, short term investments with original maturity dates of less than 90 days, when acquired and investments in money market instruments.

(b) Leases:

Leases which transfer substantially all the benefits and risks of ownership of the property to the Society are treated as a capital lease where it is accounted for as an asset and an obligation.

(c) Controlled profit-oriented enterprises:

The Society accounts for its controlled profit-oriented enterprise using the equity method. Under the equity method, the Society records its investment initially at cost and the carrying amount is adjusted thereafter to include the Society's pro rata share of post-acquisition earnings of the investees, computed by the consolidation method. The adjustments are included in the determination of net income by the Society, and the investment accounts of the Society are also increased or decreased to reflect the Society's share of capital transactions and changes in accounting policies and corrections of errors relating to prior period financial statements applicable to post-acquisition periods. Profit distributions received or receivable from investees reduce the carrying amounts of the investments. Unrealized inter-entity gains or losses are eliminated.

VICTORIA INNOVATION, ADVANCED TECHNOLOGY, ENTREPRENEURSHIP COUNCIL

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2024

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of estimates include the amortization period of capital assets and the collectability of accounts receivable. Actual results could differ from these estimates.

(f) Revenue recognition:

Membership dues are recorded as revenue immediately when received or receivable.

The Society follows the deferral method of accounting whereby restricted government contributions, special event proceeds, and other project funding sources are recognized as revenue as related expenses are incurred. In the case of projects that span more than one fiscal year, revenue is recognized as specific contractual milestones are met. Unrestricted contributions are recognized when received or receivable.

VICTORIA INNOVATION, ADVANCED TECHNOLOGY, ENTREPRENEURSHIP COUNCIL

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2024

1. Significant accounting policies (continued):

(g) Contributed services:

A substantial number of volunteers contribute a significant amount of time to the Society each year. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements.

(h) Capital assets:

Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Building	Declining balance	4%
Office equipment	Straight-line	5 years
Computer equipment and software	Straight-line	3 years

The carrying amount of an item of equipment is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

2. Accounts receivable:

Included in accounts receivable is a net \$53,803 (2023 - \$70,789) receivable from Western Economic Diversification. The claim submitted to Western Economic Diversification totaled \$53,803 (2023 - \$225,578) which includes \$nil (2023 - \$154,789) on behalf of the Society's project partner Accelerate Okanagan. A receivable of \$nil (2023 - \$112,712) is due from Canada's Digital Technology Supercluster.

VICTORIA INNOVATION, ADVANCED TECHNOLOGY, ENTREPRENEURSHIP COUNCIL

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2024

3. Capital assets:

	2024		
	Cost	Accumulated amortization	Net book value
Land	\$ 536,001	\$ -	\$ 536,001
Building	519,509	160,910	358,599
Office equipment	176,044	170,101	5,943
Computer equipment and software	135,911	119,654	16,257
	\$ 1,367,465	\$ 450,665	\$ 916,800

	2023		
	Cost	Accumulated amortization	Net book value
Land	\$ 536,001	\$ -	\$ 536,001
Building	507,509	143,729	363,780
Office equipment	173,294	166,387	6,907
Computer equipment and software	131,906	107,991	23,915
	\$ 1,348,710	\$ 418,107	\$ 930,603

4. Investment in related party:

The Society owns two of five strata units of Strata Plan 700. The strata plan is accounted for using the equity method and has a carrying value of \$148,518 (2023 - \$151,142), representing the Society's 40% equity interest in the accumulated surplus to date. Based on the financial statements for the most recent fiscal period, the revenue and expenses of Strata Plan 700 are summarized as follows:

	2024		2023	
Statement of Operations:				
Revenues	\$	88,100	\$	122,900
Expenses		94,661		90,745
	\$	(6,561)	\$	32,155

VICTORIA INNOVATION, ADVANCED TECHNOLOGY, ENTREPRENEURSHIP COUNCIL

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2024

4. Investment in related party (continued):

Strata Plan 700 capitalizes the cost of replacing major building components and amortizes the cost over their estimated useful lives which range from 3 years to 33 years.

5. Due from related parties:

The loan receivable from VIATEC Properties Inc., a wholly owned company, is unsecured, bears interest at 4.60% (2023 - 4.60%), and has no fixed terms of repayment.

The loan receivable from 1024851 BC Ltd., a wholly owned subsidiary of VIATEC Properties Inc., is unsecured, is non interest bearing and has no fixed terms of repayment.

The loan receivable from Strata Plan 700, an equity investee, is unsecured, is non-interest bearing has no fixed terms of repayment.

	2024	2023
VIATEC Properties Inc.	\$ 1,625,923	\$ 1,567,440
1024851 BC Ltd.	119,921	79,308
Strata Plan 700	7,698	12,691
	<u>\$ 1,753,542</u>	<u>\$ 1,659,439</u>

On April 1, 2024, 1024851 BC Ltd. was amalgamated with Viatec Properties Inc. under the provisions of section 273(1) of the British Columbia Business Corporations Act.

The receivable from 1024851 BC Ltd. at March 31, 2024 of \$119,921 will be settled by Viatec Properties Inc.

6. Related party transactions:

During the year, the Society recognized \$10,000 (2023 - \$10,000) in membership fees and allocated interest of \$54,569 (2023 - \$56,815) to its subsidiary, VIATEC Properties Inc. The Society also incurred \$154,800 (2023 - \$154,800) in rent during the year to the same subsidiary. In addition, the Society paid \$33,556 (2023 - \$47,767) in strata fees to Strata Plan 700.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

VICTORIA INNOVATION, ADVANCED TECHNOLOGY, ENTREPRENEURSHIP COUNCIL

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2024

7. Line of credit:

The Society has an arrangement with its banker for an operating line of credit facility in the amount of \$100,000 and bearing interest at bank prime plus 1.5%. No amounts were outstanding as of March 31, 2024 (2023 - \$nil). See note 9.

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$4,377 (2023 - \$4,206), which include amounts payable for GST, PST, WCB and payroll related taxes.

9. Mortgage payable:

The term loan is secured by a general security agreement with a floating charge on land, a mortgage in the amount of \$1,750,000 on the real property located at 777 Fort Street, an insurance binder with the loss payable first to the bank, an environmental liability indemnity agreement, a guarantee and postponement of claim by VIATEC Properties Inc. in the amount of \$1,750,000 also secured by a general security agreement with a floating charge on land and a mortgage over its real property, an insurance binder with the loss payable first to the bank and an environmental liability indemnity agreement.

	2024	2023
Term loan, bearing interest at 4.60%, monthly payments of \$10,149, including interest, repayable in full May 25, 2027	\$ 1,330,391	\$ 1,389,497
Less: current portion of mortgage payable	61,883	59,106
	\$ 1,268,508	\$ 1,330,391

Principal repayments to maturity are as follows:

2025	\$ 61,896
2026	64,804
2027	67,849
2028	1,135,842
	\$ 1,330,391

VICTORIA INNOVATION, ADVANCED TECHNOLOGY, ENTREPRENEURSHIP COUNCIL

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2024

9. Mortgage payable (continued):

The Society is in compliance with the loan agreement's non-financial reporting requirements.

10. Controlled profit-oriented enterprise:

On February 6, 2014, the Society incorporated a controlled profit-oriented enterprise, VIATEC Properties Inc. which is accounted for using the equity method. The negative carrying value of \$210,984 (2023 - \$150,327) represents the shareholder's deficiency. The Society has committed to provide financial support to VIATEC Properties Inc., as necessary.

Based on the financial statements for the most recent fiscal period, the assets, liabilities, revenue, expenses and cash flows of VIATEC Properties Inc. are summarized as follows:

	2024	2023
Balance Sheet:		
Total assets	\$ 1,676,433	\$ 1,698,431
Total liabilities	1,887,416	1,848,757
<hr/>		
Shareholder's deficiency	\$ (210,983)	\$ (150,326)
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Statement of Operations:		
Revenue	\$ 233,236	\$ 246,058
Expenses	293,893	260,896
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Net income (loss) for the period	\$ (60,657)	\$ (14,838)
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Statement of Cash Flows:		
Cash provided by (used in) operations	\$ (23,729)	\$ 1,007
Cash provided by (used in) financing	32,609	(9,546)

VICTORIA INNOVATION, ADVANCED TECHNOLOGY, ENTREPRENEURSHIP COUNCIL

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2024

11. Program funding:

	2024	2023
Innovate BC	\$ 240,000	\$ 290,000
Western Economic Diversification Canada funding	260,878	312,334
New Ventures BC	12,551	-
Canada's Digital Technology Supercluster	-	104,953
Supercluster W Venture funding	-	6,300
	\$ 513,429	\$ 713,587

Program costs include an allocation of salaries and contractor expenses.

12. Other revenue:

	2024	2023
Innovate BC	\$ 160,000	\$ 160,000
Other income	3,067	4,698
Municipal contributions	-	6,000
	\$ 163,067	\$ 170,698

13. Commitments:

The Society is committed to rental payments for premises under operating leases with its subsidiary, VPI.

2025	\$ 180,000
2026	180,000
2027	180,000
2028	180,000

VICTORIA INNOVATION, ADVANCED TECHNOLOGY, ENTREPRENEURSHIP COUNCIL

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2024

14. Financial instruments:

The maximum credit risk exposure for the Society's financial assets is the carrying value of those assets. To reduce credit risk, cash and cash equivalents are only held at major financial institutions and management performs ongoing credit evaluations of its members' financial condition.

The Society is exposed to credit risk with respect to the accounts receivable. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible.

It is management's opinion that the Society is not exposed to significant interest risk or foreign exchange risk.

There has been no change to the risk exposures from 2023.

15. Remuneration paid to employees, directors and contractors:

For the fiscal year ending March 31, 2024, the Society paid total remuneration of \$316,000 to two employees (2023 - \$377,000 to three employees), each of whom received total annual remuneration of \$75,000 or greater.