

10793574 Canada Association
(operating as Digital Technology Supercluster)

Financial Statements

March 31, 2022

(expressed in thousands of Canadian dollars)



Independent auditor's report

To the Members of 10793574 Canada Association (operating as Digital Technology Supercluster)

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 10793574 Canada Association (operating as Digital Technology Supercluster) (the Entity) as at March 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Entity's financial statements comprise:

- the statement of financial position as at March 31, 2022;
- the statement of operations and changes in net assets represented by excess of revenues over expenses for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Entity'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 the Entity'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 Entity 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.

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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 22, 2022

10793574 Canada Association
 (operating as Digital Technology Supercluster)
 Statement of Financial Position
 As at March 31, 2022

(expressed in thousands of Canadian dollars)

	2022	2021
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 4)	48,449	36,960
Accounts and other receivables (note 5)	2,122	20,253
Project advances (note 6)	11,550	6,458
Prepaid expenses	61	55
	<u>62,182</u>	<u>63,726</u>
Capital assets	<u>181</u>	<u>256</u>
	<u>62,363</u>	<u>63,982</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	1,268	928
Deferred contributions (note 7)	60,983	57,205
	<u>62,251</u>	<u>58,133</u>
Deferred contributions		
Deferred contributions for future project expenses (note 7)	-	5,599
Deferred capital contributions – capital assets (note 7)	112	250
	<u>112</u>	<u>5,849</u>
	<u>62,363</u>	<u>63,982</u>

Approved by the Board of Directors

 Sue Paish Director Nadine Letson Director

The accompanying notes are an integral part of these financial statements.

10793574 Canada Association
(operating as Digital Technology Supercluster)
Statement of Operations and Changes in Net Assets
For the year ended March 31, 2022

(expressed in thousands of Canadian dollars)

	2022	2021
	\$	\$
Revenue		
ISED funding (note 7)	43,980	45,839
Program management fees (note 7)	2,214	688
Member direct investment (note 7)	2,760	955
Other revenue (note 8)	268	205
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	49,222	47,687
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Expenses		
Technology program	16,198	13,565
Capacity building program	1,464	491
COVID-19 program	26,808	29,086
Corporate programs and management	4,752	4,545
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	49,222	47,687
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Changes in net assets represented by excess of revenue over expenses	<hr/>	<hr/>
	-	-

The accompanying notes are an integral part of these financial statements.

10793574 Canada Association
 (operating as Digital Technology Supercluster)
 Statement of Cash Flows
 For the year ended March 31, 2022

(expressed in thousands of Canadian dollars)

	2022	2021
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	-	-
Items not involving cash		
Release of deferred contributions (note 7)	(48,797)	(47,401)
Interest revenue (note 8)	(145)	(83)
Interest received	122	49
	<u>(48,820)</u>	<u>(47,435)</u>
Funding received and receivable		
ISED funding	39,000	63,470
Member program management fees	4,939	1,480
Member direct investment	3,050	9,967
	<u>46,989</u>	<u>74,917</u>
Changes in operating assets and liabilities		
Accounts and other receivables	18,155	7,985
Project advances	(5,092)	(6,458)
Prepaid expenses	(6)	43
Accounts payable and accrued liabilities	340	(1,082)
	<u>13,397</u>	<u>488</u>
Investing activities		
Acquisition of capital assets	<u>(77)</u>	<u>(223)</u>
Increase in cash and cash equivalents	11,489	27,747
Cash and cash equivalents – Beginning of year	<u>36,960</u>	<u>9,213</u>
Cash and cash equivalents – End of year	<u>48,449</u>	<u>36,960</u>

The accompanying notes are an integral part of these financial statements.

10793574 Canada Association
(operating as Digital Technology Supercluster)
Notes to Financial Statements
March 31, 2022

(expressed in thousands of Canadian dollars)

1 Operations

10793574 Canada Association (operating as Digital Technology Supercluster) (the Digital Supercluster) collaborates with member organizations to facilitate and co-invest in projects that develop digital products and platforms to transform industries and propel the economic growth of Canada. The key objectives of the Digital Supercluster are:

- a) To create a critical mass of world-leading digital technology companies across Canada that develop and commercialize innovative products, platforms and processes.
- b) To transform Canadian industries sustainably through the digitization of business, prioritizing industry-specific needs and by delivering productivity gains and competitive advantages at the firm and industry levels.
- c) To grow the economic benefits in British Columbia (BC) and Canada by generating new companies, scaling existing firms, enabling performance improvements in Canada's sectors of strength and positioning Canada as a global hub for digital technology innovation.

Innovation Science and Economic Development (ISED) Contribution Agreement

With the signing of the Contribution Agreement in November 2018, the Ministry of ISED committed to fund the Digital Supercluster for eligible program costs over a five-year period commencing in fiscal year 2018/2019. Under the terms of the agreement, ISED provides a non-repayable contribution to the Digital Supercluster for eligible internal program costs and eligible project costs. The total approved funding was set at \$152.84 million over the five-year period. The annual amounts may be reallocated to other fiscal years within the five-year period with the written approval from the Minister of ISED. Pursuant to the amendment dated August 3, 2021, the total approved funding was changed to \$172.84 million.

In early 2020, in response to the COVID-19 pandemic, ISED adjusted its funding rules to enable the Digital Supercluster to rapidly respond to the current crisis. As a result, on March 26, 2020, the Digital Supercluster Board of Directors approved \$60 million of the initial ISED funding towards a COVID-19 program. The program was designed to fund projects that deliver solutions to some of the biggest issues created or exacerbated by COVID-19, focussing on unlocking solutions to protect the health and safety of Canadians and their economy through the development, deployment and scaling of digital technologies.

For the 2020-2021 fiscal year, the COVID-19 program allowed the Digital Supercluster to fund greater than 80% of the project costs as well as have 100% of the Digital Supercluster's operations and administration costs funded by ISED. As a result of these measures, and to support members under the economic challenges posed by the pandemic, the Digital Supercluster decided it would not collect project fees from April 2020 to March 2021. From April 2021, the Digital Supercluster resumed the collection of project fees and consistent with the original ISED agreement, only 75% of its eligible operations and administration costs are funded by ISED.

10793574 Canada Association
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Notes to Financial Statements
March 31, 2022

(expressed in thousands of Canadian dollars)

Digital Supercluster membership

The Digital Supercluster has engaged with a range of industry market participants who are members of the Digital Supercluster and are collaborators in innovative projects. The Digital Supercluster co-invests in member led projects which are selected through a competitive process. Members of the Digital Supercluster pay annual fees for corporate programs and management, capacity building and technology leadership programs. Membership fees were initially assessed annually as a percentage of planned investment commitment over five years, amortized per year. At the end of the fiscal period ending March 31, 2020, the Board of Directors approved a new membership fee structure, effective April 1, 2020, which allows members to pay a smaller up front annual membership fee plus a percent of project costs when funding is provided from the Digital Supercluster. Fees by members are recognized as underlying project and related costs are incurred.

Digital Supercluster program streams

The Digital Supercluster invests in program areas namely Technology Leadership, Capacity Building and the recently created program, COVID-19. The Technology Leadership program has three streams: Digital Twins, Data Commons and Precision Health. Investments in Technology Leadership will be complemented by direct investments in talent development, re-skilling and scaling small and medium-size enterprises (SME) through Capacity Building program. To reduce risk for early-stage projects, the Digital Supercluster also invests in Feasibility Studies. To rapidly respond to the challenges presented in the current COVID-19 environment, a program was created in 2020 to fund projects to deliver solutions to some of the biggest issues created or exacerbated by COVID-19 focused on unlocking solutions to protect the health and safety of Canadians and their economy through the development, deployment and scaling of digital technologies.

2 Basis of presentation

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations (ASNPO) in Part III of the Chartered Professional Accountants of Canada (CPA Canada) Handbook. The financial statements are prepared on a going concern basis (also refer note 10).

Certain comparative figures have been reclassified to conform to the current year presentation. These reclassifications are related entirely to numbers within the comparative statement of cash flows. The reclassification had zero impact on the overall comparative cash balance or any of the subtotals within the statement of cash flows.

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March 31, 2022

(expressed in thousands of Canadian dollars)

3 Significant accounting policies

Deferred contributions and revenue recognition

The Digital Supercluster follows the deferral method of accounting for contributions.

a) Restricted contributions

Funding from ISED, program management fees and member direct investments are considered restricted for the purpose of providing funding to eligible recipients for future Technology Leadership programs, Capacity Building programs, COVID-19 programs and the payment of the Digital Supercluster operating and capital expenditures. Restricted contributions for expenses of a future period are recorded as deferred contributions and recognized as revenue in the year in which the related expenses are incurred.

Investment income earned on deferred contributions is recognized in the period in which it is earned.

Deferred contributions related to capital assets represent amounts received specifically for the purpose of purchasing capital assets. Restricted contributions related to the purchase of capital assets are deferred and recorded as revenue over the same period the related asset is amortized.

b) Other and in-kind contributions

In-kind contributions represent donated services and are recorded in the period they are received at fair market value with a corresponding in-kind expense for the same amount. Other contributions also follow the deferral method of revenue recognition if it is considered restricted.

Use of estimates and assumptions

The preparation of financial statements in accordance with ASNPO requires management to make certain estimates and assumptions that may affect the reported amounts of certain assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The use of estimates and assumptions are further complicated and impacted by the COVID 19 pandemic which started in March 2020 and remains a local and international health and economic factor. The Digital Supercluster monitors the impacts of the pandemic closely and currently operates normally for the most part. Should the duration, spread or intensity of the pandemic develop further, it could impact the Digital Supercluster's financial results, funding and activities.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances and call deposits that have original maturities of three months or less.

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(expressed in thousands of Canadian dollars)

Capital assets

Capital assets are recorded at cost less accumulated depreciation. Capital assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 years
Furniture and fixture	4 years

Financial instruments

At year-end, the Digital Supercluster assesses whether there are any indications that a financial asset measured at cost or amortized cost may be impaired. Financial assets measured at cost include funding receivable and other receivables. If there is an indicator of impairment, the Digital Supercluster 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 Digital Supercluster 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 impairment charge.

Project advances

Project advances comprise amounts provided by the Digital Supercluster to recipients of approved projects but for which the project costs have not yet been incurred and claimed for reimbursement.

4 Cash and cash equivalents

Cash and cash equivalents represent bank and other short-term deposits held at financial institutions and include funding internally and externally restricted for the funding of projects.

5 Accounts and other receivables

	2022	2021
	\$	\$
Member fee receivables	486	129
Funding receivables	1,550	20,045
Other receivables	86	79
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	2,122	20,253
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The member fee receivables represent the amounts receivable by members for annual fees. The funding receivables relate to funding confirmed to be receivable by ISED, the Province of BC or members but not yet received and used to fund approved and planned projects under the Digital Supercluster's Technology

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Leadership program, Corporate Programs and Management, Capacity Building program and COVID-19 program.

6 Project advances

During the year ended March 31, 2022, the Digital Supercluster advanced a total of \$15.07 million (2021 – \$19.65 million) to members towards approved projects to support member organizations in project delivery.

During the year ended March 31, 2022, a total of \$9.98 million (2021 – \$13.19 million) of project costs have been incurred and claimed for reimbursement by the recipients resulting in an ending Project Advances balance of \$11.55 million (2021 – \$6.46 million) as at March 31, 2022.

7 Funding and deferred contributions

Deferred contributions represent unspent contributions restricted for specific purposes and projects, and include expenses for operating as well as capital purposes.

a) Deferred contributions – current

Deferred contributions – current, represent unspent member program management fees, ISED funding for program costs and a contribution from the Province of BC for internal program costs and capacity building. These amounts are recognized as revenue in the period the related expense is incurred, which is expected to be within one year. Among the eligible \$45.39 million (2021 – \$71.18 million) funding allocated to the year ending March 31, 2022, \$43.84 million (2021 – \$51.20 million) was received by March 31, 2022, and the residual \$1.55 million (2021 – \$20.05 million) was received in April 2022.

	2022	2021
	\$	\$
Balance – Beginning of year	57,205	31,905
Eligible funding for the financial year	45,395	71,172
Member program management fees	4,939	1,480
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Amounts recognized as revenue during the year	107,539	104,557
	(46,556)	(47,352)
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Balance – End of year	60,983	57,205

The amounts recognized as revenue during the year are comprised of \$43.84 million (2021 – \$45.76 million) in ISED funding, \$2.21 million (2021 – \$0.69 million) in program management fees, and \$0.50 million (2021 – \$0.91 million) in member direct investment.

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(expressed in thousands of Canadian dollars)

- b) Deferred contributions – non-current
- i) Deferred contributions related to capital assets

	2022	2021
	\$	\$
Balance – Beginning of year	250	331
Amortization of capital assets recognized as revenue	(138)	(81)
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Balance – End of year	112	250
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The amounts recognized as revenue during the year are included in the ISED funding revenue in the statement of operations and changes in net assets.

- ii) Deferred contributions for future project expenses

	2022	2021
	\$	\$
Balance – Beginning of year	5,599	3,382
Eligible funding for the financial year	-	8,520
Transfer to current deferred contribution	(3,339)	(6,254)
Amounts recognized to revenue	(2,260)	(49)
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Balance – End of year	-	5,599
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The amounts recognized as revenue during the year are included in the member direct investment revenue in the statement of operations and changes in net assets.

8 Other revenue

	2022	2021
	\$	\$
In-kind contribution for office facility	123	120
Interest revenue	145	83
Other	-	2
	<hr/>	<hr/>
	268	205
	<hr/>	<hr/>

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Notes to Financial Statements
March 31, 2022

(expressed in thousands of Canadian dollars)

9 Project commitments

The Digital Supercluster invests in projects in programs as outlined in note 1. Projects are selected through a competitive process and successful proponents enter into Master Project Agreements outlining the terms of the investment. As of March 31, 2022, commitments for funding by programs are as follows:

	Total initial committed co-investment	Estimated remaining commitment
	\$	\$
Approved programs		
Technology leadership programs	83,207	49,134
Capacity Building program	18,878	14,493
COVID-19 program	59,320	4,076
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	161,405	67,703
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10 Subsequent events and future funding contributions

Under the current Contribution Agreement with ISED, the 2022-2023 fiscal year (to end on March 31, 2023) is the last year the Digital Supercluster is scheduled to receive funding under the existing arrangement. On April 7, 2022, the Government of Canada published its Budget 2022 which proposes to provide \$750 million of funding over six years, starting in 2022-2023 to Canada's Global Innovation Clusters for further growth and development. The proposed funding will be allocated between the five innovation clusters on a competitive basis. The amount to be allocated to the Digital Supercluster is unknown at this time.