Grant Thornton

Financial statements

Innovation Factory

March 31, 2021

Contents

Grant Thornton

Independent auditor's report

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To the Board of Directors of
Innovation Factory

Opinion

We have audited the financial statements of the Innovation Factory, ("the Organization"), which comprise the statement of financial position as at March 31, 2021 and the statements of operations and changes in net assets 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 financial statements present fairly, in all material respects, the financial position of the Innovation Factory as at March 31, 2021, 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 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 are independent of the Organization 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 these 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

Grant Thornton LLP

Hamilton, Canada
September 16, 2021

Chartered Professional Accountants
Licensed Public Accountants

Innovation Factory
Statements of operations and changes in net assets

Year ended March 31	2021	2020
Revenue		
Grants		
Autonomous Vehicle Innovation Network (AVIN) – Ontario Centres of Excellence	**$ 1,503,984**	$ 825,644
Regional Innovation Centre – Ministry of Economic Development, Job Creation and Technology (MEDJCT)	**448,002**	509,155
Business Acceleration Program (BAP) – MaRS Discovery District	**367,500**	373,025
Digital Main Street (DMS) – Communitech	**120,531**	-
Accelerator Women Entreprenuership (AWE) – Ryerson University	**-**	27,198
Amortization of deferred capital contributions	**808,889**	393,490
Operating sponsorships	**207,995**	191,455
Synapse – Corporate sponsored program	**140,167**	146,496
In-kind operational services for equipment	**38,437**	221,498
Sponsorships in-kind	**89,202**	13,944
Sponsorship for events	**3,751**	179,402
	3,728,458	2,881,307
Expenses (Note 7)		
Salaries and employee benefits	**1,589,563**	1,554,466
Amortization	**808,889**	393,490
Partner contribution	**750,926**	-
Program expenses	**186,195**	401,619
Facility	**113,356**	120,121
Professional fees	**56,653**	48,393
Operating expenses	**46,711**	60,588
Marketing and outreach	**44,775**	64,368
In-kind operational services for equipment	**38,437**	221,498
In-kind sponsorship expenses	**89,202**	13,944
	3,724,707	2,878,487
Excess of revenue over expenses	**$ 3,751**	$ 2,820
Net assets, beginning of year	**$ 97,528**	$ 94,708
Excess of revenue over expenses	**3,751**	2,820
Net assets, end of year	**$ 101,279**	$ 97,528

See accompanying notes to the financial statements.

Innovation Factory
Statement of financial position

March 31	2021	2020
Assets		
Current		
Cash	$ 379,429	$ 306,687
Accounts receivable	96,725	122,616
HST receivable	124,980	17,982
Prepaid expenses	46,308	80,955
	647,442	528,240
Property and equipment (Note 3)	1,748,096	2,373,297
	$ 2,395,538	$ 2,901,537
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 4)	$ 119,895	$ 45,116
Deferred revenue (Note 5)	426,268	385,596
	546,163	430,712
Deferred capital contributions (Note 6)	1,748,096	2,373,297
	2,294,259	2,804,009
Net assets		
Unrestricted	101,279	97,528
	101,279	97,528
	$ 2,395,538	$ 2,901,537

Commitment (Note 9)

On behalf of the Board:

_______________________________Director _______________________________Director

See accompanying notes to the financial statements.

Innovation Factory
Statement of cash flows

Year ended March 31	2021	2020
Increase (decrease) in cash		
Operating activities		
Excess of revenue over expenses	$ 3,751	$ 2,820
Amortization of capital assets	808,889	393,490
Amortization of deferred capital contributions	(808,889)	(393,490)
	3,751	2,820
Change in non-cash working capital items		
Accounts receivable	25,891	(72,558)
HST receivable	(106,998)	6,772
Prepaid expenses	34,647	22,985
Accounts payable and accrued liabilities	74,779	536
Deferred revenue	40,672	(207,623)
	68,991	(249,888)
Increase (decrease) in cash	72,742	(247,068)
Cash, beginning of year	306,687	553,755
Cash, end of year	$ 379,429	$ 306,687

See accompanying notes to the financial statements.

Innovation Factory
Notes to the financial statements
March 31, 2021

1. Nature of operations

Innovation Factory (the organization) is committed to helping entrepreneurs commercialize their creative and innovative ideas by providing support services, executives in residence, and community connections to their clients. The organization is incorporated by Letters Patent as a corporation without share capital under the Canada Corporations Act. It is a not-for-profit organization and is exempt from income taxes.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

Revenue recognition
The organization follows the deferral method of accounting for contributions.

Government grants are recognized as revenue in the year in which the related expenses are incurred and are recorded in deferred revenue until spent.

Sponsorship revenue is recorded when earned and reasonable collection is assured. In-kind sponsorship and operational services revenue is recorded at fair value when the services are exchanged. The fair value of contributed services in respect of volunteer time cannot be readily calculated and, as such, the value of the services are not recognized in the financial statements.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Property and equipment are amortized to estimated residual values at the following annual rates over the estimated useful lives of the related assets:

Computer equipment	3 years	Straight-line

The estimated useful lives of assets are reviewed by management and adjusted if necessary.

The organization tests capital assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Innovation Factory
Notes to the financial statements
March 31, 2021

2. Significant accounting policies (continued)

Financial instruments

Measurement
The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets and liabilities measured at amortized cost include cash, accounts receivable, prepaid expenses, and accounts payable.

Impairment
Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the statement of operations.

Management estimates
Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to excess of revenue over expenses as appropriate in the year they become known.

Items subject to significant management estimates include estimated useful lives property and equipment and the computer equipment put into use during the year.

Innovation Factory
Notes to the financial statements
March 31, 2021

3. Property and equipment

	Cost	Accumulated Amortization	**2021** Net Book Value	2020 Net Book Value
Computer equipment	$ 2,950,475	$ 1,202,379	**$ 1,748,096**	$ 2,373,297

The above computer equipment was not fully installed and put into use as of year end and therefore, amortization is charged only to the extent of installed equipment of $2,326,583. The remaining equipment will be amortized once it is put into use.

4. Government remittances payable

Included in accounts payable and accrued liabilities is $9,448 (2020 - $6,545) in government remittances payable.

5. Deferred revenue

	Deferred revenue as at March 31, 2020	Amounts received/ receivable in the year	Amounts expended and recognized in the year	**Deferred revenue as at March 31, 2021**
Core operations – MEDJCT	$ 229,132	$ 468,356	$ (448,002)	**$ 249,486**
AVIN	87,375	1,500,000	(1,503,984)	**83,391**
Synapse	69,089	150,000	(140,167)	**78,922**
DMS	-	135,000	(120,531)	**14,469**
BAP	-	367,500	(367,500)	**-**
	$ 385,596	$ 2,620,856	$ (2,580,184)	**$ 426,268**

6. Deferred capital contributions

Deferred capital contributions represent the unamortized portion of contributed IT equipment which was received by a partnering company to be used in the AVIN Project. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The deferred capital contributions balance is comprised as follows:

	2021	2020
Balance, beginning of year	**$ 2,373,297**	$ 2,621,033
Contributions received during the year	**183,688**	145,754
Amortization of deferred capital contributions	**(808,889)**	(393,490)
Balance, end of year	**$ 1,748,096**	$ 2,373,297

Innovation Factory
Notes to the financial statements
March 31, 2021

7. Program and operating expenses by funding source

	2021	2020
AVIN		
Partner contribution	**$ 750,926**	$ -
Salaries and employee benefits	**619,842**	616,297
Program expenses	**98,569**	183,362
Facility	**34,647**	25,985
In-kind sponsorship expense	**58,870**	-
	1,562,854	825,644
BAP		
Salaries and employee benefits	**344,691**	337,814
Training	**1,911**	21,123
Program expenses	**20,898**	191,296
	367,500	550,233
AWE		
Salaries and employee benefits	**-**	11,411
Program expenses	**-**	15,787
	-	27,198
Synapse		
Salaries and employee benefits	**138,587**	135,322
Program expenses	**1,580**	11,174
	140,167	146,496
MEDJCT Operating		
Salaries and employee benefits	**431,060**	453,622
Facility	**78,709**	94,136
Marketing and outreach	**44,775**	64,368
Professional fees	**56,653**	48,393
Office supplies	**20,329**	21,148
Other expenses	**24,471**	18,317
In-kind sponsorship expenses	**30,332**	13,944
	686,329	713,928
DMS		
Salaries and employee benefits	**55,383**	-
Program expenses	**65,148**	-
	120,531	-
Amortization	**808,889**	393,490
In-kind operational services for equipment	**38,437**	221,498
	847,326	614,988
Total	**$ 3,724,707**	$ 2,878,487

8. Credit facility

The organization has available a line of credit in the amount of $75,000, bearing interest at prime plus 2%. As at March 31, 2021 the outstanding balance was $Nil (2020 - $Nil).

Innovation Factory
Notes to the financial statements
March 31, 2021

9. Lease commitment

The organization signed a lease agreement for premises for the period from July 1, 2019 to June 30, 2022. The future minimum lease payments are as follows:

2022	$ 59,290
2023	14,822
	$ 74,112

10. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extended risk related to financial instruments. The Organization is primarily exposed to credit and liquidity risks. There have been no changes to the nature of the risk exposure from prior year.

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risk relates to its accounts receivable. There was no significant change in exposure from the prior year.

Liquidity risk
Liquidity risk is the risk the organization will encounter difficulty in raising funds to meet commitments associated to its financial liabilities. The organization is exposed to liquidity risk through its accounts payable and accrued liabilities. The organization manages liquidity risk through regular monitoring of budget and actual cash flows to ensure it has sufficient funds to meet current and foreseeable financial obligations.