

Consolidated financial statements of

Province of Nova Scotia
Nova Scotia Innovation Corporation

March 31, 2019

Province of Nova Scotia
Nova Scotia Innovation Corporation
March 31, 2019

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Management's Report

Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.


The board of directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises these responsibilities through the board. The board reviews internal consolidated financial statements on a monthly basis and external audited consolidated financial statements yearly.

The external auditors, Deloitte LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Innovacorp and meet when required.

On behalf of **Innovacorp**



Malcolm Fraser
President and CEO



Donna Bourque, CPA, CA, CPA (IL)
VP Finance and Operations

Date

2019.06.25

Independent Auditor's Report

To the Board or Directors of
Province of Nova Scotia
Nova Scotia Innovation Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Nova Scotia Innovation Corporation ("Innovacorp"), which comprise the the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus, change in net financial assets, cash flows and remeasurement gains and losses for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Innovacorp as at March 31, 2019, and the results of its operations, its remeasurement gains and losses, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Innovacorp 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.

Responsibility 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 PSAS, 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 Innovacorp'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 Innovacorp or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Innovacorp'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 GAAS 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 GAAS, 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 Innovacorp'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 Innovacorp'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 Innovacorp 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.

Deloitte LLP

Chartered Professional Accountants

June 25, 2019

Province of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated statement of financial position
as at March 31, 2019

	2019	2018
	\$	\$
FINANCIAL ASSETS		
Cash	7,350,593	8,367,368
Restricted cash & cash equivalents	1,784,540	2,942,518
Accounts receivable (Note 3)	805,936	1,593,494
Loans receivable (Note 4)	1,832,505	2,662,505
Portfolio investments (Note 5)		
Investments quoted in an active market	475,522	803,159
Investments in early stage private enterprises	44,515,121	35,926,546
	56,764,217	52,295,590
LIABILITIES		
Payables and accruals (Notes 7 and 14)	1,243,702	1,884,926
Lease inducement liability	110,693	130,819
Long-term debt (Note 6)	401,561	8,409,133
Retirement benefits (note 7)	1,744,303	1,828,481
Post-employment benefits (Note 8)	41,654	99,442
Deferred revenue	868,659	1,969,641
Deferred capital contributions (Note 10)	2,451,645	2,620,996
	6,862,217	16,943,438
Net financial assets	49,902,000	35,352,152
NON-FINANCIAL ASSETS		
Prepaid expenses	148,538	94,413
Property and equipment (Note 11)	5,245,219	5,549,445
	5,393,757	5,643,858
Accumulated surplus	55,295,757	40,996,010
Accumulated surplus is comprised of:		
Accumulated operating surplus	55,231,991	40,823,311
Accumulated rereasurement gains	63,766	172,699
	55,295,757	40,996,010

Contractual obligations (Note 16)

On behalf of the Board of Directors:



Board Chair



Director

The accompanying notes are an integral part of the consolidated financial statements.

Province of Nova Scotia

Nova Scotia Innovation Corporation

Consolidated statement of operations and accumulated surplus
year ended March 31, 2019

	Budget (unaudited - Note 19)	2019	2018
	\$	\$	\$
Revenues (Note 17)			
Corporate services			
Government contributions - operations (Note 12)	9,412,208	9,534,183	9,517,779
Government contributions - statutory capital (Note 12)	-	12,246,201	6,918,414
Other	12,000	109,430	42,530
Incubation	1,606,984	3,114,268	2,214,008
Investment	17,124	622,002	1,297,867
	11,048,316	25,626,084	19,990,598
Expenses (Notes 13 & 17)			
Corporate services	1,812,348	1,887,322	1,724,220
Incubation (Note 14)	7,712,404	8,683,024	6,529,520
Investment	1,314,564	1,221,530	3,490,392
	10,839,316	11,791,876	11,744,132
Operating surplus	209,000	13,834,208	8,246,466
Impairment of portfolio investments and loans receivable	(500,000)	(305,000)	(1,966,141)
Realized gains on portfolio investments	150,000	879,472	4,796,180
Loss on disposal of property and equipment	-	-	(41,219)
	(350,000)	574,472	2,788,820
Annual surplus (deficit)	(141,000)	14,408,680	11,035,286
Accumulated operating surplus, beginning of year		40,823,311	29,788,025
Accumulated operating surplus, end of year		55,231,991	40,823,311

The accompanying notes are an integral part of the consolidated financial statements.

Province of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated statement of change in net financial assets
year ended March 31, 2019

	2019	2018
	\$	\$
Annual surplus	14,408,680	11,035,286
Net remeasurement (loss) gain	(108,933)	139,593
	14,299,747	11,174,879
Change in tangible capital assets		
Acquisition of property and equipment	(264,161)	(632,158)
Disposal of property and equipment at net carrying value	-	41,219
Amortization	568,387	444,517
	304,226	(146,422)
Change in other non-financial assets		
Net change in prepaid expenses	(54,125)	1,841
Increase in net financial assets	14,549,848	11,030,298
Net financial assets, beginning of year	35,352,152	24,321,854
Net financial assets, end of year	49,902,000	35,352,152

Province of Nova Scotia

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Consolidated statement of cash flows
year ended March 31, 2019

	2019	2018
	\$	\$
Operating transactions		
Annual surplus	14,408,680	11,035,286
Items not affecting cash:		
Amortization	568,387	444,517
Deferred capital contributions recognized	(260,669)	(148,302)
Employee future benefits recovery	(98,641)	(198,701)
Nova Scotia First Fund income	(174,678)	(4,823,291)
Lease inducement liability amortization	(20,126)	(20,125)
Accrued interest on long-term debt	-	7,572
Loss on retirement of property and equipment (net)	-	41,219
Impairment of portfolio investments and loans receivable	305,000	1,966,141
	14,727,953	8,304,316
Changes in non-cash operating working capital	(1,008,773)	(117,944)
Employee future benefits payments	(43,325)	(44,495)
Repayment of accrued interest long-term loan	(7,572)	(7,797)
	13,668,283	8,134,080
Capital transactions		
Acquisition of property and equipment	(264,161)	(632,158)
	(264,161)	(632,158)
Investing transactions		
Proceeds on sale or redemption of portfolio investments	1,245,364	6,419,693
Acquisitions of portfolio investments and advance of loans receivable	(8,915,557)	(11,156,298)
	(7,670,193)	(4,736,605)
Financing transactions		
Long-term debt repayments	(8,000,000)	-
Deferred capital contributions received	91,318	337,836
	(7,908,682)	337,836
(Decrease) increase in cash & cash equivalents	(2,174,753)	3,103,153
Cash & restricted cash, beginning of year	11,309,886	8,206,733
Cash & restricted cash, end of year	9,135,133	11,309,886
Cash & restricted cash consists of:		
Cash	7,350,593	8,367,368
Restricted cash:		
Cash	13,739	119,870
Cash equivalents	1,770,801	2,822,648
	9,135,133	11,309,886
Supplemental information:		
Interest paid	230,320	230,320

The accompanying notes are an integral part of the consolidated financial statements.

Province of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated statement of remeasurement gains and losses
year ended March 31, 2019

	2019	2018
	\$	\$
Accumulated remeasurement gains, beginning of year	172,699	33,106
Remeasurement gain arising during the year		
Remeasurement gain on portfolio investments quoted in an active market	27,005	131,246
Reclassifications to the statement of operations		
Realized (gain) loss on portfolio investments quoted in an active market	(135,938)	8,347
Net remeasurement (loss) gain	(108,933)	139,593
Accumulated remeasurement gains, end of year	63,766	172,699

Province of Nova Scotia

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Notes to the consolidated financial statements
March 31, 2019

1. Nature of operations

The Nova Scotia Innovation Corporation (“Innovacorp”) was established on February 6, 1995, by the *Innovation Corporation Act* and is wholly owned by the Province of Nova Scotia. Its purpose is to build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world. Innovacorp is exempt from income taxes under section 149 of the *Income Tax Act*.

In 1997, pursuant to the *Innovation Corporation Act*, the Province of Nova Scotia transferred the assets of the Nova Scotia First Fund (“NEFF”) to Innovacorp. The objective of the fund is to encourage the development of high technology industries and the adoption of new technologies by existing industries.

In 2010, Order-in-Council (“OIC”) 2009-228 authorized an advance of up to \$30 million from the Province of Nova Scotia to the NSFF. In 2012, OIC 2011-326 authorized additional advances from the Province of Nova Scotia of up to \$24 million for the creation of a clean technology fund which expired on March 31, 2016. In 2016, OIC 2016-267 authorized an additional advance of up to \$29 million from the Province of Nova Scotia to the NSFF and authorized the undrawn balance of \$11.3 million under OIC 2011-326 when it expired on March 31, 2016 to be advanced to the NSFF. Also, in 2016, OIC 2016-157 authorized \$25 million for the creation of a venture capital fund. In 2019 Innovacorp repaid an \$8 million loan related to OIC 2003-365 making this amount available to be advanced to the NSFF. As of March 31, 2019, \$37.9 million has been drawn and \$35.8 million has been committed under these OICs, leaving \$29.6 million as undrawn and available.

2. Summary of significant accounting policies

Basis of accounting

The consolidated financial statements of Innovacorp have been prepared by management in accordance with Canadian Public Sector Accounting Standards (“PSAS”) as established by the Public Sector Accounting Board (“PSAB”).

Innovacorp reports all revenues and expenses on an accrual basis. Assets are carried at the lower of cost and net recoverable value except that certain financial instruments are carried at fair market value. Liabilities and financial obligations to outside organizations are recorded at the estimated amount ultimately payable.

Both financial and non-financial assets are reported on the consolidated statement of financial position. Non-financial assets are used to provide services in future periods and are charged to expense through amortization or upon utilization. These assets do not normally provide resources to discharge the liabilities of Innovacorp unless they are sold. As a result, non-financial assets are not taken into consideration when determining the net financial assets of Innovacorp, but rather are added to the net financial assets to determine the accumulated surplus.

Basis of consolidation

The financial statements are prepared on a fully consolidated basis and reflect the assets, liabilities, revenues and expenses of the reporting entity, which is composed of all organizations which are controlled by Innovacorp. These organizations are 1402998 Nova Scotia Limited and 3087532 Nova Scotia Limited, wholly owned subsidiaries whose year-ends are the same as that of Innovacorp.

All inter-departmental and inter-entity accounts and transactions between these organizations are eliminated upon consolidation.

Financial instruments

Cash

Cash includes petty cash and amounts on deposit with financial institutions and is measured at cost.

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Notes to the consolidated financial statements
March 31, 2019

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Restricted cash & cash equivalents

Restricted cash & cash equivalents include funds held in the NSFF for future investments. The restricted cash equivalents comprise short-term investments with a term to maturity of three months or less at the date of acquisition.

Accounts receivable

Receivables are measured at amortized cost using the effective interest method. A valuation allowance is used to reduce the recorded value to the lower of its cost or net recoverable value.

Loans receivable

Loans receivable include promissory notes and convertible debentures which are carried at cost (including conversion features), with cost being equal to the fair value of the assets given up or liabilities assumed, with the exception of significantly concessionary notes and debentures which are carried at the discounted value of the note or debenture after the grant portion has been charged to the consolidated statement of operations.

For significantly concessionary loans, subsequent to the initial measurement, the loans are carried at amortized cost using the effective interest method.

Gains and losses are recognized in the consolidated statement of operations in the period the loans are derecognized or impaired.

Portfolio investments

Portfolio investments include investments which are publicly held and quoted in an active market, as well as investments in equity instruments of early stage private enterprises.

a. Portfolio investments which are publicly held and quoted in an active market

Portfolio investments which are publicly held and quoted in an active market are carried at fair value. Unrealized gains and losses are reported in the consolidated statement of remeasurement gains and losses until they are realized or impaired, at which time the cumulative gain or loss is transferred to the consolidated statement of operations.

b. Investments in equity instruments of early stage private enterprises

Investments in equity instruments of private enterprises are carried at cost with realized gains and losses recognized in the consolidated statement of operations in the period they are sold. When the terms associated with a particular investment are so concessionary that the substance of the transaction is that all or a significant part of the investment is in the nature of a grant, the investment is carried at its discounted value after the grant portion of the transaction has been charged to the consolidated statement of operations.

The amount of any investment discount is amortized to revenue by applying the effective interest method over the term to redemption or maturity of the investment.

Payables and accruals

Payables and accruals are measured at amortized cost using the effective interest method with gains and losses recognized in the consolidated statement of operations in the period that the liability is derecognized.

Long-term debt

Long-term debt is measured at amortized cost using the effective interest method with gains and losses recognized in the consolidated statement of operations in the period that the liability is derecognized.

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Notes to the consolidated financial statements
March 31, 2019

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

a. Loans receivable

Loans receivable are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal and interest. A specific valuation allowance is established to reduce the recorded value of the impaired loan to its estimated net recoverable value.

Initial and subsequent changes in the amount of valuation allowance are recorded as a charge or credit to the consolidated statement of operations.

Loans receivable are written off after all reasonable restructuring and collection activities have taken place, and management believes that there is no realistic prospect of recovery. Once all or a part of a loan receivable has been written off, the write-off is not reversed.

In the event a loan which was previously written off is recovered, the recovery is credited to the consolidated statement of operations upon receipt.

b. Portfolio investments

When there has been a loss in the value of a portfolio investment that is other than a temporary decline, the investment is written down and a loss reported in the consolidated statement of operations. A write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

Fair value

Fair value is the estimated amount for which a financial instrument could be exchanged between willing parties, based on the current market for instruments with the same risk, principal and remaining maturity. Certain fair value estimates are significantly affected by assumptions for the amount and timing of estimated cash flows and discount rates, all of which reflect varying degrees of risk. As a result, the fair values may not necessarily be indicative of the amounts that would be realized if these instruments were actually settled. The methods and assumptions used to estimate the fair value of financial instruments are described in the following paragraphs.

The fair values of investments in securities which are publicly held and quoted in an active market are based on quoted closing prices. The fair values of impaired investments for which there is no quoted market value are determined based on values indicated by transactions in the financial instruments of the investee. Where transactions in the financial instruments of the investee are not available, other factors, such as milestone progress, are considered in determining fair value.

Due to the short period to maturity, the fair value of cash, accounts receivable, and payables and accruals approximate their carrying values as presented in the consolidated statement of financial position.

Measurement uncertainty

The preparation of the consolidated financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the reporting period. Key components of the consolidated financial statements requiring management to make significant estimates include the allowance for doubtful accounts, employee future benefits, the useful lives of property, equipment, the impaired value of loans receivable and equity investments in early stage private enterprises, retirement benefits and accruals. Actual results could differ materially from these estimates.

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Nova Scotia Innovation Corporation

Notes to the consolidated financial statements
March 31, 2019

2. Summary of significant accounting policies (continued)

Revenue recognition

Incubation revenue is recognized as earned and collection reasonably assured and includes monthly rent and recoveries from tenants for utilities, photocopies, and other administration services. As it pertains to rent, Innovacorp has retained substantially all the benefits and risks of ownership of the properties; therefore, it accounts for these leases as operating expenses.

Investment revenue includes dividends, and capital gains and losses, as well as interest on cash balances, fixed income securities, and loans receivable, including amortization of premiums or discounts arising upon initial recognition in accordance with the effective interest method.

Interest is accrued daily to the extent it is deemed collectable, dividend income is recognized on the ex-dividend date, and capital gains and losses are recognized upon de-recognition of the investment.

Investment revenue ceases to be accrued when the collectability of such investment income is not reasonably assured.

Government contributions are recognized as revenue in the period the transfer is authorized, and all eligibility criteria have been met, except when and to the extent the transfer includes stipulations which have not yet been met.

Government contributions with stipulations are initially deferred and recognized as revenue as the related stipulations are met. Stipulations associated with the acquisition of property and equipment are considered to be met as the assets are used for their intended purpose.

Advances of statutory capital by the Province of Nova Scotia to finance investments are recognized at the later of the date that the funds are received and the date an eligible investment is made.

Property and equipment

Property and equipment are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost, less residual value, of the property and equipment, excluding land, are amortized over their estimated useful lives at the following rates and methods:

Buildings	4%	Declining balance
Site improvements	8%	Declining balance
Equipment	20%	Declining balance
Furniture and fixtures	20%	Declining balance
Leasehold improvements	Term of lease	Straight line
Computer equipment	30%	Declining balance
Information technology ("IT")	3 - 20 years	Straight line

Property and equipment are written down when conditions indicate that they no longer contribute to the ability to provide goods and services, or when the value of future economic benefits associated with the property and equipment are less than their net book value.

When conditions indicate that certain property and equipment no longer contribute to Innovacorp's ability to provide goods and services, the cost of the assets are written down to residual value, if any.

When conditions indicate that the value of future economic benefits associated with the property and equipment are less than their net book value, and the decline in value is permanent, the cost of the property and equipment are written down to the total estimated undiscounted future cash flows in order to reflect the decline in the asset's value.

The net write-downs are accounted for as expenses in the consolidated statement of operations and are not reversed.

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Notes to the consolidated financial statements
March 31, 2019

2. Summary of significant accounting policies (continued)

Property and equipment (continued)

Contributed property and equipment are recorded in revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of property and equipment from related parties are recorded at carrying value.

Leases

Innovacorp accounts for the lease of its premises as an operating expense, as substantially all the risks of benefits and risk of ownership have been retained by the lessor. Payments made under operating leases are charges to the consolidated statement of operations on a straight line basis over the term of the lease.

The aggregate benefit on incentives received from the lessor are initially recorded as a lease inducement liability and subsequently recognized as a reduction of expense over the term of the lease, on a straight line basis (unless another systematic method is more appropriate).

Non-monetary transactions

Certain companies in which Innovacorp holds investments through the NSFF provide shares in exchange for rent. The value of the transaction is established by the fair value of fees charged for such services and is agreed by both parties. The number of shares is determined by share prices confirmed through third party transactions.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at year-end. Foreign currency transactions are translated at the exchange rate prevailing at the date of the transactions. Adjustments to monetary assets and liabilities arising as a result of a change in the exchange rate from the original transaction date to settlement are credited or charged to operations at the time the adjustments arise.

Retirement benefits

Innovacorp has a Public Service Award Program covering substantially all of its permanent employees ("long term service awards"). The benefit is based on years of service as at March 31, 2015 and the employee's compensation during the final year of employment. This program is funded in the year of retirement of eligible employees.

Innovacorp pays 65% of the cost of health care plans for substantially all retirees or surviving spouses of retirees ("post-retirement benefits"). The program is funded each year by the payment of the required premiums.

Innovacorp accrues its benefit liabilities under the above noted plans as the employees render the services necessary to earn the future benefits and has adopted the following policies:

- The liabilities are valued using the projected benefit method prorated on service and actuarial assessment and best estimates of the probability of retirement, salary escalation, inflation, expected health care costs, retirement ages and mortality rates.
- The discount rate applied is based on Innovacorp's cost of borrowing.
- Net actuarial gains or losses are amortized over the average remaining service period of the related employees, which is:
 - 7 years for long term service awards, on the remaining amounts after the settlement (Note 7) on March 31, 2018 (2018 - 8 years);
 - 2 years for long term service awards with amortizations commencing on April 1, 2018 and later;and

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Notes to the consolidated financial statements
March 31, 2019

2. Summary of significant accounting policies (continued)

Retirement benefits (continued)

- 9 years for post-retirement benefits (2018 – 9 years).
- Adjustments for plan amendments related to prior period employee services, net of offsetting unamortized actuarial gain/losses, are recognized in the consolidated statement of operations in the period of plan amendment.

Post-employment benefits

Innovacorp is responsible for ongoing amounts in respect of premiums for health benefit coverage, contributions to the Public Service Superannuation Plan (“PSSP”) in respect of pension accrual, and premiums for basic life insurance to former employees who have qualified for long-term disability until the date of retirement.

Innovacorp recognizes a benefit liability for such benefits in the period the employee qualifies for long-term disability and has adopted the following policies:

- The liability is valued using the projected benefit method prorated on service and actuarial assessment and best estimate of inflation, expected health care, insurance and PSSP costs, and retirement ages.
- The post-employment benefit liability is determined by applying a discount rate with reference to Province of Nova Scotia’s cost of borrowing.
- Net actuarial gains or losses are amortized over the average expected period that benefits will be paid, which is 8 years (2018 – 9 years) for amortizations commencing prior to March 31, 2017 and 2 years (2018 – 3 years) for amortizations commencing on or after March 31, 2017.
- Adjustments for plan amendments related to prior period employee services, net of offsetting unamortized actuarial gain/losses, are recognized in the consolidated statement of operations in the period of plan amendment.

Pension plan

Innovacorp employees belong to the PSSP, which is a multi-employer joint trustee plan. This plan is a defined benefit plan, providing a pension on retirement based on the member’s age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding.

Since sufficient information is not readily available to account for the Innovacorp’s participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting for defined contribution pension plans. No pension liability for this type of plan is included in the consolidated financial statements.

The joint trustee board of the plan determines the required plan contributions annually.

The contribution to the plan is recorded as an expense for the year.

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Notes to the consolidated financial statements
March 31, 2019

3. Accounts receivable

	2019	2018
	\$	\$
Trade receivables		
Ordinary	561,526	1,385,887
Related parties	77,495	62,665
HST receivable	169,243	108,899
Due from related parties (non-trade)	5,149	43,243
	813,413	1,600,694
Less: Allowance for doubtful accounts	(7,477)	(7,200)
	805,936	1,593,494

Trade receivables with related parties carry similar payment terms to that of ordinary trade receivables.

The allowance for doubtful accounts is determined on a specific identification basis with consideration as to the age of the receivable, and management's knowledge of the clients' current financial situation.

4. Loans receivable

Loans receivable include promissory notes and convertible debentures which were issued under the mandate of the NSFF and have yet to earn significant revenues from their intended business activities or establish their commercial viability. The recovery of loan principal amounts and the realization of investment returns are dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises. Therefore, these factors have been considered in establishing the valuation allowance. Future adverse developments could result in further write-downs of the carrying values of these loans.

	2019	2018
	\$	\$
Promissory notes	713,375	1,633,375
Convertible debentures	1,980,000	3,529,950
Valuation allowance	(860,870)	(2,500,820)
	1,832,505	2,662,505

The promissory notes and debentures have interest rates ranging between 5% and 10% (2018 – between 5% and 10%).

The debentures are convertible at the option of Innovacorp into common or preferred shares of the borrower either on demand, in the event of default or at maturity. During the year, Innovacorp converted \$1,250,000 (2018 - \$833,000) of debentures into Common or Preferred Shares.

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4. Loans receivable (continued)

The maturity dates of the loans are as follows:

	Promissory notes	Convertible debentures	Total amount due
	\$	\$	\$
Past due	10,870	1,050,000	1,060,870
Year ending March 31, 2020	450,701	500,000	950,701
Year ending March 31, 2021	-	-	-
Year ending March 31, 2022	251,804	430,000	681,804
	713,375	1,980,000	2,693,375
Valuation allowance	(360,870)	(500,000)	(860,870)
Carrying value	352,505	1,480,000	1,832,505

5. Portfolio investments

Portfolio investments include investments which are publicly held and quoted in an active market, as well as investments in early stage private enterprises that have yet to earn significant revenues from their intended business activities or establish their commercial viability.

The recovery of the investments in early stage enterprises and the realization of investment returns are dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises. Therefore, these factors have been considered in determining the write-down of these investments. Future adverse developments could result in further write-downs of the carrying values of these investments.

	2019	2018
	\$	\$
Investments quoted in an active market, at fair value	475,522	803,159
Investments in early stage private enterprises, at cost	49,293,828	44,943,893
Less: Other than temporary impairment	(4,778,707)	(9,017,347)
	44,515,121	35,926,546
Total	44,990,643	36,729,705

Included in investments quoted in an active market are investments of the NSFF with a fair value of \$475,522 (2018 – \$803,159)

Included in investments in early stage private enterprises are NSFF investments valued at cost less other than temporary impairment of \$44,515,121 (2018 – \$35,926,546).

6. Long-term debt

	2019	2018
	\$	\$
2.879% Province of Nova Scotia - NSFF	-	8,007,572
Province of Nova Scotia - land transfer	401,561	401,561
	401,561	8,409,133

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Notes to the consolidated financial statements
March 31, 2019

6. Long-term debt (continued)

In 2004, the Province of Nova Scotia advanced \$8,000,000 to Innovacorp for the purpose of investing in the NSFF. This loan was paid in full March 19, 2019, including accrued interest to date.

In 2006, Nova Scotia Business Inc., a party related by virtue of common ownership, transferred land and buildings in exchange for the assumption of \$401,561 of debt owed to the Province of Nova Scotia, an amount equal to the net book value of the assets transferred at the time of transfer. The loan is non-interest bearing and has no fixed repayment terms.

The total interest recognized as an expense in the consolidated statement of operations during the year was \$222,748 (2018 – \$230,095).

7. Retirement benefits

	2019	2018
	\$	\$
Long-term service awards	19,580	136,610
Post retirement benefits	1,724,723	1,691,871
	1,744,303	1,828,481

Innovacorp employees are entitled to long-term service awards upon retirement, based on years of service as at March 31, 2015 and the employee's compensation during the final year of employment. Specifically, these awards are earned at a rate of one week's pay for every year of service as at March 31, 2015, to a maximum of 26 weeks.

During the 2018 fiscal year end, employees were provided with an option to receive an early settlement of their long-service award (the "settlement"), based on years of service as at March 31, 2015 and the employee's compensation as at March 31, 2018. If an employee exercised the option, Innovacorp was discharged from its obligation to pay a long-term service award upon retirement of the employee. An aggregate amount of \$nil (2018 - \$260,969) previously included in retirement benefits is included in payables and accruals, in respect of amounts payable to employees who exercised the option.

Innovacorp provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the consolidated financial statements.

Innovacorp continues to pay 65% of the cost of life insurance, dental and health care benefits for substantially all employees after retirement. Innovacorp provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the consolidated financial statements.

The accrued benefit liabilities as a result of the above noted plans, which are based on actuarial assumptions and calculations, are as follows:

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March 31, 2019

7. Retirement benefits (continued)

	Long-term service award	Post- employment benefits	2019	2018
	\$	\$	\$	\$
Accrued benefit liability, beginning of year	136,610	1,691,871	1,828,481	2,014,499
Current period benefit cost				
Current service cost	-	32,758	32,758	32,553
Interest cost	2,192	51,034	53,226	65,502
Impact of settlement	-	-	-	47,994
Amortization of actuarial experience gains	(1,296)	(16,559)	(17,855)	(34,380)
Less: benefits paid during the year	(117,926)	(34,381)	(152,307)	(297,687)
Accrued benefit liability, end of year	19,580	1,724,723	1,744,303	1,828,481
Unamortized actuarial experience gains	(6,233)	(172,654)	(178,887)	(186,166)
Accrued benefit obligation, end of year	13,347	1,552,069	1,565,416	1,642,315

The significant assumptions adopted by management in measuring the accrued benefit obligations are as follows:

	2019	2018
Discount rate	3.29%	3.42%
Supplemental employee retirement plan indexing		
Salary increase rate		
Under 30	2.50%	2.50%
30 - 34	2.00%	2.00%
35 - 39	1.50%	1.50%
40 - 44	1.00%	1.00%
45 - 49	0.50%	0.50%
50 plus	0.00%	0.00%
Disabled members	2.00%	2.00%
Extended health care cost increase	0% - 4.5%	0% - 4.5%
Inflation rate	2.00%	2.00%

The unamortized actuarial gains and losses will be amortized over the average remaining service life of the related employee group which has been estimated to be as follows:

- 7 years for long term service awards, on the remaining amounts after the settlement on March 31, 2018 (2018 - 8 years);
- 2 years for long term service awards with amortizations commencing on April 1, 2018 and later; and
- 9 years for post-retirement benefits (2018 – 9 years).

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Notes to the consolidated financial statements
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7. Retirement benefits (continued)

The last actuarial valuation for accounting purposes took place on April 1, 2017. During the year, the services of an actuary were obtained to update the accrued benefit obligation balances as of March 31, 2019. The next actuarial valuation for accounting purposes will take place on April 1, 2020.

8. Post-employment benefits

Innovacorp is responsible for ongoing amounts in respect of premiums for health benefit coverage, contributions to the PSSP in respect of pension accrual, and premiums for basic life insurance to members qualifying for long-term disability.

The accrued benefit liability as a result of the long-term disability plan, which is based on actuarial assumptions and calculations, is as follows:

	2019	2018
	\$	\$
Accrued benefit liability, beginning of year	99,442	156,620
Interest cost	654	939
Amortization of actuarial experience gains	(50,118)	(50,016)
Less: benefits paid during the year	(8,324)	(8,101)
Accrued benefit liability, end of year	41,654	99,442
Unamortized actuarial experiences losses	(25,322)	(75,457)
Accrued benefit obligation, end of year	16,332	23,985

The significant assumptions adopted by management in measuring the accrued benefit obligations are as follows:

Discount rate	3.29%	3.42%
Extended health care cost increase	0% - 4.5%	0% - 4.5%
Inflation rate	2.00%	2.00%

The unamortized actuarial gains and losses will be amortized over the average expected period during which benefits will be paid in respect of long-term disability benefits which has been estimated to be 9 years at April 1, 2019 (2018 - 9 years) for amortizations commencing prior to March 31, 2017, and 2 years at April 1, 2019 (2018 - 3 years) for amortizations commencing on and after March 31, 2017. The reduction in amortization period is due to an employee, on long-term disability, returning to work.

The last actuarial valuation for accounting purposes took place on April 1, 2017. During the year, the services of an actuary were obtained to update the accrued benefit obligation balances as of March 31, 2019. The next actuarial valuation for accounting purposes will take place on April 1, 2020.

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9. Pension plan

Innovacorp and its employees contribute to the PSSP in accordance with the Public Service Superannuation Act. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The contribution rates for eligible employees were 8.4% for earnings up to the Year's Maximum Pensionable Earnings for Canada Pension Plan contributions and 10.9% for excess earnings (2018 – 8.4% for earnings up to the Year's Maximum Pensionable Earnings for Canada Pension Plan contributions and 10.9% for excess earnings). Innovacorp matches employee contributions to the plan. During the year, Innovacorp contributed \$254,183 (2018 - \$235,302) to the plan. These contributions are Innovacorp's pension benefit expense. Since sufficient information is not readily available to account for Innovacorp's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting for defined contribution pension plans. No pension liability for this type of plan is included in the consolidated financial statements.

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March 31, 2019

10. Deferred capital contributions

	Balance, beginning of year	Receipts during year	Transferred to revenue	Balance, end of year
	\$	\$	\$	\$
PNS - Knowledge Park ^(a)	375,176	-	-	375,176
PNS - Fibre MAN ^(b)	36,188	-	4,500	31,688
ACOA - 1344 Summer St. ^(c)	205,347	-	17,114	188,233
PNS - Building Energy retrofit ^(d)	100,375	-	4,016	96,359
ACOA - 1344 Summer St. ^(e)	372,333	-	28,519	343,814
ACOA - 1344 Summer St. ^(f)	395,427	-	30,331	365,096
ACOA - 1344 Summer St. ^(g)	417,079	-	30,147	386,932
ACOA - 1344 Summer St. ^(h)	382,627	-	31,582	351,045
ACOA - Cape Breton ⁽ⁱ⁾	336,444	91,318	114,460	313,302
	2,620,996	91,318	260,669	2,451,645

- (a) OIC 2005-387 provided Innovacorp with \$1.7 million in funding for infrastructure improvements in the Woodside Industrial park towards the creation of a Knowledge Park on land owned by Innovacorp. Funding under this OIC has been fully advanced. Expenditures on land improvements have been deferred and are recognized upon disposition of land inventory.
- (b) In 2005, the Province of Nova Scotia ("PNS") provided Innovacorp with \$98,200 to connect Innovacorp to the Halifax Area Dark Fibre Network. Additionally, \$90,000 was paid to the operator of the network, which entitled Innovacorp to use it for 20 years. These funds are being recognized over the period for which their cost entitles Innovacorp to access the dark fibre network.
- (c) In 2011, Atlantic Canada Opportunities Agency ("ACOA") provided Innovacorp with \$348,000 in assistance to fit-up space at the Innovacorp Enterprise Centre ("IEC"). These funds are being recognized on the same basis as the assets they funded are depreciated.
- (d) In 2012, under the Government Building Energy Retrofit program, the Nova Scotia Department of Transportation and Infrastructure Renewal covered the \$121,831 cost of converting Innovacorp's air handling unit at 1 Research Drive from electric to natural gas. The associated costs have been deferred and will be recognized on the same basis as the asset they funded is depreciated.
- (e) In 2013, ACOA provided Innovacorp with \$500,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are depreciated.
- (f) In 2014, ACOA provided Innovacorp with \$500,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are depreciated.
- (g) In 2015, ACOA provided Innovacorp with up to \$500,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are depreciated.
- (h) In 2016, ACOA provided Innovacorp with up to \$430,000 in assistance to fit-up space at IEC. These funds will be recognized on the same basis as the related assets are depreciated.
- (i) In 2019, ACOA provided Innovacorp with \$91,318 in assistance to fit-up the Cape Breton Makerspace (2018 - \$337,836). These funds will be recognized on the same basis as the related assets are depreciated.

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11. Property and equipment

March 31, 2019

	Land	Buildings	Site improvements	Equipment	Furniture and fixtures	Leasehold improvements	Information technology	2019 total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Opening balance	185,735	1,711,035	441,057	735,535	620,730	4,155,031	475,533	8,324,656
Additions	-	-	-	95,233	34,951	63,063	70,914	264,161
Disposals	-	-	-	-	-	-	-	-
Closing balance	185,735	1,711,035	441,057	830,768	655,681	4,218,094	546,447	8,588,817
Accumulated amortization								
Opening balance	-	406,731	247,621	298,088	449,580	1,022,439	350,752	2,775,211
Amortization	-	52,172	15,475	97,013	37,725	301,968	64,034	568,387
Disposals	-	-	-	-	-	-	-	-
Closing balance	-	458,903	263,096	395,101	487,305	1,324,407	414,786	3,343,598
Net book value	185,735	1,252,132	177,961	435,667	168,376	2,893,687	131,661	5,245,219

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Notes to the consolidated financial statements
March 31, 2019

11. Property and equipment (continued)

March 31, 2018

	Land	Buildings	Site improvements	Equipment	Furniture and fixtures	Leasehold improvements	Information technology	2018 total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Opening balance	222,875	1,436,023	441,057	470,056	584,288	4,147,114	967,027	8,268,440
Additions	-	275,012	-	265,479	36,442	7,917	47,309	632,158
Disposals	(37,140)	-	-	-	-	-	(538,803)	(575,942)
Closing balance	185,735	1,711,035	441,057	735,535	620,730	4,155,031	475,533	8,324,656
Accumulated amortization								
Opening balance	-	358,114	230,801	251,568	411,348	772,130	841,456	2,865,417
Amortization	-	48,617	16,820	46,520	38,232	250,309	44,019	444,517
Disposals	-	-	-	-	-	-	(534,723)	(534,723)
Closing balance	-	406,731	247,621	298,088	449,580	1,022,439	350,752	2,775,211
Net book value	185,735	1,304,304	193,436	437,447	171,150	3,132,592	124,781	5,549,445

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12. Government contributions

Innovacorp receives an annual contribution from the Province of Nova Scotia, as well as funding from various other federal and provincial government agencies for current operations, acquisition of property and equipment, and special project funding. Funding specifically related to the acquisition of property and equipment is deferred as disclosed in Note 10. Innovacorp also receives advances of statutory capital from the Province of Nova Scotia to finance NSFF and clean technology fund investments. These advances are recognized as revenue at the later of the date on which the funds are received and the date on which an eligible investment is made. Gains and losses on these investments will be recognized in operating surplus or deficit in subsequent periods in accordance with the portfolio investments accounting policy described in Note 2.

Details of funding for the year are as follows:

	2019	2018
	\$	\$
Contributions received - Province of Nova Scotia	9,273,514	9,369,477
Statutory capital advances	12,246,201	6,918,414
Recognition of previously deferred contributions (Note 10)	260,669	148,302
Total government contributions revenue	21,780,384	16,436,193

13. Expenses by object

	2019	2018
	\$	\$
Advertising and promotion	146,359	137,093
Amortization	568,387	444,517
Awards	2,449,762	2,754,023
Bad debt (recovery)	276	(48,326)
Board activities	7,849	5,897
Communications	147,118	108,837
Information resources	126,159	91,413
Interest	222,748	230,095
Investment management fees	5,242	5,085
Miscellaneous	44,444	69,467
Outside services	4,053,543	3,811,696
Professional development	121,392	86,971
Repairs and maintenance	165,286	121,781
Salaries and benefits	3,315,042	3,563,506
Supplies	142,186	91,368
Travel	160,203	140,139
Utilities	115,880	130,570
Total	11,791,876	11,744,132

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March 31, 2019

14. Related party transactions

In addition to the other related party transactions and balances disclosed elsewhere in the consolidated financial statements, Innovacorp generated revenue of \$409,251 (2018 - \$278,070) on sales to NSFF investees. These sales were in the normal course of operations and at the same terms and conditions, as sales to unrelated parties.

Contributions received from Province of Nova Scotia as disclosed in Note 12, includes salaries and benefits that Province of Nova Scotia pays on behalf of Innovacorp. During the year, total salaries and benefits paid by Province of Nova Scotia on behalf of Innovacorp totalled \$3,315,042 (2018 - \$3,563,506).

Payables and accruals includes \$168,295 (2018 - \$61,733) payable to the Province of Nova Scotia, related to unused government contributions required to be repaid.

15. Financial instruments

Classification of financial instruments

The carrying amounts of financial assets and liabilities recorded at cost or at fair value are as follows:

	2019		2018	
	Fair value	Classification Cost	Fair value	Classification Cost
	\$	\$	\$	\$
Financial assets				
Cash	-	7,250,593	-	8,367,368
Restricted cash & cash equivalents	-	1,784,540	-	2,942,518
Accounts receivable	-	805,936	-	1,593,494
Loans receivable	-	1,832,505	-	2,662,505
Portfolio investments				
Investments quoted in an active market	475,522	-	803,159	-
Investments in early stage private enterprises	-	44,515,121	-	35,926,546
	475,522	56,188,695	803,159	51,492,431
Financial liabilities				
Payables and accruals	-	1,243,702	-	1,884,926
Long-term debt	-	401,561	-	8,409,133
	-	1,645,263	-	10,294,059

Fair value

Fair value estimates are made as of a specific point in time, using available information about the financial instruments and current market conditions. The following table discloses the corporation's financial assets and financial liabilities as at March 31, 2019, measured at fair value on a recurring basis:

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Notes to the consolidated financial statements
March 31, 2019

15. Financial instruments (continued)

Fair value (continued)

				2019
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investments quoted in an active market	475,522	-	-	475,522
	475,522	-	-	475,522

Level 1 - Fair value measurements based on quoted prices in active markets for identical assets or liabilities

Level 2 - Fair value measurements based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - Fair value measurements based on inputs for the asset or liability that are not based on observable market data

Risk disclosures

Innovacorp is exposed to various financial risks arising from its financial assets and liabilities. These include market risk relating to changes in equity prices, liquidity risk and credit risk. To manage these risks, Innovacorp adheres to a board-approved investment policy that governs its venture capital and liquid portfolio investing activities. Innovacorp's business model, which provides incubation, business guidance and investment services to early stage technology enterprises, is also used to mitigate risks.

Market risk

Market risk is the risk that the future cash flows of a financial instrument will fluctuate as a result of changes in market prices. For Innovacorp, market risk is composed of price risk on equity securities.

Price risk

Price risk refers to the risk that the fair value of the financial instrument will vary as a result of changes in market prices of the financial instrument. Fluctuation in the market price of an instrument may result from perceived changes in the underlying economic characteristics of the investment, the relative price of alternative investments, and general market conditions. Therefore, there is a risk that an amount realized in the subsequent sale of portfolio investments which are quoted in an active market may significantly differ from the reported value.

The table below illustrates the impact to Innovacorp's surplus and remeasurement gain resulting from a 27.67% increase or decrease in market prices on equity portfolio investments quoted in an active market and carried at fair value in the consolidated statement of financial position. The table illustrates the effect on Innovacorp's financial results due to a certain price change and may not reflect the best or worst case scenarios.

Fair value	Price change	Estimated fair value after price change	Estimated impact on the current period surplus	Estimated impact on current period remeasurement gain
\$		\$	\$	\$
475,522	27.67% increase	607,099	-	131,577
475,522	27.67% decrease	343,945	-	(131,577)

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Notes to the consolidated financial statements
March 31, 2019

15. Financial instruments (continued)

Risk disclosures (continued)

Market risk (continued)

Price risk (continued)

Innovacorp manages its equity price risk through the use of strict investment policies approved by the board of directors. These policies cover investment position and transaction limits, trade authorizations, record keeping and investment reporting.

Liquidity risk

Liquidity risk is the risk that Innovacorp will encounter difficulty in meeting its financial obligations as they become due. Innovacorp believes it has access to sufficient capital through operating and investing cash flows. Ongoing operating funding from the Province of Nova Scotia is required to meet the obligations set out below. In addition, occupancy levels in its facilities are a key factor in Innovacorp's ability to make quarterly principal and interest payments under its building improvement loan.

The following table shows the remaining contractual maturities of financial liabilities:

	Due within 1 Year	No set terms of repayment	Total
	\$	\$	\$
Payables and accruals	1,243,702	-	1,243,702
Long-term debt	-	401,561	401,561
	1,243,702	401,561	1,645,263

Credit risk

Credit risk refers to the risk that a counterparty will fail to fulfill its obligations under a contract and, as a result, will cause Innovacorp to suffer a loss. Innovacorp's financial assets that are exposed to credit risk consist primarily of fixed income portfolio investments quoted in an active market, accounts receivable, and loans receivable.

Accounts receivable

Accounts receivable includes trade receivables, due from the ACOA and related parties, HST receivable, and other accrued receivables.

26.4% (2018 – 12.4%) of trade receivables are due from early stage technology-based companies. The development stage of Innovacorp's client base combined with the technology sector concentration, increases the associated credit risk. Innovacorp's active involvement with its clients mitigates this risk.

The credit risk associated with the remaining balances is low given that the balances are due from other government entities.

Innovacorp's maximum exposure to credit risk from accounts receivable is its carrying value of \$805,936 (2018 - \$1,593,494).

Loans receivable

Loans receivable include promissory notes and convertible debentures issued under the mandate of the NSFF.

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Notes to the consolidated financial statements
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15. Financial instruments (continued)

Risk disclosures (continued)

Credit risk (continued)

Loans receivable (continued)

These loans have been issued to enterprises in the development stage that have yet to earn significant revenues from their intended business activities or establish their commercial viability. The recovery of loan principal amounts and the realization of investment returns are dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises.

Credit risk of the loans receivable is mitigated by Innovacorp's presence on the boards of the investees and the majority of the loans have security interests in the property of the investees.

Innovacorp's maximum exposure to credit risk from the loans receivable is its carrying value of \$1,832,505 (2018 - \$2,662,505).

Details of the carrying value of accounts receivable and loans receivable that are past due at the financial statement date, but not impaired, are as follows:

	Current	Up to 60 days past due	Over 60 days past due	Allowance for doubtful accounts	Total
	\$	\$	\$	\$	\$
Accounts receivable					
Trade receivables	458,552	132,198	48,271	(7,477)	631,544
HST receivable	169,243	-	-	-	169,243
Non trade due from related parties	5,149	-	-	-	5,149
	632,944	132,198	48,271	(7,477)	805,936
Loans receivable	1,632,505	-	1,060,870	(860,870)	1,832,505
Totals	2,265,449	132,198	1,109,141	(868,347)	2,638,441

16. Contractual obligations

Innovacorp has entered into operating lease arrangements for buildings and equipment. Future minimum annual lease payments for the next five years under these leases are as follows:

	\$
2020	1,759,399
2021	1,723,745
2022	1,659,908
2023	1,576,491
2024	1,332,139
	8,051,682

As at March 31, 2019, there were \$33,351,860 (2018 – \$5,501,711) approved commitments to invest under the mandate of the NSFF as discussed in Note 1.

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Notes to the consolidated financial statements

March 31, 2019

17. Segmented information

Innovacorp's segments have been identified on the basis of functional classifications of activities undertaken by Innovacorp, including incubation, investment, and corporate services.

The corporate services segment represents the accumulation of revenue and expenses pertaining to the administration of Innovacorp. The corporate services segment includes the areas of communication and marketing, human resources, and Innovacorp's finance and portfolio management.

The investment segment represents the accumulation of revenue and expenses pertaining to the administrative functions of reviewing and managing investment files.

The incubation segment represents the accumulation of revenue and expenses pertaining to three facilities managed and operated by Innovacorp where rent and business services are offered for fees.

Segmentation is based on the core activities of the corporation and their related support resources. The revenue and expenses of each segment is accumulated based on actual occurrences of events and incurrence of costs.

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17. Segmented information (continued)

	Corporate Services		Investment		Incubation		Consolidated
	2019	2018	2019	2018	2019	2018	2018
	\$	\$	\$	\$	\$	\$	\$
Operating revenues							
Government contributions	21,780,384	16,436,193	-	-	-	-	21,780,384
Management and director's fees	-	-	-	11,000	-	-	-
Program funding	-	-	-	494,640	1,167,354	814,002	1,167,354
Interest and dividends on portfolio investments and loans receivable	-	-	620,574	757,760	-	-	620,574
Rent	-	-	-	-	940,338	960,722	940,338
Business recoveries	-	-	-	-	250,607	290,771	250,607
Other	109,430	42,530	1,428	34,467	755,969	148,513	866,827
	21,889,814	16,478,723	622,002	1,297,867	3,114,268	2,214,008	25,626,084
							19,990,598
Operating expenses							
Advertising and promotion	43,860	47,140	31,374	19,027	71,125	70,926	146,359
Amortization	-	-	-	-	568,387	444,517	568,387
Awards	-	-	-	1,927,498	2,449,762	826,525	2,449,762
Bad debt (recovery)	-	-	-	-	276	(48,326)	276
Board activities	7,849	5,897	-	-	-	-	7,849
Communications	9,126	6,636	5,833	8,569	132,159	93,632	147,118
Information resources	13,970	7,395	59,780	73,408	52,409	10,610	126,159
Interest	-	-	222,748	230,095	-	-	222,748
Investment management fees	-	-	5,242	5,085	-	-	5,242
Miscellaneous	18,101	18,389	296	2,965	26,047	48,113	44,444
Outside services	493,644	421,373	105,730	164,527	3,454,169	3,225,796	4,053,543
Professional development	66,192	36,342	13,896	23,104	41,304	27,525	121,392
Repairs and maintenance	8,482	15,088	-	-	156,804	106,693	165,286
Salaries and benefits	1,185,156	1,138,176	684,255	979,847	1,445,631	1,445,483	3,315,042
Supplies	17,690	12,344	43,084	1,116	81,412	77,908	142,186
Travel	23,252	15,440	49,292	55,151	87,659	69,548	160,203
Utilities	-	-	-	-	115,880	130,570	115,880
	1,887,322	1,724,220	1,221,530	3,490,392	8,683,024	6,529,520	11,791,876
							11,744,132
Operating surplus (deficit)	20,002,492	14,754,503	(599,528)	(2,192,525)	(5,568,756)	(4,315,512)	13,834,208
							8,246,466
Impairment of portfolio investments and loans receivable	-	-	(305,000)	(1,966,141)	-	-	(305,000)
Realized gains on marketable securities	-	-	879,472	4,796,180	-	-	879,472
Loss on disposal of property and equipment	-	(41,219)	-	-	-	-	-
	-	(41,219)	574,472	2,830,039	-	-	574,472
							2,788,820
Annual surplus (deficit)	20,002,492	14,713,284	(25,056)	637,514	(5,568,756)	(4,315,512)	14,408,680
							11,035,286

Province of Nova Scotia

Nova Scotia Innovation Corporation

Notes to the consolidated financial statements

March 31, 2019

18. Compensation disclosure

This schedule of payments is published in compliance with the provisions of *The Public Sector Compensation Disclosure Act*.

The Act requires the publication of the names of every person who receives the amount of compensation of \$100,000 or more in the fiscal year and the amount paid to each.

Compensation amount includes total amount or value of all cash and non-cash salary, wages, payments, allowance, bonuses, commissions and perquisites, other than a pension, pursuant to any arrangement, including an employment contract, payments made for exceptional benefits not provided to the majority of employees and the value of the benefits derived from vehicles or allowances with respect to vehicles.

Name	Total Compensation
Charlie Baxter	\$322,708
Malcolm Fraser	\$170,364
Dawn House	\$164,127
Donna Bourque	\$143,610
Lidija Marusic	\$141,140
Jennifer Robichaud	\$120,152
Shelley Hessian	\$119,983
Robert Pelley	\$118,875
Andrew Ray	\$118,838
Michael Dennis	\$114,886
Joe MacDonald	\$108,417
Robert Burns	\$104,355

19. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Provincial legislature.