

Financial Statements of

Intellectual Property Ontario

For the year ended March 31, 2023
and for the period from January 4, 2022 to March 31, 2022

Intellectual Property Ontario

Year ended March 31, 2023 and Period ended March 31, 2022

Responsibility for Financial Reporting

The accompanying financial statements of Intellectual Property Ontario have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is responsible for the integrity of the financial statements and maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded, and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board, through the Finance and Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Finance and Audit Committee is comprised of Board members who are not employees/officers of Intellectual Property Ontario and generally meets periodically with management and the Office of the Auditor General to satisfy itself that each group has properly discharged its respective responsibility.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.



Peter Cowan
Chief Executive Officer



Thanesh Yogarajah
Chief Financial Officer



INDEPENDENT AUDITOR'S REPORT

To Intellectual Property Ontario

Opinion

I have audited the financial statements of Intellectual Property Ontario, which comprise the statements of financial position as at March 31, 2023 and 2022, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year ended March 31, 2023 and for the period from January 4, 2022 to March 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Intellectual Property Ontario as at March 31, 2023 and 2022, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended March 31, 2023 and for the period from January 4, 2022 to March 31, 2022 in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audits in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Intellectual Property Ontario in accordance with the ethical requirements that are relevant to my audits of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 public sector accounting standards, 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 Intellectual Property Ontario'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 Intellectual Property Ontario either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Intellectual Property Ontario's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Intellectual Property Ontario'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 Intellectual Property Ontario's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Intellectual Property Ontario 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.

I 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 I identify during my audits.



Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

Toronto, Ontario
August 10, 2023

Intellectual Property Ontario
Statements of Financial Position
As at March 31, 2023, and March 31, 2022

As at	March 31, 2023	March 31, 2022
Financial Assets		
Cash	\$ 764,909	\$ -
Due from the Ministry of Colleges and Universities (note 3)	1,750,000	-
	2,514,909	-
Liabilities		
Accounts Payable and Accrued Liabilities (note 4)	272,756	-
Net Financial Assets	\$ 2,242,153	\$ -
Non-Financial Assets		
Prepaid Expenses	10,660	-
		-
Accumulated Surplus	\$ 2,252,813	\$ -

Contingency (Note 11)
 Commitments (Note 12)
 Subsequent events (Note 14)

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

On behalf of the Board:



Chair, Board of Directors



Chair, Finance and Audit Committee

Intellectual Property Ontario

Statements of Operations and Accumulated Surplus

For the year ended March 31, 2023 and for the period from January 4, 2022 to March 31, 2022

	Budget April 1, 2022 to March 31, 2023 (note 13)	April 1, 2022 to March 31, 2023	January 4, 2022 to March 31, 2022 (note 8)
Revenue			
Transfer Payments from the Ministry of Colleges and Universities	\$ 4,683,500	\$ 4,480,301	\$ -
	4,683,500	4,480,301	-
Expenses			
Salaries, Wages & Benefits (note 7 and 8)	\$ 1,594,200	\$ 1,250,439	-
One-time Start-Up (note 8)	1,078,000	513,167	-
Grants (note 5)	710,000	-	-
Program Costs (note 6)	720,000	121,850	-
Other (note 8 and 9)	581,300	342,032	-
	4,683,500	2,227,488	-
Annual Operating Surplus	\$ -	\$ 2,252,813	\$ -
Accumulated Surplus, beginning of year	-	-	-
Accumulated Surplus, end of year	\$ -	\$ 2,252,813	\$ -

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

Intellectual Property Ontario

Statements of Changes in Net Financial Assets

For the year ended March 31, 2023 and for the period from January 4, 2022 to March 31, 2022

	Budget March 31, 2023 (note 13)	April 1, 2022 to March 31, 2023	January 4, 2022 to March 31, 2022 (note 8)
Annual Operating Surplus	\$ -	\$ 2,252,813	\$ -
Changes in Prepaid Expenses	-	(10,660)	-
Change in net financial assets	-	2,242,153	-
Net financial assets, beginning of year	-	-	-
Net financial assets, end of year	\$ -	\$ 2,242,153	\$ -

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

Intellectual Property Ontario

Statements of Cash Flows

For the year ended March 31, 2023 and for the period from January 4, 2022 to March 31, 2022

	April 1, 2022 to March 31, 2023	January 4, 2022 to March 31, 2022
Operating transactions		
Annual Operating Surplus	\$ 2,252,813	\$ -
Decrease (increase) in:		
Due from the Ministry of Colleges and Universities	(1,750,000)	-
Accounts Payable and Accrued Liabilities	272,756	-
Prepaid Expenses	(10,660)	-
Cash provided by operating transactions	764,909	-
Net increase in cash	764,909	-
Cash, beginning of year	-	-
Cash, end of year	\$ 764,909	\$ -

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

Intellectual Property Ontario

Notes to Financial Statements

For the year ended March 31, 2023 and for the period from January 4, 2022 to March 31, 2022

1. Nature of the Organization

Intellectual Property Ontario (the "Corporation") was created on January 4, 2022, by Ontario Regulation 4/22 under the *Development Corporations Act, R.S.O. 1990, c. D.10* (Ontario).

Under the Act, the objects of the Corporation are to:

- (a) to increase public access to services and resources in respect of intellectual property in order to advance economic growth and competitiveness in Ontario;
- (b) to support the development and protection of intellectual property to improve the commercialization outcomes of research in Ontario;
- (c) to advance knowledge, and to develop and disseminate educational curricula, best practices and research, in respect of intellectual property, and to advance understandings of domestic and international trends with respect to the protection and commercialization of intellectual property;
- (d) to establish partnerships within and outside Canada with post-secondary institutions, governments and organizations, including organizations that provide supports for businesses and entrepreneurs, for the purpose of building capacity for the development, protection and commercialization of intellectual property in Ontario; and
- (e) to provide advice, recommendations and support to the Government of Ontario, including to the Minister and the Minister of Economic Development, Job Creation and Trade ("MEDJCT"), with respect to encouraging economic competitiveness through the development, protection and commercialization of intellectual property.

The members of the inaugural Board of Directors of the Corporation were appointed March 4, 2022. The Board held its first formal meeting on March 23, 2022.

The Corporation reports to the Ministry of Colleges and Universities ("MCU" or the "Ministry") per Ontario Regulation 4/22. MCU and MEDJCT have signed an inter-ministerial MOU that defines responsibilities of the parties with regards to Intellectual Property Ontario.

The Corporation is exempt from federal and provincial income taxes under the Income Tax Act (Canada).

2. Significant Accounting Policies

(a) Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards as established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

The significant accounting policies used to prepare these financial statements are summarized below.

(b) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues, as described below. All revenues are recorded on an accrual basis.

Transfers from the Ministry are referred to as government transfers:

The Ministry contribute funds to the Corporation's operating activities. Transfers from the Ministry are recognized as revenue in the financial statements when the transfer is authorized and any eligibility

Intellectual Property Ontario

Notes to Financial Statements

For the year ended March 31, 2023 and for the period from January 4, 2022 to March 31, 2022

criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability.

Funds received from the Ministry are recognized as deferred revenue when these conditions give rise to a liability. Funds received from the Ministry are recognized as revenue in the Statements of Operations and Accumulated Surplus as the liabilities are settled.

(c) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed, and services received during the year is expensed.

Grants are recorded as expenses when the transfer is authorized, and eligibility criteria have been met by the recipient.

(d) Prepaid Expenses

Prepaid expenses include subscriptions and licenses and are charged to expense over the periods expected to benefit from it.

(e) Related Party Transactions

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by related parties.

(f) Cash

The Corporation considers deposits in banks as cash.

(g) Financial Instruments

The Corporation's financial assets and liabilities are accounted for as follows:

- Cash is recognized at cost and is subject to an insignificant risk of change in value so carrying value approximates fair value.
- Due from the Ministry of Colleges and Universities and accounts payable and accrued liabilities are recorded at cost.

(h) Employee Pension Plans

The Corporation's full-time employees participate in the Public Service Pension Plan (PSPP), which is a defined benefit pension plan for employees of the province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPP, determines the Corporation's annual payments to the Plan. Since the Corporation is not a sponsor of the pension plan, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the Corporation, as the sponsor is responsible for ensuring that the pension plan is financially viable. The Corporation's contributions are accounted for as if the PSPP was a defined contribution plan with contributions being expensed in the period they come due.

(i) Employee Benefits

Employee benefits include (1) an additional 6% paid by the Corporation to its employees in lieu of insurance benefits and (2) vacation payable accrual. Both are included in Salaries, Wages & Benefits in the Statement of Operations and Accumulated Surplus.

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Notes to Financial Statements

For the year ended March 31, 2023 and for the period from January 4, 2022 to March 31, 2022

(j) Use of Estimates

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported year. Items subject to such estimates and assumptions include accrued liabilities. Actual results could differ from those estimates.

3. Due from the Ministry of Colleges and Universities

As per the Funding Agreement signed by the MCU, funding of \$1,750,000 was authorized on March 22, 2023 and received by the Corporation on April 11, 2023. This funding is to support delivery programs and general operating and service delivery requirements of the Corporation.

4. Accounts Payable and Accrued Liabilities

Accounts Payable relate to normal business transactions with third-party vendors.

Accrued Liabilities relate to accruals for normal business transactions with third-party vendors.

Accrued Salaries, Wages and Benefits relate to accruals for salaries, wages and benefits.

	2023	2022
Accounts Payable	\$ 120,504	\$ -
Accrued Salaries, Wages and Benefits	120,077	-
Accrued Liabilities	32,175	-
Total	\$ 272,756	\$ -

5. Grants

The Corporation provides its clients with financial grants to subsidize the cost of IP protection and commercialization services. During the initial launch period, each client company is eligible for up to \$25,000 in financial support from the Corporation. No grants are recorded in 2022-23 fiscal year.

6. Program Costs

Program costs include the Corporation's services to clients related to IP education and awareness, IP advisory services (e.g. mentoring, sharing IP market data), IP assessment and valuation services. Program costs also include capacity building services to post-secondary sector stakeholders.

7. Employee Future Benefits

The Corporation has a defined benefit pension plan with the Public Service Pension Plan for all its employees. The Corporation (employer) matches employee contributions 100%. The employee's contributions are 7.4% of annual salary up to the Year's Maximum Pensionable Earnings (YMPE), and then 10.5% of the annual salary above the YMPE. During fiscal 2023, the pension benefits of \$54,192 (2022 – \$nil) are included in Salaries, Wages & Benefits in the Statement of Operations and Accumulated Surplus.

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Notes to Financial Statements

For the year ended March 31, 2023 and for the period from January 4, 2022 to March 31, 2022

In fiscal 2023, the Ministry of Economic Development, Job Creation and Trade seconded staff to a unit dedicated to the Corporation. The related costs of the pension plan provided to the seconded staff are paid by the Province and are not included in these financial statements.

8. Related Party Transactions

During fiscal year 2022-23, in support of the Corporation's operations, the MEDJCT provided seconded staff, and the Ministry provided goods and services to the Corporation on a cost basis, as follows:

- The MEDJCT recovered salaries and benefits (excluding pension costs as noted in Note 7) of seconded staff totaled \$401,450 (2022 - \$nil) and is recorded in Salaries, Wages & Benefits on the Statement of Operations and Accumulated Surplus.
- The goods and services provided by the Ministry to the Corporation on a cost basis totaled \$578,851 (2022 - \$nil) included in One-Time Start Up Expenses on the Statement of Operations and Accumulated Surplus is \$470,338 (2022 - \$ nil) and \$108,514 (2022 - \$ nil) in Other Expenses.

During fiscal year 2021-22, the Corporation was operated by the Ministry. The Corporation did not have any staff or transactions. The establishment costs during fiscal year 2021-22, which amounted to \$72,191, were absorbed by the Ministry and are not included in the Statement of Operations and Accumulated Surplus. In addition, establishment costs during fiscal year 2022-23 of \$12,500 were also absorbed by the Ministry and not included in the Statement of Operations and Accumulated Surplus.

9. Other Expenses

	2023	2022
Board of Directors	\$ 146,929	\$ -
Office and General	52,798	-
Travel	47,717	-
Marketing	28,013	-
Accounting	24,749	-
Information Technology	23,296	-
Insurance	18,530	-
Total	\$ 342,032	\$ -

10. Financial Instruments Risk Management

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its cash flow obligations as they fall due. The Corporation's exposure to liquidity risk is minimal as all operations funding is provided by the Ministry. The Corporation mitigates its liquidity risk by preparing cash forecasts and regular reports to the Ministry.

11. Contingency

Based on the funding arrangement between the Corporation and the Ministry, the Ministry will reduce 2023-24 fiscal year allocation to the Corporation by the amount of 2022-23 fiscal year end annual operating surplus.

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Notes to Financial Statements

For the year ended March 31, 2023 and for the period from January 4, 2022 to March 31, 2022

12. Commitments

The Corporation does not have any multi-year contractual commitments.

13. Budget

For the period January 4, 2022 to March 31, 2022, the Corporation was managed and operated by the Ministry. There was no budget for the Corporation for the period ended 2022.

14. Subsequent events

In April and May 2023, the Corporation signed seven transfer payment agreements with colleges and universities to provide \$2,000,000 of funding for IP commercialization support.