Financial Statements of

Intellectual Property Ontario

For the year ended March 31, 2024

Intellectual Property Ontario
Year ended March 31, 2024

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. The financial statements have been properly prepared within reasonable limits of materiality and considering information available up to August 2, 2024.

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.

Dan Herman
Chief Executive Officer

Thanesh Yogarajah
Chief Financial Officer

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

INDEPENDENT AUDITOR'S REPORT

To Intellectual Property Ontario

Opinion

I have audited the financial statements of Intellectual Property Ontario, which comprise the statement of financial position as at March 31, 2024, and the statements of operations and accumulated (deficit) surplus, change in net (debt) financial assets and cash flows for the year then ended, 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, 2024, and the results of its operations, changes in its net (debt) financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit 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 audit 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.

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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 audit.

Toronto, Ontario
August 2, 2024

Jeremy Blair, CPA, CA, LPA
Assistant Auditor General

Intellectual Property Ontario

Statements of Financial Position
As at March 31, 2024

	2024	2023
Financial Assets		
Cash	$ 3,450,229	$ 764,909
Due from the Ministry of Colleges and Universities (note 3)	1,396,800	1,750,000
HST Receivable	151,104	-
	$ 4,998,133	**$ 2,514,909**
Liabilities		
Accounts Payable and Accrued Liabilities (note 4)	475,764	272,756
Grants payable (note 5)	4,695,238	-
	$ 5,171,002	**$ 272,756**
Net Financial (Debt) Assets	**$ (172,869)**	**$ 2,242,153**
Non-Financial Assets		
Prepaid Expenses	55,972	10,660
Accumulated (Deficit) Surplus	**$ (116,897)**	**$2,252,813**

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

On behalf of the Board:

Karima Bawa

Karima Bawa
Chair, Board of Directors

Karen McClure

Karen McClure
Chair, Finance and Audit Committee

Intellectual Property Ontario

Statements of Operations and Accumulated (Deficit) Surplus
For the year ended March 31, 2024

	Budget 2024	2024	2023
Revenue			
Transfer Payments from the Ministry of Colleges and Universities	$ 13,967,800	$ 13,292,608	$ 4,480,301
Total Revenue	**13,967,800**	**13,292,608**	**4,480,301**
Expenses			
Grants to Companies (note 5)	$ 4,114,542	$ 6,285,495	$ -
Salaries, Wages & Benefits (notes 6 and 7)	4,301,968	4,082,639	1,250,439
Grants to Post Secondary Education Entities (note 5)	3,211,349	3,829,884	-
Other (note 9)	991,050	940,702	342,032
Program Costs (note 8)	1,348,891	523,598	121,850
One-time Start-Up Costs	-	-	513,167
Total Expenses	**13,967,800**	**15,662,318**	**2,227,488**
Annual Operating (Deficit) Surplus	**$ -**	**$ (2,369,710)**	**$ 2,252,813**
Accumulated Surplus, beginning of year	**-**	**2,252,813**	**-**
Accumulated (Deficit) Surplus, end of year	**$ -**	**$ (116,897)**	**$ 2,252,813**

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

Intellectual Property Ontario

Statements of Changes in Net (Debt) Financial Assets
For the year ended March 31, 2024

	Budget 2024	2024	2023
Annual Operating (Deficit) Surplus	$ -	$ (2,369,710)	$ 2,252,813
(Increase) in Prepaid Expenses	-	(45,312)	(10,660)
Change in Net (Debt) Financial Assets	**$ -**	**$ (2,415,022)**	**$ 2,242,153**
Net Financial Assets, beginning of year	**-**	**2,242,153**	**-**
Net (Debt) Financial Assets, end of year	**$ -**	**$ (172,869)**	**$ 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, 2024

	2024	2023
Operating Transactions		
Annual Operating (Deficit) Surplus	$ (2,369,710)	$ 2,252,813
Decrease (Increase) in:		
Due from the Ministry of Colleges and Universities	353,200	(1,750,000)
HST Receivable	(151,104)	-
Accounts Payable and Accrued Liabilities	203,008	272,756
Grants Payable	4,695,238	-
Prepaid Expenses	(45,312)	(10,660)
Cash Provided by Operating Transactions	**$ 2,685,320**	**$ 764,909**
Net Increase in Cash	**2,685,320**	**764,909**
Cash, beginning of year	764,909	-
Cash, end of year	**$ 3,450,229**	**$ 764,909**

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

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 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). In March 2024, CRA approved the Corporation’s HST exemption and allowed the Corporation to claim HST rebate from the Corporation’s incorporation date of January 4, 2022.

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

(b) Revenue Recognition (continued)

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 (Deficit) 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.

(d) Grants

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

(e) Prepaid Expenses

Prepaid expenses include subscriptions, licenses, and membership dues, and are charged to expenses over the periods the Corporation expects to benefit from them.

(f) 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.

(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 and to the Ministry of Colleges and Universities, HST receivable, accounts payable and accrued liabilities and grants payable are recorded at cost.

A statement of remeasurement gains and losses has not been presented as there is nothing to report therein.

(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 of Ontario 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 before the insurance benefits were set up in July 2023; (2) insurance benefits that include Health insurance, Life insurance and Accidental Death & Dismemberment insurance; and (3)

(i) Employee Benefits (continued)

vacation payable accrual. All three are included in Salaries, Wages & Benefits in the Statement of Operations and Accumulated (Deficit) Surplus.

(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, the Corporation requested contingency funding of $1,396,800 that was authorized on March 26, 2024 and received by the Corporation on April 8, 2024. This funding is to support delivery programs and general operating and service delivery requirements of the Corporation.

4. Accounts Payable and Accrued Liabilities

	2024	2023
Accounts Payable	$116,587	$120,504
Accrued Salaries, Wages and Benefits	298,396	120,077
Accrued Liabilities	60,781	32,175
Total	$475,764	$272,756

5. Grants

Grants to Companies

The Corporation provides companies with financial grants to subsidize the cost of intellectual property (IP) protection and commercialization services. The Corporation covers up to 80% of eligible costs based on approved scopes of work.

Grants to Post Secondary Education (PSE) Entities

In early 2023, the Corporation launched the first Call for Proposals for Ontario's colleges and universities to augment their IP knowledge and in-house capacity. This first Call was targeted predominantly at institutions that did not have access to any internal or nearby IP capability.

With the Ministry of Colleges and Universities' support, in March 2024, the Corporation invited the second Call for Proposals from colleges and universities in the Province of Ontario that had not previously received the Corporation's funding.

6. 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. Pension benefits of $223,999 (2023 – $54,192) are included in Salaries, Wages & Benefits in the Statement of Operations and Accumulated (Deficit) Surplus.

The Ministry of Tourism, Culture and Sport (MTCS)[1] via MCU (2023 – MEDJCT) provided transition support staff to the Corporation. The related costs of the pension plan provided to the transition support staff are paid by MTCS (2023 – MEDJCT) and are not included in these financial statements.

7. Related Party Transactions

In support of the Corporation's operations, the MTCS (2023 – MEDJCT) via the MCU provided transition support staff, and the Ministry provided goods and services to the Corporation on a cost basis, as follows:

- The MTCS recovered salaries and benefits (excluding pension costs as noted in Note 6) of seconded staff totaled $194,559 (2023 – $401,450 provided by MEDJCT): $193,960 (2023 – $401,450 provided by MEDJCT) is recorded in Salaries, Wages & Benefits and telephone expense of $599 (2023 – $nil) is recorded in Other Expenses on the Statement of Operations and Accumulated (Deficit) Surplus.

- The goods and services provided by the Ministry to the Corporation on a cost basis totaled $101,250 (2023 – $578,851): $34,022 (2023 – $470,338 was included in One-Time Start Up Costs) is recorded in Salaries, Wages & Benefits and $67,228 (2023 – $108,514) is recorded in Other Expenses on the Statement of Operations and Accumulated (Deficit) Surplus.

8. 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), and capacity building services to post-secondary sector stakeholders.

9. Other Expenses

	2024	2023
Board of Directors	$308,234	$146,929
Professional Fees	236,301	24,749
Travel	102,037	47,717
Information Technology	65,664	23,296
Marketing	63,109	28,013
Office and General	57,580	26,649
Dues, Licenses and Subscriptions	39,465	15,304
Rent	37,340	10,845
Insurance	30,972	18,530
Total	$940,702	$342,032

1 Subsequent to the year end, in June 2024, the Ministry of Tourism, Culture and Sport changed its name to the Ministry of Tourism Culture and Gaming.

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. Amounts payable balance at period end are due within the first quarter of the following fiscal period.

11. Comparative Figures

Certain comparative figures in the notes to financial statements have been reclassified to conform with the current year presentation.