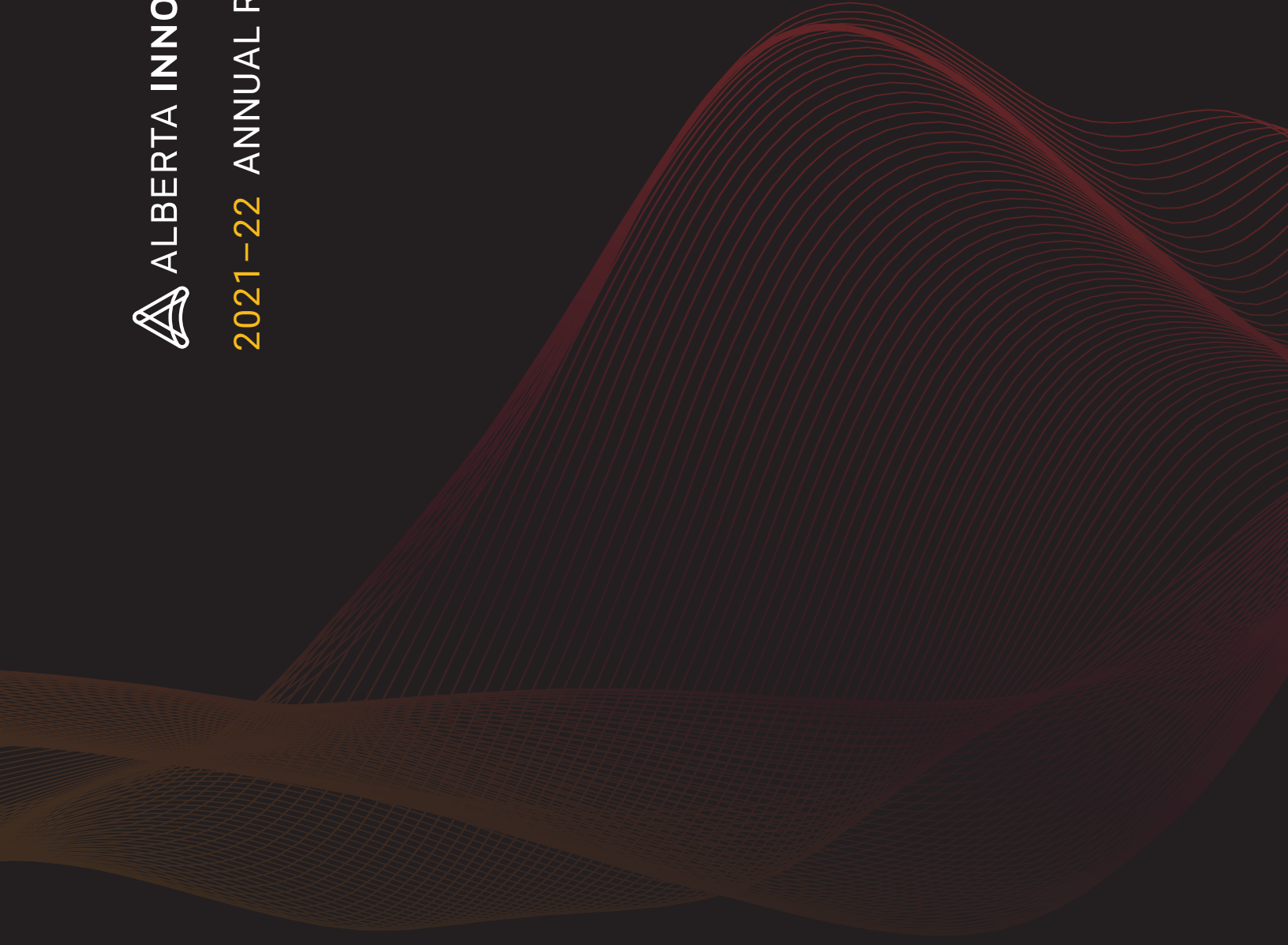




ALBERTA INNOVATES

2021-22 ANNUAL REPORT



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MESSAGE FROM OUR BOARD CHAIRPERSON

AS WE EMERGE FROM A GLOBAL HEALTH CRISIS, A CONFLICT ON THE OTHER SIDE OF THE WORLD IS SENDING RIPPLES ACROSS SUPPLY CHAINS AND THE GLOBAL ECONOMY. AGAINST THIS BACKDROP CHALLENGES REMAIN SUCH AS FOOD AND WATER SECURITY, AND ENVIRONMENTAL NEEDS SUCH AS EMISSION REDUCTION AND NEXT-GENERATION CONSERVATION PRACTICES.



Brenda Kenny PhD

But people with ideas are seeking solutions to these pressing challenges. Incredible technologies are being developed that converge, connect and complement each other in exceptional ways and are transforming our world at an unprecedented pace, scale and intricacy.

In 2021-22, Alberta Innovates continued to support innovators and solution-finders across the province with our programs, our funding and our talented staff. Nearly 2,400 entrepreneurs and clients moved their ventures forward using our advanced research infrastructure or our programs.

The entrepreneurs and ideas we help to advance will solve problems and build new opportunities and capacity in the innovation economy – from digital health to smart agriculture, from clean resource technologies to artificial intelligence and advanced manufacturing – all of which leverage Alberta's existing advantages and strengths.

Alberta Innovates was created to accelerate research and innovation in the province, from discovery to commercialization. The creation and commercialization of new technologies and knowledge-based products is key to Alberta's future. Alberta has an active investment capital market, leading universities, and the capacity to move startups to scale and market commercialization sooner. Five years after consolidating separate entities, we are advancing our strategies and practices to build a technology-rich economy that will allow us to compete with other global leaders.

At Alberta Innovates, we've driven growth and watched momentum build in technologies across sectors throughout the pandemic. This is setting the stage and creating opportunities for an incredible future for innovators, entrepreneurs and industry, and Alberta Innovates will continue to be with them at every stage.

MESSAGE FROM OUR CEO

ALBERTA IS BLESSED NOT JUST WITH WIDE-OPEN SPACES AND RESOURCES, BUT ALSO WITH PEOPLE WHO HAVE BIG IDEAS.

WE SEE THIS EVERY DAY AT ALBERTA INNOVATES THROUGH THE CLIENTS, PARTNERS AND RESEARCHERS WE WORK WITH IN THE MORE THAN 80 PROGRAMS WE MANAGE, AND IN VENTURES LARGE AND SMALL.

WE GET TO SEE THE IDEAS THAT MOST PEOPLE DON'T.



Laura J. Kilcrease

We're helping to grow successful companies through our Scaleup and Growth Accelerators and other entrepreneurial investment initiatives such as the Ecosystem Development Program. Alberta is home to more than 2,800 tech companies alone, with more to come. For each dollar we invest in SMEs, they go on to generate more than \$6.50 in revenue.

Smart agriculture and food innovation projects are using digital technologies to increase yields, reduce costs or add value to agri-food products to help to bring food security within reach.

In 2021 we released a paper on our "Bitumen Beyond Combustion" initiative driving creation of a new advanced materials industry. We can create needed products from the carbon found in bitumen with less waste, more market value and significantly lower emissions than converting it into fuel products alone.

We're continuing to make an impact on emissions reductions in other ways as well. This year we supported 153 cleantech projects with an estimated annual GHG reduction reaching 17.5 megatonnes of CO₂-equivalent by 2030 – the same as removing more than 5.3 million passenger vehicles from the road each year.

We also laid the groundwork for our Hydrogen Centre of Excellence and the beginnings of a cleaner economy through our contributions to Alberta's Hydrogen Roadmap.

Digital health solutions are allowing us to improve outcomes and reduce costs. In collaboration with our partners around patient-oriented research, the Alberta Support Unit for the Strategy for Patient-Oriented Research has reduced the time needed to access health data from years to weeks. We have also pivoted more programs to focus on digital and data-enabled technologies to support delivery of innovative care models.

We're emerging from another challenging year stronger than we began. Alberta Innovates is directing investments and expertise to technology and innovation designed to improve the well-being of Albertans and their environment, to expand markets and create new and better opportunities present and future. We've brought in more than \$44 million from external sources and have helped with the creation of nearly 2,400 innovations.

Despite the limits imposed by a global pandemic, innovation in Alberta is gaining momentum, and it's a gamechanger. Alberta is the launchpad for what comes next.

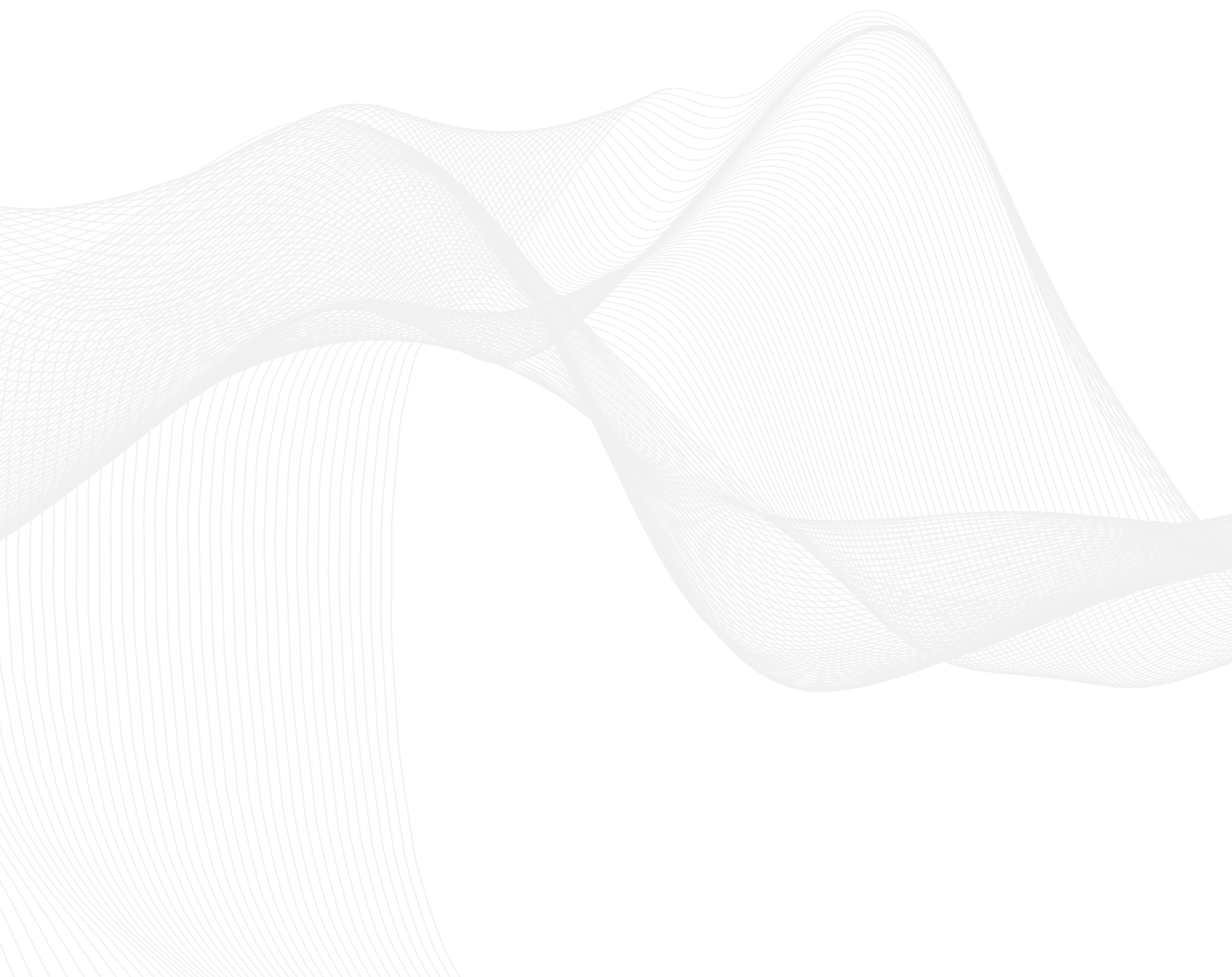
ACCOUNTABILITY STATEMENT

The Alberta Innovates Annual Report for the year ended March 31, 2022, was prepared under the Board's discretion in accordance with the *Alberta Research and Innovation Regulation*, and the ministerial guidelines established pursuant to the *Alberta Public Agencies Governance Act* (APAGA) and the *Fiscal Planning and Transparency Act*. All material economic, environmental or fiscal implications, of which we are aware, have been considered in preparation of this report.

Original signed by Brenda Kenny

Chairperson

May 31, 2022



EXECUTIVE SUMMARY

THE ADVENT OF THE COVID-19 PANDEMIC IN 2020 CAUSED A GLOBAL CRISIS AND AN UNPRECEDENTED ECONOMIC SHOCK, PUTTING AT RISK THE HEALTH, JOBS AND INCOMES OF MILLIONS AROUND THE WORLD.

In contrast, resiliency and economic recovery were the hallmarks of 2021–22, even though the pandemic was still running its course. Alberta and the world experienced subsequent waves of infection and social disruption throughout the last fiscal year as the latest variants of concern worked their way through populations the world over. Sadly, lives continued to be lost while the development and deployment of COVID vaccines saved many others and significantly reduced the incidence of serious illness. Operationally, Alberta Innovates, our partners and collaborators, and our clients adapted to new ways of working, remained focused and persisted in our efforts to establish innovative solutions to numerous challenges and opportunities.

More broadly, as pandemic restrictions lifted and economies opened for business, the economic rebound in Alberta and elsewhere greatly exceeded expectations. Alberta's real GDP (adjusted for inflation) increased by slightly over five per cent in 2021 with nearly all sectors of the provincial economy rebounding in 2021.¹

Alberta Innovates had an exceptionally busy year in 2021–22. We launched some of our biggest initiatives to date, provided key services to government and industry, achieved strong results, and offered several new programs and funding opportunities. Some highlights:

- We launched our Scaleup and Growth Accelerators Program (Scaleup GAP) to address scaleup gaps experienced by technology companies – helping them grow and contribute to a thriving innovation system in Alberta. The five accelerators selected to receive funding will work to create high-quality jobs and strengthen Alberta's global innovation mindset by attracting technology firms and investment to the province.
- Our post-investment survey of small and medium-sized enterprises that received Alberta Innovates support showed they created a cumulative net total of nearly 3,200 jobs, exceeding our target by 16 per cent.
- Our clean-resource experts published the high-profile [Bitumen Beyond Combustion: White Paper – Clean Tech Making Carbon an Economic and Environmental Asset](#). This landmark white paper outlines options to repurpose bitumen from Alberta's oil sands and create a new advanced materials industry that will also significantly reduce GHG emissions.
- Medical researchers now have far better access to health data, thanks to our management of a platform for AbSPORU (the Alberta Support Unit for the national Strategy for Patient-Oriented Research). The platform has reduced the time it takes to access complex health information from nearly three years to about three weeks. This will greatly assist in reducing the time needed to translate research into real-world clinical solutions.
- It is estimated that projects we supported through the province's Technology Innovation and Emissions Reduction (TIER) and the Climate Change Innovation and Technology Framework (CCITF) programs will reduce annual GHG emissions by 17.5MT CO₂-equivalent by 2030.
- Our subsidiary C-FER Technologies conducted an analysis that informed Alberta's Hydrogen Roadmap. C-FER also provided expertise on technical committees to aid the development of industry standards for the maintenance of a safe, reliable and environmentally sustainable energy system.

¹ Statistics Canada (2022). Table 36-10-0402-01, Gross domestic product (GDP) at basic prices, by industry, provinces and territories (x 1,000,000).

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- Our subsidiary InnoTech Alberta provided essential validation and testing services for clients on 21 projects related to GHG reduction. InnoTech also drove the generation of discoveries and solutions in areas of importance through 36 strategic partnerships with industry.
 - We supported the development and advancement of smart technologies to increase productivity, reduce production costs or increase the value of Alberta's agri-food commodities with a total of \$3.2 million awarded to ten projects through our Smart Agriculture and Food Digitalization and Automation Challenge (SAFDAC) program.
 - We leveraged our Unbound online platform throughout 2021–22 to deliver technical webinars and thought-leader virtual events, and deepened our connection to our subscriber base of 10,000 people. Meanwhile, we planned a return to our in-person INVENTURE\$ in 2022.
- 

CONTEXT AND OUTLOOK

ALBERTA'S ECONOMIC RECOVERY FROM THE GLOBAL PANDEMIC AND THE OIL PRICE CRISIS FAR EXCEEDED EXPECTATIONS IN 2021.

THE HEALTH, JOBS AND INCOMES OF BILLIONS OF PEOPLE AROUND THE WORLD WAS PUT AT RISK WHEN THE COVID-19 PANDEMIC TRIGGERED A GLOBAL HEALTH AND ECONOMIC CRISIS EARLY IN 2020. BROAD VACCINE DISTRIBUTION AND UPTAKE THROUGHOUT 2021-22 AFFORDED PROTECTION FROM SERIOUS ILLNESS, HOSPITALIZATION AND DEATH AS SUBSEQUENT WAVES OF THE LATEST VARIANTS OF CONCERN WORKED THEIR WAY THROUGH POPULATIONS. AS SOCIAL DISRUPTIONS LESSENERED AND PANDEMIC RESTRICTIONS INCREASINGLY LIFTED, ECONOMIES PROGRESSIVELY REOPENED FOR BUSINESS AND THE PATH TO ECONOMIC RECOVERY BEGAN.

By the end of 2021, Alberta had made significant progress in reversing the historic levels of unemployment witnessed during the height of the pandemic. This saw Alberta adding 109,400 jobs and the unemployment rate falling to 8.7 per cent compared to the loss of nearly 150,000 jobs and an unemployment rate of 11.4 per cent in 2020.^{2,3} Alberta's unemployment rate continued to decline in early 2022 and, with a rate of 5.9 per cent in April, reached the lowest unemployment rate on the record since May 2015.³

[Alberta's Recovery Plan](#) helped breath new life into our economy in 2021–22. Following the unprecedented economic shock of COVID-19 that resulted in an 8.0 per cent decrease in Alberta's real GDP (adjusted for inflation) in 2020, our real GDP rebounded with a 5.1 per cent increase in 2021.⁴ Nearly all sectors of the province's economy began breathing new life in 2021, with mining, quarrying and oil and gas extraction (10.4%) and the construction sector (8.6%) having the largest GDP increases after accommodation and food services (11.1%).⁴ It is anticipated that Alberta's economy will expand 5.0 to 5.6 per cent by the end of 2022 and will lead all Canadian provinces in economic growth, returning the province to pre-pandemic levels in 2022 or 2023.^{5,6,7} With an additional projected increase of 3.5 to 3.9 per cent in 2023, Alberta's economic recovery is making strong and consistent progress.

The global economy is facing uncertainty once again as we enter 2022–23. In addition to the deep humanitarian crisis, Russia's invasion of the Ukraine and subsequent sanctions on Russia are impacting economies around the world. Concerns of global economic slowdowns and escalating inflation and debt are translating into economic impacts in commodity and financial markets and on trade.⁸ According to ATB Financial, Alberta's economic trajectory is being driven by two key yet competing factors.⁶ One is the same global economic headwinds resulting from the war that other jurisdictions are facing: rising inflation, continued supply chain disruptions, rising interest rates, slower global growth and increased uncertainty. This is offset by the higher commodity prices that benefit Alberta as a major oil, natural gas and agricultural producer, with the net effect anticipated to be a modest boost to the province's economic recovery.

² Statistics Canada. (2022). Table 14-10-0392-01, *Employment by industry, annual (x 1,000)*.

³ Statistics Canada (2022). Table 14-10-0287-01, *Labour force characteristics, monthly, seasonally adjusted and trend-cycle, last 5 months*.

⁴ Statistics Canada (2022). Table 36-10-0402-01, *Gross domestic product (GDP) at basic prices, by industry, provinces and territories (x 1,000,000)*.

⁵ TD Economics (2022). *Provincial Economic Forecast: Varying Regional Impacts from Russia/Ukraine Conflict*.

⁶ ATB (2022). *Alberta Economic Outlook*.

⁷ National Bank of Canada (2022). *Alberta 2022 Budget: Economics and Strategy*.

⁸ The World Bank (2022). *Press Release: Russian Invasion to Shrink Ukraine Economy by 45 Percent this Year*.

Alberta Innovates worked exceptionally hard in 2021–22 to support and diversify Alberta’s economic recovery through research and innovation. We launched several programs and initiatives to accelerate the growth and adoption of technology and innovation in Alberta, diversify our economy in areas of significant opportunity, and build the talent pool in areas of strategic importance. We are transforming Alberta’s business sector and industries, advancing our energy resources and improving the well-being of our citizens and environment. See the Executive Summary for an overview of these activities and the Results and Achievements section for the details.

In 2022–23, Alberta Innovates continues to be nimble and adapt to emerging technology and growth opportunities and prosperity. Through our ongoing focus on the future and the positive impact innovation can bring to people’s well-being, their businesses and their environment, we will assist Alberta in weathering the storm of global challenges and uncertainties while embracing opportunities to transform the province through research and innovation.

“As the world recovers from the COVID-19 pandemic and economic downturn, technology and innovation will play a significant role in diversifying Alberta’s economy, increasing productivity, and creating a more resilient economic future for Albertans.”

Alberta Technology and Innovation Strategy (ATIS), April 2022

“A growing tech sector, new investment in petrochemical production capacity...and the potential development of clean energy options such as hydrogen all bode well for future growth in Alberta.”

ATB Financial, 2021⁹

⁹ ATB Financial (2021). *Moving Forward: ATB Financial’s Forecast for Alberta’s Economy in 2022.*

RESULTS AND ACHIEVEMENTS

INNOVATION IS THE CATALYST FOR JOB CREATION, ECONOMIC STRENGTH, IMPROVED HEALTH AND WELL-BEING, AND ENVIRONMENTAL BENEFITS. AS ALBERTA'S LARGEST AND ONLY CROSS-SECTORAL RESEARCH AND INNOVATION (R&I) AGENCY, ALBERTA INNOVATES IS UNIQUELY POSITIONED TO PROPEL GREAT IDEAS FORWARD TO IMPROVE THE LIVES OF ALBERTANS.

This Annual Report highlights the results and achievements related to the activities we presented in our 2021–24 Business Plan. The results show how our strategic actions and investments have contributed to our corporate goals and ultimately our organizational mandate set by the Government of Alberta.

Cascaded and interconnected relationships exist between the government's R&I priorities and our corporate priorities, goals and business and operating plans. This ensures that the positive impact we create for Albertans aligns with government priorities and strategies.

We use two key tools to systematically collect information on an annual basis from our clients about the gains they made through our investments. The post-investment survey collects information from small and medium-sized enterprises (SMEs) that completed funding between 2017 and 2021 and follows each SME annually for a five-year period. The annual outcomes survey collects information from researchers, students and other non-SME clients who held grants with Alberta Innovates during the 2021–22 period. The methods, sources and tools used for the performance measures reported in the Annual Report are described in the Alberta Innovates 2021–24 Business Plan Indicator Data Codebook. Access to the codebook is available upon request.

Individual programs are designed with specific objectives that may not cover the full research and innovation continuum. As such, each corporate goal and associated key performance measures (also known as key performance indicators (KPIs)) outlined for our corporate goals are not necessarily relevant or equally relevant for each program or service provided by Alberta Innovates. Key program and client highlights achieved throughout the year are provided below the results table for each corporate goal.

We encourage you to explore the many other notable successes achieved by our clients and our organization over the past year as shared through news and stories on our [website](#) and [YouTube](#) channel, by listening to our [SHIFT](#) podcast and checking us out on social media.

GOAL 1

MAKE THE LIVES OF ALBERTANS BETTER TODAY AND FOR GENERATIONS TO COME BY CONTRIBUTING TO A DIVERSIFIED ECONOMY, CLEANER AND SUSTAINABLE ENVIRONMENT, AND HEALTHIER COMMUNITIES.

Goal Statement

Innovation will create a stronger economy and improvements in our environment and will enhance our health system and our overall well-being.

Intended Outcomes

- Contribute to improved economic prosperity in Alberta.
- Contribute to the mitigation of negative environmental impacts.
- Contribute to the improved health of Albertans.

PERFORMANCE MEASURES	ACTUALS 2018–19*	ACTUALS 2019–20*	ACTUALS 2020–21*	TARGETS 2021–22	ACTUALS 2021–22*
# of new hires (jobs) in Alberta from R&I investment	2,079	2,389	2,460	2,750	3,197
Net SME revenue growth for every \$1 of Alberta Innovates funding	\$6.29	\$7.37	\$4.90	\$6.14	\$6.58
% of SMEs supported by Alberta Innovates that are exporting**	42%	48%	52%	44%	56%
# projects with GHG emissions reduction	65	127	146	90	153
# of projects using real-world data to develop digital health tech	-	-	100	15	140

*Some actuals do not reflect the full suite of AI investments due to differing program objectives.

**Revenue-generating SMEs that export.

Alberta's record-low unemployment rate and the increase in provincial GDP drove the positive change in the economic indicators above. With a continued focus on our areas of priority, we increased our investments in clean technology and digital health, resulting in a larger number of projects in these areas. Larger variances to target also reflect that our targets for projects with GHG emissions reduction potential and those using real-world data to develop digital health tech were set prior to our increased focus in those areas and hence were more conservative estimates. Targets for these performance measures were updated in our 2022-25 business plan to better align to current areas of focus.

Highlights

- In 2021–22, we supported 153 active, multi-year projects designed to advance technologies with the potential to directly or indirectly reduce greenhouse gas (GHG) emissions. This includes an estimated annual GHG reduction by 2030 reaching 17.5 megatonnes of carbon dioxide-equivalent (MT CO₂e) by projects funded through the Technology Innovation and Emissions Reduction (TIER) and the Climate Change Innovation and Technology Framework (CCITF) programs in 2021–22.
- InnoTech's leading-edge facilities and world-class applied research expertise continued to help innovators, industry and public-sector clients solve crucial technology development challenges to pave the path of innovation that will feed, grow, fuel and build Alberta's economy. In this reporting period, InnoTech's work assisted their clients in creating, maintaining and supporting an estimated 310 jobs in Canada, with 83 per cent being in Alberta.
- In partnership with Alberta Health Services, Alberta Innovates continued to strengthen alignment between researchers and priority health system challenges in the province with \$6 million in funding for six projects in the Partnership for Research & Innovation in the Health System (PRIHS) VI program. The launch of PRIHS Digital Health, providing up to \$7 million in funding, pivoted the focus of the program to digital and data-enabled technologies to support the delivery of innovative care models.
- C-FER and InnoTech Alberta worked hard with several clients to mitigate negative environmental impacts, including InnoTech's work on 21 projects that are projected to result in GHG reductions.
- With our initial investment of up to \$25 million, we launched the Scaleup and Growth Accelerators Program (Scaleup GAP) to address scaleup gaps experienced by technology companies – helping them grow and contribute to a thriving innovation system in Alberta. The five accelerators selected to receive funding will work to create high-quality jobs and strengthen Alberta's global innovation mindset by attracting technology firms and investment to the province. Scaleup GAP is a key contributor to the Government of Alberta's goal helping create 20,000 jobs and increase technology firm revenue to \$5 billion by 2030.
- Through the Alberta Support Unit for the national Strategy for Patient-Oriented Research (AbSPORU), we drove patient-oriented approaches and improved health outcomes by facilitating the use of real-world data in 27 projects related to digital health and virtual care.
- C-FER is assisting Alberta in building a cleaner and more sustainable energy economy. C-FER provided a "Technology Gap Analysis for Alberta's Emerging Hydrogen Economy" as a component of the Alberta Hydrogen Roadmap in partnership with the Transition Accelerator and the Edmonton Region Hydrogen Hub.

Governments are collaborating to invest as much as \$35 million for the overall accelerator program in Alberta. The five accelerators include:

[Alberta Accelerator by 500](#)

[Alberta Catalyzer \(formerly Alberta Pre-Accelerator\)](#)

[Telus Community Safety and Wellness powered by Alchemist](#)

[Plug and Play Alberta](#)

[SVG Ventures THRIVE Canada Accelerator](#)

GOAL 2

CULTIVATE A WORLD-CLASS RESEARCH AND INNOVATION SYSTEM THAT MEETS THE NEEDS OF ALBERTA.

Goal Statement

Continue to develop a highly qualified and skilled R&I talent pool and improve system connectivity.

Intended Outcomes

- Sustain and/or grow client access to R&I physical and virtual infrastructure supported by Alberta Innovates.
- Continue to support the development of Alberta's R&I knowledge workforce.
- Clients have a positive experience with Alberta Innovates.

PERFORMANCE MEASURES	ACTUALS 2018–19*	ACTUALS 2019–20*	ACTUALS 2020–21*	TARGETS 2021–22	ACTUALS 2021–22*
# of clients accessing R&I infrastructure supported by Alberta Innovates	620	770	660	800	995
# of people (trainees, researchers, entrepreneurs, etc.) supported	1,040	1,210	1,445	1,175	1,415
% clients with a positive client experience (i.e. satisfaction)	76%	87%	94%	85%	90%

*Some actuals do not reflect the full suite of AI investments due to differing program objectives.

C-FER and InnoTech realized a larger than anticipated number of clients accessing their services. This reflects the economic recovery experienced in Alberta, which was partially driven by higher commodity prices for oil and natural gas, as well as new opportunities that emerged in areas such as hydrogen and carbon capture.

Highlights

- C-FER's custom-built, high-velocity wind tunnel – the largest in Western Canada and capable of generating wind speeds of up to 470 km/hr – helped a large gas transmission company in Alberta in their work to safely expand their larger-diameter, higher-capacity pipeline system.
- We continued to build Alberta's emerging technology and health research innovation knowledge workforce through programs such as our Graduate Student Scholarship, our suite of Health Innovation Talent Development programs, and capacity-building through the AbSPORU.
- In 2021–22, our Technology Development Advisors (TDAs) provided coaching, community connections and assistance in identifying opportunities for accessing capital to nearly 500 technology-based businesses in Alberta.
- There has been a drastic improvement in researchers' ability to access health information in 59 Alberta Health Services databases, thanks to the AbSPORU Data Platform managed by Alberta Innovates. Better access to data accelerates the creation of new knowledge in clinical practice guidelines and care. This will assist greatly in reducing the time needed to translate medical data into real-world clinical solutions.

- Alberta Innovates invested more than \$6.6 million in Regional Innovation Networks, which provided programs and services to nearly 1,020 clients across the province to support them in growing their technologies and businesses.
- We collaborated with the Conference Board of Canada in its inaugural [Capabilities-Centred Innovation Framework](#). This new framework provides important insights about factors associated with innovation performance. Alberta Innovates piloted the framework with a sample of our SME clients to validate the measures, with the findings highlighting the important role we play in their innovation journey.

Through the AbSPORU Data Platform, the time to access complex health data was reduced from nearly three years to approximately three weeks.

InnoTech secured \$2 million for the installation of a pressurized reaction tower system to support the development and de-risking of advanced applications of hemp and other agricultural fibres for uses such as textiles and speciality packaging.

GOAL 3

DRIVE THE GENERATION OF DISCOVERIES AND DEVELOPMENTS THAT POSITIVELY IMPACT ALBERTA AND ITS INDUSTRIES BY LEVERAGING PARTNERSHIPS, COLLABORATIONS AND EMERGING TECHNOLOGY PLATFORMS.

Goal Statement

Enable the production of new knowledge and innovations in areas of strategic importance. Leverage our network of partnerships, collaborations and emerging technology platforms to share these new advances in ways that lead to their adoption and use.

Intended Outcomes

- Generate knowledge, discoveries and developments to drive innovation in areas of strategic importance.
- Establish partnerships with organizations to generate knowledge, discoveries and developments for specific needs/issues.

PERFORMANCE MEASURES	ACTUALS 2018–19*	ACTUALS 2019–20*	ACTUALS 2020–21*	TARGETS 2021–22	ACTUALS 2021–22*
# peer-reviewed publications from R&I investments	1,700	1,100	821	1,000 †	735
# patents produced from R&I investments	136	55	30	50 †	33
% of investments in the Discover & Develop stages of the R&I Continuum	N/A	N/A	N/A	TBD‡	87.8%
# partnerships with organizations to generate knowledge, discoveries and developments for specific needs/issues	N/A	N/A	N/A	TBD‡	121

*Some actuals do not reflect the full suite of AI investments due to differing program objectives.

† Change in data collection methodology - from broader definition of publications to peer-reviewed publications only, and from all types of patent activity to issued patents only.

‡ 2021–22 will be baseline year for data capture.

Alberta Innovates continued to work diligently to pivot our programs to areas of greatest need and opportunity for the province. This somewhat shifted the distribution of programs within the Discover, Develop and Use stages of the research and innovation continuum, and correlates to a reduction in publications.

Highlights

- Alberta Innovates and our subsidiaries laid the groundwork in 2021-22 for the subsequent launch of Alberta's Hydrogen Centre of Excellence through initiatives such as the Alberta Hydrogen Road Map.
- Our clean resources experts published the high-profile [Bitumen Beyond Combustion: White Paper – Clean Tech Making Carbon an Economic and Environmental Asset](#). This landmark white paper outlines options to repurpose bitumen from Alberta's oil sands and create a new advanced-materials industry that will also significantly

reduce GHG emissions. In the same period, the first phase of our \$15 million, three-phase Carbon Fibre Grand Challenge produced proof of concepts for new uses of bitumen and our ongoing Bitumen Beyond Combustion Program continued to advance technologies and processes.

- The launch of our Ecosystem Development Program (EDP) supported non-profit and for-profit organizations with \$7 million in funding to 15 launch-ready projects that assist Alberta technology startups and SMEs to scale, grow and contribute to a thriving innovation system in Alberta.
- Globally recognized as a leading expert in pipeline risk assessment, C-FER provided expertise on technical committees to aid the development of industry standards for the maintenance of a safe, reliable and environmentally sustainable energy system
- With an investment of more than \$6 million, our Health Innovation Platform Partnership (HIPP) program provided a competitive advantage to Alberta innovators by helping them overcome hurdles associated with developing product-market fit, enduring business readiness, complying with regulatory requirements and product development. Project partners included the Alberta Diagnostics Ecosystem Platform for Translation (ADEPT), NAIT's Centre for Advanced Medical Simulation (CAMS) and the Institute for Health Economics (IHE):
 - Living labs, established by ADEPT will enable Alberta innovators to test new diagnostic technologies.
 - Alberta innovators and job creators will gain access to CAMS state-of-the-art interactive and interdisciplinary facility that enables clinical situations to be practiced in a safe and controlled environment.
 - IHE will help SMEs and their partners determine the commercial potential of new technologies and help inform crucial research and development decisions.
- InnoTech drove the generation of discoveries and solutions in areas of importance through 36 strategic partnerships, including 21 leveraged consortia (i.e., industry and government funding used to advance an area of importance to Alberta) and 15 pure industry consortia (i.e., industrial clients working together to solve a common problem without government funding).
- Alberta Innovates operationalized the Canadian Emissions Reduction Innovation Network (CERIN) in partnership with the Petroleum Technology Alliance Canada (PTAC) and the Natural Gas Innovation Fund.

C-FER's PIRAMID™ software – used by pipeline operators around the world to evaluate and mitigate risk – was integrated with OneBridge Solutions Canada's CIM (Cognitive Integrity Management) software to create a novel, more digitized work process for the management of pipeline integrity.

CERIN is an open, pan-Canadian network of researchers and end users that provides the oil & gas industry with a platform to articulate and rank their most pressing methane emission challenges. Industry will work with technology developers to test, validate and deploy technologies to reduce methane emissions.

GOAL 4

ACCELERATE AND BROADEN THE USE OF INNOVATIVE PRODUCTS, TECHNOLOGIES AND PROCESSES.

Goal Statement

Apply knowledge, discoveries and developments to address the province's needs. These innovations include policies, processes, technologies and products, practices and services. The adoption of innovation is the cornerstone to achieving wider impact.

Intended Outcomes

- Support (financial and non-financial) provided to entrepreneurs and SMEs advances innovation development and commercialization.
- Innovations supported by Alberta Innovates demonstrate (technology readiness level) TRL progression.
- Innovations are produced with the support of Alberta Innovates.

PERFORMANCE MEASURES	ACTUALS 2018–19*	ACTUALS 2019–20*	ACTUALS 2020–21*	TARGETS 2021–22	ACTUALS 2021–22*
\$ invested in the support of entrepreneurs and SMEs	\$35.6 Million	\$23.9 Million	\$33.4 Million	\$34 Million	\$33.2 Million
Advancement of innovations across the Technology Readiness Levels**	2.1	3.3	2.1	3.0	3.4
# of innovations created with support of Alberta Innovates	760	1,137	820	1,100	2,373‡

*Some actuals do not reflect the full suite of AI investments due to differing program objectives.

**Average change in TRL level

‡ This includes 1,522 innovations from clients directly funded by Alberta Innovates and 851 innovations resulting from our investment in the Regional Innovation Networks.

Our investment and support of entrepreneurs remained strong in 2021-22 and ensured our programs remained aligned with areas of greatest opportunity and need in Alberta. The economic rebound in the province propelled advancement of technology readiness levels of innovations and an increase in the number of innovations created. A change in our reporting methodology also impacted the number of new innovations; we included innovations reported by clients of the Regional Innovation Networks (RINs).

Highlights

- Alberta's clinical health research system is being strengthened. Initiatives such as A pRoject Ethics Consensus Community Initiative (ARECCI) and the launch of the Provincial Clinical Trials Management and Research Ethics Boards exchange (REBx) systems are reducing barriers and providing decision-support tools, training and ethics consultations.
- We supported the development and advancement of smart technologies to increase productivity, reduce production costs and increase the value of Alberta's agri-food commodities with a total of \$3.2 million awarded to 10 projects through our Smart Agriculture and Food Digitalization and Automation Challenge (SAFDAC) program.
- C-FER received nearly \$1.38 million in funding from the Government of Alberta's Technology Innovation and Emissions Reduction (TIER) Fund, as well as an additional \$1.35 million from Prairies Economic Development Canada, to further expand its ability to conduct full-scale tests in hydrogen-rich environments. This involves upgrading C FER's Special Environments Chamber and equipment, as well as adding small- and large-scale systems for testing line pipe and well tubulars in hydrogen environments.
- The Clean Resource Innovation Network: Reducing Environmental Footprint Technology competition awarded InnoTech a total of \$1.85 million for two projects. These projects, led by Drs. Haibo Huang and Fred Wassmuth, will provide real-world solutions for high-priority environmental challenges across the oil and gas industry.

Optiseis, a recipient of Alberta Innovates funding through the COSIA Land Challenge, developed EcoSeis, an innovative land footprint reduction technology. The project demonstrated a reduction of up to 51 per cent in total linear kilometres of seismic cut-lines. Reducing seismic lines helps secure endangered woodland caribou populations where oil sands development and caribou ranges overlap by reducing fragmentation of boreal forest habitat.

Verge Ag was able to partner and leverage Alberta Innovates funding through SAFDAC to receive support from Canada's Digital Technology Supercluster to further develop a standard data platform for autonomous agriculture. This was followed by Verge Ag recently closing a \$7.5 million Series A funding round to scale their interactive planning software.

GOAL 5

BE RECOGNIZED GLOBALLY AS A LEADING INNOVATION ENGINE.

Goal Statement

Invest in R&I activities in strategic areas of importance to Alberta and build on evidence and global trends. These investments solve challenges in our province and have significant opportunity on a global scale.

Intended Outcomes

- Continue to invest in areas of strategic importance.
- Partner with industry, government, academia and others to stimulate innovation in areas of need.
- Increase awareness of Alberta Innovates among Albertans and others.

PERFORMANCE MEASURES	ACTUALS 2018–19*	ACTUALS 2019–20*	ACTUALS 2020–21*	TARGETS 2021–22	ACTUALS 2021–22*
\$ invested in strategic areas of importance	\$138 Million	\$126 Million	\$152 Million	\$159 Million	\$156 Million
\$ attracted to Alberta Innovates from external sources	\$50 Million	\$57 Million	\$43.5 Million	\$53 Million	\$44.2 Million
# of local, national and international participants attending INVENTURE\$	> 3,000	4,000	n/a**	3,500	n/a**

*Some actuals do not reflect the full suite of AI investments due to differing program objectives.

**INVENTURE\$ was not held in person in 2020 or 2021.

In-person INVENTURE\$ was cancelled in 2021 due to ongoing pandemic restrictions. This was the second year in a row the in-person event was cancelled due to COVID-19.

Highlights

- With the cancellation of our in-person INVENTURE\$ event, we leveraged our Unbound platform to continue raising the profile of Alberta Innovates as an R&I catalyst and thought leader, and to continue marketing Alberta as an innovation hub. By delivering technical webinars and thought-leader virtual events throughout the year, we deepened our connection with our subscriber base, which reached more than 10,000 people by the end of fiscal 2021-22.
- We leveraged strategic partnerships and hosted events through Unbound last year as a lead-up to 2022, with the aim of boosting attendance at INVENTURE\$ 2022 and other live events when they could be held in person.
- Twelve projects were accepted in Phase 2 of the Carbon Fibre Grand Challenge. The projects seek to produce high-quality carbon fibre at larger quantities - offering a key opportunity for Alberta's economy and to potentially reduce emissions. A total of \$5 million was available for Phase 2, which aims to improve on the "proof of concept" completed in Phase 1.

- C-FER conducted an engineering assessment and literature review for Pipeline Research Council International (PRCI) to identify technical challenges and knowledge gaps pertaining to storing hydrogen underground. The findings were used to inform a technology development roadmap that will help industry address critical gaps in underground hydrogen storage.

A virtual INVENTURE\$ pitch competition with 33 finalists included startups from the United States, Canada, the Netherlands, India, Austria, Romania and Poland.

The inaugural HerStory 2021 Competition, presented in association with The51, featured 30 inspiring women-identifying entrepreneurs who pitched their stories to a panel in hopes of securing investment. This virtual event attracted more than 550 registrants and served as a prequel for a planned live event at INVENTURE\$ 2022.

An international virtual conference hosted by NanoCanada through our Unbound platform attracted 600 registrants. The event, called Virtual Launch: From Earth to Space, was intended to set the scene for a live NanoCanada conference to be held in Edmonton.

GOAL 6

ACHIEVE OPERATIONAL EXCELLENCE.

Goal Statement

Enable achievement of the organization's corporate goals through internal initiatives that promote operational excellence committed to fostering a future-ready culture, high ethical standards and continuous improvement.

Intended Outcomes

- Build an environment that encourages and fosters continuous improvement.
- Promote a culture that attracts, engages and retains top talent.
- Uphold a robust structure of corporate governance, principles and standards.

PERFORMANCE MEASURES	ACTUALS 2018–19*	ACTUALS 2019–20*	ACTUALS 2020–21*	TARGETS 2021–22	ACTUALS 2021–22*
# of digital technologies deployed to streamline business processes and reporting	N/A	N/A	N/A	TBD‡	2
Cumulative % reduction in client requirements supporting Red Tape Reduction activities	N/A	6.9%	30.6%	20%	61.7%
Overall employee engagement rating	-	58%	-	65%	69%

*Some actuals do not reflect the full suite of AI investments due to differing program objectives.

‡ 2021–22 will be baseline year for data capture.

In 2021–22, Alberta Innovates made significant strides in our digital transformation journey. Many of these activities were related to planning and procurement, the necessary precursors for development and deployment over the next several years.

Alberta Innovates continued to make progress in reducing our red tape reduction count for the benefit of Albertans through continued use of our standardized applications forms across our continuous intake programs as well as new competitions. The removal of several forms associated with retired programs that no longer have active grants also led to a reduced count.

One key contributor to the increased employee engagement rating was implementation of new initiatives and people programs such as the *Choose How U Work* program as a part of our human resource strategy.

Highlights

- Overall employee engagement increased in our biennial survey from 58 per cent in the previous survey to 69 per cent in the fall of 2021. This is a continued positive trend from the inaugural survey in 2017.
- Operational efficiencies continued to be achieved through the streamlining of internal process and practices in corporate services areas while also leveraging digital solutions. This includes initiatives related to standardizing the investment agreement, digital signatures and core system replacements. We have also made progress on the adoption of an enterprise-wide Customer Relationship Management (CRM) approach using MS Dynamics.
- We continued to reduce the burden experienced by clients in accessing our supports and services. We reduced red tape by nearly 62 per cent for our clients since 2019, already nearly doubling the 2022–23 target set by the Government of Alberta.



MANAGEMENT DISCUSSION AND ANALYSIS

THE RESULTS OF THE ALBERTA INNOVATES CONSOLIDATED FINANCIAL STATEMENTS REFLECT THE OBJECTIVES OF THE ORGANIZATION TO SUPPORT R&I ACTIVITIES ALIGNED TO MEET GOVERNMENT OF ALBERTA PRIORITIES FOR THE ECONOMIC AND SOCIAL WELL-BEING OF ALBERTANS. THIS INCLUDES, WITHOUT LIMITATION, ACTIVITIES DIRECTED AT THE DISCOVERY, COMMERCIALIZATION AND APPLICATION OF KNOWLEDGE IN THE SECTORS OF AGRICULTURE, ENERGY, ENVIRONMENT, FORESTRY, HEALTH AND OTHER SECTORS DETERMINED BY THE REGULATIONS.

Two wholly owned subsidiary corporations, C-FER Technologies (1999) Inc. and InnoTech Alberta Inc., along with the Alberta Foundation for Health Research, are also reporting entities of Alberta Innovates.

The Office of the Auditor General Alberta issued an unqualified audit report on the consolidated financial statements for the year ending March 31, 2022.

Revenue

Total revenue is consistent with results from the prior year; however, 2021–22 actuals were lower than the current year budget by \$23.2 million. The larger variances are attributed to Government transfers and external revenue and industry funding.

Government transfers of \$178.3 million were lower than budget by \$11.7 million due a portion of the base grant received from the Ministry of Jobs, Economy and Innovation not being recognized into revenue, and instead deferred on the balance sheet, since it was restricted for a specific purpose (\$13.4 million).

External revenue and industry funding of \$38.6 million was lower than budget by \$9.5 million. This decrease is primarily due to the COVID-19 pandemic, reduced manpower and other economic factors.

Investment income was lower than budget by almost \$2 million due to low interest rates.

Expenses

The expenses have been expressed in terms of Alberta Innovates business lines:

Research, Innovation & Commercialization: Includes investments in Accelerators, Clean Resources, Entrepreneurial Investments, Health, and Post-Secondary Investments & Emerging Technologies. Research, Innovation and Commercialization expenses of \$156 million came in under budget by \$3 million primarily due to Alberta Technology and Innovation Strategy expenses (\$5 million) which were re-profiled to future years.

Applied Research: Includes expenses for InnoTech Alberta Inc. and C-FER Technologies (1999) Inc. Actuals of Applied Research expenses were within \$1 million of the \$50.3 million budget target.

Administration: Includes all corporate services such as finance, marketing and communications, information services, facilities, legal, human resources, purchasing and corporate reporting & planning. Administration serves a critical function in the Corporation by providing essential supports to the other business lines (Research, Innovation & Commercialization and Applied Research). These corporate services enable the operational business lines to work productively and efficiently toward achieving Alberta Innovates strategic priorities and goals. Corporate services play a direct role in advancing Alberta Innovates strategic priority.

Administration expenses of \$29.4 million were lower than budget by \$4.5 million due to decreased salaries along with reduced travel and related expenses due to the COVID-19 pandemic.

Amortization: Includes amortization for all business lines.

The gross operating expense target includes amortization and inter-governmental transfers. Inter-governmental transfers are grants or contracts to other government entities that are then eliminated upon consolidation by the Government of Alberta. Alberta Innovates' net expense target of \$185.5 million is spending that the organization can direct to strategic priorities and operations. Alberta Innovates was slightly under the expense target by \$3.7 million, primarily due to Alberta Technology and Innovation Strategy expenses (\$5 million) which were re-profiled to future years.

Alberta Innovates receives a budgeted revenue and expense target from the Government of Alberta. Although the organization has an accumulated surplus from prior years of underspending, the organization is limited to the expense target provided.

	2021–22 Budget	2021–22 Actual	2022–23 Budget
Gross Operating Expenses	\$ 251,198	\$ 244,243	\$ 232,844
Amortization	\$ (7,900)	\$ (7,542)	\$ (7,015)
Inter-governmental transfers	\$ (57,750)	\$ (54,898)	\$ (54,991)
Net Operating Expenses	\$ 185,548	\$ 181,803	\$ 170,838

Committed Funding

Alberta Innovates has funding commitments for specific purposes that are allocated over time. In addition, Alberta Innovates receives funding from third parties, including partnerships that require Alberta Innovates to match the third-party funding. The funding grant must meet all eligibility criteria, the expenditure must be a contractual obligation and the grant must be approved before the expenditure is recognized as an expense in the financial statements. Other funding sources are allocated to Alberta Innovates by agreement. The agreement must be approved in accordance with internal policies and standards before the expenditure is incurred and recorded as an expense in the financial statements.

Alberta Innovates has \$131.2 million of contractual obligations that will become liabilities over the next five years.

CAPITAL PLANNING AND LEASE ARRANGEMENT

Alberta Innovates and its subsidiaries occupy a significant inventory of research and office facilities, most of which are owned and operated by Alberta Infrastructure. In addition to the Government of Alberta facilities, we also occupy space with commercial lease arrangements. Alberta Innovates currently operates across 11 locations: Edmonton (5), Calgary (3), Devon, Vegreville and Victoria, B.C., with well over 1.2 million square feet of space and 600 acres of research farmland. In addition to our facilities, we also have a substantial inventory of research equipment with an estimated replacement asset value in excess of \$180 million.

Adequate infrastructure is a critical and necessary requirement to support our vision, sustain program effectiveness and manage program growth aligned to corporate and provincial priorities.

Working in conjunction with Alberta Infrastructure, the Alberta Innovates Facility Services team provides strategic and operational support for capital projects and accommodation for Alberta Innovates and its subsidiaries.

During 2021–22, the team provided management and co-ordination services to 51 approved capital projects and initiatives with a total annual capital expenditure of \$12.9 million (\$10 million reflected in Alberta Infrastructure financial statements; \$2.9 million reflected in Alberta Innovates financial statements). The following are highlights of major activities recently completed or underway:

- Fume Hood Replacement Program original approved budget (Alberta Infrastructure)
(Total project budget: \$30 million; 2021–22 expenditure: \$9 million)
 - The goal of this project is to replace failing fume hoods and address base building renewal requirements and deficiencies associated with the fume hood and lab operations. A phased project approach was established collectively with input from the Ministry of Jobs, Economy and Innovation (JEI), InnoTech and Alberta Infrastructure. A holistic renewal of the Vegreville site and a partial/initial hood replacement in Edmonton Research and Development Park was determined as the best path forward to utilize the currently approved funding. The initial project phase is substantially complete and the second phase of the project is currently in design development with construction tentatively commencing in late 2022.
- Edmonton Research and Development Park Fuels and Lubricants (F&L's) Group Safety Upgrade (Alberta Infrastructure) (Total Project Budget: \$4 million; 2021-22 Expenditure: \$1 million)
 - This project was initiated to address InnoTech base building code compliance and operational issues. The project was substantially complete on March 15, 2022.
- \$2.9 million was incurred to support a wide range of smaller projects to ensure Alberta Innovates and its subsidiaries had the necessary infrastructure for the effective operation of our programs and services and to meet the needs of our clients.

As part of our capital planning process enhancement and through a collaboration with JEI, a committee was established to manage a review of the proposed capital maintenance and renewal (CMR) projects and allocation of the CMR grant. A new process for the 2022-25 budget cycle for submitting major capital and strategic initiative projects to Treasury Board and Finance (TBF) for consideration was established with support from JEI.

REPORT ON RISK MANAGEMENT

Alberta Innovates embeds risk management practices into its strategic, business and operational planning to drive effective and accountable action and decision-making, management practice and Board governance oversight. Our enterprise risk management framework is consistent with generally accepted global risk management standard frameworks, aligns with the Government of Alberta's risk management framework and reflects adoption of best practices.

Our Executive reviewed and updated our corporate-level risks each quarter in 2021–22. Each risk was assigned an overall rating based on the likelihood of the risk occurring and the potential impact of the risk on our goals and operations. Informed approaches on how best to respond to the individual risks were also developed and implemented as necessary. The corporate risk register – which includes all the information above – was reviewed by our Board of Directors each quarter.

The key risks faced by Alberta Innovates last year were:

Budget Reductions and Limitations on Expenditures

Our ability to fund and transform the province's R&I system is affected by reductions in our budget and complexities related to expense limitations.

Our Board and senior management mitigated this risk by working closely with the Ministry to ensure alignment between service delivery and economic and other objectives.

Reporting Complexities and Long-Term Investment Model

Reporting complexities, competing demands on our resources - and, in some cases, longer-term investments required to advance innovation – affect our ability to deliver on our objectives and adequately demonstrate the impact of our investments in yearly budget cycles. This could potentially lead to a loss of confidence about the impacts made by Alberta Innovates.

Alberta Innovates managed this risk by building and maintaining relationships with our colleagues in the Ministry, including our senior management engaging in various discussions with the Ministry and providing important input into several guiding strategies. We continued to improve our processes to measure, monitor and report on the value we generate, including target-setting and more in-depth analyses.

Business Continuity and Crisis Management

Our ability to respond to unforeseen health, safety, security, environmental or media events, can potentially affect our operations, resources and reputation.

Our Emergency Operations Committee led the response for this risk, which included overseeing the impact of the pandemic and other potential risks such as cyber attacks on our operations. We regularly reviewed our operational response and recovery plans and revised them as necessary to ensure we aligned with industry standards and were prepared to mobilize, if required.

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

Alberta Innovates management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the annual report including the financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained to produce reliable information that meet reporting requirements, and to ensure that transactions are executed in accordance with all relevant legislation, regulations and policies, reliable financial records are maintained, and assets are properly accounted for and safeguarded. The annual report has been approved by the Board of Directors and is prepared in accordance with ministerial guidelines.

The Auditor General of the Province of Alberta, the corporation's external auditor appointed under the *Auditor General Act*, performs an annual independent audit of Alberta Innovates' financial statements in accordance with Canadian generally accepted auditing standards.

Original signed by Laura Kilcrease

Chief Executive Officer

Original signed by Rollie Dykstra

Executive Vice President, Impact



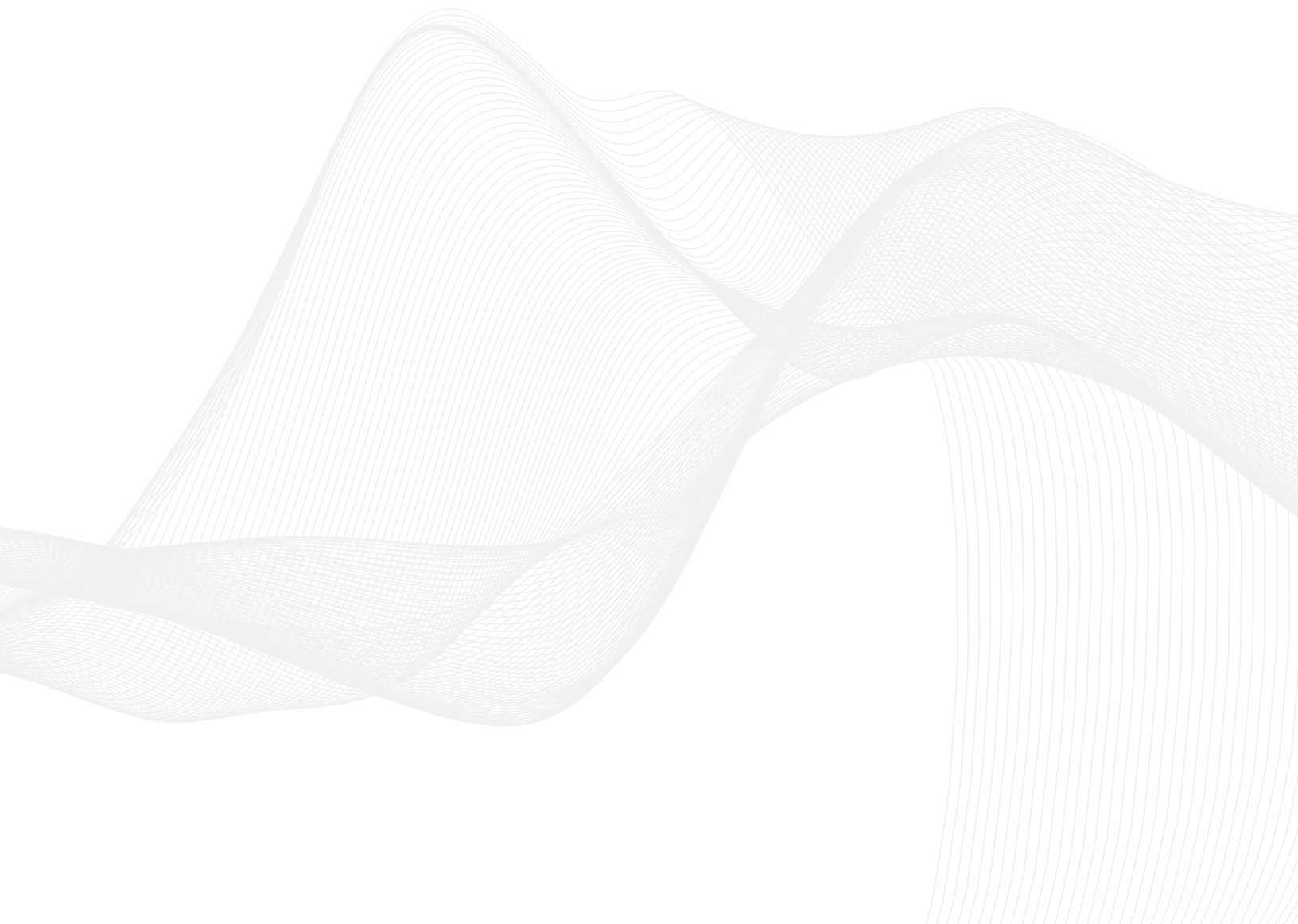
STATUTORY REPORT

PUBLIC INTEREST DISCLOSURE ACT

Section 32 of the *Public Interest Disclosure Act* requires the corporation to report annually on the following parts of the Act:

- (a) the number of disclosures received by the designated officer of the Public Interest Disclosure Office, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;
- (b) the number of investigations commenced by the designated officer as a result of the disclosures; and
- (c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

In 2021–22, Alberta Innovates had no disclosures of wrongdoing filed with the Public Interest Disclosure Office.



AUDITED FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Board of Directors of Alberta Innovates

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of Alberta Innovates (the Group), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and the results of its operations, its changes in net 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 Consolidated Financial Statements* section of my report. I am independent of the Group in accordance with the ethical requirements that are relevant to my audit of the consolidated 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.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the consolidated financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]

Auditor General

May 31, 2022
Edmonton, Alberta

ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2022

	2022		2021
	Budget (Note 4)	Actual	Actual
	<i>(in thousands)</i>		
Revenues			
Government transfers			
Funding from Jobs, Economy and Innovation			
Base grant	\$ 119,541	\$ 127,635	\$ 122,811
Restricted grant from prior years	9,253	11,142	17,021
Other grants	51,307	25,632	27,050
Restricted capital contribution	1,800	2,208	2,327
Funding from other Government of Alberta entities -			
Other grants	5,000	6,198	5,881
Federal government transfers	3,000	5,442	2,345
External revenue and industry funding	48,000	38,551	40,804
Investment income	2,000	229	359
Other Government of Alberta revenue	2,223	1,936	1,858
	<u>242,124</u>	<u>218,973</u>	<u>220,456</u>
Expenses (Note 2 (b) and Schedule 1)			
Research, innovation and commercialization	159,095	156,077	152,415
Applied research	50,325	51,220	47,911
Administration	33,878	29,404	25,503
Amortization	7,900	7,542	7,015
	<u>251,198</u>	<u>244,243</u>	<u>232,844</u>
Annual deficit	<u>(9,074)</u>	<u>(25,270)</u>	<u>(12,388)</u>
Accumulated surplus at beginning of year	59,876	59,876	72,264
Accumulated surplus at end of year	<u>\$ 50,802</u>	<u>\$ 34,606</u>	<u>\$ 59,876</u>

The accompanying notes and schedules are part of these consolidated financial statements.

ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022

	2022	2021
	<i>(in thousands)</i>	
Financial assets		
Cash (Note 5)	\$ 111,896	\$ 112,130
Accounts receivable (Note 6)	13,642	13,513
	<u>125,538</u>	<u>125,643</u>
Liabilities		
Accounts payable and other accrued liabilities (Note 8)	35,801	21,257
Unspent deferred capital contributions (Note 9)	1,094	1,137
Deferred revenue (Note 9)	67,850	63,490
Deferred contract revenue (Note 9)	10,624	7,788
	<u>115,369</u>	<u>93,672</u>
Net financial assets	<u>10,169</u>	<u>31,971</u>
Non-financial assets		
Tangible capital assets (Note 11)	41,729	46,353
Prepaid expenses	2,158	1,592
	<u>43,887</u>	<u>47,945</u>
Net assets before spent deferred capital contributions	<u>54,056</u>	<u>79,916</u>
Spent deferred capital contributions (Note 9)	19,450	20,040
Net assets		
Accumulated surplus (Note 12)	<u>\$ 34,606</u>	<u>\$ 59,876</u>

Contractual rights (Note 7)

Contingent liabilities (Note 13)

Contractual obligations (Note 14)

The accompanying notes and schedules are part of these consolidated financial statements.

Approved by the Board of Directors

Original signed by Dr. Brenda Kenny

Dr. Brenda Kenny
Board Chair

Original signed by Dr. H.J (Tom) Thompson

Dr. H.J (Tom) Thompson
Audit Chair

ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2022

	2022		2021
	Budget	Actual	Actual
	<i>(in thousands)</i>		
Annual deficit	\$ (9,074)	\$ (25,270)	\$ (12,388)
Acquisition of tangible capital assets (Note 11)	(11,000)	(2,930)	(5,353)
Amortization of tangible capital assets (Note 11)	7,900	7,542	7,015
Net loss/(gain) on disposal of tangible capital assets		12	(5)
Proceeds on sale of tangible capital assets		-	5
Increase in prepaid expenses		(566)	(32)
Net decrease in spent deferred capital contributions (Note 9)		(590)	(1,441)
Decrease in net financial assets	(12,174)	(21,802)	(12,199)
Net financial assets at beginning of year	31,971	31,971	44,170
Net financial assets at end of year	<u>\$ 19,797</u>	<u>\$ 10,169</u>	<u>\$ 31,971</u>

The accompanying notes and schedules are part of these consolidated financial statements.

ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2022

	2022	2021
	(in thousands)	
Operating transactions		
Annual deficit	\$ (25,270)	\$ (12,388)
Non-cash items included in annual deficit:		
Amortization of tangible capital assets (Note 11)	7,542	7,015
Deferred contributions recognized as revenue (Note 9)	(122,130)	(137,330)
Net loss/(gain) on disposal of tangible capital assets	12	(5)
	<u>(139,846)</u>	<u>(142,708)</u>
 (Increase)/Decrease in accounts receivable	 (129)	 86,760
Increase in prepaid expenses	(566)	(32)
Increase/(Decrease) in accounts payable and other accrued liabilities	14,544	(17,047)
Increase/(Decrease) in deferred contract revenue	2,836	(1,542)
Contributions restricted for operating (Note 9)	123,285	119,708
Cash provided by operating transactions	<u>124</u>	<u>45,139</u>
 Capital transactions		
Acquisition of tangible capital assets (Note 11)	(2,930)	(5,353)
Proceeds on sale of tangible capital assets	-	5
Cash applied to capital transactions	<u>(2,930)</u>	<u>(5,348)</u>
 Financing transactions		
Contributions restricted for capital (Note 9)	2,572	2,349
Cash provided by financing transactions	<u>2,572</u>	<u>2,349</u>
 (Decrease)/Increase in cash	 (234)	 42,140
Cash at beginning of year	<u>112,130</u>	<u>69,990</u>
Cash at end of year	<u>\$ 111,896</u>	<u>\$ 112,130</u>

The accompanying notes and schedules are part of these consolidated financial statements.

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022

Note 1 AUTHORITY AND PURPOSE

Alberta Innovates is a Provincial corporation, as defined in the *Financial Administration Act*. It was established effective November 1, 2016 under the *Alberta Research and Innovation Act*. The *Alberta Research and Innovation Act* was amended to dissolve the four corporations: Alberta Innovates - Bio Solutions, Alberta Innovates - Energy and Environment Solutions, Alberta Innovates - Health Solutions, and Alberta Innovates - Technology Futures and create one new research and innovation corporation, "Alberta Innovates." Two wholly owned subsidiary corporations C-FER Technologies (1999) Inc. and InnoTech Alberta Inc. along with the Alberta Foundation for Health Research are also reporting entities of Alberta Innovates ("The Corporation").

The objectives of the Corporation are to support, for the economic and social well-being of Albertans, research and innovation activities aligned to meet Government of Alberta priorities, including, without limitation, activities directed at the discovery, commercialization and application of knowledge in the areas of agriculture, energy, environment, forestry, health and other areas determined by the regulations.

The Corporation is exempt from income taxes under the *Income Tax Act*.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity and Method of Consolidation

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the Corporation and its wholly owned subsidiaries InnoTech Alberta Inc., C-FER Technologies (1999) Inc. and the Alberta Foundation for Health Research (AFHR). The AFHR operates under the *Alberta Companies Act* and is a registered charitable organization for income tax purposes. All inter-entity balances and transactions have been eliminated on consolidation.

The accounts of government sector entities are consolidated using the line-by-line method. Under this method, accounting policies of the consolidated entities are adjusted to conform to the Corporation's accounting policies and the results of each line item in their financial statements (revenue, expense, assets, and liabilities) are included in the Corporation's results. Revenue and expense, capital, investing and financing transactions and related asset and liability balances between the consolidated entities have been eliminated.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recognized as deferred revenue and recorded in accounts payable and other accrued liabilities. Externally restricted revenue is recognized as revenue in the period in which the resources are used for the purpose specified. Funds received prior to meeting the criteria are recorded as deferred revenue until the resources are used for the purpose specified.

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2022

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Revenues (Continued)

External revenue is contract revenue that is recognized using the percentage of completion method. The Corporation makes full provision for all known or estimated losses on uncompleted contracts as soon as they can reasonably be estimated.

Investment income includes interest income. Investment income earned from restricted sources is deferred and recognized when the terms imposed have been met.

Other revenue is contract and fee for service work billed to Alberta Government ministries and agencies, post secondary institutions and school divisions. Other revenue also includes revenue from the sale of products the Corporation has built.

Government Transfers

Transfers from all governments are referred to as government transfers.

Government transfers and associated externally restricted investment income are recognized as deferred revenue or deferred capital contributions if the eligibility criteria for use of the transfer, or the stipulations together with the Corporation's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the stipulations are met and, when applicable, the Corporation complies with its communicated use of the transfer.

All other government transfers, without stipulations for use of the transfer, are recognized as revenue when the transfer is authorized and the Corporation meets the eligibility criteria (if any).

Donations and Non-Government Contributions

Donations and non-government contributions are received from individuals, corporations, and private sector not-for-profit organizations. Donations and non-government contributions may be unrestricted or externally restricted for operating or capital purposes.

Unrestricted donations and non-government contributions are recognized as revenue in the year received or in the year the funds are committed to the Corporation if the amount can be reasonably estimated and collection is reasonably assured.

Externally restricted donations, non-government contributions and realized and unrealized gains and losses for the associated, externally restricted, investment income are recognized as deferred revenue if the terms for their use, or the terms along with the Corporation's actions and communications as to the use, create a liability. These resources are recognized as revenue as the terms are met and, when applicable, the Corporation complies with its communicated use.

In-kind donations of services and materials are recognized at fair value when such value can reasonably be determined.

Expenses

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

Transfers include entitlements, grants and transfers under shared cost agreements. Grants and transfers are recognized as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2022

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Valuation of Financial Assets and Liabilities

The Corporation's financial assets and liabilities are generally measured as follows:

<u>Financial Statement Component</u>	<u>Measurement</u>
Cash	Cost
Accounts Receivable	Lower of Cost or Net Recoverable Value
Accounts Payable and Other Accrued Liabilities	Cost

The Corporation has no assets or liabilities in the fair value category, has no significant foreign currency transactions and has no significant remeasurement gains or losses. Consequently, no statement of remeasurement gains and losses has been presented.

Financial Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets are the Corporation's financial claims on external organizations and individuals, as well as cash.

Cash

Cash comprises of cash on hand and demand deposits.

The Consolidated Cash Investment Trust Fund (CCITF) is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality, short-term and mid-term fixed income securities with a maximum maturity of three years.

Accounts Receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Liabilities

Liabilities represent present obligations of the Corporation to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts.

Liabilities also include:

- all financial claims payable by the Corporation at the year end;
- accrued employee vacation entitlements; and
- contingent liabilities where future liabilities are likely.

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2022

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Environmental Liabilities

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. A liability for remediation of a contaminated site may arise from an operation that is either in productive use or no longer in productive use and may also arise from an unexpected event resulting in contamination. The resulting liability is recognized when all of the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the Corporation is directly responsible or accepts responsibility;
- iv. it is expected that future economic benefits will be given up; and
- v. a reasonable estimate of the amount can be made.

Other environmental liabilities are recognized when all of the following criteria are met:

- i. the Corporation has a duty or responsibility to others, leaving little or no discretion to avoid the obligation;
- ii. the duty or responsibility to others entails settlement by future transfer or use of assets, or a provision of services at a specified or determinable date, or on demand;
- iii. the transaction or events obligating the Corporation have already occurred; and
- iv. a reasonable estimate of the amount can be made.

Asset Retirement Obligations

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are estimated at the future value amount and the capitalized asset retirement cost is amortized on the same basis as the related asset. In subsequent periods, the liability will be adjusted for any changes in the value of the estimate.

Non-Financial Assets

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

- (a) are normally employed to deliver government services.
- (b) may be consumed in the normal course of operations; and
- (c) are not for sale in the normal course of operations

Non-financial assets include tangible capital assets and prepaid expenses.

Tangible Capital Assets

Tangible capital assets are recognized at cost less accumulated amortization, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Work in progress, which included facilities and improvements projects and development of information systems, is not amortized until after a project is complete (or substantially complete) and the asset is put into service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Consolidated Statement of Operations.

Contributed tangible capital assets from non-related entities are recognized at their fair value at the time of contribution.

Prepaid Expenses

Prepaid expenses are recognized at cost and amortized based on the terms of the agreement.

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2022

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Financial Risk Management

The Corporation's financial instruments include cash, accounts receivable and accounts payable and other accrued liabilities. The Corporation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Corporation's financial instruments are exposed to credit risk, market risk, and liquidity risk.

a) Credit Risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the Corporation. The Corporation's accounts receivable are exposed to credit risk. Management manages this risk by continually monitoring the creditworthiness of counterparties and by dealing with counterparties that it believes are creditworthy.

b) Market Risk

Market risk is the risk of loss from unfavourable change in fair value or future cash flows of a financial instrument causing financial loss. Market risk is comprised of currency risk, interest rate risk and price risk. The Corporation's cash is exposed to interest rate risk. Management manages this risk by continually monitoring the Corporation's deposits in the Consolidated Cash Investment Trust Fund (CCITF) and their corresponding rate of return.

c) Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation's accounts payable and other accrued liabilities are exposed to liquidity risk. Management manages this risk by continually monitoring cash flows.

Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Asset retirement obligations recorded in accounts payable and other accrued liabilities are \$2,549 (2021 - \$2,549). This balance is for estimated decommissioning costs for the Alberta Carbon Capture Technology Centre and is subject to measurement uncertainty.

The World Health Organization declared on March 11, 2020 the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus and provide financial assistance as necessary. The duration and impact of COVID-19 are unknown at this time and it is not possible to reliably estimate the effect these developments will have on the Corporation.

Note 3 FUTURE CHANGES IN ACCOUNTING STANDARDS

During the fiscal year 2022-23, the Corporation will adopt the following new accounting standard of the Public Sector Accounting Board:

• **PS 3280 Asset Retirement Obligations**

This accounting standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets. The Corporation plans to adopt this accounting standard on a modified retroactive basis, consistent with the transitional provisions in PS 3280, and information presented for comparative purposes will be restated. The impact of the adoption of this accounting standard on the financial statements is currently being analyzed.

In addition to the above, the Public Sector Accounting Board has approved the following accounting standards, which are effective for fiscal years starting on or after April 1, 2023:

• **PS 3400 Revenue**

This standard provides guidance on how to account for and report on revenue, and specifically, it differentiates between revenue arising from exchange and non-exchange transactions.

• **PS 3160 Public Private Partnerships**

This standard provides guidance on how to account for public private partnerships between public and private sector entities, where the public sector entity procures infrastructure using a private sector partner.

The Corporation has not yet adopted these standards. Management is currently assessing the impact of these standards on the consolidated financial statements.

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2022

Note 4 BUDGET
(in thousands)

A preliminary business plan with a budgeted deficit of \$9,074 was approved by the Board on March 24, 2021 and the full financial plan was submitted to the Minister of Jobs, Economy and Innovation. The budget reported in the Consolidated Statement of Operations reflects the original \$9,074 deficit and additional reclassifications required for more consistent presentation with current and prior year results.

Note 5 CASH
(in thousands)

	2022	2021
Cash	\$ 111,896	\$ 112,130

Cash in the amount of \$111,896 (2021 - \$112,130) includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta amounting to \$101,551 (2021 - \$103,725).

As at March 31, 2022, \$79,568 of the cash balance is restricted as it represents grants received that have restrictions on their use (2021- \$72,415).

As at March 31, 2022, securities held by the Corporation had a time-weighted rate of return of 0.21% per annum (2021 – 0.42% per annum). Due to the short-term nature of the CCITF investments, the carrying value approximates fair value.

Note 6 ACCOUNTS RECEIVABLE
(in thousands)

	2022		2021	
	Gross amount	Allowance for doubtful accounts	Net recoverable value	Net recoverable value
Accounts receivable	\$ 10,314	\$ 156	\$ 10,158	\$ 11,028
Alberta government departments and agencies	1,035	-	1,035	563
Accrued income receivable	2,449	-	2,449	1,922
	\$ 13,798	\$ 156	\$ 13,642	\$ 13,513

Accounts Receivable are unsecured, non-interest bearing and reported at their estimated net recoverable value.

Note 7 CONTRACTUAL RIGHTS
(in thousands)

Contractual rights are rights of the Corporation to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

	2022	2021
Contractual rights from operating contracts	\$ 61,779	\$ 61,500

Estimated amounts that will be received or receivable for each of the next five years and thereafter are as follows:

	Operating contracts
2022-23	\$ 34,595
2023-24	12,141
2024-25	10,148
2025-26	4,176
2026-27	383
Thereafter	336
	\$ 61,779

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2022

Note 8 ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES
(in thousands)

	2022	2021
Accounts payable and other accrued liabilities	\$ 30,197	\$ 15,522
Alberta government departments and agencies	3,055	3,186
Asset retirement obligations	2,549	2,549
	<u>\$ 35,801</u>	<u>\$ 21,257</u>

Note 9 DEFERRED CONTRIBUTIONS
(in thousands)

	2022	2021
Unspent deferred capital contributions (a)	\$ 1,094	\$ 1,137
Spent deferred capital contributions (b)	19,450	20,040
Deferred operating contributions (c)	67,850	63,490
Deferred contract revenue	10,624	7,788
	<u>\$ 99,018</u>	<u>\$ 92,455</u>

(a) Unspent deferred capital contributions

	2022			2021		
	Government of Alberta		Other	Total	Total	
Balance at beginning of year	\$	1,099	\$	38	\$	1,137
Amounts reclassified ⁽¹⁾		(546)		(38)		(584)
Cash contributions received/receivable during year		2,500		72		2,572
Transfers from deferred revenue				-		-
Interest income		-		-		-
Transferred to spent deferred capital contributions		(1,964)		(67)		(2,031)
Balance at end of year	\$	1,089	\$	5	\$	1,094
						1,137

(b) Spent deferred capital contributions

	2022			2021	
	Government of Alberta		Other	Total	Total
Balance at beginning of year	\$ 11,763	\$ 8,277	\$ 20,040	\$ 21,481	
Amounts reclassified ⁽¹⁾	546	38	584	-	
Transferred from unspent deferred capital contributions	1,964	67	2,031	1,813	
Less amounts recognized as revenue	(2,225)	(980)	(3,205)	(3,254)	
Balance at end of year	\$ 12,048	\$ 7,402	\$ 19,450	\$ 20,040	

(c) Deferred operating contributions

	2022			2021	
	Government of Alberta	Other	Total	Total	
Balance at beginning of year	\$ 60,383	\$ 3,107	\$ 63,490	\$ 78,158	
Cash contributions received/receivable during the year	120,073	3,128	123,201	119,492	
Interest income	84	-	84	216	
Transfers to unspent deferred capital contributions		-	-	(300)	
Recognized as revenue:					
Grants	(115,864)	(2,978)	(118,842)	(133,862)	
Interest income	(83)	-	(83)	(214)	
Balance at end of year	\$ 64,593	\$ 3,257	\$ 67,850	\$ 63,490	

⁽¹⁾ Certain amounts included in unspent deferred capital contributions were reclassified to spent deferred capital contributions.

⁽⁴⁾ \$41 was reclassified between Buildings & Improvements and Equipment for costs incurred in the prior year.

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2022

Note 12 ACCUMULATED SURPLUS
(in thousands)

	2022			2021
	Investments in Tangible Capital Assets	Unrestricted Surplus	Total	Total
Balance, beginning of year	\$ 26,313	\$ 33,563	\$ 59,876	\$ 72,264
Amounts reclassified ⁽¹⁾	(584)	584	-	-
Annual deficit	(7,554)	(17,716)	(25,270)	(12,388)
Net investments in capital assets	2,930	(2,930)	-	-
Transfers to spent deferred capital contributions	(2,031)	2,031	-	-
Spent deferred recognized in revenue	3,205	(3,205)	-	-
Balance, end of year	\$ 22,279	\$ 12,327	\$ 34,606	\$ 59,876

⁽¹⁾ Certain amounts included in unspent deferred capital contributions were reclassified to spent deferred capital contributions.

Note 13 CONTINGENT LIABILITIES
(in thousands)

The Corporation is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate. As at March 31, 2022 accruals totaling \$368 (2021 - \$368) have been recognized as a liability.

Note 14 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2022	2021
Obligations under operating leases and contracts	\$ 131,179	\$ 100,382

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Operating leases and contracts
2022-23	\$ 75,525
2023-24	38,381
2024-25	16,480
2025-26	667
2026-27	101
Thereafter	25
	<u>\$ 131,179</u>

ALBERTA INNOVATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2022

Note 15 ALBERTA CARBON CONVERSION TECHNOLOGY CENTRE
(in thousands)

The Alberta Carbon Conversion Technology Centre (ACCTC) is a commercialization and testing centre designed to advance CO₂ capture and conversion technologies, and conduct related research. InnoTech Alberta Inc, a wholly owned subsidiary of the Corporation, completed the purchase and transfer of the ACCTC on March 15, 2018. \$24,015 (2021 - \$23,984) is recorded in tangible capital assets in Note 11. \$13,252 (2021 - \$15,131) of related spent deferred capital contributions is recorded in Note 9. There were no in-kind contributions received at March 31, 2022 (2021 - \$nil).

From June 2018 until March 2021 the ACCTC was the host site for the NRG COSIA Carbon XPRIZE – a competition to pilot various carbon capture and conversion technologies. InnoTech was not directly involved in supervising or overseeing the XPRIZE Competition, aside from its day to day role as the owner and operator of the ACCTC. Now that the XPRIZE competition is over, InnoTech will own and operate the ACCTC, which will be marketed to industry and government as a carbon capture testing site until December 2027. At that time, exclusive use of the site and ownership of the ACCTC will pass back to the owner of the land, who may elect to wholly or partially de-commission the ACCTC. Accordingly, \$2,549 (2021 - \$2,549) of asset retirement obligations have been recorded in Note 8.

The corporation has entered into various contractual arrangements with respect to ACCTC including a license of occupation, an operating costs recovery agreement, and a repayable contribution agreement. The impact on contractual rights, contractual obligations, contingent assets, and contingent liabilities, when known, has been reflected in these consolidated financial statements in accordance with the accounting policies described in Note 2.

Note 16 COMPARATIVE FIGURES

Certain 2021 figures have been reclassified, where necessary, to conform to the 2022 presentation.

Note 17 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Board approved the consolidated financial statements of Alberta Innovates on May 31, 2022.

ALBERTA INNOVATES
CONSOLIDATED EXPENSES - DETAILED BY OBJECT
YEAR ENDED MARCH 31, 2022

SCHEDULE 1

	<u>2022</u>	<u>2022</u>	<u>2021</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		<i>(in thousands)</i>	
Grants	\$ 143,495	\$ 139,678	\$ 133,820
Salaries, wages and employee benefits	64,899	63,277	61,395
Supplies and services	34,904	33,746	30,614
Amortization of tangible capital assets (Note 11)	7,900	7,542	7,015
	<u>\$ 251,198</u>	<u>\$ 244,243</u>	<u>\$ 232,844</u>

**ALBERTA INNOVATES
SALARY AND BENEFITS DISCLOSURE
YEAR ENDED MARCH 31, 2022
(in thousands)**

SCHEDULE 2

	2022			2021	
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
Chair of the Board	\$ -	\$ 18	\$ 1	\$ 19	\$ 18
Board Members	-	50	1	51	52
Chief Executive Officer	397	111	14	522	523
Chief Cleantech Officer & Vice President, Clean Resources (4)	253	18	58	329	312
Chief Operating Officer	301	11	65	377	367
General Counsel & Corporate Secretary	251	19	55	325	318
Vice Presidents:					
Executive Vice President, Impact	256	-	54	310	311
Vice President, Finance (5)	195	34	16	245	270
Vice President, Health	266	37	15	318	312
Associate Vice President, Investments (6)	160	7	37	204	-
Vice President, Marketing & Communications	219	22	6	247	247
Vice President, Organizational Development (7)	219	30	12	261	186
	\$ 2,517	\$ 357	\$ 334	\$ 3,208	\$ 2,916

(1) Base salary includes regular salary.

(2) Other cash benefits include honoraria for the Chair and Board Members. Other cash benefits for the Chief Executive Officer, Chief Cleantech Officer & Vice President, Clean Resources, Chief Operating Officer, General Counsel & Corporate Secretary and Vice Presidents include vacation payouts, car and living allowance, payments in lieu of pension and lump sum amounts.

(3) Other non-cash benefits include employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plan, employee health care expense accounts, dental coverage, major medical, group life insurance, short term disability plan, CPP, EI, Workers Compensation Board premiums and professional memberships.

(4) Vice President, Clean Resources position was renamed to Chief Cleantech Officer & Vice President, Clean Resources effective March 1, 2022.

(5) Vice President, Finance was vacated February 9, 2022.

(6) Associate Vice President, Investments position was effective May 31, 2021.

(7) Associate Vice President, Organizational Development position was effective on June 1, 2020 and renamed to Vice President, Organizational Development effective April 1, 2021.

**ALBERTA INNOVATES
RELATED PARTY TRANSACTIONS
YEAR ENDED MARCH 31, 2022**

SCHEDULE 3

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's Consolidated Financial Statements. Related parties also include key management personnel and close family members of those individuals in the Corporation. The Corporation and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Corporation had the following transactions with related parties recognized in the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties.

	Entities in the Ministry		Other Entities Outside of the Ministry	
	2022	2021	2022	2021
	<i>(in thousands)</i>			
Revenues				
Grants	\$ 166,617	\$ 169,209	\$ 6,198	\$ 5,881
Other	-	-	1,936	1,858
	<u>\$ 166,617</u>	<u>\$ 169,209</u>	<u>\$ 8,134</u>	<u>\$ 7,739</u>
Expenses - Directly Incurred				
Grants	\$ -	\$ -	\$ 53,795	\$ 52,087
Other services	-	5	1,103	2,899
	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 54,898</u>	<u>\$ 54,986</u>
Receivables from	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,035</u>	<u>\$ 563</u>
Payable to	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,055</u>	<u>\$ 3,186</u>
Prepaid expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118</u>	<u>\$ -</u>
Unspent deferred capital contributions	<u>\$ 1,089</u>	<u>\$ 1,100</u>	<u>\$ -</u>	<u>\$ -</u>
Spent deferred capital contributions	<u>\$ 11,942</u>	<u>\$ 11,640</u>	<u>\$ 106</u>	<u>\$ 123</u>
Deferred revenue	<u>\$ 54,486</u>	<u>\$ 48,047</u>	<u>\$ 10,107</u>	<u>\$ 12,337</u>
Deferred contract revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 39</u>
Contractual obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,704</u>	<u>\$ 24,904</u>
Contractual rights	<u>\$ 22,763</u>	<u>\$ 36,857</u>	<u>\$ 3,630</u>	<u>\$ 2,373</u>

Schedule 3 - Related Party Transactions (Continued)

The above transactions do not include support service arrangement transactions disclosed below. The Corporation also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not reported in the consolidated financial statements. Accommodation expenses incurred by others are disclosed in Schedule 4.

	Other Entities Outside of the Ministry	
	2022	2021
	(in thousands)	
Expenses - Incurred by others ⁽¹⁾		
Accommodation ⁽²⁾	\$ 20,545	\$ 20,883
	<u>\$ 20,545</u>	<u>\$ 20,883</u>

⁽¹⁾ During the year, the Corporation received financial processing and reporting services from Service Alberta and the Department of Jobs, Economy and Innovation at no cost. The dollar value of these services cannot be accurately determined.

⁽²⁾ The Corporation's share of accommodation costs is based on the proportion of space occupied compared to the total space occupied by all Ministries.

**ALBERTA INNOVATES
CONSOLIDATED ALLOCATED COSTS
YEAR ENDED MARCH 31, 2022**

SCHEDULE 4

Program	2022			2021
	Expenses - Incurred by Others			
	Expenses ⁽¹⁾	Accommodation Costs	Total Expenses	Total Expenses
<i>(in thousands)</i>				
Research, innovation and commercialization	\$ 156,077	\$ -	\$ 156,077	\$ 152,415
Applied research	51,220	-	51,220	47,911
Administration	29,404	20,545	49,949	46,386
Amortization	7,542		7,542	7,015
	<u>\$ 244,243</u>	<u>\$ 20,545</u>	<u>\$ 264,788</u>	<u>\$ 253,727</u>

⁽¹⁾ Expenses - Directly Incurred as per Consolidated Statement of Operations.



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