

NO: R108

COUNCIL DATE: May 28, 2018

REGULAR COUNCIL

TO: **Mayor & Council** DATE: **May 23, 2018**

FROM: **General Manager, Investment & Intergovernmental Relations** FILE: **2490-01**
City Solicitor, Legal Services

SUBJECT: **Innovation Boulevard Corp. (the "Corporation") – 2018 Annual General Meeting ("AGM")**

RECOMMENDATION

The General Manager of Investment & Intergovernmental Relations and the City Solicitor recommend that Council:

1. Receive this report for information;
2. Receive the Notice and Agenda of the 2018 AGM for the Corporation, a copy of which is attached as Appendix "I" to this report;
3. Authorize the General Manager, Corporate Service to appoint an Assistant City Solicitor to represent the City of Surrey (the "Shareholder") at the AGM for the Corporation;
4. Endorse the recommendations as set out in the Notice and Agenda of the 2018 Annual General Meeting and as listed below:
 - a. Approve the Agenda;
 - b. Approve the Audited Financial Statements for the Year Ended December 31, 2017 (attached as Appendix "II");
 - c. Approve the Appointment of BDO as the Auditors for the Year Ending December 31, 2018; and
 - d. Approve the Reappointment and Appointment of Directors (attached as Appendix "III") for the next AGM or until their successors are elected or appointed.
5. Authorize the City Clerk to make Council's resolutions related to this report available to the public as information.

INTENT

The purpose of this report is to have Council, on behalf of the City of Surrey as 50% shareholder of Innovation Boulevard Corp., address matters related to the 2018 AGM for the Corporation which is

scheduled for June 29, 2018 and approve these items in accordance with the *Business Corporations Act*.

BACKGROUND

Innovation Boulevard Corp. was incorporated on October 28, 2016 after receiving approval from the Municipal Inspector of British Columbia. The Shareholders of the Corporation are Simon Fraser University and the City of Surrey.

Currently the Directors of the Corporation include representatives from the City of Surrey and Simon Fraser University as follows:

- Mayor Linda Hepner;
- Donna Jones, General Manager, Investment & Intergovernmental Relations;
- Joanne Curry, SFU Vice President of External Relations; and
- Dr. Norbert Haunerland, SFU Professor of Biology.

The *Business Corporations Act* provides that for each Corporation an AGM is to be held in every calendar year or not more than 18 months after the production of the Financial Statements for the preceding calendar year. The Financial Year End of the Corporation was determined at December 31, 2017, therefore the AGM must be held by June 30, 2018. The attached Notice states that the AGM for the Corporation will be held on June 29, 2018 at 11:30AM.

DISCUSSION

Simon Fraser University ("SFU") and the City of Surrey are each 50% shareholders in Innovation Boulevard Corp. As such, Innovation Boulevard Corp. is accountable to the City for its activities and, in turn, the City of Surrey is accountable to residents of Surrey.

Having the AGM enables the Corporation to report to the City and its residents on progress made during the prior year, as well as fulfill its annual obligations under its Articles of Incorporation and the *Business Corporations Act*. The AGM represents one of the key mechanisms for the Corporation to demonstrate its commitment to transparency, accountability and good corporate governance. At the AGM, Dr. Norbert Haunerland will be stepping down as a Director of the Corporation, and the Board has added Dr. Joy Johnson, Vice-President, Research and International, to fill SFU's vacancy on the board.

SUSTAINABILITY CONSIDERATIONS

Innovation Boulevard, with its focus on health technology development and commercialization, allows companies to leverage the benefits of co-location and provides them with access to a network of support. The Corporation relates to the Sustainability Charter 2.0 themes of:

1. Economic Prosperity and Livelihoods;
2. Education and Culture; and
3. Health and Wellness.

Specifically, the Corporation supports the following desired outcomes ("DO") and strategic directions ("SD"):

1. Economic Prosperity and Livelihoods:

- Jobs and Skills Training DO2: Quality education, training and skills development programs are available in the City, which help to create a highly skilled workforce.
- Jobs and Skills Training DO3: Job creation and entrepreneurship development are widely fostered.
- Jobs and Skills Training SD3: Collaborate with businesses, non-profits and senior levels of government to support skills development within the workforce.
- Economy SD6: Facilitate connections between businesses to support sourcing of local services, expertise and products.
- Innovation DO14: Surrey is the region's innovation hub, focusing on health and clean technologies, and creating significant local and regional economic impacts.
- Innovation DO15: An innovation network attracts and retains talent, and enables new company formation.
- Innovation DO16: Surrey's businesses are active participants in the community and create economic value in a way that generates value for society.
- Innovation SD10: Support the development and growth of key sectors including health technology.
- Innovation SD11: Connect business, universities, industry associations and non-profits to collaborate on research and innovative economic development planning and projects.

2. Education and Culture:

- Learning DO6: Surrey is a provider of advanced education, producing cutting-edge research and cultivating leaders in innovative practices.
- Learning SD2: Advance innovation and technology learning opportunities in Surrey to achieve ongoing relevance and broad community access to information and learning opportunities.

3. Health and Wellness:

- Health Services and Programs SD1: Connect, facilitate and support people and organizations in innovation alliances for delivery of social, health and wellness programs.

CONCLUSION

Based on the above discussion, it is recommended that Council:

- Receive this report for information;
- Receive the Notice and Agenda of the 2018 Annual General Meeting for the Corporation, a copy of which is attached as Appendix "I" to this report;

- Authorize the General Manager, Corporate Service to appoint an Assistant City Solicitor to represent the City of Surrey (the "Shareholder") at the AGM for the Corporation;
- Endorse the recommendations as set out in the Notice and Agenda of the 2018 Annual General Meeting as listed below:
 - a. Approve the Agenda;
 - b. Approve the Audited Financial Statements for the Year Ended December 31, 2017 (attached as Appendix "II");
 - c. Approve the Appointment of BDO as the Auditors for the Year Ending December 31, 2018; and
 - d. Approve the Reappointment and Appointment of Directors (attached as Appendix "III") for the next AGM or until their successors are elected or appointed.
- Authorize the City Clerk to make Council's resolutions related to this report available to the public as information.

DONNA JONES
General Manager of Investment &
Intergovernmental Relations

CRAIG MacFARLANE
City Solicitor

DJ/CM:ke

Attachment: Appendix "I" - Notice and Agenda of Annual General Meeting
Appendix "II" - 2017 Financial Statements
Appendix "III" - Shareholders Resolutions



**NOTICE OF
ANNUAL GENERAL MEETING
FOR**

Innovation Boulevard Corp.

June 29, 2018

11:30AM

Unit # 295 13450 – 102 Avenue, Surrey, BC

Innovation Boulevard Corporate Office

Agenda

Item	Action	Responsibility
1. Agenda	Approve	Chair
2. Financial Statements for Year ended December 31, 2017	Approve	Shareholder
3. Appoint Auditors for Year Ending 2018	Approve	Shareholder
4. Appointment /Reappointment of Directors	Approve	Shareholder
5. Adjournment		Chair

Financial Statements of

INNOVATION BOULEVARD CORPORATION

Year ended December 31, 2017

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Management's Responsibility for Financial Reporting

The financial statements are the responsibility of the management of the Innovation Boulevard Corporation ("IBC"). The financial statements have been prepared in accordance with the Canadian public sector accounting standards.

The financial statements include, where appropriate, estimates based on the best judgment of management.

As part of its responsibilities, IBC maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that IBC's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls and exercises these responsibilities through the Board. The Board reviews and approves the annual financial statements. The Board meets periodically with management and external auditors. The Board also recommends the engagement or reappointment of the external auditors, review of scope of audit and approves the fees of the external auditors for audit and non-audit services.

The external auditors, BDO, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the statements. The external auditors have full and free access to financial management of IBC and meet when required. BDO's report on the financial statements appears herein.

Signed by:

Joanne Curry,
Board Chair

Louise Turner,
Chief Executive Officer

Independent Auditor's Report

To the Board of Directors of Innovation Boulevard Corporation

We have audited the accompanying financial statements of Innovation Boulevard Corporation, which comprise the Statement of Financial Position as at December 31, 2017 and the Statements of Operations, Changes in Net Financial Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS), and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Innovation Boulevard Corporation as at December 31, 2017 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Chartered Professional Accountants

Vancouver, British Columbia
AUDIT REPORT DATE

Innovation Boulevard Corporation

Statement of Financial Position

As at December 31, 2017

	2017
FINANCIAL ASSETS	
Cash	\$ 44,163
Accounts Receivable (note 3)	27,373
	71,536
LIABILITIES	
Accounts Payable and Accrued Liabilities	2,529
Deposits and Prepays	223
	2,752
NET SURPLUS	68,784
NON-FINANCIAL ASSETS	
Prepaid expenses	24,000
	24,000
ACCUMULATED SURPLUS	\$ 92,784

Commitments (Note 5)

Louise Turner
CEO

Ioanne Curry
Chairperson

To be read in conjunction with the Notes and Schedules to the Financial Statements

Innovation Boulevard Corporation

Statement of Operations

For the year ended December 31, 2017

	2017
REVENUES	
Funding from Owners (note 4)	\$ 450,000
Rental Revenue	63,507
Other Revenue	32
	513,539
EXPENSES	
Leases and Rentals	(238,255)
Consulting and Professional Services	(69,538)
Salaries and benefits	(52,665)
Expenses related to closure of HTIF	(25,403)
Supplies and Materials	(25,132)
Other Expenses	(9,762)
	(420,755)
ANNUAL SURPLUS	\$ 92,784
Accumulated Surplus, beginning of year	-
Accumulated Surplus, end of year	\$ 92,784

To be read in conjunction with the Notes and Schedules to the Financial Statements

Innovation Boulevard Corporation

Statement of Changes in Net Financial Assets

As at December 31, 2017

	2017
ANNUAL SURPLUS	\$ 92,784
	92,784
Acquisition of prepaid expenses	(24,000)
Use of prepaid expenses	-
	(24,000)
CHANGE IN NET FINANCIAL ASSETS	\$ 68,784
Net Financial Assets, beginning of year	-
Net Financial Assets, end of year	\$ 68,784

To be read in conjunction with the Notes and Schedules to the Financial Statements

Innovation Boulevard Corporation

Statement of Cash Flows

For the year ended December 31, 2017

	2017
CASH PROVIDED BY (USED IN):	
<u>OPERATIONAL ACTIVITY</u>	
Annual Surplus	\$ 92,784
Items not involving cash	
Change in non-cash assets and liabilities	
Decrease(Increase) in Prepaid Expenses	(24,000)
Decrease(Increase) in Accounts Receivable	(27,373)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	2,529
Increase (Decrease) in Deposit and Prepays	223
Net change in cash from operating activities	44,163
<u>CAPITAL ACTIVITY</u>	
Cash used to acquire tangible capital assets	-
Net change in cash from capital activity	-
Net change in cash	44,163
Cash, beginning of year	-
Cash, end of year	\$ 44,163

To be read in conjunction with the Notes and Schedules to the Financial Statements

Innovation Boulevard Corporation

Notes to Financial Statements

Year ended December 31, 2017

1. Nature of operations

Innovation Boulevard Corporation (“IBC”) was incorporated on October 28, 2016 and effectively commenced operations on January 1, 2017. City of Surrey (the “City”) and Simon Fraser University (“SFU”) hold 50% shares each in IBC. The purpose of IBC is the development of an integrated innovation and technology hub in Surrey that coordinates and facilitates the efforts of private industry, investors, the City, SFU, Fraser Health Authority, other levels of government, local universities and colleges, healthcare and other services providers, not-for profit stakeholders, researchers, and thought leaders to build a dynamic infrastructure to support innovation, research, community engagement, private and public investment, job creation and oversight to improve the lives of people of Surrey and beyond.

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. IBC is economically dependent on the City and SFU to provide sufficient funding to cover any expenses incurred directly by the organization. It is therefore classified as an Other Government Organization as it is not considered self-sustaining. IBC is not taxable pursuant to section 149 of the Income Tax Act.

2. Significant accounting policies

a) Basis of accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards (“PSAS”) established by the Canadian Public Sector Accounting Board.

b) Prepaid expenses

Prepaid expenses include leases and rentals and other items paid in advance and are recognized as an expense over the period of expected benefits.

c) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. Funding from owners are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Innovation Boulevard Corporation

Notes to Financial Statements

Year ended December 31, 2017

2. Significant accounting policies (continued)

d) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in provisions for accrued liabilities and contingencies.

Actual results could differ from these estimates.

e) Functional reporting

The operations of the IBC are comprised of a single function. As a result, the expenses of the IBC are presented by object in the statement of operations.

f) Budget data

There is no budget data available to be presented in these financial statements.

3. Accounts Receivable

	<u>2017</u>
Sub-lease receivable	\$ 13,200
Due from other authorities	14,173
	<u>\$ 27,373</u>

4. Funding from owners

Funding from owners reported on the Statement of Operations includes:

	<u>2017</u>
City of Surrey	\$ 150,000
Simon Fraser University	300,000
Total revenues	<u>\$ 450,000</u>

5. Commitments

IBC is committed to payments for property lease contract for the next 3 years as follows:

2018	\$ 274,965
2019	329,958
2020	54,993
	<u>\$ 659,916</u>

Innovation Boulevard Corporation

Notes to Financial Statements

Year ended December 31, 2017

6. Financial Instrument Risk

Credit risk

Credit risk is the risk that an entity will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject IBC to significant concentrations of credit risk consist primarily of cash and accounts receivable. IBC limits its exposure to credit risk by placing its cash with well-regulated financial institutions.

IBC's exposure to credit risk with respect to its accounts receivable is low as all receivables are from government sources.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. IBC is not exposed to foreign exchange risk as it doesn't materially transact with any foreign entity.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. IBC is not exposed to interest rate risk as none of its financial instruments are impacted by changes in market interest rates.

Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its obligations as they fall due. IBC maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

**SHAREHOLDERS RESOLUTIONS
OF
INNOVATION BOULEVARD CORP.
(the "Company")**

RESOLVED THAT:

1. The financial statements as approved by the directors for the Company's financial year ending December 31, 2017 be approved;
2. The appointment of an auditor for the Company for the financial year ending December 31, 2018 be BDO Canada LLP; and
3. The following persons be elected as directors of the Company for the next Annual General Meeting ("AGM") or until their successors are elected or appointed:

LINDA HEPNER
City of Surrey

JOANNE CURRY
Simon Fraser University

DONNA JONES
City of Surrey

JOY JOHNSON
Simon Fraser University

Dated effective: June 29, 2018

CITY OF SURREY

SIMON FRASER UNIVERSITY ("SFU")