

CIVIC PARTNER 2016 ANNUAL REPORT SNAPSHOT-CALGARY TECHNOLOGIES INC. (INNOVATE CALGARY)

CPSS2017-0369 Civic Partners Annual Report Attachment 15
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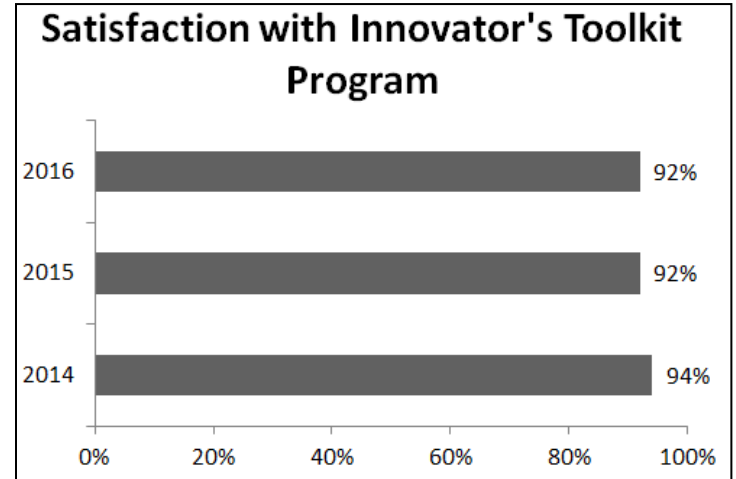
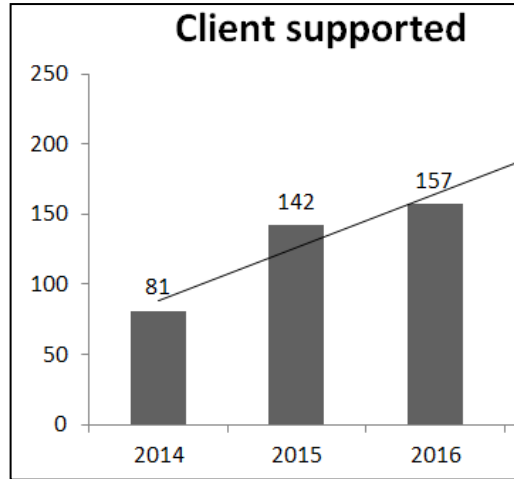
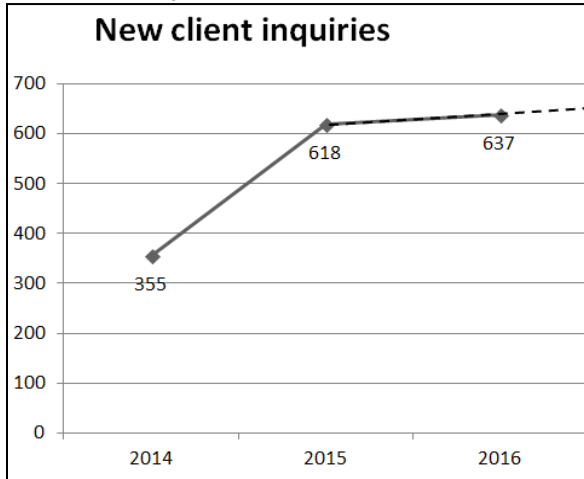
CALGARY TECHNOLOGIES INC (INNOVATE CALGARY)

Mission: Innovate Calgary guides entrepreneurs in building and growing their innovation driven enterprises, creates value for our academic and industry partners, and is a champion of the innovation economy in our community.

2016 City Investment

Operating Grant:\$770,982
City owned asset? No

How did they do in 2016?



The story behind the numbers

- 2015 to 2016 year over year demand for entrepreneur development programs and services grew 10.5%. Client satisfaction measurements continued to show the effectiveness of entrepreneur programming.
- To meet growing demand without significant additional cost, explored innovative program delivery methods including on-line content.
- Hosted 45 physical tenants in its building and 62 virtual tenants.
- Hosted 324 events in our building of which 47% were for innovation ecosystem partners.
- Innovate Calgary clients employ 632 people and had 248 new hires in 2016.

Snapshot of 2017-18 priorities

- Develop and offer new programming and services if new government innovation funding becomes available.
- Expand existing programming if funding secured including individual and group-based coaching and mentoring, entrepreneurship training and workshops, assistance raising capital.
- Continue to refine performance measures to improve programs and services.
- Develop a new Strategic Plan.

CPSS2017-0369
ATTACHMENT 15



1. **Organization Name:** Calgary Technologies Inc. (operating as Innovate Calgary)
2. **Fiscal Year:** April 1 2016 to March 31 2017
3. **Latest Annual Report available and web address:** The latest financial statements available are for the 2015-16 fiscal year. Our year end close will be underway shortly for the 2016/17 fiscal year, will be Board approved in June and made available to shareholders 21 days prior to the AGM which will be held in Sept 2017.
4. **Current Vision, Mission and Mandate:**

Vision: “A culture of innovation permeates our community enabling innovation-driven enterprises to lead economic growth.”

Mission: “Innovate Calgary guides entrepreneurs in building and growing their innovation driven enterprises, creates value for our academic and industry partners, and is a champion of the innovation economy in our community.”

YEAR IN REVIEW

5. **What key results of your organization in 2016 contributed to Council Priorities in The City’s 2015-2018 Action Plan including A prosperous city, A city of inspiring neighbourhoods, or A healthy and green city?**

[The City of Calgary - Council Priorities](#)

Innovate Calgary’s primary impact on The City of Calgary’s 2015-2018 Action Plan is in the area of economic prosperity. Our programs and services are focused on assisting and guiding entrepreneurs as they build and grow their innovation oriented businesses. This serves to grow and diversify our economy.

2016 accomplishment highlights include:

- 2015 to 2016 year over year demand for our entrepreneur development programs and services grew by 10.5%. Our Client satisfaction measurements continue to show the effectiveness of our entrepreneur programming.
- Although 8 times growth in our client base has been experienced over the last 5 years, current ability to deliver additional programming is constrained by staff resource capacity maximums. The introduction of program content accessible on-line has enhanced our client servicing in a flat funding environment. New and innovative program delivery methods are being continuously investigated and implemented.
- # of Clients participating in our programs - 157. # of physical Tenants in the ARTC building – 45 and 62 Virtual Tenants.
- Innovate Calgary is further improving its accountability towards outcomes through the utilization of the Results Based Accountability (“RBA”) framework. RBA supports a disciplined way of thinking and taking action to improve the performance of our programs:

- Successful implementation of our Annual Client Achievement Survey has enabled linking the effect our programs and services have to our clients' results. A new section regarding our clients achievements have been included for the first time.
- The Client survey results will be released to the public in the April 2017 Report to the Community.
- Our new Client Relationship Management system (Sugar CRM) continues to be customized to provide added accuracy and specifics about our client base for enhanced reporting capability.
- Significant re-alignment of Entrepreneur Development programming occurred to better meet the needs of today's entrepreneur – examples include Discover, Validate, Start-up Primer and Toolkit Topics.
- Kinetica Ventures, our energy technology accelerator focused on helping entrepreneurs launch new energy technology produce companies launched in 2015, continues to work with energy start-up companies. Kinetica's clients have been included in the total numbers in the following table.
- The Inc., our co-working space, is currently in the process of doubling in size. This is part of the strategic plan to re-purpose space as a result of our largest tenant graduating from the building.
- Innovate Calgary hosted 324 events in our building of which 47% were for other innovation ecosystem partners.
- Our Enterprise Risk Management program continued to be internalized within the organization.

6. Using your organization's existing performance measurement data, please provide selected 2016 performance measures that describe how much you did, how well you did it, and how Calgarians are better off. Please identify through BOLD font, 1-2 measures that are most significant and could be presented in an RBA style chart. *For more information please see the attached Results Based Accountability (RBA) handout.

	Performance Measure	2014	2015	2016	What story does this measure tell about your work? Why is it meaningful?
How much did you do?	New Client Inquiries <i>(Inquiries handled by IC staff)</i>	355	618 (74%)	637 (3%)	Annual percentage growth is shown below the values. The change in growth rate magnitude reflects current resource capacity at its maximum. New and innovative program delivery methods are being continuously investigated, such as on-line content, and
	Clients Qualified <i>(Many Client Inquiries are referred to another ecosystem partner or are not a fit for our programs and services)</i>	No Data	223	272 (22%)	
	Clients Engaged <i>(In a paid or subsidized program or service)</i>	81	142 (75%)	157 (10.5%)	
	Innovation Events Led or	No Data	77	90	



	Supported			(17%)	implemented to increase client reach during this period of flat government funding. The growth in events can be explained by the increased focus on entrepreneurship and innovation in our local ecosystem.
How well did you do it?	Innovator's Toolkit Program - Satisfaction Rating	94%	92%	92%	Our programs are highly valued among our early stage entrepreneurs. We will discontinue this measure and replace it with the below Satisfaction Rating & Net Promoter Score in coming years. This measure is more representative of all our program & services offerings.
	Satisfaction Rating Innovate Calgary wide (Score >8) <i>(How likely would you recommend IC to a friend or colleague 1-10)</i>			71.4%	70/98 of the annual survey participants rated would recommend Innovate Calgary to a friend or colleague (scored >8 on a scale of 1-10).
	Entrepreneur Development Programs – Net Promoter Score <i>(How likely would you recommend IC to a friend or colleague 1-10)</i>	No Data	No Data	77.4%	This year we implemented the Net Promoter Score as a standard means to track and benchmark our client satisfaction with other top performing service companies. Having a score over 70 rivals many top organizations around the world.
How are Calgarians better off?	Annual Client Achievement Survey – Company Milestones <i>(Sample size = 99 companies)</i>				This year was our first year in measuring our clients' achievement in an effort to better understand the impact our clients are making on the economy. Using the RBA framework we will demonstrate contribution to our client's achievements rather than direct attribution. We are very proud of our results this year, and expect to see these numbers increase in the coming years. Greater details will be provided at our Report To
a) # of new hires	No Data	No Data	248		
b) # of full time jobs	No Data	No Data	632		
c) # of new companies incorporated in 2016	No Data	No Data	16		
d) # of strategic relationships formed	No Data	No Data	47		
e) Created a prototype	No Data	No Data	129		
f) Launched a new product	No Data	No Data	89		
g) # of companies accepted into accelerators	No Data	No Data	13		
h) # of companies that	No Data	No Data	19		

	reached their first sale				Community event being held at the ARTC on April 26, 2:30pm – 4:30pm.
i)	Total funding raised from the following sources:	No Data	No Data	\$6.7M	<p>Note: Dollar values and number of jobs were collected through standard ranges in order to protect client information and for ease of response. The sum was calculated based on the average of the range multiplied by the number of responses.</p>
	- Friends & family	No Data	No Data	\$9.9M	
	- Government	No Data	No Data	\$23.2M	
	- External Capital (Angels, VCs, Private equity)	No Data	No Data	\$28.2M	
j)	Research:	No Data	No Data	27	
	- R&D spend	No Data	No Data	20	
	- Filed	No Data	No Data	34	
	- Granted				
k)	# of companies entering global markets				

FINANCES

7. What resources were leveraged to support operational activities in 2016?

Financial: Innovate Calgary continued to leverage the City of Calgary’s \$771K grant to CTI by a factor of over 14 to 1 in 2016-17 and are planning the same leverage in 2017-18 year (on a \$10.5M budget). Other sources of funding include grants from the federal and provincial government, service agreements with the University of Calgary, Emissions Reduction Alberta (“ERA” formerly CCEMC), WCIO, fee-for-service contract revenue with Small and Medium-Sized Enterprises (“SME’s”) and Multinational Enterprises (“MNE’s”), fees associated with our programs and services, net revenue from tenants in our building, sponsorships and private fund raising.

Resources: Innovate Calgary also utilizes a highly collaborative model that leverages volunteers and resources of other service providers. Examples include the usage of volunteer entrepreneur mentors in our evolving and growing Venture Mentoring Service of Alberta (VMSA), and partnerships with organizations like PTAC, Calgary Economic Development, and TecEdmonton.

The addition of on-line programming has also increased our ability to reach more clients within the restrictions of our headcount constraints.

8. Do you anticipate any changes to plans and/or budget projections for 2017-2018?

The base Innovate Calgary budget for 2017-2018, as approved by our Board, reflects a level of programming and services consistent with the prior year. However, building revenue has decreased due to the graduation of our largest tenant. Cash reserves built up over the last several years will be used to fund the short term revenue shortfall until the vacancy is filled with new tenancy.

9. Please describe the impact, if any, of the economic downturn on your organization's operations or revenues including any adjustments you have made to your operations.

The economic downturn has actually highlighted the importance of Innovate Calgary's programs and services for the community. Demand for our services and client volume continue to increase. Our intake numbers have risen by 3%, which indicates that many Calgarians/Albertans continue to pursue their entrepreneurial ideas. All levels of Government are also keen to support innovation. Innovate Calgary is poising itself to supply the services and programs today's entrepreneur is requiring and to work within the Innovation Community to introduce other ecosystem partners and their services as required.

Conversely, the vacancy rate in our building is going to increase significantly, up to 35%, with the exit of our anchor tenant in May 2017. This translates into reduced revenue contribution from the building to our programs. With downtown Calgary commercial vacancy exceeding 30%, the economic downturn certainly does not help our efforts to reoccupy the space. However, interest in leasing space in ARTC is

high and we are consciously focusing our efforts on refilling the space and providing alternative space options to remain aligned with our mandate to provide space to start-up companies to foster innovation.

LOOKING FORWARD

10. What are your priorities and deliverables for 2017-2018?

Our base budget and business plan for 2017-2018 have been finalized based on currently committed funding from all three levels of government and reflect a steady state representation of programming and service options. The provincial and the federal governments are both expanding funding for support of the innovation economy in their respective budgets. The specifics of the expanded funding are not yet fully known; however, as we go through the year, we will be defining additional programs and services as new funding becomes available.

Our core programs and services will continue to focus on assisting entrepreneurs in building and growing their innovation driven companies. Specific offerings include individual and group-based coaching and mentoring, entrepreneurship training and workshops, assistance raising capital (equity and non-dilutive government grants) and accessing first customers. Potential new government funding may enable expansion of existing offerings, and/or the introduction of new offerings.

Innovate Calgary continues to use a number of activity and outcome-oriented metrics to track the impact that our programs and services have on our clients. Surveys are being implemented to obtain feedback from our clients not only on how successful our programs and services meet the entrepreneur's needs, but also where the gaps are

that will be addressed. Innovate Calgary can be nimble and is able to respond to these gaps to ensure our service offerings meet the needs of today's ever increasingly sophisticated entrepreneur within the confines of our allocated funding.

In parallel, the Board is engaged in the Strategic planning process to determine what the strategic direction of Innovate Calgary will be for the coming years.

UPDATE ON RISK MANAGEMENT AND GOVERNANCE

11. What are your organization's top 3-5 strategic risks? Describe briefly how you are managing these risks.

Financial: In May of 2017, a major tenant will be exiting the ARTC to move into their newly built facility in the Research Park. While this is a positive story of a graduation of a tenant who has been in the building for 23 years, this will create vacancy of 30% in the building. This comes at a time of 30% vacancy downtown, thus results in a potentially significant financial risk to the organization. CTI has created a building strategy proposal that is now Board approved that will allow us to continue to focus on our mandate of providing space to early stage innovation companies with consideration given to potential strategic thrusts and target organizations as potential tenants. The plan also includes expanding our current co-working space to continue to meet the needs of the start-up entrepreneur segment by offering a continuum of space size options.

Funding: The effect on the innovation sector due to the change in governments both provincially and federally, is still not yet fully known. However, indication to date is that both levels will continue to support and likely increase support in this sector, thus relieving potential financial risk should support have diminished. Innovate Calgary has set its budget conservatively, but if additional funding is received, there are plans in place to be able to swiftly offer the additional services that the funding would support.

Governance and Leadership: No current strategic risk here. CTI has determined new Board Chair and Vice Chair nominees who will assume their roles in July 2017.



12. Summarize any activities in 2016 that increased your Board's knowledge and awareness about industry trends, impact of changing economic conditions, risks faced by the organization, or other information needed to make informed decisions.

All Directors of Innovate Calgary are members of the Institute of Corporate Directors and attend various ICD events throughout the year. The majority of our Board members have attended the ICD Not For Profit and the Enterprise Risk Management programs.

The Board is leading the Strategic review for Innovate Calgary. This process has included a number of strategy planning session meetings outside of the regular Board meeting schedule. All members are highly engaged in this process.

13. Will any Board or senior management positions be vacant in 2017? If yes, please describe succession plans that are in place.

Board positions: The Board Chair and the Board Vice-Chair will both be reaching term limits in July 2017. Both positions have now been filled from internal candidates who have been previously serving as members of the Board. The promotion of the candidates to the leading Board roles has created 2 openings on our Board, which will strategically fill during the coming year.

Senior Management: The Executive Leadership Team ("ELT") now has a full complement of effective leaders, with the securing of the VP of Entrepreneur Development this past year rounding out the team. There is no turnover anticipated in this group. There is good bench strength below the senior management team to be called upon, should there be any changes in the ELT.

14. (a) Mark an "X" by all statements that apply to your organization:

Our organization uses:

- Defined term limits for Board members
- A skills and experience matrix to identify gaps on the Board and recruit new board members.
- A structured process for identifying, monitoring and managing risk.
- A Board policy for risk management.
- A risk map, matrix, register or similar tracking tool to assess the risks we face.
- A risk management plan or other tool that is updated at least annually.
- Tools to communicate key risks to the Board at least annually.
- A Board committee delegated with the responsibility for oversight of our organization's risk management practices.

** A formal crisis management, business continuity, or similar plan to be ready for an emergency situation.

(b) Add any additional comments about your organization's risk management practices:

** Documenting the **formal crisis management / business continuity plan** is underway; however, the elements are in place to ensure Innovate Calgary is in a position to mitigate the impacts of such events should an emergency situation arise. An Emergency Response Plan ("ERP") has been circulated to all tenants of the ARTC to ensure that all occupants are aware of Emergency Procedures should there be an incident pertaining to the operation of the building.

Innovate Calgary implemented a formalized **Enterprise Risk Management** process in 2015 and continues to improve and refine the process.

- The Audit Committee oversees the risk management program and receives formal reports from management twice per year and the Board monitors the high risk items and activities to mitigate.
- Management implements the risk management program and the process involves all levels of the organization and includes the adoption of consistent processes within a comprehensive framework to ensure risk is managed effectively, efficiently and coherently organization wide.
- The entire organization is being educated to understand that everyone has a role in identifying risks which may impact successful achievement of business objectives and mitigating such risks to an appropriate acceptable level.

In addition to the ERM process, Innovate Calgary is **audited annually** by an established accounting firm and risk analysis is part of the audit process.

Cyber security was identified as a major risk area for Innovate Calgary. In the past year, the IT infrastructure has been fully replaced/upgraded to improve not only quality of service but also to ensure all security measures have been updated to current best practices.