

Civic Partner Annual Report 2015- Innovate Calgary (Calgary Technologies Inc.)

1. **Organization Name:** Calgary Technologies Inc – operating as Innovate Calgary
2. **Fiscal Year:** April 1 2015 to March 31 2016
3. **Latest Annual Report available and web address:** The latest financial statements available are for the 2014/15 fiscal year. Our year end close is currently underway for the 2015/16 fiscal year and will be Board approved in June and made available to shareholders 21 days prior to the AGM which will be in July 2016.

4. Current Vision, Mission and Mandate.

Vision:

A culture of innovation permeates our community enabling innovation driven enterprises to drive economic growth.

Mission:

Innovate Calgary guides entrepreneurs as they build and grow their innovation driven enterprises, creates value for our post-secondary and industry partners, and champions the innovation economy in our community.

GOVERNANCE

5. Identify any Board or senior management positions that will be vacant in 2016. Describe succession plans that are in place.

CTI's current corporate bylaws contain term limits, which limit a Director to serving a maximum of 6 years. Michael Whitt – current Board Chair, and Simon Vincent – current Board co-Chair, will both be reaching term limits in July 2016. This situation stems from the re-constitution of the Board in 2010. As well, Dr Ed McCauley (UofC VPR, and appointee of the University) will be reaching these term limits in 2017.

The Governance and Compensation Committee of the Board is actively recruiting new candidates for Board Chair and has retained a search firm to assist in this effort. The recommendation of the search firm is that the Board recruit a candidate for Board Chair who can initially start for one year as Board co-Chair. The search consultant believes that better candidates will be attracted to the position using this approach. Thus, our Board will be proposing to shareholders that Michael Whitt's term be extended by one year, and that a new Board co-Chair replace Simon Vincent in July 2016, who can step up to Board Chair in July 2017 as Michael Whitt steps off of the Board.

This proposal to shareholders will likely take the form of rescinding the current term limit bylaw, thus avoiding a similar problem in 2017 with Dr McCauley. This bylaw was originally established to ensure that the Board doesn't get stale with too many members serving for too long. In practice this has not been an issue, with 9 of 14 current Board members having served for 2 or less years.

No other Board or senior management positions are anticipated to be vacant in the coming year.

6. Describe any structural changes to your organization's governance model in the past year.

The governance model for Innovate Calgary remains unchanged from 2015, with no structural changes to the Board, its two committees (Audit and Governance & Compensation), or to the senior management

team. Having said this, in the past year, our Board has replaced two members who stepped down, and added the following three new Directors: Alex Zahavich (VP Corp Development and Applied Research, SAIT), Ray DePaul (Director of the Institute of Innovation and Entrepreneurship, Mount Royal University), and Jim Dewald (Dean of the Haskayne School of Business, UofC)

7. Summarize any activities in 2015 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.

Throughout the second half of 2015 and into early 2016, the Innovate Calgary Board undertook a strategic planning effort over 5 Board meetings, one of which was a day-long retreat. Management led and reported on an environmental scan and visits to leading innovation regions (Boston, Israel – as guests of the Canadian and Israeli governments, respectively). The Board determined appropriate strategic directions in response, which are being incorporated into the organization's 2016/17 business plan.

RISK MANAGEMENT

8. Describe the processes and structures your organization uses to identify and manage operational and strategic risks.

Innovate Calgary has implemented a formalized Enterprise Risk Management (ERM) process, with clear roles and responsibilities as follows:

- The Board establishes the overall 'risk appetite' for the organization, and deals directly with any issue outside the bounds of acceptable risk.
- The Audit Committee oversees the risk management program, and receives formal reports from management twice per year.
- Management implements the risk management program, identifying, categorizing and driving actions on individual risk issues.
- This 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.
- The CFO is overall prime for the program, and reports the status of the program to the Audit Committee.
- 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.

9. What are your organization's top 3-5 strategic risks? For example, financial, governance, business risks, liability, talent management, reputation, or risks related to economic conditions.

Governance - CTI's current Board Chair and Board co-Chair, will both be reaching term limits in July 2016. As well, Dr Ed McCauley (UofC VPR, and appointee of the University) will be reaching these term limits in 2017. The Governance and Compensation Committee of the Board is actively recruiting new candidates and retained a search firm to assist in this effort.

Funding - The effect on the innovation sector due the change in governments both provincially and federally, is not fully known yet. 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.

Financial - Between now and 2017, over 60% of our tenant space will turnover or renew, predominantly with the exit of a major tenant in 2017. This comes at a time of over 25% vacancy downtown, resulting in potential significant financial risk to the organization. CTI take full advantage of this opportunity to be creative and proactive in refilling the space and will continue to focus on its mandate of providing space to early stage innovation companies with consideration given to potential strategic thrusts and target organizations as potential tenants.

2015 YEAR IN REVIEW

10. What accomplishments in 2015 contributed to Action Plan's goals of building a prosperous economy, inspiring neighbourhoods, and a healthy and green city?

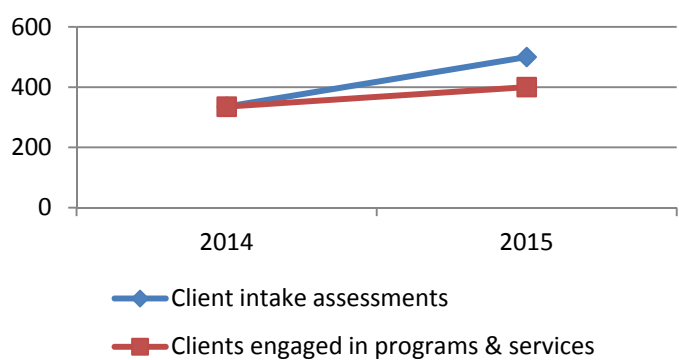
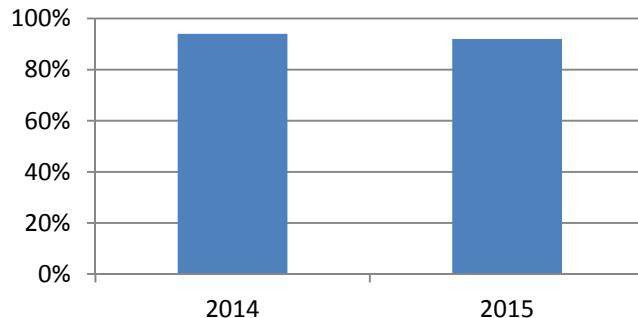
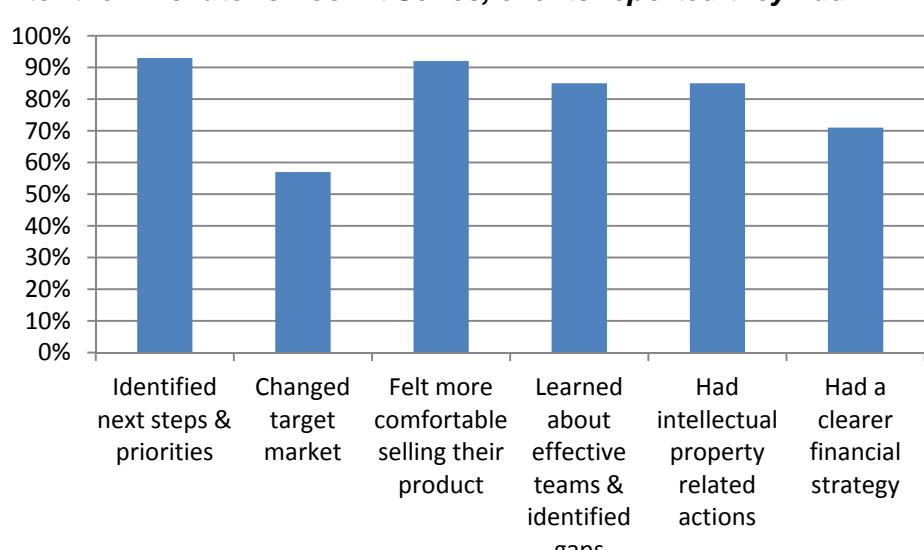
Innovate Calgary's primary impact on The City of Calgary's 2015/18 Action Plan is in the area of economic prosperity. Our programs and services are focused on assisting and guiding entrepreneurs as they build and grow their innovation –oriented businesses. This helps grow and diversify our economy.

2015 accomplishment highlights include:

- 2014 to 2015 year over year demand for our entrepreneur development programs and services grew by 50%, and we accepted 20% more clients. We introduced new client learning outcomes measurements to assess the impact of our programs.
- Kinetica Ventures; a new energy technology accelerator focused on helping entrepreneurs launch new energy technology product companies was launched. Kinetica is focused on both the traditional oil and gas market as well as the emerging clean tech market. Kinetica consists of a team of 6 supported by an extended team of 51 subject matter experts and business mentors. Kinetica accepted 30 client companies of which 10 advanced to deep engagements.
- Launched KICS – Kinetica Innovation Centre at SAIT, a wet lab space available to energy tech startup companies.
- Led the creation of AlbertIN, a collaboration of over 80 innovation service providers in southern Alberta.
- Co led the creation of WCIO – the Western Canadian Innovation Offices, a consortium of 36 post-secondary tech transfer offices working together collaboratively.
- Hosted 350 events in our building of which 38% were for other innovation ecosystem parties.
- A corporate wide Enterprise Risk Management (ERM) program was established.
- A new Client Relationship Management (CRM) process was implemented.

11. Using your organization's existing performance measurement data, please provide selected 2015 performance measures that describe how much you did, how well you did it, and how Calgarians are better off. If needed, provide a brief description why these measures are meaningful.

Performance Measure Highlights

How much did you do?		Satisfaction with Innovator's Toolkit program																
 <table border="1"><thead><tr><th>Year</th><th>Client intake assessments</th><th>Clients engaged in programs & services</th></tr></thead><tbody><tr><td>2014</td><td>350</td><td>350</td></tr><tr><td>2015</td><td>500</td><td>400</td></tr></tbody></table>		Year	Client intake assessments	Clients engaged in programs & services	2014	350	350	2015	500	400	 <table border="1"><thead><tr><th>Year</th><th>Satisfaction</th></tr></thead><tbody><tr><td>2014</td><td>95%</td></tr><tr><td>2015</td><td>90%</td></tr></tbody></table>		Year	Satisfaction	2014	95%	2015	90%
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Story behind the baseline <p>Through a one hour client intake assessment process, we are able to ensure prospective clients are ready for our services.</p> <p>With the economic downturn, we are seeing more people accessing our programs and requesting assistance and advice on starting a new business.</p>		Story behind the baseline <p>The Innovator's Toolkit is a six part series for technology entrepreneurs and companies focused on the most effective best practices for company development. Innovators engaged in the series also have access to continued coaching and mentoring.</p>																
Is anyone better off?																		
After the Innovator's Toolkit Series, clients reported they had:		Story behind the baseline <p>This program has a significant impact on how entrepreneurs approached their business planning.</p>																
 <table border="1"><thead><tr><th>Outcome</th><th>Percentage</th></tr></thead><tbody><tr><td>Identified next steps & priorities</td><td>95%</td></tr><tr><td>Changed target market</td><td>55%</td></tr><tr><td>Felt more comfortable selling their product</td><td>95%</td></tr><tr><td>Learned about effective teams & identified gaps</td><td>85%</td></tr><tr><td>Had intellectual property related actions</td><td>85%</td></tr><tr><td>Had a clearer financial strategy</td><td>70%</td></tr></tbody></table>				Outcome	Percentage	Identified next steps & priorities	95%	Changed target market	55%	Felt more comfortable selling their product	95%	Learned about effective teams & identified gaps	85%	Had intellectual property related actions	85%	Had a clearer financial strategy	70%	
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Detailed performance measures

	Performance Measure	2014 results	2015 results	What story does this measure tell about your work? Why is it meaningful?
How much did you do?	Clients Served: <ul style="list-style-type: none"> <i>Intakes – 1 hr needs assessment with prospective clients</i> <i>Clients formally engaged in programs and services</i> 	335 335	500 400	<p>Demand for our services increased by 50% year over year.</p> <p>Services delivered increased by 20%.</p> <p>Less prepared prospective clients are being filtered out after one hr needs assessment.</p>
How well did you do it?	Example Program Satisfaction Survey of Innovator's Toolkit on: Quality of Presentation Value of Content Overall Satisfaction	94%	92%	<p>Our programs are highly valued among our early stage entrepreneurs and attendance and interest continues to grow. It gives our clients the breadth of knowledge they need to ask the right questions and consider a number of factors that impact their success as an early stage startup.</p>
How are Calgarians better off?	Example Client Learning Outcomes Survey of Innovator's Toolkit	Not yet in place	93% Could clearly identify their next steps and priorities 57% Changed their target market 50% Of businesses pivoted their business model as a result 92% Felt more comfortable selling their product as a result 85% Learned what an effective team consisted of and realized their founding team gaps 85% Had intellectual property related actions as a results of the program 71% Had a clearer financial strategy as a result	<p>- These measures go beyond just measuring satisfaction of the client, to measure the impact that the program had on their business</p> <p>- The survey results show that the program dramatically changed how entrepreneurs approached their business planning after taking the program.</p> <p>- The results help us refine and improve the program each time that we deliver it.</p>

FINANCES

12. What resources were leveraged to support operational activities in 2015?

Financial: Innovate Calgary leveraged the City of Calgary's \$745k grant to CTI by a factor of over 14 to 1 in 2015/16, and planning the same leverage of over 14 to 1 in 2016/17 (\$10.8M budget). Other sources of funding include grants from the federal and provincial government, service agreements with the University of Calgary and CCEMC, fee-for-service contract revenue with SME'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 newly created Venture Mentoring Service of Alberta (VMSA), and partnerships with organizations like PTAC, Calgary Economic Development, and TecEdmonton. In 2015, Innovate Calgary extended this concept by bringing together over 25 service providers from the AlbertaIn community for our annual TechRev event. Facilitated by Innovate Calgary, entrepreneurs were able to 'shop for services' from these service providers, picking the organizations that best serve their needs.

13. Do you anticipate any changes to plans and/or budget projections for 2016-2018?

The base Innovate Calgary budget for 2016/17 is consistent with 2015/16, and is built on confirmed funding from all three levels of government, the University of Calgary, and sponsors. New funding may be made available by the provincial and federal governments which could either expand existing programs and services or enable the introduction of new offerings, however, this is yet to be confirmed.

14. What would be the operational impact if your grant(s) from The City were reduced?

Over the past few years, Innovate Calgary has experienced flat to lower funding from both the City of Calgary and the province of Alberta, while simultaneously absorbing cost inflation and supporting substantial growth in entrepreneur client demand (50% growth 2014 to 2015). We have managed to accommodate this growth through efficiency improvements and increased reliance on volunteers and partnerships. These approaches have yielded favourable results, however, we are reaching the limits of improvement. Further capacity to off-load to either volunteers or other service providers is very limited. Thus, any further cuts to funding would likely result in a reduction in programs and services for entrepreneurs. This would be highly undesirable at a time when demand for our services continues to grow.

Funding reductions from the City could also impact funding from the provincial and federal governments, in that a number of programs require matching commitments from other levels of governments. Specifics would have to be examined on a case by case basis.

Depending on the magnitude of a potential funding cut, Innovate Calgary would have to reduce staff directly supporting entrepreneurs, reduce ecosystem development work, or step back from leading 5 of the 31 actions in the City of Calgary Economic Strategy, or some combination of these.

15. Please describe the impact, if any, of the economic downturn on your organization's operations or revenues.

Innovate Calgary is being impacted by the economic downturn in two ways. Firstly, we are seeing more

people accessing our programs and requesting assistance and advice on starting a new business. Demand for services grew by 50% from 2014 to 2015, and clients served grew by 20%. Secondly, the vacancy rate in our building is growing, consistent with the situation in downtown office buildings and in other areas of the city. Although this is not yet a major concern, projections show it will have a major impact on our revenue in 2017/18. Thus, we are seeing both increased demand for our services, and a reduction in our revenue and hence a reduction in our ability to meet the increased demand. To date we have been able to manage this shift through efficiency improvements and in the coming year we will be delivering more basic services on-line.

LOOKING FORWARD

16. Based on your business plans for 2015-2018, what are your priorities and deliverables for 2016-2017?

Our base budget and business plan for 2016/17 have been finalized based on currently committed funding from all three levels of government. The province and the federal governments are both expanded funding for support of the innovation economy in their respective budgets. The specifics of the provincial changes are known, however, the federal government will not have details defined until the fall of 2016. 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 uses a number of activity and outcome-oriented metrics to track the impact that our programs and services have on our clients. In 2016/17, the province is proposing to standardize metrics used across the province so that a province wide return on investment can be determined. Metrics used include: client company revenue growth and jobs created, new products launched, investment attracted.

17. Are there any additional projects or initiatives in 2016-17 that may require further discussion or decisions by Council?

Discussions are underway with the City regarding what actions the City may be able to take to help stimulate the innovation economy and thus drive economic diversification. These actions would complement actions being driven by the provincial and federal governments. As these discussions are at an early stage, it is premature to draw any conclusions yet, but recommendations will likely come to Council later in 2016.

18. Identify any specific opportunities/projects that would directly stimulate the Calgary economy if supported by a strategic investment by The City.

Stimulation of the innovation economy by the City could take many forms. Examples of potential initiatives under discussion include: branding and marketing of the City as an innovation hub, physical innovation spaces both adjacent to post-secondaries and in the core, increased support for programs at organizations such as Innovate Calgary, leveraging the City's procurement process to help young companies, and championing initiatives with other levels of government.