

Tourism, Culture, Industry and Innovation

Annual Report

2017-18



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February 18, 2019

Ms. Sandra Barnes
Clerk of the House of Assembly
East Block, Confederation Building

Dear Ms. Barnes:

I wish to re-table the 2017-18 Annual Report of the Department of Tourism, Culture, Industry and Innovation, which was originally tabled on September 28, 2018. The only change to this report is the addition of the audited financial statements of the former Research and Development Corporation, as required by the Transparency and Accountability Act.

Sincerely,



CHRISTOPHER MITCHELMORE, MHA
District of St. Barbe - L'Anse aux Meadows
Minister

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MINISTER'S MESSAGE

As the Minister responsible for the Department of Tourism, Culture, Industry and Innovation (TCII), I am pleased to submit the Annual Report for the 2017-18 fiscal year. In accordance with the Department's obligation as a Category 1 entity under the **Transparency and Accountability Act**, this report was prepared under my direction and I am accountable for the reported results.



TCII is driven by commitments to diversification, growth, and sustainability. Guided by The Way Forward: A Vision for Sustainability and Growth in Newfoundland and Labrador, the Department offers an envelope of programs and services that ensures entrepreneurship and innovation are able to flourish.

Innovation is critical to advancing a stronger, more diversified economy. To help achieve this end, TCII created InnovateNL, to foster greater innovation and to accelerate business growth, and as well has developed and begun implementation of the Business Innovation Agenda, to expand the pool and capacity of innovative and growth-focused businesses. This year TCII also undertook the development of the Social Enterprise Action Plan, which is based upon the principles of community economic development and aims to support the efforts of existing, and promote the creation of new, social enterprises.

Working closely with partners in the tourism industry, TCII is leading the effort to achieve the goal set in UNCOMMON POTENTIAL: A Vision for Newfoundland and Labrador Tourism (Vision 2020), and reach \$1.6 billion in visitor spending. To help attain this target, TCII launched the 2017-20 Provincial Tourism Product Development Plan, which aims to increase the number of high quality tourism experiences.

As TCII continues to work towards priorities outlined in The Way Forward, I commend staff for their collaborative efforts and continued commitment to fostering a culture of innovation, productivity and creativity in Newfoundland and Labrador.

A handwritten signature in cursive script that reads "Christopher Mitchelmore". The ink is dark and the signature is fluid and legible.

Honourable Christopher Mitchelmore
Minister of Department of Tourism, Culture, Industry and Innovation

OVERVIEW

The Department of Tourism, Culture, Industry and Innovation (TCII) has a mandate that crosses multiple areas, including: business growth and internationalization; tourism and culture; provincial parks, social enterprise; regional development; sector development; and, innovation, including research and development (R&D). All of these support economic prosperity and growth in the province.

The Department is the province's largest operator of tourism, culture and heritage facilities, including: Arts and Culture Centres (ACC), Provincial Historic Sites (PHS), Provincial Parks (PP), and Visitor Information Centres (VIC).

TCII provides insight, intelligence, innovation support and investment services for businesses, not-for-profit enterprises and community groups. The Department markets the province as a destination of choice and works with a wide range of partners and stakeholders to identify opportunities, provide support, and leverage investments critical for sector, industry and firm growth.

The Department has three executive branches: Tourism, Culture and Parks; Business; and Regional Development and Diversification, as well as two corporate support divisions: Communications and Corporate Services. Leadership is provided by the Deputy Minister and three Assistant Deputy Ministers.

TCII is regionally responsive, with multiple delivery locations throughout the Province. The corporate headquarters is located in St. John's and there are two other corporate offices, one located in Marystown responsible for portfolio management, and the other in Corner Brook with responsibility for provincial parks. Regional outreach occurs through two main business and economic development offices - one in Corner Brook and another in Clarenville - supported by multiple local field offices. Departmental staff are also located at provincial VIC, PHS, PP, ACC, and select College of the North Atlantic (CNA) campuses throughout the province.

Additional information regarding TCII can be found on the Department's website <http://www.tcii.gov.nl.ca/>

STAFF AND BUDGET

As of March 31, 2018, TCII had a core staff of 209 full-time and 103 part-time employees, totaling 312 employees; part-time staff are primarily employed by the ACC and PP throughout the province. TCII has 193 female employees (62 per cent) and 119 male employees (38 per cent).

There were 200 summer seasonal employees in 2017, including student positions, in PP, VIC, ACC and PHS.

The gross budget for 2017-18 for TCII, including budgets for the entities and Crown corporations that report to the Minister of TCII, was \$104.7 million. Additional details can be found in the Financial Statements section.

HIGHLIGHTS AND PARTNERSHIPS

InnovateNL: On July 20, 2017, the Provincial Government announced its approach to fostering greater innovation and accelerating business growth with the creation of InnovateNL, to provide a single window for the delivery of provincial innovation programs and services to clients. As part of InnovateNL, all funding programs and services of the Research & Development Corporation were integrated into TCII. InnovateNL will result in:

- streamlined client access to Government supports;
- leveraging of research and innovation resources;
- extension of innovation programming province-wide;
- a full continuum of supports for clients from idea to market to internationalization;
- other non-funding business supports provided to clients and available in a timely manner; and,
- a focus on research and technology investments for projects/clients with global reach.

Co-op Memorandum of Understanding (MOU): The Department signed a new five-year MOU with Newfoundland-Labrador Federation of Co-operatives in October 2017, renewing the partners' working relationship and focusing on engagement of more TCII staff in co-op development. The MOU encourages opportunities for co-ops and credit unions to become more engaged in developing new co-op initiatives in their communities, placing a greater emphasis on targeted research and opportunity identification in sectors with high potential for co-op development.

Manufacturing Labour Market Development: TCII continues to support the Canadian Manufacturers and Exporters (CME) on its labour market needs by working with the Department of Advanced Education, Skills and Labour (AESL) to facilitate uptake of AESL programs and services by the CME and its members, resulting in over \$400,000 in direct funding to support CME programming.

Improved Internet Access: Partnership with the Federal Government enabled improved internet access in Newfoundland and Labrador in 70 rural and remote communities throughout the province. The Province's \$1.5 million investment leveraged \$26.88 million from the Federal Government through its Connect to

Innovate program and \$11.52 million from other contributors to allow for improved access to high-speed internet.

Pan-Atlantic Accelerated Growth Service: TCII continued its work with federal and provincial partners as part of the pan-Atlantic Accelerated Growth Service, which was designed to support established growth-oriented firms through crucial transition periods, bringing together key supports, such as financing solutions, advisory services, and export and innovation support. A MOU was signed on January 24, 2018 between the Provincial Government, ACOA, Business Development Bank of Canada (BDC), Export Development Canada (EDC) and the three Maritime Provinces to expedite support to high growth firms resulting in economic returns to the regions in which these firms operate.

Atlantic Trade and Investment Growth Strategy (ATIGS): On July 4, 2017, the Minister of International Trade and the four Atlantic Premiers announced a new ATIGS designed to pool federal and provincial government resources in support of companies across the region looking to grow by selling their products and services in markets around the world. To support the strategy, the federal and provincial partners signed a joint Atlantic Trade and Investment Growth Agreement. Collectively, the partners will invest \$20 million over the next five years to implement firm-focused, strategic market development plans to expand Atlantic Canada's international business activities.

International business development is vital to the retention and growth of Newfoundland and Labrador companies. ATIGS represents a focused long-term approach that is aligned with the Provincial Government's sector-focused, firm-centric and industry engaged international business development approach, renewed as part of The Way Forward. Through international business development initiatives, the Provincial Government is opening doors to assist the business community find new ways to expand and improve their bottom lines. Increasing the capacity and competitiveness of the business community brings direct employment benefits to local communities.

By 2025, ATIGS aims to: double the number of exporters in Atlantic Canada; increase the value of Atlantic exports by 30 per cent; increase the percentage of Atlantic firms exporting to more than one market to 40 per cent of exporters; and increase foreign investment in Atlantic Canada.

Technology Sector Work Plan: In February 2018, in consultation with the province's four technology industry associations – Atlantic Canada Aerospace and Defence Association (ACADA), CME, Newfoundland and Labrador Association of Technology Industries (NATI) and Newfoundland and Labrador Environmental Industry Association (NEIA) – the Provincial Government launched the Technology Sector Work Plan. The Plan outlines steps to increase technology sector business activity in Newfoundland and Labrador, and increase private sector jobs that support the creation, development and adoption of technology throughout the province.

Student Enrichment Awards: Through Government's support of coding in schools and the Research Inspired Student Enrichment (RISE) awards, it provides students opportunities to reach their full potential and become tomorrow's innovators, educators, researchers and leaders, thereby expanding the pool and capacity of the province's future entrepreneurs and innovators.

In 2017-18, 15 high school students from across the province received RISE awards to attend summer research-related enrichment programs throughout North America. Since 2011, Government has funded 110 RISE Awards for Newfoundland and Labrador students. RISE Awards, which range in value from \$7,900 to \$15,100, are given to students who demonstrate academic excellence in science, technology, engineering and mathematics (STEM). The successful student applicants attend one of three research-related enrichment programs: the Research Science Institute located at Massachusetts Institute of Technology; the Boston Leadership Institute located in Wellesley, Massachusetts; or the Da Vinci Engineering Enrichment Program located at the University of Toronto.

Cultural and Tourism Performance:

Visitor Information Centres - Visitation to provincial VICs increased 6.4 per cent overall to 140,310 for the operating period May 18 to September 29, 2017. With 65,036 visitors, visits to the airport centres in St. John's and Deer Lake saw a combined increase of 3.6 per cent, while the number of visitors to the gateway centres at Port Aux Basques and Argentia increased 12.1 per cent to 29,485. Welcoming 45,789 visitors, the remaining highway centres reported an increase of 7.2 per cent.

Provincial Historic Sites - Visitation to PHS reached 97,756 during the 2017 operating season, a decrease of 1.7 per cent from the 2016 season, making total visits in 2017 the second highest on record, surpassed by the 2016 season.

Provincial Parks - The number of camping units registered at the PP reached 62,064 during the 2017 camping season, a decrease of nearly four per cent from 2016. The number of camping units registered to residents of Newfoundland and Labrador decreased nine per cent from the 2016 season, while camping units registered to non-residents increased 22 per cent.

Arts and Culture Centres - The ACC had a successful 2017-18 season with 611 performance nights across six centres serving 161,000 patrons. A diverse presentation and tourism program accommodating all ages was offered, including performances from all artistic disciplines.

Atlantic Growth Strategy (AGS): Tourism is a key priority under the trade and investment goals of the AGS and aligns with Canada's Tourism Vision. The goals are to increase the reach of Atlantic Canada's tourism industry through international marketing, product innovation, and enhancing research. In July 2017, federal ministers, Atlantic premiers, Atlantic Canada's tourism industry, and Destination Canada announced a joint investment of \$24.7 million to deliver on the goals of the AGS for tourism.

FPT Culture Heritage: In 2017, a new FPT Culture Heritage Strategic Plan was developed and identified three strategic priorities: Strengthening the Creative Economy, Strengthening the Cultural and Heritage Resources of Canada, and Strengthening Culture and Heritage Promotion in Canada. Under the priorities, the plan aims to: measure and maximize regional, national, and international potential of Canada's creative economy; reinforce capacity to conserve, promote, and develop Canada's culture and heritage resources; promote meaningful and inspiring dialogues between Canadians and the culture and heritage sector; and, promote and celebrate the importance of Canada's culture and heritage.

Tourism Collaboration: TCII continued collaboration with the Newfoundland and Labrador Tourism Board on initiatives in support of Uncommon Potential. Tourism operators, municipalities and transportation organizations at major entry points, gateways, hubs and attractions worked to establish common sense of arrival goals

and priorities and initiate partnership activities. Priority gateways were established, Sense of Arrival Guidelines were developed and partnership meetings took place with major gateway partners.

Tourism Marketing: Newfoundland and Labrador's 2017 'Off the Beaten Path' tourism marketing campaign won eight Adrian Awards, including the prestigious Best in Show award, presented by Hospitality Sales and Marketing Association International (HSMAI) at a gala held in New York City in February 2018. Along with a Best of Show award, the 'Off the Beaten Path' campaign also won gold in Digital Integrated Campaign and Video Series/ Digital Marketing Series; gold-platinum in Web Site and Geo-Targeted Campaign; and silver in Website User Experience. Overall Newfoundland and Labrador's tourism marketing campaigns have received over 300 regional, national and international awards and remains one of the most recognizable and successful campaigns in the country.

REPORT ON PERFORMANCE INDICATORS

Issue One – Strengthening our Economic Foundation

Supporting a climate where innovation can thrive is key to the future prosperity of the province. The Provincial Government is working with key stakeholders to implement initiatives to deliver concrete and measurable support for innovation. In 2017-18, TCII was driven by commitments to diversification, growth and sustainability by focusing its effort on creating conditions that enabled innovation in all sectors in the province. TCII provided necessary supports to foster an environment where entrepreneurship and innovation can flourish. Recognizing that innovation in all sectors plays a critical role in advancing a stronger and more diversified economy, TCII worked with commercial and non-commercial clients to grow, innovate and achieve success.

Through the Business Innovation Agenda, TCII is providing new and established firms with the access to financial and advisory supports needed to fuel business growth. The Regional Trade Network for Newfoundland and Labrador, co-led by industry, saw trade and export development stakeholders collaborate to align, coordinate and improve support for firms pursuing international business. TCII investment in tourism marketing and the Tourism Development Plan, and its regional plans, will continue to support the sector to advance the industry with the goal of doubling tourism revenues to \$1.6 billion by 2020. The development of the Social Enterprise Action Plan supports the innovative efforts of existing, and promotes the creation of new, social enterprises.

TCII's investments in projects and initiatives spur economic activity and support innovation.

GOAL: By March 31, 2020, TCII will have supported economic development initiatives that strengthen the province's economic foundation.

Objective 1: By March 31, 2018, TCII will have supported economic development through tourism and regional development initiatives.

Indicator 1: Implemented actions outlined in the 2017-20 Provincial Tourism Product Development Plan and the five Regional Destination Development Plans

On May 1, 2017, TCII released the 2017-20 Provincial Tourism Product Development Plan. A road map for maximizing tourism growth in Newfoundland and Labrador, the Development Plan provides an outline for creating a strong business environment for private tourism investment. It is focused on using public resources in product development areas to provide the greatest return on investment through increased visitation and spending.

Through engagement with key stakeholders such as Hospitality Newfoundland and Labrador, Regional Destination Management Organizations, ACOA and the Newfoundland and Labrador Tourism Board, the Product Development Plan has guided and supported the development and delivery of high-quality, visitor-focused provincial brand experiences.

By establishing Destination Development Plan implementation committees, TCII worked with industry partners to implement five regional destination development plans. These committees have developed joint initiatives/partnerships and collaborate with key experience providers to advance the quality and market-readiness of experiences offered in the province. Experience development sessions have been offered throughout the province and mentoring has helped develop new or enhanced experiences in core categories, such as people and program-based experiences, food, accommodations, attractions, destination trails, cultural experiences, Indigenous tourism, craft and art experiences, winter tourism, and festivals and events.

TCII developed market-readiness guidelines for tourism organizations to help guide investments and priorities. Guidelines were developed for General Business Operations, Sense of Arrival, Attractions, Food Experiences, and Destination Trails.

Tourism experience networks or task teams have also been formed that build collaborations and partnerships in priority areas. Task teams and networks include Geological Treasures Network, Craft and Tourism Task Team, Cultural Attractions Network, The UNESCO Journey Route Committee (Western-Labrador), Music and Food, Artistic Experiences, and Winter Tourism Stakeholders Group.

Indicator 2: Launched the Provincial Government's new Business Innovation Agenda

In November 2017, TCII launched the Business Innovation Agenda to enable businesses to be more innovative, productive and competitive. It reflects input from business, industry and academia and focuses on four priority areas:

- product development and commercialization – focused on seed capital, R&D and product development, building the entrepreneurial pipeline;
- productivity - emphasized technology investments; continuous improvement and efficiency; implemented new economic development initiatives such as RIS;
- growth and internationalization - emphasized accelerating high growth-potential firms, scale-up support, Regional Trade Network, market access issues and building global business networks; and,
- workforce skills and talent - focused on fundamental business skills and commercialization skills; women in STEM, investments in highly-qualified people, immigration entrepreneurship, emphasized K-12 and post-secondary STEM.

As part of an extensive engagement process undertaken in the development of the Agenda, stakeholders identified a clear need for one-stop coordinated advice, integrated service delivery matched with business needs, as well as better linkages to sources of capital.

The goal of the agenda is to expand the pool and capacity of innovation and growth-focused businesses. The Agenda is playing an important role in achieving the development targets outlined in The Way Forward Vision – one of which is to support the scaling of 40 technology sector firms over two years.

Indicator 3: Established a Regional Trade Network to support local firms to diversify into new markets

In October 2017, the Provincial Government announced the creation of the Regional Trade Network. The purpose of the Network is to provide a collaborative, coordinated approach to offering internationalization services to firms in the province.

Internationalization is a key part of a firm's competitive strategy to develop new markets for existing products/services, to adapt products/services for new markets, to move activities in the value chain to more competitive regions, to exploit economies of scale, to enhance the cultural diversity of teams, to source talent internationally, and to make strategic investments abroad.

TCII, through the industry-co-led Network, is proactively identifying and developing internationalization opportunities targeted at high-growth, high-impact firms. Network partners are aligning to assist entrepreneurs, start-ups and established businesses to: identify and address internationalization barriers; develop market entry strategies; work collaboratively to develop and support inbound and outbound trade activities; and, promote business growth.

The Network met quarterly to share information, identify gaps and opportunities, and improve collaboration. The 21 members of the Network, including TCII, are: CME; NATI; NEIA; Oceans Advance; Newfoundland and Labrador Aquaculture Industry Association; ACADA; Newfoundland and Labrador Organization of Women Entrepreneurs (NLOWE); National Research Council; Seafood Producers Association; Newfoundland and Labrador Oil and Gas Industries Association; Mining NL; BDC; Department of Natural Resources; Department of Fisheries and Land Resources; Intergovernmental and Indigenous Affairs Secretariat; AESL; ACOA; Global Affairs Canada; Canadian Commercial Corporation; and, EDC.

Indicator 4: Identified Regional Innovation Systems pilot areas and commenced pilot projects

TCII, in collaboration with stakeholders, coordinated and facilitated the commencement of five RIS pilot projects to support sector development in specific regional areas. RIS foster and support regional cooperation by increasing collaborations between business and academic institutions for technology adoption and transfers as well as identification of research and training capabilities of institutions. It develops and strengthens these networks and partnerships in order to spread the benefit of innovation throughout the entire sector and regional economy. RIS encourage sectors to focus on regional competitive advantages in the global economy by developing and strengthening networks and partnerships, which connect to more global opportunities and result in a better understanding of the market opportunities. The pilots will help identify opportunities for new technology,

innovation and R&D for new and traditional industries.

Each pilot is a strategic approach to identify unique characteristics and assets in a specific region and highlight competitive advantages by targeting supports for R&D and innovation.

Steering Committees were developed to commence the work associated with the goals and objectives of each pilot. Each committee established a Terms of Reference document to guide their activities and processes. These committees will continue to meet over the following fiscal year where the goal is to identify three or four common and attainable initiatives that will lead to economic growth for the region.

The focus of the initiatives will be driven by research, development and innovation and help build consensus on the identification of the action items, lead proponents, required resources, and a timeframe for implementation for each initiative.

RIS pilots include:

- Fisheries and Tourism in Southern Labrador and Great Northern Peninsula.
- Forestry and Agriculture in Corner Brook and surrounding area.
- Aerospace and Defense in Gander and surrounding area.
- Ocean Technology in the Avalon Region.
- Industrial Technology Development for Burin Peninsula, Clarenville and area.

Indicator 5: Continued to build a successful, differentiated tourism brand and lead tourism marketing

The Department continues to differentiate Newfoundland and Labrador from other tourism destinations in a surprising, compelling and memorable way.

The 2018 Find Yourself campaign was launched in mid-January 2018. It incorporated television, newspaper, in-flight (Air Canada), digital and social media components all working together to capture the imagination and interest of potential travellers and helped to move them through the travel purchase decision process.

The new tourism creative included a video series, new print and online creative centering on the theme Off the Beaten Path, “Newfoundland and Labrador is a natural, unspoiled place at the very edge of the continent. Where there are no

artificial distractions. Where you can hear yourself think and reconnect to the natural world – and perhaps to yourself – Off the Beaten Path.”

TCII piloted an innovative geo-targeted advertising campaign, which strategically spoke to consumers via their mobile devices, connecting the creative brand messaging to the current environment and experiences of the audience. Results were outstanding, with an average click-through-rate of 2.04 per cent, which is approximately eight times the industry benchmark for mobile performance.

Given the growth of social media, TCII executed a new #ExploreNL Instagram Tour for the Off the Beaten Path campaign to further build awareness of the province and to increase engagement and traffic to Newfoundland and Labrador Tourism’s online channels. The world’s best photographers/Instagrammers travelled the province ‘exploring off the beaten path’ and posted photos and stories on Newfoundland and Labrador Tourism’s online channels as well and their own. Overall social media results show a 26.3 per cent increase in followers and a 9.9 per cent increase in engagements over 2016.

Building on the province’s reputation as a world-class iceberg destination, planning and development began for a new IcebergFinder.com. The new site was designed to be fully responsive to any hardware platform and will allow for uploading real-time photos of icebergs by on-the-ground travelers. The site incorporated satellite data and iceberg plotting by Visitor Information Centre staff working with local ambassadors.

TCII partnered with Destination Canada on the 2017 Canadian Millennial Campaign to increase marketing activities targeting the millennial market in Canada. The Campaign was launched in April 2017 for Canada’s 150 Celebrations, and content developed is used more broadly in Destination Canada’s Millennial campaigns in Europe and parts of Asia.

Indicator 6: Developed Social Enterprise Action Plan

Through 2016-17 and 2017-18, the Department worked to develop the Social Enterprise Action Plan with the goal of increasing the number of social enterprises in the province and to enhance services for existing social enterprises.

To support the development of the Social Enterprise Action Plan, TCII completed an engagement process and identified areas where trends emerged. Results were outlined in “What We Heard: Social Enterprise”, released in November 2017. One hundred and twenty nine stakeholders participated and provided input on ways to address social enterprise development through facilitated sessions and an online public survey. Eleven half-day engagement sessions were held in provincial government offices in the Avalon, Eastern, Central, Western and Labrador regions, during which 86 people participated and 43 written submissions were received.

Views and perspectives were solicited from representatives of established social enterprises, co-operatives, credit unions, not-for-profit organizations, municipalities, industry associations, the Federal Government, and other sector representatives.

TCII established an interdepartmental committee including 13 representatives from 10 departments and agencies, to inform the new Social Enterprise Action Plan. The diverse group was critical in creating social enterprise awareness within Government, and identifying actions to support development.

The five pillars that form the basis of the Social Enterprise Action Plan include: Policy Development; Business Skills and Organizational Development; Research and Opportunity Identification; Promotion and Awareness; and Access to Financing and Capital.

The action plan outlines 25 actions to be implemented over the next three years. One of the actions include an ongoing engagement approach where leaders who work in the social enterprise sector will be invited to participate in determining how implementation continuously moves forward.

Indicator 7: Facilitated economic development planning with stakeholders

TCII facilitated economic development planning with stakeholders through its Community Capacity Building program. TCII approved funding for 38 economic development sessions including: 21 sessions of Strategic Planning; seven sessions of Governance/Orientation/Communications; seven sessions of Opportunity Identification/Management; and three sessions of Co-operative Development.

TCII also supported economic development planning with stakeholders in developing various plans, including the tourism development plan, regional destination development plans, Regional Trade Network, RIS, sector plans and Social Enterprise Action Plan.

Indicator 8: Improved Wi-Fi access for visitors by mapping and promoting Wi-Fi locations under a common logo

Approximately 500 double-sided Wi-Fi logo decals have been distributed to tourism operators, non-for-profit organizations and municipalities interested in promoting their free public Wi-Fi services to travellers. The 2018 Traveler’s Guide outlines the new Public Wi-Fi service decals and locations where free public Wi-Fi service is available.

Indicator 9: Funded and supported industry associations to advance industry and economic development

TCII supported industry associations for the purpose of advancing industries and economic growth in the province. Some key industry associations were assisted with funding of \$80,000 (ACADA), \$100,000 (CME, Craft Council of Newfoundland and Labrador, NEIA, NATI, Newfoundland and Labrador Federation of Co-operatives, NLOWE, OceansAdvance Inc., and Newfoundland and Labrador Outfitters Association), and \$150,000 (Cruise Association of Newfoundland and Labrador).

Indicator 10: Funded and supported regional and business development initiatives

TCII supports its clients through various funding programs, including Business Investment Program, Business Development Support Program, Regional Development Fund and R&D funding.

The Business Investment Program provides loans and equity investments to small- and medium-sized businesses, targeting specific growth sectors with particular emphasis on those businesses that have export potential and need assistance to enter or expand into external markets. Approximately \$6.1 million was approved for 33 enterprises.

Business Development Support Program (BDSP) provides non-repayable contributions of up to \$100,000 per year in matching funds to small and medium-sized businesses operating in strategic sectors with opportunities to increase productivity and improve competitiveness, with a key objective in helping businesses gain access to national and international markets. BDSP approved 194 projects, totaling approximately \$2.7 million.

Regional Development Fund (includes Regional Development Program and Community Capacity Building Program) supports organizations by way of non-repayable contributions for projects that support economic development, innovation and capacity building. One hundred and two projects were approved totaling approximately \$7.12 million.

R&D funding supports commercial and non-commercial clients. Approximately \$15.7 million was approved for 75 new projects. See Annex 1 for details.

TCII facilitated an agreement with Canopy Growth for the supply and production of cannabis in the province, securing up to 8,000 kilograms of cannabis and cannabis-related product annually. This will see a production facility established in the province with the anticipated creation of 145 new jobs.

TCII assisted with the re-activation of the St. Lawrence fluorspar mine with a \$17 million repayable loan to Canada Fluorspar Inc. Newfoundland and Labrador. This financial support helped to diversify the economy, and strengthen rural development, while creating upwards of 1,000 person years of employment in the construction phase. Approximately 3,000 person years of employment in mining and milling is anticipated throughout the first 12 operating years.

TCII also invested an additional \$200,000 in 2017-18 in an enhanced revolving loan program with Newfoundland and Labrador Association of Community Business Development Corporations to support youth entrepreneurship.

Indicator 11: Released results of the tourism exit survey including visitation to inform industry and government decision-making

Provincial Non-resident Exit Survey results were released in February 2018, along with new non-resident visitor and spending estimates.

In 2016, non-resident visitors spent an estimated \$562 million in Newfoundland and Labrador. Newfoundland and Labrador residents made nearly four million trips within the province and spent more than \$560 million. As a result, total tourism spending is estimated to have reached nearly \$1.13 billion.

In 2017, non-resident visitation reached 553,000 – a three per cent increase over 2016. Non-resident visitor spending reached an estimated \$575 million in 2017, a two per cent increase over the previous year - achieving the highest level to date of non-resident visitation and tourism spending. Compared to 2015, non-resident visitation increased eight per cent and spending increased 11 per cent.

2018-2019 Objective and Indicators

Fiscal Year 2018-2019

Objective 2: By March 31, 2019, TCII will have supported economic development through business and sector growth initiatives.

Indicator 1: Implemented priority initiatives identified from Regional Innovation Systems pilot process.

Indicator 2: Implemented actions to enhance awareness of internationalization opportunities associated with free trade agreements.

Indicator 3: Continued to implement actions in the Provincial Tourism Product Development Plan and Destination Development Plans.

Indicator 4: Worked with key stakeholders in the start-up ecosystem to coordinate activities that address gaps in all stages of the business life cycle.

Indicator 5: Implemented actions from the Technology Sector Work Plan.

Indicator 6: Worked with industry partners to develop a Craft Industry Strategy and commence implementation of priority activities.

Indicator 7: Invested in and supported regional and business development initiatives.

Indicator 8: Invested in research and development related activities to support commercial and non-commercial clients.

Issue Two - Strengthening Cultural, Historical and Natural Resources

TCII supports the preservation and sustainability of the province's cultural, historical and natural resources. The Department is the Province's largest operator of culture, heritage and nature facilities including ACC, PHS and PP.

TCII undertook multiple initiatives to strengthen cultural, historical and natural resources, including the development of the **Status of the Artist Act**; consultations for the renewal of the Cultural Plan; major upgrades and renovations for ACCs through joint provincial and federal funding and T'Railway park repairs. TCII supported projects to enrich programming and develop visitor experiences, programming and events at the ACC, PHS and PP.

GOAL: By March 31, 2020, TCII will have developed and supported initiatives that strengthen Newfoundland and Labrador's cultural, historical and natural resources.

Objective 1 (2017-18): By March 31, 2018, TCII will have initiated planning and development processes to strengthen the ongoing creation, protection, management and promotion of Newfoundland and Labrador's cultural, historical and natural resources.

Indicator 1: Led the development of Status of the Artist legislation

TCII developed the **Status of the Artist Act** to recognize the important contributions of artists to the cultural, social and economic well-being of the province. The Act supports enhanced recognition and support of professional artists, as well as fair compensation.

In developing the legislation, the Provincial Government consulted with representatives from the various art sectors, including visual arts, craft, music, literary and publishing, dance, theatre and film. In addition, TCII collected and compiled the perspectives of 256 professional artists through an online survey.

Through the Act, the Provincial Government has encouraged everyone, with government departments and agencies leading by example, to pay artists fairly and equitably based on existing industry pay scales for their genre.

Indicator 2: Engaged stakeholders to begin renewal of the Cultural Plan

In February 2018, TCII planned and commenced an extensive consultation process with cultural stakeholders to inform the development of a renewed Cultural Action Plan.

The consultation process includes a province-wide consultation series, a virtual session, a session with the Premier's Youth Council, sessions with provincial Indigenous groups and opportunities for written responses.

Indicator 3: Supported and invested in the development of cultural and natural resources

Newfoundland and Labrador's cultural sector is a significant part of the province's economy. Arts and heritage are helping to build vibrant communities and regions throughout the province and contribute significantly to the province's tourism product.

In 2017-18, TCII invested \$3.3 million through the Culture and Economic Development Program (CEDP) to support museums, archives, theatres, festivals, intangible cultural heritage, Indigenous cultural heritage, as well as various cultural organizations. In Arts this included: major festivals and attractions (\$530,500), small festivals and performance series (\$81,000), Publishers Assistance Program (\$200,000), Cultural Events Fund (\$70,000), operational support for arts organizations (\$415,000), market access and professional development (\$86,000), Music NL (\$300,000), Lawrence O'Brien Theatre (\$160,000), and NL Arts Bank (\$75,000). In Heritage this included: operational support for heritage organizations (\$1,225,000), heritage projects (\$51,000), intangible cultural heritage (\$75,000), Indigenous cultural heritage (\$50,000), and FPT agreement (\$11,500).

TCII invested \$1.62 million in the Provincial Archaeology Office and PHS to support the ongoing protection and promotion of the province's cultural resources and \$550,000 in the fourth year of the five-year Honour 100 - First World War Commemoration initiative.

Additionally, TCII completed the repair of all damages to the T'Railway Provincial Park experienced during the Thanksgiving 2016 rain event.

Indicator 4: Completed equipment upgrades and infrastructure planning for Arts and Culture Centres

Newfoundland and Labrador's traditional landscape has been cultivated through song, music, dance and theatre, and ACC play an integral role in sustaining, preserving and enhancing this unique cultural identity.

TCII invested \$1.4 million, leveraging \$1.9 million in Federal Government funding (through the Canada Cultural Spaces Fund of the Department of Canadian Heritage), for upgrades and specialized equipment for Newfoundland and Labrador's six ACC, which will enable the ACC to increase community use and capacity, expand programming and reach wider audiences.

Further infrastructure planning includes: funding for new seating to replace the St. John's Arts and Culture Centre's original 50-year-old seating in the mainstage theatre, new flooring in the main theatre and concourse, a more accessible entrance to the St. John's Barbara Barrett Theatre, and upgraded audio and lighting equipment based on client need and industry standards.

The five other centres (Grand Falls-Winsor, Gander, Corner Brook, Stephenville and Labrador City) will receive upgrades to audio and lighting systems. Artists and technicians will be able to increase their creative capacity as the centres achieve current production standards.

Indicator 5: Further developed visitor experiences, programming, and events through Arts and Culture Centres, Provincial Historic Sites and Provincial Parks

In September 2017, TCII recognized the 50th Anniversary of St. John's Arts and Culture Centre and its integral role in sustaining, preserving, and enhancing culture in the province.

In 2017 PHS continued offering programming based on market-based research, providing enriched visitor experiences focusing on daily, weekly and special events.

Guided tours continued to be very popular, as well as cultural demonstrations (Voices on the Wind), historical food tastings, participating in traditional skills, presentations of music and art (Concerts by Candlelight), outdoor activities (Cape

Walk and Berry Tasting) and family-friendly experiences (Picnic on the Lawn/Let's Talk Science).

PHS developed a new partnership with the local high school in the Trinity North area to develop a "Sow and Reap" program where school children came to Hiscock House PHS and helped plant the heritage garden in the spring, then returned in the fall to see the results and help with the harvest.

Planning was initiated to pilot a Performance in the Park and Artist in Residence program in select provincial parks for the 2018 season.

2018-2019 Objective and Indicators

Fiscal Year 2018-2019

Objective 2: By March 31, 2019, TCII will have advanced initiatives to create, protect, manage and promote Newfoundland and Labrador's cultural, historical and natural resources.

Indicator 1: Released a renewed Cultural Action Plan.

Indicator 2: Implemented actions to develop visitor experiences, programming, and events in Arts and Culture Centres and Provincial Historic Sites.

Indicator 3: Completed Arts and Culture Centres' infrastructure upgrades.

Indicator 4: Further supported and invested in the development of cultural and historical resources.

OPPORTUNITIES AND CHALLENGES

North American Free Trade Agreement (NAFTA): Newfoundland and Labrador and the United States have a longstanding, positive relationship with strong economic ties. The United States is Newfoundland and Labrador's largest single trading partner. In 2017, nearly 53 per cent of the province's exports went to the U.S., which consisted of oil, seafood, and newsprint. The United States is also Newfoundland and Labrador's largest import partner, accounting for 63 per cent of all imported goods into the province. This relationship creates billions of dollars in trade for both regions every year and is growing.

The Provincial Government is supportive of a modernized NAFTA and maintaining preferential market access to the United States, the province's largest export market. Government remains committed to working collaboratively with other provincial and territorial governments and the Government of Canada in order to achieve a successful NAFTA outcome that benefits the United States, Mexico, and Canada.

Despite positive trade relationship with the USA, there is still a strong need to diversify markets. With this in mind, TCII will work with industry and other partners to help Newfoundland and Labrador firms expand their export sales and increase their global competitiveness. This includes a concentration on Chinese and European markets as well as a focus on new markets such as Guyana. In addition, TCII will also continue to promote and explore new opportunities for NL firms created within Canada by the new Canadian Free Trade Agreement (CFTA).

New international export opportunities for NL firms will develop in the near future with the entering into force of the new Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as well as other international trade agreements currently being negotiated by the Government of Canada with the MERCOSUR and Pacific Alliance countries.

New Markets in the European Union: CETA and the Canadian Free Trade Agreement (CFTA) are designed to reduce barriers to trade, open new markets and opportunities for Newfoundland and Labrador businesses, increase choice for consumers, and create opportunities for economic growth and diversification.

This year, TCII collaborated with trade experts from Global Affairs Canada and others to outline for Newfoundland and Labrador stakeholders how Canadian exporters can benefit from preferential access to the European Union under the CETA.

A series of information sessions identified the programs and advisory supports available to help businesses take the guesswork out of exporting to the EU market. Enhanced coordination and collaboration will help Atlantic Canadian companies maximize and leverage resources, aim to be more innovative, earn higher wages for skilled workers and become even more productive. CETA ushers in an unprecedented era of free trade and creates an opportunity to build on Atlantic Canada's trade links with traditional and emerging markets. This agreement not only strengthens region's global competitiveness, it allows government to further improve Business Innovation Agenda and strengthen The Way Forward's vision of boosting innovation and enhancing productivity in Newfoundland and Labrador.

Improving Innovation Performance: Weak innovation performance throughout Canada, including Newfoundland and Labrador, has been a long-standing and well-documented challenge. Canada ranks well behind peer nations, and its relative position to its peers continues to slip. According to reports, the innovation performance is measured against a number of indicators: public R&D, scientific articles, entrepreneurial ambition, enterprise entry rate, venture capital investment, business enterprise R&D, ICT investment, patents and labour productivity.

Newfoundland and Labrador performs well in both entrepreneurial ambition (a measure of commercial motivation/risk tolerance) and enterprise entry rate (the number of new firms as a percent of existing firms) and has performed average or above on labour productivity, due largely to oil and gas activity and related economic performance. Important innovation performance challenges for the province, and that of most regions, include low private-sector investment in technology and low business-led R&D spending (a market-oriented indicator strongly correlated to Gross Domestic Product per capita and a critical link between innovation and commercialization). Overall, the country's and province's lagging innovation performance can be largely attributed to underperforming commercialization.

The innovation ecosystem is dynamic and requires flexible programs and policies to fully understand and respond to economic conditions and the global climate for business growth. Through the launch of the new Business Innovation Agenda and

InnovateNL, Government will continue to take policy actions to help remove firm-level barriers to growth and improved innovation performance.

Ocean Supercluster: Ocean Supercluster, the private-sector-led group of big and small companies, academic institutions and not-for-profit organizations, will see their investments matched dollar for dollar from a \$950 million federal fund. Focused on building upon Canada's world-class ocean-related business activity, research capacity, and proven technology expertise, the Ocean Supercluster aims to:

- strengthen links between ocean-based value chains and providers of enabling technologies;
- develop, deploy, and export innovative technology platforms applicable to multiple ocean industries;
- fill capability gaps in the innovation ecosystem through the attraction, recruitment, training, and retention of diverse, highly qualified personnel
- extend the global reach, attraction, network and market opportunities for Ocean Supercluster partners; and,
- address global challenges related to sustainability, reducing carbon foot-print and improving energy efficiency.

In Newfoundland and Labrador, local companies and academic institutions are well-positioned to capitalize on emerging opportunities. The Ocean Supercluster will address shared challenges across ocean sectors and will encourage greater collaboration, R&D, and commercialization of digital technologies, and will result in more global opportunities for Atlantic Canada.

Fostering Social Enterprises: The Provincial Government recognizes the innovative efforts of existing social enterprises and, by developing the Social Enterprise Action Plan in collaboration with stakeholders, is demonstrating its commitment to fostering existing and new social enterprises. The Social Enterprise Action Plan represents an opportunity for Government to focus effort on key areas of development while complementing partners' work and existing Government programs and services. Social enterprises use innovative business models to contribute to the economy by meeting social, community economic, cultural and/or environmental needs. Operating in sectors such as tourism, construction, the arts, culture, fisheries, homecare and social housing, social enterprises successfully operate in all regions of the province, helping create employment, reduce poverty

and develop entrepreneurial skills. Investing in social enterprises is an opportunity to spur economic activity.

Atlantic Canada Agreement on Tourism (ACAT): Under the Atlantic Growth Strategy, TCII has worked with the Federal Government and other Atlantic Provinces to facilitate clients to increase international marketing and market development; product innovations and market research; and improved metrics for tourism.

The 2017-2020 ACAT was renewed effective April 1, 2017 through which the Atlantic Canada provinces and tourism industry will continue to build on the collaborative marketing activities in the United States and United Kingdom markets. Through the ACAT partnership, TCII partnered with Destination Canada on the *Connecting America* campaign to further increase its marketing activities in the US.

The Tourism International Marketing Expansion Program was established, a \$4.5 million federal-provincial marketing partnership for 2017-20, designed for clients to take advantage of growth opportunities from emerging and developing markets, beginning with China and Germany.

TCII will continue its efforts to support industry and create opportunities, by establishing the Travel Trade Market Readiness Program, a \$250,000 federal-provincial-industry partnership, to help tourism operations access and benefit from opportunities in developing markets.

FINANCIAL STATEMENTS

		2017-18	2017-18	2017-18
		Original	Amended	Actual (\$)
Line Item	Source of Expenditure	Estimate (\$)	Estimate (\$)	(Unaudited)
1.1.01	Minister's Office	268,800	270,800	250,737
1.2.01	Executive Support	930,900	1,103,500	1,087,610
1.2.02	Corporate Services	1,554,400	1,618,650	1,429,776
	(Less: Revenue)	(0)	(0)	(5,453)
1.2.03	Administrative Support - Capital	0	34,750	34,750
2.1.01	Accelerated Growth	2,530,000	2,176,600	1,955,214
	(Less: Revenue)	(300,000)	(300,000)	(114,339)
2.1.02	Investment Attraction Fund - Capital	8,000,000	6,200,000	5,796,262
2.2.01	Business Analysis	5,714,300	5,687,100	5,224,202
2.3.01	Commercialization, Research and Development	18,897,500	18,897,500	18,897,500
3.1.01	Sector Diversification	2,239,100	2,711,600	2,698,088
	(Less: Revenue)	0	0	(600)
3.2.01	Regional Economic Development Services	5,023,800	5,239,100	5,130,560
3.3.01	Comprehensive Economic Development	10,360,600	10,360,600	10,341,939
3.4.01	Sector Research	430,600	668,500	632,985
4.1.01	Tourism Marketing	14,982,900	15,140,800	14,966,264
	(Less: Revenue)	(130,000)	(130,000)	(139,891)
4.1.02	Marble Mountain Development Corporation	306,400	706,400	706,400
4.1.03	Marble Mountain Development Corporation – Capital	400,000	400,000	400,000
4.2.01	Arts	5,774,000	5,677,000	5,594,408
	(Less: Revenue)	(100,000)	(100,000)	(150,835)
4.2.02	Arts and Culture Centres	6,793,500	6,796,100	6,615,242
	(Less: Revenue)	(5,178,000)	(5,178,000)	(4,703,522)
4.2.03	Newfoundland and Labrador Arts Council	1,936,600	1,936,600	1,936,600
4.2.04	The Rooms Corporation of Newfoundland & Labrador	6,540,800	6,540,800	6,540,800
4.2.05	Newfoundland & Labrador Film Development Corporation	681,000	681,000	681,000
4.2.06	Historic Sites Development	289,800	289,800	289,300
4.2.07	Special Celebrations and Events	545,900	606,300	458,532
4.2.08	Heritage Foundation of Newfoundland & Labrador	442,900	442,900	442,900
4.2.09	Newfoundland & Labrador Film Development Corporation - Capital	4,000,000	5,400,000	5,400,000
4.2.10	Arts & Culture Centres – Capital	1,600,000	1,600,000	1,559,599
	Less: Revenue	(1,120,000)	(1,120,000)	(1,120,000)
4.3.01	C.A. Pippy Park	382,800	382,800	382,800
4.3.02	Park Operations	5,453,600	5,581,600	5,288,082
	(Less: Revenue)	(500)	(500)	
	Gross Budget	106,080,200	107,150,800	104,741,500
	Related Revenue	(6,828,500)	(6,828,500)	(6,234,640)
	Net Budget	99,251,700	100,322,300	98,506,910

ANNEX 1: FORMER RESEARCH AND DEVELOPMENT CORPORATION

Approvals	Programs	Approval Amount Includes Change Requests for Increase/Decrease in contribution amount	
		NEW Projects	
Commercial		31	7,443,112.42
	ArcticTECH Arctic Technology Development	1	412,979.00
	EmployR&D	4	473,193.75
	Petroleum R&D Accelerator		(109,498.03)
	R&D Proof of Concept	19	3,377,945.05
	R&D Vouchers	1	11,601.94
	SensorTECH Commercial	6	3,276,890.71
Non-Commercial		44	8,236,193.98
	ArcticTECH Collaborative R&D Awards	1	249,498.00
	Collaborative R&D	6	1,847,550.00
	GeoEXPLORE Collaborative Research Projects	1	250,000.00
	Leverage R&D	21	5,750,276.00
	Research Inspired Student Enrichment Awards	15	138,869.98
Total		75¹	15,679,306.40²

Note 1: Project count includes NEW project approvals only. It does not reflect change requests related to increase/decrease in award amount.

Note 2: Total amount approved for 2017-18 is \$15,679,306.40 (reflects change requests related to increase/decrease in award amount).

Leverage by Sector 2017-18 (For R & D funding)		
Sectors	Sum of Leverage Amount	
Advanced Manufacturing	1,949,155.73	
Aerospace and Defence	529,260.92	
Aquaculture	3,339,920.00	
Energy	8,532,346.00	
Fisheries	2,004,870.00	
Forestry and Agriculture	695,751.00	
Health and Life Sciences	527,727.00	
ICT	1,720,061.56	
Minerals/Mining	4,402,301.23	
Ocean Technology	3,179,855.00	
Other	1,024,460.66	
Total Leverage 2017-18	27,905,709.10	
Leverage for 2017-18 relating to priority sectors	16,114,502.23	58%

**RESEARCH & DEVELOPMENT CORPORATION
OF NEWFOUNDLAND AND LABRADOR**

FINANCIAL STATEMENTS

MARCH 31, 2018

MANAGEMENT CERTIFICATION


The accompanying financial statements of the Research & Development Corporation of Newfoundland and Labrador have been prepared by the Corporation's management in accordance with Canadian Public Sector Accounting Standards.

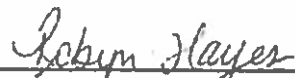
Management is responsible for the integrity and objectivity of the information contained in these financial statements, including the note disclosures. Some of the information in the financial statements is based on management's best estimate and judgment, and gives due consideration to materiality.

Management has developed and maintains a financial and management control system and practices designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information to maintain accountability of Research & Development Corporation of Newfoundland and Labrador funds.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and meets periodically with management to review and discuss the financial information. The Auditor General of Newfoundland and Labrador conducts an independent audit of the annual financial statements of the Research & Development Corporation of Newfoundland and Labrador in accordance with Canadian auditing standards in order to express an opinion thereon. The Auditor General has full and free access to the financial management of the Research & Development Corporation of Newfoundland and Labrador and meet when required.


Ted Lomond
Chief Executive Officer (A)


Robyn Hayes, CPA, CMA
Department Controller
Department of Municipal Affairs and
Environment

St. John's, Newfoundland and Labrador



**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NL Innovation Council
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Research & Development Corporation of Newfoundland and Labrador which comprise the statement of financial position as at March 31, 2018, the statements of operations, change 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves 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 entity'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.

Independent Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Research & Development Corporation of Newfoundland and Labrador as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Julia Mullaley". The signature is written in a cursive, flowing style.

JULIA MULLALEY, CPA, CA
Auditor General

St. John's, Newfoundland and Labrador
February 1, 2019

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF FINANCIAL POSITION



As at

	March 31, 2018 \$	March 31, 2017 \$
FINANCIAL ASSETS		
Cash and cash equivalents	36,236,833	34,384,475
Receivables	30,307	20,342
	<u>36,267,140</u>	<u>34,404,817</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	2,483,662	1,740,118
Deferred revenue	0	22,404
	<u>2,483,662</u>	<u>1,762,522</u>
Net Financial Assets	<u>33,783,478</u>	<u>32,642,295</u>
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 7)	0	660,326
Prepaid expenses	8,282	42,902
	<u>8,282</u>	<u>703,228</u>
Accumulated surplus	<u>33,791,760</u>	<u>33,345,523</u>

Contractual obligations (Note 8)

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

Signed on behalf of the Board:



 Director Director

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF OPERATIONS

For the year ended

	March 31, 2018 \$	March 31, 2018 \$	March 31, 2017 \$
	Budget	Actual	Actual
	(Note 13)		
REVENUE			
Government grants	18,898,000	17,397,500	18,897,500
Investment income	424,000	431,973	434,952
Other income	202,000	27,541	9,706
	19,524,000	17,857,014	19,342,158
EXPENSES (Note 9)			
Program expenses – Academic	7,995,650	5,966,869	9,027,397
Program expenses – Business	7,754,350	8,636,063	8,617,595
R&D Solutions	953,000	432,436	587,554
Operating expenses	4,768,000	2,375,409	2,758,522
	21,471,000	17,410,777	20,991,068
Surplus (Deficit)	(1,947,000)	446,237	(1,648,910)
Accumulated surplus, beginning of year	33,345,523	33,345,523	34,994,433
Accumulated surplus, end of year	31,398,523	33,791,760	33,345,523

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

**RESEARCH & DEVELOPMENT CORPORATION OF
NEWFOUNDLAND AND LABRADOR**

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended

	March 31, 2018 \$	March 31, 2018 \$	March 31, 2017 \$
	Budget	Actual	Actual
	(Note 13)		
Surplus (Deficit)	(1,947,000)	446,237	(1,648,910)
Acquisition of tangible capital assets	(100,000)	(2,956)	(48,304)
Amortization of tangible capital assets	273,000	93,693	219,101
Net book value of tangible capital asset disposals	0	569,589	0
	173,000	660,326	170,797
Acquisition of prepaid expenses	-	(8,282)	(95,786)
Use of prepaid expenses	-	42,902	80,715
	-	34,620	(15,071)
Increase (decrease) in net financial assets	(1,774,000)	1,141,183	(1,493,184)
Net financial assets, beginning of year	32,642,295	32,642,295	34,135,479
Net financial assets, end of year	30,868,295	33,783,478	32,642,295

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

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF CASH FLOWS

For the year ended

	March 31, 2018 \$	March 31, 2017 \$
OPERATING TRANSACTIONS		
Surplus (deficit)	446,237	(1,648,910)
Non-cash items		
Loss on disposal of tangible capital assets	569,589	0
Amortization of tangible capital assets	93,693	219,101
Decrease (increase) in receivables	(9,965)	10,780
Decrease (increase) in prepaid expenses	34,620	(15,071)
(Decrease) increase in accounts payable and accrued liabilities	743,544	(1,193,528)
(Decrease) increase in deferred revenue	(22,404)	15,909
Cash provided by (applied to) operating transactions	1,855,314	(2,611,719)
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(2,956)	(48,304)
Cash applied to capital transactions	(2,956)	(48,304)
Net (decrease) increase in cash and cash equivalents	1,852,358	(2,660,023)
Cash and cash equivalents, beginning of year	34,384,475	37,044,498
Cash and cash equivalents, end of year	36,236,833	34,384,475

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

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

1. Nature of operations

The Research & Development Corporation of Newfoundland and Labrador (the Corporation) is incorporated under the authority of the *Research and Development Council Act* (the Act) and is funded by the Province of Newfoundland and Labrador (the Province). The Act came into effect December 18, 2009. The objective of the Corporation is to strengthen the focus, quantity, quality, and relevance of research and development (R&D) undertaken within the Province and elsewhere for the long-term economic benefit of the Province.

The affairs of the Corporation are managed by a Board of Directors (the Board) appointed by the Lieutenant-Governor in Council. The Corporation is a Crown entity of the Province and as such is not subject to Provincial or Federal income taxes.

In July 2017, the management of the Corporation was transferred to the Department of Tourism, Culture, Industry and Innovation.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (CPSA Standards) which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature these estimates are subject to measurement uncertainty. The most significant item for which estimates are used is the useful life of tangible capital assets. The effect on the financial statements of a change in this estimate in future periods could be material and would be accounted for in the period the change occurs.

Basis of presentation

These financial statements include the accounts relating to the operations carried on under the name of the Corporation, and have been prepared by the Corporation's management in accordance with CPSA Standards.

Cash and cash equivalents

Cash and cash equivalents consists of cash in bank.

Revenue recognition

The Corporation recognizes the receipt of government transfers as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the Corporation. Government transfers consist of funding from the Province of Newfoundland and Labrador. Investment income is recognized as earned. Revenue generated from the R&D Solutions line of business is included in other

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

2. Summary of significant accounting policies (cont.)

income and is recognized in the period it is earned. Deferred revenue represents revenue invoiced but not earned.

Expenses

The Corporation recognizes expenses on an accrual basis. The cost of all goods consumed and services received during the period is expensed. Program grants are accounted for as government transfers and are recorded as expenses when they are authorized, when eligibility criteria have been met by the recipient, and when a reasonable estimate of the amount can be made.

Tangible capital assets

Tangible capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives using the following terms:

	Term
Furniture and equipment	5 years
Computer hardware and software	2 years
Network infrastructure	4 years
Enterprise resource package software	3 years
Leasehold improvements	Lease term
Atmospheric corrosion test site	5 years

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

Pension costs

Employees of the Corporation are covered by the Public Service Pension Plan (the Plan) administered by Provident¹⁰, the Government Money Purchase Plan administered by the Province or a self-directed RRSP. Contributions to each plan are required from the employees and are matched by the Corporation. The contributions for pensions are recognized during the period in which the services are rendered and represent the Corporation's total pension benefit obligation. The Plan provides defined pension benefits to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees is 11.85% (2017 – 11.85%). The Corporation is not required to make contributions in respect of any actuarial deficiencies of the Plan. Total pension expense for the Corporation for the period ended March 31, 2018 was \$115,666 (year ended March 31, 2017 - \$264,349).

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

3. Changes in accounting policies

(a) New accounting standards

On April 1, 2017, the Corporation adopted the following five new CPSAS Handbook Sections:

PS 2200 Related Party Disclosures – a new standard defining related parties and establishing disclosure requirements for related party transactions.

PS 3210 Assets – a new standard providing guidance for applying the definition of assets and establishing general disclosure requirements for assets but does not provide guidance for the recognition and disclosure of specific types of assets.

PS 3320 Contingent Assets – a new standard defining and establishing disclosure requirements for contingent assets but does not include disclosure standards for specific types of contingent assets.

PS 3380 Contractual Rights – a new standard defining and establishing disclosure requirements for contractual rights but does not include disclosure standards for specific types of contractual rights.

PS 3420 Inter-entity Transactions – a new standard on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

These accounting changes had no significant impact on the financial statements.

(b) Accounting pronouncement

The Public Sector Accounting Board has issued *PS 3430 Restructuring Transactions* which is effective April 1, 2018. This is a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities. The standard has not been applied in these financial statements.

The Corporation plans to adopt this standard by the effective date and is currently analyzing the impact the standard will have on the financial statements.

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

4. Risk management

The Corporation's management recognizes the importance of managing significant risks and this includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board is provided with timely and relevant reports on the management of significant risks. The risks that the Corporation is exposed to through its financial instruments are credit risk, liquidity risk and market risk. There was no significant change to the Corporation's exposure to these risks or its processes for managing these risks from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's main credit risk relates to cash and cash equivalents and receivables. The Corporation's maximum exposure to credit risk is the carrying amount of these financial instruments. The Corporation is not exposed to significant credit risk with its cash and cash equivalents because these financial instruments are held with a Chartered Bank. The Corporation is not exposed to significant credit risk with its receivables as these amounts are due primarily from a Chartered Bank or the Government of Canada. Accordingly there is no allowance for doubtful accounts as all amounts are considered collectible.

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its contractual obligations and financial liabilities as they come due. The Corporation's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities and its contractual obligations as disclosed in Note 8. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities. The Corporation also has access to a credit facility as outlined in Note 12.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency (foreign exchange) risk, interest rate risk and other price risk. The Corporation is not exposed to significant foreign exchange, interest rate or other price risk.

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

5. Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash and cash equivalents, receivables, and accounts payable and accrued liabilities. The Corporation generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition. The Corporation subsequently measures all of its financial assets and financial liabilities at cost.

The carrying value of cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate fair value due to their nature and the short-term maturity associated with these instruments.

Interest attributable to financial instruments is reported on the statement of operations.

6. Accounts payable and accrued liabilities

	March 31, 2018 \$	March 31, 2017 \$
Programs grants payable	817,809	1,072,814
Trade accounts payable & accruals	1,665,223	120,732
Payroll related accruals	630	546,572
	<u>2,483,662</u>	<u>1,740,118</u>

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

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7. Tangible capital assets

	Leasehold Improvements	Furniture & Equipment	Computer Hardware & Software	Network Infrastructure	Enterprise Resource Package Software	Atmospheric Corrosion Test Site	Total
	\$	\$	\$	\$	\$	\$	\$
COST							
Balance, March 31, 2017	835,413	544,552	388,641	47,077	259,085	313,104	2,387,872
Additions	-	-	2,206	-	-	750	2,956
Disposal	(835,413)	(544,552)	(390,847)	(47,077)	(259,085)	(313,854)	(2,390,828)
Balance, March 31, 2018	-	-	-	-	-	-	-
ACCUMULATED AMORTIZATION							
Balance, March 31, 2017	396,821	511,198	373,072	47,077	259,085	140,293	1,727,546
Amortization expense	41,771	14,378	6,196	-	-	31,348	93,693
Disposal	(438,592)	(525,576)	(379,268)	(47,077)	(259,085)	(171,641)	(1,821,239)
Balance, March 31, 2018	-	-	-	-	-	-	-
Net book value, March 31, 2018	-	-	-	-	-	-	-
Net book value, March 31, 2017	438,592	33,354	15,569	-	-	172,811	660,326

Upon transfer of the management of the Corporation to the Department of Tourism, Culture, Industry and Innovation, tangible capital assets were either disposed of or transferred to the Province at their net book value.

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

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8. Contractual obligations

The Corporation has outstanding contractual obligations under its various programs in respect of approved but not yet disbursed funds in the amount of \$28,916,048. Approximate payment of these obligations in future years is as follows:

	Programs
	\$
2019	18,152,115
2020	6,402,600
2021	2,670,496
2022	1,111,225
2023	544,612
Thereafter	35,000
	28,916,048

9. Expenses

The statement of operations presents the expenses of the Corporation by function. The following table presents them by nature:

	March 31 2018 \$	March 31 2018 \$	March 31, 2017 \$
	Budget	Actual	Actual
	(Note 13)		
Program grants	15,750,000	13,914,311	15,868,665
Salaries and benefits	3,914,000	2,236,238	3,644,957
Purchased services	1,134,000	434,262	971,754
Professional services	400,000	162,684	286,591
Amortization of tangible capital assets	273,000	93,693	219,101
Loss on disposal of tangible capital assets	0	569,589	0
Total expenses	21,471,000	17,410,777	20,991,068

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

10. Related party transactions

These financial statements include transactions with related parties. The Corporation is related, as a result of common ownership, to all Crown corporations and agencies of the Province.

During the period, the Corporation had the following related party transactions:

- Program grants expense to related parties of \$5,460,313 (year ended March 31, 2017 - \$8,277,132).
- Purchased supplies and services from related parties for \$345,916 (year ended March 31, 2017 - \$731,724).

The Corporation is administered by the Department of Tourism, Culture, Industry and Innovation. Administration expenses are paid directly by the Province. These costs are considered to be unallocated costs and are not recognized in these financial statements.

11. Economic dependence

As a result of the Corporation's reliance on funding from the Province, the Corporation's ability to continue viable operations is dependent upon the decisions of the Province.

12. Credit facilities

Subject to the prior approval of the Lieutenant-Governor in Council and the Board, the Corporation may borrow money for purposes related to the attainment of its objectives as set out in the *Act*. At March 31, 2018, the Corporation had available a revolving credit facility of up to \$1,000,000 bearing interest at prime, a letter of credit of up to \$50,000 bearing interest at 1%, and VISA business card(s) with an aggregate limit of \$50,000. At March 31, 2018 the credit facility and letter of credit are inactive. All VISA business Card(s) have been terminated and accounts closed.

13. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the original estimates approved by the Board.

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

14. Subsequent events

On May 31, 2018, the Province of Newfoundland and Labrador repealed the *Research and Development Council Act* and enacted legislation to establish the Innovation and Business Investment Corporation as a successor to the Corporation. The assets, liabilities and obligations of the Corporation will transfer to the Innovation and Business Investment Corporation, which will be responsible for making strategic funding investments in innovation and business growth in the Province to advance economic development in accordance with the priorities of Government.

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