



# iCORE ANNUAL REPORT

## FINANCIAL STATEMENTS

### FOR THE YEAR ENDING MARCH 31, 2002

## AUDITOR'S REPORT

AUDITOR  
GENERAL  
Alberta

To the Board of Directors of iCORE Inc.

I have audited the statement of financial position of iCORE Inc. as at March 31, 2002 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of iCORE Inc.'s management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of iCORE Inc. as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

CA  
Auditor General

Edmonton, Alberta  
May 17, 2002

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## STATEMENT OF FINANCIAL POSITION

### FOR THE YEAR ENDING MARCH 31, 2002

(In thousands)

#### ASSETS

	2002	2001
Cash (Note 3)	\$ 179	\$ 43
Restricted cash (Note 3)	100	-
Accounts Receivable (Note 4)	11	50
Advances (Note 5)	3,900	-
	<u>\$ 4,190</u>	<u>\$ 93</u>

#### LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 189	\$ 92
Deferred Contributions (Note 6)	100	-
	<u>289</u>	<u>92</u>

#### NET ASSETS

Net Assets, Beginning of Year	1	1
Net Operating Results	3,900	-
Net Assets, End of Year	<u>3,901</u>	<u>1</u>
	<u>\$ 4,190</u>	<u>\$ 93</u>

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

Approved by the Board of Directors

Dr. Roger Smith  
Chair of the Board  
iCORE Inc.

Dr. Peter Flynn  
Chair of the iCORE Audit Committee  
iCORE Inc.

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## STATEMENT OF OPERATIONS

### FOR THE YEAR ENDING MARCH 31, 2002

(In thousands)

	2002 Budget	2002 Actual	2001 Actual
<b>REVENUES</b>			
Contribution from Alberta Science and Research Authority	\$ 10,000	\$ 9,615	\$ 9,933
Investment Income	-	145	71
<b>Total REVENUES</b>	<u>10,000</u>	<u>9,760</u>	<u>10,004</u>
<b>EXPENSES- Directly Incurred (Note 2)</b>			
Salaries, wages and employee benefits	600	501	515
Supplies and services	375	375	413
Research Grants	7,750	3,632	7,770
Graduate student grants	1,275	1,272	1,306
<b>Total EXPENSES</b>	<u>10,000</u>	<u>5,860</u>	<u>10,004</u>
<b>NET OPERATING RESULTS</b>	<u>\$ -</u>	<u>\$ 3,900</u>	<u>\$ -</u>

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

## STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDING MARCH 31, 2002

(In thousands)

	2002	2001
<b>OPERATING TRANSACTIONS</b>		
Net Operating Results	\$ 3,900	\$ -
Decrease in Accounts Receivable	39	16
Increase in Advances	(3,900)	-
Increase in Accounts Payable and Accrued Liabilities	97	21
Increase in Deferred Contributions	100	-
<b>NET CASH PROVIDED BY OPERATING TRANSACTIONS</b>	<b>236</b>	<b>37</b>
<b>INVESTING TRANSACTIONS</b>		
Increase in Restricted Cash	(100)	-
<b>NET CASH PROVIDED BY INVESTING TRANSACTIONS</b>	<b>(100)</b>	<b>-</b>
<b>NET CASH PROVIDED</b>	<b>136</b>	<b>37</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>43</b>	<b>6</b>
<b>CASH, END OF YEAR</b>	<b>\$ 179</b>	<b>\$ 43</b>

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

## SCHEDULE OF SALARY AND BENEFIT DISCLOSURE FOR THE YEAR ENDING MARCH 31, 2002

### Schedule 1

	2002			2001	
	Salary <sup>(1)</sup>	Benefits & Allowances <sup>(2)</sup>	Total	Total	
Chair of the Board <sup>(3)</sup>	\$ 29,985	\$ -	\$ 29,985	\$ 39,512	
President and Chief Executive Officer <sup>(4)</sup>	196,649	-	196,649	184,745	
Director of Programs	83,923	22,346	106,269	96,677	

#### NOTES:

- <sup>(1)</sup> Salary includes regular base pay, bonuses, overtime and long term payments.
- <sup>(2)</sup> Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, cost of country medical benefits, group life insurance, accidental death and dismemberment.
- <sup>(3)</sup> The Chair of the Board was seconded part time from the University of Alberta for the period April 1 through June 30, 2001 with the University receiving \$14,985, and, for the five months of July through November, 2001, \$15,000 in compensation was paid through the University to the Chair.
- <sup>(4)</sup> The salary amount for the President and Chief Executive Officer comprises \$82,024 (2001 - \$76,257) for consulting services and \$113,825 (2001 - \$188,348) paid to the University of Calgary for full-time secondment.

## SCHEDULE OF RELATED PARTY TRANSACTIONS FOR THE YEAR ENDING MARCH 31, 2002

### Schedule 2

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in iCORE Inc.

iCORE Inc. had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties.

(In thousands)

	Entities in the Ministry		Other Entities	
	2002	2001	2002	2001
<b>REVENUES</b>				
Grants from the Alberta Science and Research Authority	\$ 9,615	\$ 9,933	\$ -	\$ -
<b>EXPENSES - DIRECTLY INCURRED</b>				
Payments to the Alberta Research Council Inc.	\$ 17	\$ 16	\$ -	\$ -
	\$ 17	\$ 16	\$ -	\$ -

iCORE Inc. also had the following transactions with related parties for which no consideration was exchanged.

The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

(In thousands)

	Entities in the Ministry		Other Entities	
	2002	2001	2002	2001
<b>EXPENSES - INCURRED BY OTHERS</b>				
Accommodation from the Alberta Research Council Inc.	\$ 27	\$ 68	\$ -	\$ -

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING MARCH 31, 2002

### Note 1 Authority and Purpose

iCORE Inc. was established as a not-for-profit corporation in accordance with the Alberta Business Corporations Act, Chapter B-3, Revised Statutes of Alberta 2000, as amended. iCORE Inc. is a wholly owned subsidiary of the Alberta Science and Research Authority. The Alberta Science and Research Authority and its wholly owned subsidiaries are exempted from the payment of income tax under Section 149 of the Income Tax Act.

The mandate of iCORE Inc. is to attract and grow a critical mass of outstanding researchers in the fields of computer science, electrical and computer engineering, physics, mathematics and other information and communications technology related disciplines. iCORE Inc. invests in the highest caliber research scientists and leaders who work on fundamental and applied problems in information and communications technology. It aims to fund iCORE Chairs at Alberta universities, among which world-class research teams will be developed.

### Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

#### a) Reporting Entity

The reporting entity is iCORE Inc., which is a wholly owned subsidiary of the Alberta Science and Research Authority. The Alberta Science and Research Authority and its other wholly owned subsidiary, the Alberta Research Council Inc., are part of the Ministry of Innovation and Science for which the Minister of Innovation and Science is accountable. The other entity reporting to the Minister is the Department of Innovation and Science. The activities of the Department of Innovation and Science and the consolidated activities of the Alberta Science and Research Authority are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

#### b) Basis of Financial Reporting

**Revenues** - All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue. Excess restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

#### Expenses

**Directly Incurred** - Directly incurred expenses are those costs iCORE Inc. has primary responsibility and accountability for, as reflected in the Government's budget documents.

Costs are recorded as expenses when authorized and when all eligibility criteria have been satisfied.

**Incurred by Others** - Services contributed by other entities in support of iCORE Inc.'s operations are disclosed in Schedule 2.

**Assets** - Financial assets of iCORE Inc. are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

**Liabilities** - Liabilities represent all financial claims payable by iCORE Inc. at fiscal year end.

**Net Assets** - Net assets represent the difference between the value of assets held by iCORE Inc. and its liabilities.

**Valuation of Financial Assets and Liabilities** - Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their book values.

### Note 3 Cash and Restricted Cash (In thousands)

#### a) Cash

Cash consists of primarily a deposit in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

#### b) Restricted Cash

Restricted cash (\$108 (2001 - nil)) represents unspent contributions that are subject to externally imposed restrictions related to specific research programs.

### Note 4 Accounts Receivable (In thousands)

	2002		2001	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Alberta Government Departments and Agencies	\$ 11	\$ -	\$ 11	\$ 10
	\$ 11	\$ -	\$ 11	\$ 10

Accounts receivable are unsecured and non-interest bearing.

### Note 5 Advances (In thousands)

iCORE Inc. provides grants to researchers and graduate students in order to attract them to Alberta and develop their research in Alberta. In 2002, iCORE provided payments on some awards prior to all eligibility criteria for recording grant expenses being met. These advances totaled \$3,900 (2001 - nil). Under the terms of the grant contracts, if annual eligibility criteria are not met, iCORE will recover the advances.

### Note 6 Deferred Contributions (In thousands)

Deferred contributions represent unspent resources externally restricted under the Industrial Chair Establishment grant program. Amounts will be recognized as revenue to the extent of expenses incurred under the program during the current period. Changes in the deferred contributions balance are as follows:

	2002	2001
Contributions received during year	\$ 108	\$ -
Less: Amounts recognized as revenue	-	-
Increase during the year	108	-
Balance at beginning of year	-	-
Balance at end of year	\$ 108	\$ -

### Note 7 Commitments (In thousands)

iCORE Inc. had research grant commitments as at March 31, 2002 totaling \$3,100 (2001 - \$7,600).

Year	Committed
2003	\$ 1,000
2004	1,000
2005	2,000
2006	1,100
Thereafter	-
	\$ 5,100

### Note 8 Approval of Financial Statements

These financial statements have been reviewed by the iCORE Inc. Audit Committee and approved by the iCORE Inc. Board.