

Financial Statements of

MITACS INC.

And Independent Auditor's report thereon

Year ended March 31, 2023



Mitacs.ca

1-833-364-8227

From: Rajat Sharma, COO

Subject: COO Report - 2022/2023 Financial Statements

The financial statements of Mitacs Inc. ("Mitacs") were prepared by management in accordance with Canadian accounting standards for non-profit-organizations, which have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available to management as of July 5, 2023.

To assist in carrying out their responsibility, management maintains an accounting system and internal controls to provide reasonable assurance that financial information is recorded in accordance with authorization, and that financial records are reliable for preparation of financial statements.

Mitacs' independent external auditors, KPMG LLP, are engaged to examine the financial statements and express their opinion on whether the financial statements present fairly, in all material respects, the financial position of Mitacs as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted auditing standards. The Auditor's Report that follows outlines the scope of their audit and their opinion.

The Board of Directors have established an Audit and Finance Committee to oversee managements' fulfillment of their responsibilities over financial reporting and internal control systems. The Audit and Finance Committee reviews and approves the financial statements annually.

At the Mitacs Inc. Board Meeting held on July 5, 2023, the board members voted and approved the Audited Financial Statements for fiscal year ending March 31, 2023.

DocuSigned by:

Rajat Sharma
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Rajat Sharma, CPA
Chief Operating Officer

Canada





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INDEPENDENT AUDITOR'S REPORT

To the Directors of Mitacs Inc.

Opinion

We have audited the financial statements of Mitacs Inc. (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-profit-organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report and includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
July 5, 2023

MITACS INC.

Statement of Financial Position

March 31, 2023, with comparative information for 2022

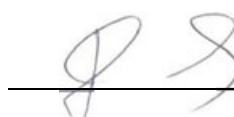
	Note	2023	2022
Assets			
Current assets:			
Cash and cash equivalents		\$ 251,484,698	\$ 144,789,986
Accounts receivable		2,138,467	3,167,676
Prepaid expenses		3,031,095	1,811,759
Current portion of contributions receivable	4	80,999,303	75,683,352
		<u>337,653,563</u>	<u>225,452,773</u>
Contributions receivable	4	11,826,904	25,174,469
Tangible capital assets	5	464,070	375,464
Intangible assets	6	2,495,400	1,689,154
		<u>\$ 352,439,937</u>	<u>\$ 252,691,860</u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 7,681,245	\$ 6,905,614
Government remittances payable		1,151,677	968,241
Current portion of awards payable	7	118,147,468	96,713,933
Deferred contributions	8	126,138,222	66,960,238
		<u>253,118,612</u>	<u>171,548,026</u>
Awards payable	7	66,876,069	50,642,176
		<u>319,994,681</u>	<u>222,190,202</u>
Net assets:			
Invested in capital assets		2,959,470	2,064,618
Internally restricted	9	20,500,000	20,000,000
Unrestricted		8,985,786	8,437,040
		<u>32,445,256</u>	<u>30,501,658</u>
Nature of operations and economic dependence	2		
Commitments	10		
Subsequent events	13		
		<u>\$ 352,439,937</u>	<u>\$ 252,691,860</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

MITACS INC.

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	Note	2023	2022
Revenue:			
Earned program contributions:			
Federal government	11	\$ 183,045,411	\$ 108,091,195
Provincial governments	11	45,744,865	41,794,176
Participant organizations	11	96,907,904	79,537,151
International organizations		4,617,640	1,424,290
University partners		1,043,455	464,324
University member fees		2,821,520	2,863,540
Interest income		648,224	471,351
Other		500	6,005
		<u>334,829,519</u>	<u>234,652,032</u>
Expenses:			
Program awards:			
Accelerate		219,736,103	157,407,519
Business strategy internship		24,538,227	9,661,291
Globalink		28,973,597	6,744,262
Elevate		10,972,435	16,926,053
Training		2,942,363	2,005,654
Canadian science policy fellowship		895,108	1,165,800
Converge (recovery)		-	(162,500)
Innovation initiatives		411,777	1,880,486
Program services		7,631,998	5,842,565
Stakeholder relations		13,233,172	11,613,402
Corporate services		22,391,149	19,175,166
Amortization		1,159,992	728,080
		<u>332,885,921</u>	<u>232,987,778</u>
Excess of revenue over expenses		<u>\$ 1,943,598</u>	<u>\$ 1,664,254</u>

See accompanying notes to financial statements.

MITACS INC.

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	Invested in capital assets	Internally restricted	Unrestricted	Total
Balance, March 31, 2021	\$ 1,325,412	\$ 8,500,000	\$ 19,011,992	\$ 28,837,404
Excess (deficiency) of revenue over expenses	(728,080)	-	2,392,334	1,664,254
Acquisition of tangible capital assets	294,685	-	(294,685)	-
Acquisition of intangible assets	1,172,601	-	(1,172,601)	-
Internally imposed restrictions	-	11,500,000	(11,500,000)	-
Interfund transfer	-	(2,972,717)	2,972,717	-
Reserve replenishment	-	2,972,717	(2,972,717)	-
Balance, March 31, 2022	2,064,618	20,000,000	8,437,040	30,501,658
Excess (deficiency) of revenue over expenses	(1,159,992)	-	3,103,590	1,943,598
Acquisition of tangible capital assets	247,405	-	(247,405)	-
Acquisition of intangible assets	1,807,439	-	(1,807,439)	-
Interfund transfer (note 9)	-	500,000	(500,000)	-
Balance, March 31, 2023	\$ 2,959,470	\$ 20,500,000	\$ 8,985,786	\$ 32,445,256

See accompanying notes to financial statements.

MITACS INC.

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in)		
Operating activities:		
Excess of revenue over expenses	\$ 1,943,598	\$ 1,664,254
Amortization, an item not involving cash	1,159,992	728,080
Change in non-cash operating working capital:		
Accounts receivable	1,029,209	188,724
Prepaid expenses	(1,219,336)	(332,434)
Contributions receivable	8,031,614	(22,591,496)
Accounts payable and accrued liabilities	775,631	1,792,673
Government remittances payable	183,436	(519,093)
Awards payable	37,667,428	7,014,370
Deferred contributions	59,177,984	14,053,507
	108,749,556	1,998,585
Investing activities:		
Acquisition of tangible capital assets	(247,405)	(294,685)
Acquisition of intangible assets	(1,807,439)	(1,172,601)
	(2,054,844)	(1,467,286)
Increase in cash and cash equivalents	106,694,712	531,299
Cash and cash equivalents, beginning of year	144,789,986	144,258,687
Cash and cash equivalents, end of year	\$ 251,484,698	\$ 144,789,986

See accompanying notes to financial statements.

MITACS INC.

Notes to Financial Statements

Year ended March 31, 2023

1. Purpose of the Organization:

Mitacs Inc. (the "Organization") was incorporated under the Canada Corporations Act and is exempt from taxes under the Income Tax Act (Canada). The Organization continues to operate under the Canada Not-For-Profit Corporations Act.

The purpose of the Organization is to support and increase Canadian productivity by driving private sector innovation and developing and deploying talent into the Canadian economy. This is done through experiential skills development for Canadian innovators; facilitating technology transfer, commercialization, and entrepreneurship by fostering the creation and application of ideas through cooperative research partnerships; and promoting collaborative networks through partnerships between academia, industry, government, and other organizations in Canada and abroad.

2. Nature of operations and economic dependence:

The Organization manages or operates various programs designed to facilitate research collaboration between participant organizations and academia for the training of the next generation of young Canadian researchers. Externally funded active programs include internships, international and research partnerships, and skills enhancement.

(a) Mitacs Accelerate program:

Mitacs Accelerate connects companies and not-for-profit organizations with graduate students and postdoctoral fellows who apply their specialized expertise to research challenges.

(b) Mitacs Globalink program:

Mitacs Globalink connects researchers from around the world with Canadian universities. The program offers two-way mobility between Canada and select partner countries for undergraduate and graduate students.

(c) Mitacs Elevate program:

Mitacs Elevate provides leadership, business, and research management skills training to recent postdoctoral fellows.

(d) Mitacs Business Strategy Internship program:

Mitacs Business Strategy Internship provides innovative projects designed to help organizations thrive across various aspects of their business.

The Organization receives contributions from national, provincial and international organizations, participant organizations and universities to fund research programs, student training, and operational expenditures. A significant portion of its funding is from federal and provincial government contributions. During the year, the Organization had 23 (2022 - 22) federal and provincial government contracts which accounted for approximately 69% (2022 - 64%) of revenue. The Organization may not be able to maintain its current levels of activities should this funding be significantly reduced or ended.

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2023

3. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and incorporate the following significant accounting policies.

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions.

Externally restricted government and participant contributions received for programs and training are recognized as revenue in the year in which the related program expenses are incurred. Program expenses are recorded as liabilities when the research project has received research endorsement; participant organization contributions are committed; and all program eligibility and file requirements have been met. The Organization records an allowance for cancellation of internships awarded based on management's best estimate using historical cancellations incurred.

Unrestricted university member fees are recognized as revenue over the fiscal year to which they relate.

Externally restricted investment income earned on government funding is recorded as deferred contributions and recognized as program contributions revenue in the year in which the related program expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

(b) Cash and cash equivalents:

Bank balances and term deposits with a maturity period of 90 days or less from the date of acquisition are presented under cash and cash equivalents.

(c) Tangible capital assets and intangible assets:

Tangible capital assets and intangible assets are measured at cost, less any accumulated amortization and any accumulated impairment losses. Costs related to specific betterments are capitalized when it is probable that the expenditures will result in additional service potential of the asset. Maintenance costs are expensed as incurred.

The Organization capitalizes certain development costs incurred in connection with its internal use software. Costs incurred in preliminary project stages are expensed as incurred. All direct costs incurred during the development phase are capitalized until such time when the software is substantially complete and ready for its intended use. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Organization intends to and has sufficient resources to complete development and to use or sell the asset.

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2023

3. Significant accounting policies (continued):

(c) Tangible capital assets and intangible assets (continued):

Amortization is calculated using the straight-line method over the asset's estimated useful life. The estimated useful lives of the Organization's capital assets are as follows:

	Rate
Equipment and furnishings	2 - 5 years
Software	3 - 10 years

Amortization methods, useful lives and residual values are reviewed when there is a change in circumstance and adjusted if appropriate.

Tangible capital assets and intangible assets are tested for impairment whenever conditions indicate that the capital asset no longer contributes to the Organization's ability to provide goods and services, or that the value associated with the asset is less than its net carrying amount. When conditions indicate that an asset is impaired, the net carrying amount of the asset is written down to the asset's replacement cost.

(d) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the allowance for cancellations on revenue recognised. Actual results could differ from those estimates.

(e) Financial instruments:

Financial assets and financial liabilities are initially measured at fair value. Subsequently, all financial assets and financial liabilities are measured at amortized cost, except for cash and cash equivalents, which management has elected to measure at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include accounts receivable and contributions receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government remittances payable and awards payable.

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2023

3. Significant accounting policies (continued):

(f) Allocation of expenses:

The Organization records a number of its expenses by program. The costs of each program include stipend, travel and other research expenses that are directly related to the program.

The Organization incurs program support expenses, such as grant applications and management, research and program management costs that directly support programs. These costs are not allocated to program awards. These expenses are reported under the caption "Program services" on the statement of operations.

The Organization incurs stakeholder support expenses that indirectly support programs. These costs are not allocated to program awards. These expenses are reported under the caption "Stakeholder relations" on the statement of operations.

The Organization incurs general support expenses, such as finance, administration, human resources, marketing and communications, information technology and costs, that are common to the administration of the Organization. These costs are not allocated to program awards. These expenses are reported under the caption "Corporate services" on the statement of operations.

4. Contributions receivable:

	2023	2022
Government contributions receivable	\$ 32,667,157	\$ 40,941,395
Participant contributions receivable	70,566,741	69,764,495
Allowance for cancellations (note 11)	(10,407,691)	(9,848,069)
	92,826,207	100,857,821
Less current portion:		
Contributions receivable	80,999,303	75,683,352
	\$ 11,826,904	\$ 25,174,469

5. Tangible capital assets:

	2023	2022		
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and furnishings	\$ 748,784	\$ 284,714	\$ 464,070	\$ 375,464

Amortization expense for tangible capital assets incurred during the year is \$158,799 (2022 - \$83,990).

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2023

6. Intangible assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Software	\$ 5,480,079	\$ 2,984,679	\$ 2,495,400	\$ 1,689,154

Included in intangible assets is \$196,621 (2022 – \$40,947) of software assets under construction.

Amortization expense for intangible assets incurred during the year is \$1,001,193 (2022 - \$644,090).

7. Awards payable:

	2023	2022
Awards payable	\$ 213,313,976	\$ 169,975,900
Allowance for cancellations (note 11)	(28,290,439)	(22,619,791)
	185,023,537	147,356,109
Less current portion:		
Awards payable	118,147,468	96,713,933
	\$ 66,876,069	\$ 50,642,176

8. Deferred contributions:

Deferred contributions represent externally restricted and unspent contributions for the future funding of awards and training.

March 31, 2023	Federal Government	Provincial Governments	Participant Organizations	Other Funders	Total
Beginning of year	\$ 29,081,262	\$ 17,739,652	\$ 15,016,127	\$ 5,123,197	\$ 66,960,238
Funding received and receivable	232,858,779	85,949,998	20,970,819	2,297,168	342,076,764
Revenue recognized	(218,744,191)	(40,513,214)	(21,392,754)	(2,248,621)	(282,898,780)
End of year	\$ 43,195,850	\$ 63,176,436	\$ 14,594,192	\$ 5,171,744	\$ 126,138,222

March 31, 2022	Federal Government	Provincial Governments	Participant Organizations	Other Funders	Total
Beginning of year	\$ 29,650,053	\$ 8,202,304	\$ 10,542,549	\$ 4,511,825	\$ 52,906,731
Funding received and receivable	128,694,168	55,923,848	20,986,231	4,496,628	210,100,875
Revenue recognized	(129,262,959)	(46,386,500)	(16,512,653)	(3,885,256)	(196,047,368)
End of year	\$ 29,081,262	\$ 17,739,652	\$ 15,016,127	\$ 5,123,197	\$ 66,960,238

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2023

8. Deferred contributions (continued):

For federal and provincial governments and participant organizations, deferred contributions are adjusted for estimated future cancellations of \$22,174,878 (2022 - \$16,425,011).

As at March 31, 2023, \$2,117,770 (2022 - \$35,770,567) of deferred contributions was included in contributions receivable from government and other funders and \$4,440,709 (2022 - \$3,122,510) was included in contributions receivable from participant organizations.

During the year ended March 31, 2023, \$14.6 million (2022- \$11.9 million) in contributions was received or is receivable from the Ministère de l'Économie et de l'Innovation on behalf of the Government of Quebec to support units approved through the Accelerate, Accelerate International, Elevate, Globalink Research Internship and Globalink Research Award programs. As of March 31, 2023, approximately \$6.7 million (2022 - \$8.0 million) has been recognized as revenue.

9. Internally restricted net assets:

The Board of Directors of the Organization resolved to restrict funds as follows:

	2023	2022
Cut-back costs	\$ 8,000,000	\$ 7,500,000
Future capital projects	5,500,000	5,500,000
Innovation projects	1,000,000	1,000,000
Technology operations	4,000,000	4,000,000
Strategic initiatives	1,000,000	1,000,000
Market price initiatives	1,000,000	1,000,000
	<u>\$ 20,500,000</u>	<u>\$ 20,000,000</u>

Cut-back costs (previously shut-down costs) are reserves to be used for administrative costs, severance payments and other expenses associated with a decrease in the Organization's activities.

Funds for future capital projects are intended to be used for capital expenditure to enhance or introduce new technological tools and other capital development projects.

Innovation projects are reserves to be used to fund the piloting of new ideas or programs consistent with the vision and mandate of the Organization.

Funds for technology operations are intended to be used for operational expenditure to enhance or introduce new technological tools and processes.

Strategic initiatives are reserves to be used to fund the implementation and outcomes of the Organization's strategic plan.

Funds for market price initiatives are intended to be used for piloting new price offerings of existing programs consistent with the vision and mandate of the Organization.

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2023

9. Internally restricted net assets (continued):

The Organization may not use these internally restricted amounts for any other purpose without the approval of the Board of Directors.

On July 7, 2022, the Board of Directors approved a transfer of \$500,000 from unrestricted net assets to internally restricted net assets for cut-back costs.

10. Commitments:

(a) Program delivery commitments:

The Organization has received and processed Mitacs Accelerate internship applications which are in various stages of completion, and which have not been approved as at March 31, 2023. As at March 31, 2023, the Organization has processed approximately \$39.8 million (2022 - \$99.5 million) of these internship applications, of which it expects that approximately \$25.6 million (2022 - \$57.5 million) will be approved within the next 12 months. The Organization will be required to secure sufficient government and participant organization contributions to fund these internships if they are completed and approved.

(b) Operating lease commitments:

The Organization leases office space in five locations across Canada. Future minimum lease payments required over the remaining term of these leases are as follows.

2024	\$	736,703
2025		676,601
2026		663,743
2027		665,884
2028		624,614
Thereafter		74,611
	\$	3,442,156

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2023

11. Allowance for cancellations:

The Organization records an allowance for cancellation of internships awarded based on management's best estimate using historical cancellations incurred. For externally restricted government and unrestricted participant contributions, the impact of the cancellations estimate for the fiscal year are as follows:

Revenue	Gross	Cancellation allowance	2023
Federal government	\$ 200,991,726	\$ (17,946,315)	\$ 183,045,411
Provincial governments	49,973,428	(4,228,563)	45,744,865
Participant organizations	107,315,595	(10,407,691)	96,907,904

Revenue	Gross	Cancellation allowance	2022
Federal government	\$ 120,021,950	\$ (11,930,755)	\$ 108,091,195
Provincial governments	46,288,433	(4,494,257)	41,794,176
Participant organizations	89,385,220	(9,848,069)	79,537,151

12. Financial risks and concentration of risks:

The Organization is exposed to various risks through its financial instruments, the risks are detailed below:

(a) Credit risk:

Credit risk is the risk that a counterparty may default on its contractual obligations resulting in a financial loss.

Cash and cash equivalents consist of amounts held at a major Canadian financial institution and the associated credit risk is considered minimal.

Accounts receivable consists of amounts due from Canadian universities and other organizations and the associated credit risk is considered minimal.

Government contributions receivable consists of amounts due from federal and provincial governments and government agencies. Credit risk associated with amounts due from federal and provincial governments and government agencies is considered minimal.

Participant organization contributions receivable consist of amounts due from private and public sector participant organizations. The Organization normally receives the required matching participant organization contributions immediately before the commencement date of an internship. The risk from amounts due from participant organizations is limited as, if these matching participant organization contributions are not received by the Organization before the expected start date of any internship, the approved associated internship will be cancelled, and the related awards payable will not be paid.

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2023

12. Financial risks and concentration of risks:

(b) Liquidity risk:

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. The Organization is exposed to liquidity risk with respect to the financial liabilities recognized in the statement of financial position. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has enough funds to fulfill its obligations. The Organization monitors the sufficiency of its unrestricted net assets to support a sudden increase in liquidity needs. Further to unrestricted net assets, the Board of Directors has internally restricted a reserve for cut-back costs to support liquidity needs associated with a scale back or shut down of operations.

(c) Market risk:

Market risk is the risk that changes in market prices, including interest rates, will affect the Organization. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate instruments subject the Organization to a risk of changes in fair value.

It is management's opinion that the Organization is not exposed to significant market risk arising from financial instruments.

13. Subsequent events:

- (a) Subsequent to March 31, 2023, the Board of Directors approved a transfer of \$3,000,000 from unrestricted net assets to internally restricted net assets for cut-back costs.
- (b) Subsequent to March 31, 2023, the Organization invested approximately \$40 million in guaranteed investment certificates (GICs), with an average annual rate of 5.6% and varying maturity dates from 9 months to 3 years. The investments were made in accordance with the Organization's investment policy to optimize the Organization's cash management strategy and return on investment.