

Financial Statements of

MITACS INC.

And Independent Auditor's report thereon

Year ended March 31, 2024



KPMG LLP

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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, 2024
- 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, 2024, 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 that 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.



Mitacs Inc.
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- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Vancouver, Canada
August 6, 2024

MITACS INC.

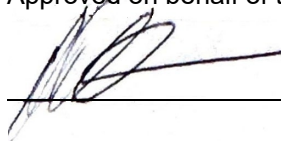
Statement of Financial Position

March 31, 2024, with comparative information for 2023

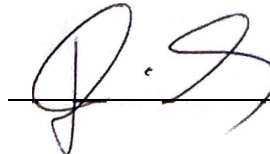
	Note	2024	2023
Assets			
Current assets:			
Cash and cash equivalents		\$ 216,975,313	\$ 251,484,698
Accounts receivable		2,020,706	2,138,467
Government contributions receivable		10,944,615	32,667,157
Participant organization fee-for-service receivable	4	58,525,672	48,332,146
Investments, at amortized cost	5	10,461,688	-
Prepaid expenses		3,057,108	3,031,095
		301,985,102	337,653,563
Participant organization fee-for-service receivable	4	12,176,156	11,826,904
Investments, at amortized cost	5	20,881,981	-
Tangible capital assets	6	373,810	464,070
Intangible assets	7	2,969,953	2,495,400
		\$ 338,387,002	\$ 352,439,937
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 15,211,652	\$ 7,681,245
Government remittances payable		678,983	1,151,677
Current portion of awards payable	8	120,967,793	118,147,468
Deferred contributions	9	104,240,841	126,138,222
		241,099,269	253,118,612
Awards payable	8	58,754,398	66,876,069
		299,853,667	319,994,681
Net assets:			
Invested in capital assets		3,343,763	2,959,470
Internally restricted	10	21,323,000	20,500,000
Unrestricted		13,866,572	8,985,786
		38,533,335	32,445,256
Nature of operations and economic dependence	2		
Commitments	11		
Subsequent events	16		
		\$ 338,387,002	\$ 352,439,937

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

MITACS INC.

Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

	Note	2024	2023
Revenue:			
Earned program contributions:			
Federal government	12	\$ 133,991,616	\$ 183,045,411
Provincial governments	12	48,409,095	45,744,865
Participant organization fee-for-service	12	90,981,078	96,907,904
International organizations		1,892,932	4,617,640
University partners		1,135,681	1,043,455
University member fees		2,839,099	2,821,520
Interest income		4,547,627	648,224
Other		-	500
		283,797,128	334,829,519
Expenses:			
Program awards:			
Accelerate		162,847,283	219,736,103
Business strategy internship		15,686,393	24,538,227
Globalink		32,647,552	28,973,597
Elevate		13,475,401	10,972,435
Training		3,779,570	2,942,363
Canadian science policy fellowship		277,182	895,108
Innovation initiatives		179,344	411,777
Program services	13	6,933,477	7,631,998
Stakeholder relations	13	12,469,671	13,233,172
Corporate services	13	27,941,390	22,391,149
Amortization		1,471,786	1,159,992
		277,709,049	332,885,921
Excess of revenue over expenses		\$ \$6,088,079	\$ 1,943,598

See accompanying notes to financial statements.

MITACS INC.

Statement of Changes in Net Assets

Year ended March 31, 2024, with comparative information for 2023

	Invested in capital assets	Internally restricted	Unrestricted	Total
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 10)	-	500,000	(500,000)	-
Balance, March 31, 2023	2,959,470	20,500,000	8,985,786	32,445,256
Excess (deficiency) of revenue over expenses	(1,471,786)	-	7,559,865	6,088,079
Acquisition of tangible capital assets	105,088	-	(105,088)	-
Acquisition of intangible assets	1,750,991	-	(1,750,991)	-
Interfund transfer (note 10)	-	823,000	(823,000)	-
Balance, March 31, 2024	\$ 3,343,763	\$ 21,323,000	\$ 13,866,572	\$ 38,533,335

See accompanying notes to financial statements.

MITACS INC.

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in)		
Operating activities:		
Excess of revenue over expenses	\$ 6,088,079	\$ 1,943,598
Increase in unrealized gain of investments	(1,795,642)	-
Amortization, an item not involving cash	1,471,786	1,159,992
Change in non-cash operating working capital:		
Accounts receivable	117,761	1,029,209
Prepaid expenses	(26,013)	(1,219,336)
Government contributions receivable	21,722,542	8,274,238
Participant organization fee-for-service receivable	(10,542,778)	(242,624)
Accounts payable and accrued liabilities	7,530,407	775,631
Government remittances payable	(472,694)	183,436
Awards payable	(5,301,346)	37,667,428
Deferred contributions	(21,897,381)	59,177,984
	(3,105,279)	108,749,556
Investing activities:		
Acquisition of tangible capital assets	(105,088)	(247,405)
Acquisition of intangible assets	(1,750,991)	(1,807,439)
Purchase of investments	(40,000,000)	-
Proceeds from investments	10,451,973	-
	(31,404,106)	(2,054,844)
Increase (decrease) in cash and cash equivalents	(34,509,385)	106,694,712
Cash and cash equivalents, beginning of year	251,484,698	144,789,986
Cash and cash equivalents, end of year	\$ 216,975,313	\$ 251,484,698

See accompanying notes to financial statements.

MITACS INC.

Notes to Financial Statements

Year ended March 31, 2024

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 fee-for-service 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 (2023 - 23) federal and provincial government contracts which accounted for approximately 66% (2023 - 69%) 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, 2024

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 contribution and participant organization fee-for-service 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 fee-for-service 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 in the fiscal year to which they relate.

Externally restricted interest 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 interest income is recognized as revenue when earned.

Government contributions receivables in the statement of financial position is made up of Federal, Provincial and University contributions.

(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. Bank balances includes balances that are both internally and externally restricted and listed in net assets or in program delivery commitments.

(c) Investments:

The organization's investments are comprised solely of guaranteed investment certificates (GICs). These items are held at amortized cost and have maturity periods greater than 90 days. The principal amount of all investments consists of externally restricted contributions, and the related interest income is also restricted, and thus, recorded as deferred contributions and recognized as program contributions revenue in the year in which the related program expenses are incurred.

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

3. Significant accounting policies (continued):

(d) 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.

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.

(e) Assets for implementation of software service and change in accounting policy:

Effective April 1, 2023, the Organization adopted AcG-20, Customer's accounting for cloud computing arrangements ("AcG-20").

Under AcG-20, the Organization has not elected to apply the simplification approach to account for expenditures in a cloud computing arrangement and has elected to capitalize the expenditures on implementation activities that are directly attributable to preparing the software service for its intended use as an asset. Capitalized expenditures are expensed on a straight-line basis over the expected period of access to the software service.

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

3. Significant accounting policies (continued):

(e) Assets for implementation of software service and change in accounting policy (continued):

The Organization has elected to adopt AcG-20 retrospectively only to expenditures on implementation activities incurred in a cloud computing arrangement on or after April 1, 2022. There was no impact to total assets or total net assets as of March 31, 2023 and no impact to excess of revenue over expenses for the year ended March 31, 2023 as a result of the adoption of AcG-20.

(f) 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.

(g) 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, contributions receivable and investments.

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

(h) 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.

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

4. Participant organization fee-for-service receivable:

	2024	2023
Participant organization fee-for-service receivable	\$ 84,018,792	\$ 70,566,741
Allowance for cancellations (note 12)	(13,316,964)	(10,407,691)
	70,701,828	60,159,050
Less current portion:		
Participant organization fee-for-service receivable	58,525,672	48,332,146
	\$ 12,176,156	\$ 11,826,904

5. Investments, at amortized cost:

The organization's investments are comprised solely of guaranteed investment certificates (GICs). GICs earn interest at rates ranging from 5.43% to 6.04% per year and have maturities ranging from June 2024 to June 2026. All GIC interest income is restricted and is allocated to deferred contributions. Interest generated by the GIC investments during the year is \$1,776,649 (2023 – nil). Certificates with maturity dates within the next fiscal year are classified as current investments.

	2024	2023
Guaranteed investment certificates	\$ 31,343,669	\$ -
Less current portion:	10,461,688	-
	\$ 20,881,981	\$ -

6. Tangible capital assets:

			2024		2023	
Cost			Accumulated amortization		Net book value	
Equipment and furnishings	\$	853,871	\$	480,061	\$	373,810
					\$	464,070

Amortization expense for tangible capital assets incurred during the year is \$195,348 (2023 - \$158,799).

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

7. Intangible assets:

			2024	2023
	Cost	Accumulated amortization	Net book value	Net book value
Software	\$ 7,239,507	\$ 4,269,554	\$ 2,969,953	\$ 2,495,400

Included in intangible assets is \$376,022 (2023 – \$196,621) of software assets under construction.

Amortization expense for intangible assets incurred during the year is \$1,276,438 (2023 - \$1,001,193).

8. Awards payable:

	2024	2023
Awards payable	\$ 209,009,367	\$ 213,313,976
Allowance for cancellations (note 12)	(29,287,176)	(28,290,439)
	179,722,191	185,023,537
Less current portion:		
Awards payable	120,967,793	118,147,468
	\$ 58,754,398	\$ 66,876,069

9. Deferred contributions:

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

March 31, 2024	Federal Government	Provincial Governments	Participant fee-for -service Organizations	Other Funders	Total
Beginning of year	\$ 43,195,850	\$ 63,176,436	\$ 14,594,192	\$ 5,171,744	\$ 126,138,222
Funding received and receivable	88,289,083	22,478,593	23,160,260	5,725,271	139,653,207
Interest earned	6,161,995	2,841,174	-	-	9,003,169
Revenue recognized	(107,183,411)	(36,000,820)	(21,645,787)	(5,723,739)	(170,553,757)
End of year	\$ 30,463,517	\$ 52,495,383	\$ 16,108,665	\$ 5,173,276	\$ 104,240,841

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

9. Deferred contributions (continued):

March 31, 2023	Federal Government	Provincial Governments	Participant fee-for -service 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	229,163,525	85,604,240	20,970,819	2,297,168	342,076,764
Interest earned	3,695,254	345,758	-	-	4,041,012
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

For federal and provincial governments, and for participant fee-for-service organizations, deferred contributions are adjusted for estimated future cancellations of \$18,582,214 (2023 - \$22,174,878).

As at March 31, 2024, \$2,688,010 (2023 - \$2,117,770) of deferred contributions was included in contributions receivable from government and other funders and \$4,432,792 (2023 - \$4,440,709) was included in participant organizations fee-for-service receivable.

During the year ended March 31, 2024, \$14,300,000 (2023 - \$14,600,000) 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, 2024, approximately \$14,351,102 (2023 - \$6,668,824) has been recognized as revenue.

As at March 31, 2024, \$17,370,943 (2023 - \$15,542,000) of deferred contributions for federal government is reserved for the Globalink Research Award summer 2024 cohort.

10. Internally restricted net assets:

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

	2024	2023
Cut-back costs	\$ 11,000,000	\$ 8,000,000
Future capital projects	4,268,000	5,500,000
Innovation projects	884,000	1,000,000
Technology operations	3,575,000	4,000,000
Strategic initiatives	596,000	1,000,000
Market price initiatives	1,000,000	1,000,000
	\$ 21,323,000	\$ 20,500,000

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.

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

10. Internally restricted net assets (continued):

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.

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

On July 5, 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.

On February 27, 2024, the Board of Directors approved a transfer of \$2,177,000 from the following internally restricted funds to unrestricted net assets.

Future capital projects	\$	1,232,000
Innovation projects		116,000
Technology operations		425,000
Strategic initiatives		404,000
	\$	2,177,000

11. 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, 2024, the Organization has processed approximately \$73.6 million (2023 - \$39.8 million) of these internship applications, of which it expects that approximately \$44 million (2023 - \$25.6 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.

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

11. Commitments (continued):

(b) Operating lease commitments:

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

2025	\$	737,621
2026		670,169
2027		682,624
2028		639,958
2029		74,611
	\$	2,804,983

12. 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	2024
Federal government	\$ 147,263,155	\$ (13,271,539)	\$ 133,991,616
Provincial governments	53,719,770	(5,310,675)	48,409,095
Participant organizations fee-for-service	104,298,042	(13,316,964)	90,981,078

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 fee-for-service	107,315,595	(10,407,691)	96,907,904

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

13. Transformation:

The Organization tracks the amount of overhead expenses related to its Mitacs Enterprise Transformation (MET) project. Included in overhead expenses is \$1,195,416 (2023 – nil) of expenses related to MET.

	2024	2023
Corporate services	\$ 1,101,832	\$ -
Program services	59,559	-
Stakeholder relations	34,025	-
	\$ 1,195,416	\$ -

14. 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.

Investments is comprised solely of GICs 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, 2024

14. Financial risks and concentration of risks (continued):

(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.

15. Comparative Information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

16. Subsequent events:

(a) On July 4, 2024, the Board of Directors approved the following transfers between net assets:

- Transfer of \$884,000 from Innovation Projects to unrestricted net assets.
- Transfer of \$3,575,000 from Technology Operations to unrestricted net assets.
- Transfer of \$1,000,000 from Market Price Initiatives to unrestricted net assets.
- Transfer of \$4,268,000 from Capital projects to unrestricted net assets.

(b) On July 4, 2024, the Board of Directors approved the removal of the following internally restricted reserves: Innovation Projects, Technology Operations, Market Price Initiatives and Capital Projects. The Board also approved the creation of the following internally restricted reserves: Technology Disruption and Funding Gap.

MITACS INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

16. Subsequent events (continued):

(c) On July 4, 2024, the Board of Directors approved the following transfers between net assets:

- Transfer of \$7,000,000 from unrestricted net assets to internally restricted Funding Gap Reserve.
- Transfer of \$5,500,000 from unrestricted net assets to internally restricted Technology Disruption Reserve.
- Transfer of \$3,000,000 from unrestricted net assets to internally restricted Cutback Costs Reserve.
- Transfer of \$404,000 from unrestricted net assets to internally restricted Strategic Initiatives Reserve.