



Annual Report

(April 1, 2022 - March 31, 2023)

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Acknowledgements

As a national organization, Palette Skills operates in different regions of the country. Not only do these regions contain provinces, cities, and towns, they are also the traditional territories of many Indigenous nations. Palette Skills acknowledges that we are on the traditional territory of many nations, including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee and the Wendat peoples. Palette Skills is also privileged to carry out activities on Treaty 6 Territories, the traditional territory of the Cree peoples, and the homeland of the Metis nation. In what is now British Columbia, Palette Skills recognizes that we deliver our programs on the traditional and unceded territory of the Coast Salish peoples—including the Squamish, Stó:lō and Tsleil-Waututh and Musqueam Nations. In what is now Saskatchewan, Palette Skills recognizes that we deliver our programs on Treaty 6 Territory and the Homeland of the Métis. We pay our respects to the First Nations and Métis ancestors of this land and reaffirm our relationship with one another.

It is important to note that these acknowledgements are just the beginning of a larger relationship with the traditional Peoples living in what we now call Canada. Palette Skills embraces the call to reconciliation with Indigenous communities across Canada. We encourage our staff, partners, and participants to learn more about the history of the diverse Nations who have lived here for thousands of years.

Message from the CEO & Chair

This has been a pivotal year for the company – and for the thousands of Canadians who will benefit from our upskilling programs.

Supported by an investment from Innovation, Science and Economic Development Canada (ISED), the launch of Upskill Canada by Palette Skills marks the creation of a national talent platform. Upskill Canada is a new way for Canadians to rapidly equip themselves with the skills and knowledge to work in high-demand roles and for innovative companies to access the talent they need to thrive in the global marketplace.

After successfully concluding four projects funded by our valued partners, the leadership team is focused on scaling Upskill Canada by working with partners across the country to provide rapid short-cycle upskilling to more than 10,000 high-potential workers.

We connect employers with new talent pools in emerging and growing fields like clean technology, cyber security, and advanced manufacturing through key strategic alliances. Our primary focus is on mid-career Canadians, including those from underrepresented groups.

As ever, we rely on industry for guidance on the skills and knowledge they require from their workers – and on partners to deliver the hands-on training that will lead to job placements and equip more Canadians to find satisfying new careers. Our country's economic growth depends on a talented and adaptable workforce.



To ensure good governance and oversight, the Board of Directors has been diligent in guiding Palette's expansion. The Board moved with purpose to strengthen governance structures and entrench long-term commitments to transparency and accountability. At all times, Palette strives to remain aligned with best practices in non-profit corporate governance.

As Palette grows, we will continue to pilot and deliver new programs, such as Digital Agriculture. We will also work to expand our successful upskilling programs, including our SalesCamp. In all facets of our work, we engage and collaborate with sector experts and employers so that our training programs are as efficient and useful as possible. We are particularly focused on making Upskill Canada both scalable and sustainable so that more Canadians can potentially benefit over a longer period of time.

Investments in Canadian workers are investments in Canada's productivity and prosperity. We are proud to be working in partnership with the federal government and others to drive and deliver meaningful progress for Canadians and companies alike.

Kind Regards,



A handwritten signature in blue ink that reads "Rhonda Barnett".

Rhonda Barnett
Chief Executive Officer
Palette Skills



A handwritten signature in blue ink that reads "Janet Yale".

Janet Yale
Chair of the Board of Directors
Palette Skills

About Us

Palette Skills is a national nonprofit organization with a mission to lead Canada in an inclusive transition to the growth sectors of our economy. We accomplish this by fostering an ecosystem of rapid upskilling solutions. We help high-potential workers transition into new careers in growing sectors – and, in so doing, help innovative companies meet their talent needs.

Palette Skills was incubated in 2017 at the Brookfield Institute for Innovation + Entrepreneurship. Our initial motivation was to ensure that as automation and technology radically changed the labour market, the livelihoods of Canadians would not be destabilized. Instead, we saw an opportunity to create pathways that would allow people to benefit from economic change. We knew that a key requirement would be the ability of people to transition careers quickly as demand shifted across the economy. We also knew that the primacy of employers in that process would be foundational to success.

Today, Palette Skills is hosted at the University of Toronto. Our organization has grown in size and scope. But our vision remains the pursuit of an inclusive and equitable economy where people and businesses can achieve their full potential.

To that end, we have emerged as a leader in developing industry-led upskilling programs, which drive a more globally competitive and inclusive economy. Supported by a consortium of national business associations, leading academic institutions, and nonprofit organizations, Palette Skills works to catalyze its network of partners to develop, adopt and share new best practices.

Over the past year, Palette Skills has entered a new phase of growth after being chosen to develop and lead a national training delivery platform – while continuing to provide consistent programming for our partners.

Mission, Vision and Values

Our Vision

To create an inclusive and equitable economy where Canadian people and businesses can achieve their full potential.

Our Mission

To lead Canada in an inclusive transition to high-growth sectors of our economy by fostering an ecosystem of rapid upskilling solutions, helping innovative companies meet their talent needs, and transitioning high potential, untapped workers into growing careers.

Our Values

We're driven to **BUILD** a better Canada for all.

We are Bold and relentless in our search for knowledge to fuel our future.

We love to learn and are eager to understand the world around us. We use what we learn to continuously improve our programs and services for Canadians and Canadian businesses.

We believe in Unitng great people and organizations to achieve success.

Teamwork is critical to the work that we do. We collaborate internally and with other organizations working to help Canadian businesses succeed and to help individual Canadians maximize their potential.

We act with Integrity. Always.

We are trustworthy and honest. We are good stewards of relationships, investment, and information. We are transparent and accountable in all of our interactions.

We Love what we do and the people we do it with.

We look after our clients, our partners, and our teammates. We have a passion for helping people build a better future.

We are Decisive in our approach and take calculated risks to get stuff done.

We tackle challenges head-on. We seize opportunities. We work hard. We get stuff done.

Governance and Leadership

Board of directors:

At Palette Skills, we appreciate and rely on the guidance and expertise of diverse and experienced Canadian voices.



Janet Yale (Board Chair)

*Chair, Broadcasting and Telecommunications Legislative Review Panel
Former President and CEO, Arthritis Society Canada*



Denise Amyot

President and CEO of Colleges and Institutes Canada



Arjan Arenja

Owner and President, Spectrum Business Development Inc.



Francoise Bertrand

*Chair of the Board of Directors, VIA Rail Canada
Strategic Advisor to the Leadership Institute*



Ann Buller

President Emeritus, Centennial College



Karimah Es Sabar

*Chief Executive Officer and General Partner,
Quark Venture LP*



Drew Fagan (Chair, Governance Committee)

*Professor, Munk School of Global Affairs and Public Policy
Affiliated Faculty Member, Centre for European, Russian, and
Eurasian Studies*



Louis Levesque

*Professor, Max Bell School of Public Policy
Former Associate Deputy Minister of Finance*



Marie-Lucie Morin (Chair, People and Culture Committee)

*Former Deputy Minister, National Security Adviser and Executive Director
(World Bank)*



Margaret Pacheco (Chair, Audit and Finance Committee)

*President, Baywall Consulting Inc.
President, Institute of Internal Auditors (Toronto Chapter)*



Gerry Pond

Chairman and Co-Founder, Mariner Partners Inc.



Véronique Proulx

*President and CEO, Quebec Manufacturers and Exporters (QME)
Senior Vice-President, Policy and Public Affairs, Canadian Manufacturers*



Sheridan Scott

*Former co-leader of the Competition, Anti-Trust and Foreign Investment
Group practice at Bennett Jones LLP
Canada's Commissioner of Competition, 2004-2009*



Sean Speer (Acting Board Chair to August 2022)

Assistant Professor, Munk School of Global Affairs



Melanie Woodin

Dean, Faculty of Arts & Science, University of Toronto

Senior Leadership:



Rhonda Barnet
Chief Executive Officer



Samina Tajwar
Chief of Upskill Canada



AJ Tibando
Chief Strategy Officer



Barry Wilson
Chief Financial Officer

Business Overview

Palette Skills began as a national nonprofit with a mission to help Canada's most innovative companies access untapped talent. Our roots are in program development and execution using our employment-centric approach. In 2022, we were selected through a competitive process to deliver the federal government's Upskilling for Industry Initiative (UII) and began a major expansion to transform into a national platform for upskilling training.

People and Culture

From HR to P&C - We changed the name of our Human Resources department to People & Culture. Our team members build, rebuild, enact, and embody our culture at Palette. This change in terminology highlights our department's mission to build an inclusive and equitable culture where people know they are free to participate, belong, and contribute.

Key Capacity Building - Our Executive Management Team increased and now includes our Chief Strategy Officer, Chief of Upskill Canada, and Chief Financial Officer. Other senior roles include Director of Finance, Director of Partnerships, and Director of Information Technology & Management. With the support of an experienced Board, our Executive team is now well-positioned to lead the organization through a period of transition and expansion.

New Departments – To better deliver on our mandate, we developed and launched the Upskill Canada department, comprised of a Delivery Partner Manager team and an Operations Team. To successfully scale our internal programs, we created the Participant Recruitment department and expanded our IT team.

Exemplary Workplace – For a second straight year, Palette Skills was officially recognized as a Great Place to Work by a leading research and management consultancy firm.



Program Delivery

We use feedback from employers, industry associations, academic institutions, and non-profit organizations to guide our program development. Each program is tailored to fill talent needs that exist today or are emerging.

This past year, we delivered on our legacy grants for two upskilling programs: SalesCamp and the Automation and Digital Agriculture Specialist Program.

SalesCamp (Ontario and British Columbia)

SalesCamp was our inaugural program and continues to attract interest from employers and workers. The program prepares people for a career in business-to-business (B2B) tech sales.

The core experience of SalesCamp is five days of intensive, online, synchronous classes – followed by four weeks of structured job search support. This support includes coaching, workshops, and other job search activities. From April 2022 to March 2023, we ran 11 cohorts – nine in Ontario and two in B.C.

“SalesCamp changed my life by preparing me for a job in B2B tech sales and introducing me to my first SaaS employer. I went from looking for work for months to gainfully employed with a great salary and benefits almost immediately.”



Highlights

168

Upskilled 168 individuals, including a range of diverse participants: 39% identified as women, 65% identified as racialized, and 23% as newcomers who had arrived in Canada within the last five years.

79%

of participants completed the program.

64%

received job offer(s) within six months of completing the program.

39%

of first job offers came from our employer partners.

12%

increase in participant confidence when it came to their ability to navigate a career in tech.

98

employer partners, including 10 new employers.

81%

of employer partners were small and midsize enterprises (SMEs) with less than 500 employees.

"Having something like SalesCamp from Palette Skills where people get introduced to what it's like to be a sales professional before is a big step forward. It lets us get on the same plane and talk about this role and be realistic about what it is that people want, and at the same time it gives them some experience so that they know what they actually have to do in this role."

- Eamonn Filinski, Achievers

Automation and Digital Agriculture Specialist Program

In June 2022, Palette Skills launched its first pilot program in the agriculture technology (AgTech) sector. The program was funded by Protein Industries Canada.

The Automation and Digital Agriculture Specialist Program received design support from the University of Saskatchewan and the Enterprise Machine Intelligence Learning Initiative (EMILI). The program is delivered over eight weeks, two weeks of full-time training and six weeks of part-time training. Industry experts shared hands-on, project-based learning in emerging technologies such as geographic information system (GIS), Internet of Things (IoT) technologies, drones, artificial intelligence (AI), robotics, and big data.

Palette Skills ran two cohorts of the program, upskilling 53 job seekers and helping to address a talent shortage in Saskatchewan's agricultural sector.

"The program is really complete. Each of the modules gives you information that you use every day in your job search, and in whatever you do. Each module was relevant to my day, and to my career."





Highlights

53

Upskilled participants.

60%

Upskilled participants identified as racialized.

43%

Upskilled participants identified as women.

41%

Upskilled participants identified as newcomers to Canada

21%

Of job offers came from employer partners.

88%

program completion rate.

54%

job offer rate within 6 months

56

employer partners, three-quarters of which were SMEs.

“For me it’s been an absolute blast, and I am just sending out a letter of offer to another candidate who has just come out of the program. My three most recent hires have come out of the Automation and Digital Agriculture program, and I couldn’t recommend it highly enough.”

- Damon Johnson, Global Ag Risk Solutions

Program Delivery Learnings

Spring 2022 brought layoffs and a hiring slowdown in the tech sector. Our SalesCamp programming in the first half of the year was unaffected by the downturn. **Our cohorts from April 2022 to September 2022 experienced a six-month job offer rate of 81%.** However, in the second half of the year, the time required to secure a job offer increased due to market challenges.

In the face of this adversity, Palette Skills responded by moving quickly to identify and connect with employers who were still hiring. We focused on recruiting program applicants who were actively searching for a new career in those sectors. As a result, we were better able to meet employer demand.

Our pilot program in Digital Agriculture revealed a clear demand for skilled workers in the sector. In the months following the program's launch, we experienced a surge in outreach and offers of support from companies interested in employing our participants. Voices from across the industry highlighted an urgent need for upskilling programs capable of addressing skills gaps within the sector. As a result, we have expanded our program through a hybrid Alberta-Saskatchewan cohort that launched in June 2023.

Overall, we continue to develop new and innovative methods of upskilling Canadian workers – with a goal of further improving the rate of job offers.



Our Evolution Begins - The Launch of Upskill Canada

In the fall of 2022, Innovation, Science and Economic Development Canada (ISED) selected Palette Skills to be the lead recipient in its Upskilling for Industry Initiative (UII). Negotiations took place over the fall and winter to define our delivery commitments to the Government of Canada and to Canadians.

Upskill Canada will be a national talent platform designed to help fast-growing companies access the talent they need to compete and succeed globally – while creating new career pathways for workers to rapidly transition into high-demand roles. Our management team spent Q3 and Q4 on rapidly building the processes and hiring the team needed to launch Upskill Canada.

Highlights

- Created Upskill Canada's framework for delivery partners.
- Established dedicated approach to program approval.
- Developed role and structure of industry review panel.
- Engaged Deloitte to conduct analysis of market demand.
- Developed industry and partnership engagement strategy.
- Released whitepaper *Upskilling Canada: How to unlock our highly skilled workforce to build a more inclusive economy*.
- Moved operations to a collaborative workspace within the University of Toronto.
- Put in place enhanced commitments to transparency, accountability, and good governance.
- Embraced smarter IT practices across organization.
- Launched and expanded Upskill Canada team.
- Conducted user experience consultations with potential future delivery partners to help design the resources for the Learning Sandbox – an integral part of Upskill Canada.

Upskill Canada officially launched on April 12, 2023. Its mission is to target all regions of the country in support of Canadian-based employers – specifically SMEs in key growth sectors, including digital technology, cyber security, agricultural technology, advanced manufacturing, clean technology, and biomanufacturing.

Upskill Canada's primary objectives are to:

- Support employers located across the country, particularly small and medium-sized enterprises (SMEs) in high-growth sectors, to better address their skills needs.
- Upskill mid-career Canadians, including those from underrepresented groups, and help them connect with new work opportunities in high-growth sectors.
- Drive lasting improvements to the upskilling ecosystem by working with partners to deliver innovative programs and encourage talent development and utilization.



Building Partnerships

Industry partners and employers are central to the Palette Skills model and programs, including the Upskill Canada platform. In 2022, our partnerships team focused on establishing and strengthening partnerships to address the growth demands of employers and the career goals of our participants.

Canada

Funded by the Government of Canada.

Innovation, Science and Economic Development Canada

- In 2022, Palette Skills was selected by ISED as the lead applicant for the Upskilling for Industry Initiative (UII).
- We signed a contract with ISED in early 2023, committing to upskill mid-career workers across six high-growth sectors (advanced manufacturing, agricultural technology, biomanufacturing, clean tech, digital technologies, and cybersecurity).
- In April 2023, Palette Skills launched Upskill Canada, a national talent platform that will connect job seekers and employers through upskilling programs across Canada.

Palette Skills completed agreements with four government funding partners: the Government of Ontario, FedDev, PacifiCAN, and Innovate BC. We exceeded the targets set by each of our funders for a) number of individuals upskilled and b) number of upskilled individuals who secured employment following their training.

Canada

EMPLOYMENT
ONTARIO

Ontario

Government of Ontario - Skills Development Fund

- In July 2022, SalesCamp submitted its final report to the Government of Ontario's Skills Development Fund (SDF).
- Palette received \$1.3 million to upskill 120 participants, with an emphasis on equity-deserving groups including women, newcomers, racialized people, and persons with disabilities.
- Of the 120 participants, 80% identified as part of an underrepresented group. In all, 91 participants received at least one job offer.



Federal Economic Development
Agency for Southern Ontario

Agence fédérale de développement
économique pour le Sud de l'Ontario

Canada

FedDev - Regional Innovation Ecosystem Funding:

- On March 31, 2023, Palette Skills completed our SalesCamp activities funded through FedDev's Regional Innovation Ecosystem.
- Over the three-year grant period, SalesCamp helped 211 job seekers land a new opportunity.
- Palette ultimately worked with 78 employers, far exceeding the minimum commitment of 20 partners.

PacifiCAN and Innovate BC

- On March 31, 2023, we completed our SalesCamp BC activities funded through PacifiCAN and Innovate BC.
- We expanded SalesCamp into British Columbia with the target of upskilling 60 participants (with an emphasis on women), assisting one SME, and placing 54 participants into new roles.
- We surpassed all targets, upskilling 86 participants (143% of our goal), connecting 58 employers with new talent, and supporting 68 participants in receiving a new job offer.



innovate BC

Protein Industries Canada

- On March 31, 2023, we completed our Automation and Digital Agriculture Program pilot. We received \$1,010,300 in funding from Protein Industries Canada to provide upskilling opportunities to 50 job seekers in the agri-food sector in Saskatchewan. As the project lead, we partnered with the University of Saskatchewan and Enterprise Machine Intelligence Learning Initiative (EMILI) to design and deliver two program cohorts, successfully upskilling 53 participants.



Strategic partnerships

Palette Skills benefits from the experience and insight of a wide range of strategic partners, whose knowledge and innovative spirit empower us to better deliver on our missions and mandate.

University of Toronto

- University of Toronto continues to be a critical partner, contributing shared space and essential research support. For example, U of T researchers helped Palette Skills investigate potential barriers, facilitators, and processes impacting the experiences and outcome of SalesCamp participants, impacting the experiences and outcome of SalesCamp participants.



National Research Council of Canada Industrial Research Assistance Program (NRC IRAP)

- NRC IRAP is Canada's leading innovation assistance program for small- and medium-sized businesses. As a partner, they've helped us address and overcome key talent and scalability challenges.



ISED, AgWestBio and Innovation Saskatchewan

- To support the Digital Agriculture program, we brought together ISED, AgWestBio, and Innovation Saskatchewan to form a collaborative partnership that creates opportunities for employers and industry leaders to connect with new talent and creating job opportunities.

Accelerated Growth Services (AGS)

- AGS – a federally funded organization that helps businesses grow and scale – has been a valuable partner in helping to support our clientele and deliver positive outcomes for businesses.



TD Bank

- TD has provided support and expertise to our SalesCamp program. Through the company's Ready Commitment initiative, TD has been a supportive partner in driving brand awareness of SalesCamp and its activities across Ontario.



Windmill Microlending

- We have worked closely with Windmill to support skilled immigrants and refugees and help them attain beneficial training and employment.



Hired Hippo and Job Search Partners

- These partners play a pivotal role in ensuring that our newly trained program participants are able to get in front of specific employers – a key piece of the upskilling puzzle. Hired Hippo, in particular, offers a unique platform for increased alumni market exposure and placement outcomes.



Palette Skills looks forward to creating more impactful partnerships that help individuals access and attain upskilling opportunities and support employers with their hiring and talent needs.

Looking to the future

This past year marked a fundamental turning point in the history of Palette Skills. We are on a new trajectory of growth and scale. As we move forward, we will work to be known nationwide as the go-to talent platform for Canadian businesses seeking new talent pipelines. We will double down on operational excellence by building the systems and processes required to operate at scale effectively. We will continue to identify – and act on – new opportunities to create value in the market and to help Canadians and Canadian businesses.

2023/2024 Strategic Objectives

Palette Skills has a unique opportunity to define itself as the leading ecosystem builder across the Canadian talent landscape.

We are poised to help a wide and growing range of industry partners meet their workforce needs while providing new job and career opportunities for more and more upskilled Canadians. Our leadership team has a clear and comprehensive plan to guide our growth, deliver value, and have a positive, sustainable impact on the Canadian economy.

Finance

Palette has the necessary financial resources, systems and controls to grow and sustain the business while demonstrating value to our stakeholders.

Internal

Palette has the internal systems, processes, and tools to support operational excellence through cross-team collaboration and capacity building.

Mission

Palette creates value across the ecosystem through programs and services that result in new talent pipelines, career paths, and upskilling delivery capacity to ensure job placement success.

People

Palette is among Canada's best employers, driven by our focus on equity, purpose, belonging, continuous learning, and quality of life.

Appendix

Palette Skills Inc.
Financial Statements
For the year ended March 31, 2023

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BDO Canada LLP
360 Oakville Place Drive, Suite 500
Oakville ON L6H 6K8 Canada

Independent Auditor's Report

To the Board of Directors of Palette Skills Inc.

Opinion

We have audited the financial statements of Palette Skills Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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-for-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 report. We are independent of the Organization 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 qualified audit opinion.

Other Matter

The financial statements of the Organization for the year ended March 31, 2022 were audited by another auditor who expressed a modified opinion on those financial statements on September 19, 2022.

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 these 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures 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 Organization'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 Organization 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.

We 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
July 18, 2023

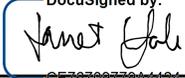
Palette Skills Inc.
Statement of Financial Position

March 31	2023	2022
Assets		
Current		
Cash	\$ 1,771,579	\$ 741,147
Accounts receivable	151,288	9,970
Government remittance receivable	175,516	25,303
Prepaid expenses	193,828	229,542
	\$ 2,292,211	\$ 1,005,962

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities	\$ 1,227,888	\$ 105,331
Deferred revenue (Note 3)	602,361	782,256
CEBA loan (Note 4)	30,000	-
Loan payable (Note 5)	249,983	-
	2,110,232	887,587
CEBA loan (Note 4)	-	30,000
	2,110,232	917,587
Net assets		
Unrestricted	181,979	88,375
	\$ 2,292,211	\$ 1,005,962

On behalf of the Board:

DocuSigned by:

 _____ Director
CE70709779AA4424...

DocuSigned by:

 _____ Director
4D993D857E31436...

Palette Skills Inc.
Statement of Operations and Changes in Net Assets

For the year ended March 31	2023	2022
Revenue		
Government funding	\$ 5,663,573	\$ 2,502,331
Non-government funding	272,286	200,600
Program fees	90,296	108,774
Other income	8,231	6,000
Interest income	14,348	619
	6,048,734	2,818,324
Expenses		
Salaries and benefits	3,053,178	1,759,465
Program delivery	1,603,180	764,994
Professional fees	687,618	166,246
Office and administration	310,060	74,709
Advertising and promotion	239,951	31,932
Travel	56,483	5,631
Insurance	3,160	868
Bad debts	1,500	1,300
	5,955,130	2,805,145
Excess of revenue over expenses	93,604	13,179
Net assets, beginning of year	88,375	75,196
Net assets, end of year	\$ 181,979	\$ 88,375

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

Palette Skills Inc.
Statement of Cash Flows

For the year ended March 31	2023	2022
Cash flows from operating activities		
Excess of revenue over expenses	\$ 93,604	\$ 13,179
Changes in non-cash working capital balances		
Accounts receivable	(141,318)	(9,970)
Government remittances receivable	(150,213)	40,541
Prepaid expenses	35,714	(179,325)
Accounts payable and accrued liabilities	1,122,557	(705,091)
Deferred revenue	(179,895)	577,284
	780,449	(263,382)
Cash flows from financing activity		
Proceeds from loan payable, net	249,983	-
Increase (decrease) in cash during the year	1,030,432	(263,382)
Cash, beginning of year	741,147	1,004,529
Cash, end of year	\$ 1,771,579	\$ 741,147

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

Palette Skills Inc.
Notes to Financial Statements

March 31, 2023

1. Purpose of the Organization

Palette Skills Inc. (the "Organization") was incorporated without share capital on September 13, 2017.

The purpose of the Organization is to identify workers whose jobs or industries are being disrupted and help transition them into high demand careers in the innovation economy through rapid and intensive upskill training.

Pursuant to the Income Tax Act (Canada), the Organization is classified as a not-for-profit organization and therefore, is not subject to income tax.

2. Significant Accounting Policies

Basis of Accounting

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions, including government and non-government funding. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Program fees and interest income are recognized when earned.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Subsequently, all financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Palette Skills Inc.

Notes to Financial Statements

March 31, 2023

2. Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 statement of financial position date and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

3. Deferred Revenue

	2023	2022
Balance, beginning of the year	\$ 782,256	\$ 204,972
Received	5,606,459	3,280,215
Recognized as revenue	(5,786,354)	(2,702,931)
Balance, end of year	\$ 602,361	\$ 782,256

On March 14, 2023, the Organization signed a Contribution Agreement ("the Agreement") to receive government funding over a three year period. As a part of the Agreement, the Organization intends to receive, and recognize as revenue, funds received based on spending those funds in accordance with the Agreement on eligible expenditures. The amounts to be received are \$77,984,071 in fiscal 2024 and \$87,961,225 in fiscal 2025. The terms of the Agreement state that in the event that all of, or a portion of, the received funds are not spent on eligible expenditures within the fiscal year they are received, the Organization is required to return the unspent portion of funds within 45 days after the end of the fiscal year.

4. CEBA Loan

	2023	2022
Canada Emergency Benefit Account ("CEBA") loan	\$ 30,000	\$ 30,000

The Organization received the \$40,000 CEBA loan to finance expenses during COVID-19. The loan is non-interest bearing with no scheduled payments until December 31, 2023. If \$30,000 of the loan has been repaid by that date, the remaining \$10,000 will be forgiven. If the \$30,000 in loan payments have not been made by December 31, 2023, the full loan balance will be converted to a 5% interest bearing loan to be repaid in monthly installments over a two year period ending December 31, 2025. Management believes the \$30,000 will be repaid in full by December 31, 2023, therefore the \$10,000 forgivable portion has been recorded as revenue in the prior year and has been presented as revenue on the Statement of Operations and Changes in Net Assets.

Palette Skills Inc.
Notes to Financial Statements

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5. Loan Payable

The loan payable is unsecured and bears interest at 6.5% per annum calculated monthly, and is repayable on the date that is the earlier of 12 months after the date of the Initial Advance and the date on which the Borrower receives final payment from the Contracts Financed. The loan payable matures and is repayable on January 30, 2024.

6. Government Assistance

In the prior year, the Organization was the recipient of the Temporary Wage Subsidy for Employers, a program designed to subsidize employee wages relating to COVID-19. The Organization recorded \$NIL (2022 - \$9,600), as a reduction to the salaries and benefits expense.

7. Financial Instrument Risks

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 Organization is exposed to credit risk arising from its accounts receivable and government remittance receivable. This risk has not changed from the prior year.

Liquidity Risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with its financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from the Organization's accounts payable and accrued liabilities, loan payable and CEBA loan. This risk has not changed from the prior year.