

Financial Statements of

**OCEAN NETWORKS  
CANADA SOCIETY**

Years ended March 31, 2013 and 2012



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## INDEPENDENT AUDITORS' REPORT

To the Members of Ocean Networks Canada Society

### Report on the Financial Statements

We have audited the accompanying financial statements of Ocean Networks Canada Society, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ocean Networks Canada Society as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations, its changes in net assets, and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.



**Report on Other Legal and Regulatory Requirements**

As required by the Society Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian public sector accounting standards have been consistently applied.

*KPMG LLP*

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Chartered Accountants

June 19, 2013

Victoria, Canada

# OCEAN NETWORKS CANADA SOCIETY

## Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

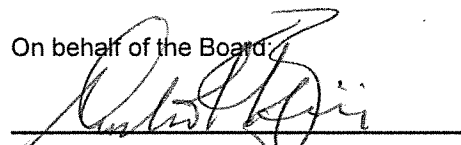

	March 31, 2013	March 31, 2012	April 1, 2011
<b>Assets</b>			
Current assets:			
Accounts receivable	\$ 68,450	\$ 21,498	\$ 106,711
Inventories	-	1,991	-
Prepaid expenses	82,660	3,804	22,768
Due from the University of Victoria	3,141,849	4,665,789	5,759,178
	<u>3,292,959</u>	<u>4,693,082</u>	<u>5,888,657</u>
Capital assets (note 2)	103,427	89,086	58,752
	<u>\$ 3,396,386</u>	<u>\$ 4,782,168</u>	<u>\$ 5,947,409</u>

## Liabilities and Net Assets

Current liabilities:			
Accounts payable and accrued liabilities	\$ 167,273	\$ 95,355	\$ 121,253
Deferred revenue	6,934	-	12,018
	<u>174,207</u>	<u>95,355</u>	<u>133,271</u>
Deferred contributions (note 3)	2,876,396	4,575,757	5,782,598
Unamortized deferred capital contributions (note 4)	91,488	66,040	18,095
Net assets			
Invested in capital assets	11,939	23,046	40,657
Unrestricted (deficiency)	242,356	21,970	(27,212)
	<u>254,295</u>	<u>45,016</u>	<u>13,445</u>
	<u>\$ 3,396,386</u>	<u>\$ 4,782,168</u>	<u>\$ 5,947,409</u>

See accompanying notes to financial statements.

On behalf of the Board

  
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\_\_\_\_\_

Director

Director

# OCEAN NETWORKS CANADA SOCIETY

## Statements of Operations

Years ended March 31, 2013 and 2012

	2013	2012
<b>Revenue:</b>		
Natural Sciences and Engineering Research Council	\$ 1,655,616	\$ 1,149,055
Other federal	28,802	63,129
Grant revenue from the University of Victoria	-	36,430
Miscellaneous	435,617	17,244
Amortization of deferred capital contributions	18,297	10,520
	<u>2,138,332</u>	<u>1,276,378</u>
<b>Expenses:</b>		
Salaries and benefits	1,135,803	825,000
Travel	152,198	123,443
Operational expenses	232,494	151,495
Consulting fees	202,588	52,873
Amortization of capital assets	29,404	28,582
Supplies	140,973	28,177
Renovations	-	15,849
Professional fees	21,175	12,588
Hospitality	14,418	6,800
	<u>1,929,053</u>	<u>1,244,807</u>
<b>Excess of revenue over expenses</b>	<b>\$ 209,279</b>	<b>\$ 31,571</b>

See accompanying notes to financial statements.

# OCEAN NETWORKS CANADA SOCIETY

## Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

	Invested in capital assets	Unrestricted	Total
Net assets, April 1, 2011	\$ 40,657	\$ (27,212)	\$ 13,445
Excess (deficiency) of revenue over expenses	(18,062)	49,633	31,571
Capital assets acquired with unrestricted net assets	451	(451)	-
Net assets, March 31, 2012	23,046	21,970	45,016
Excess (deficiency) of revenue over expenses	(11,107)	220,386	209,279
Capital assets acquired with unrestricted net assets	-	-	-
Net assets, March 31, 2013	\$ 11,939	\$ 242,356	\$ 254,295

See accompanying notes to financial statements.

# OCEAN NETWORKS CANADA SOCIETY

## Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 209,279	\$ 31,571
Items not involving cash:		
Amortization of deferred capital contributions	(18,297)	(10,520)
Amortization of capital assets	29,404	28,582
Decrease in deferred contributions	(1,699,361)	(1,206,841)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(46,952)	85,213
Decrease (increase) in inventories	1,991	(1,991)
Decrease (increase) in prepaid expenses	(78,856)	18,964
Decrease in due from the University of Victoria	1,523,940	1,093,389
Increase (decrease) in accounts payable and accrued liabilities	71,918	(25,898)
Increase (decrease) in deferred revenue	6,934	(12,018)
	-	451
Financing:		
Capital contributions received	43,745	58,465
Investing:		
Acquisition of capital assets	(43,745)	(58,916)
Cash position, beginning of year	-	-
Net change in cash and cash, end of year	\$ -	\$ -

See accompanying notes to financial statements.

# OCEAN NETWORKS CANADA SOCIETY

## Notes to Financial Statements

Years ended March 31, 2013 and 2012

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Ocean Networks Canada Society ("ONCS") is a non-profit society incorporated under the Society Act of British Columbia on July 19, 2007. ONCS was established by the University of Victoria to provide an effective and unified management structure for the operation of the University's two ocean networks, VENUS and NEPTUNE Canada. The revenues and expenses of these networks are not reflected in these financial statements.

### 1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards with the 4200 standards for government not-for-profit organizations. The following is a summary of the significant accounting policies used in preparation of these financial statements.

#### (a) Change in accounting standards:

On April 1, 2012, ONCS adopted Canadian Public Sector Accounting Standards. ONCS has also elected to apply the 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transitional provisions in Public Sector Accounting Standards, ONCS has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying public sector accounting standards.

There was no impact to ONCS's net assets or statement of operations upon transition to Public Sector Accounting Standards. A statement of remeasurement gains and losses is not included with these financial statements because ONCS does not have financial investments incurring realized gains (losses) or foreign currency translation gains (losses).

Effective April 1, 2012, ONCS adopted Public Sector Accounting Standards PS 3450 - Financial Instruments and PS 2601 - Foreign Currency Translation. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency.

#### (b) Capital assets:

Capital assets are initially recorded at cost. When a capital asset no longer contributes to ONCS' ability to provide services, its carrying value is written down to its residual value with no reversals of such write downs in subsequent periods. Rates and bases of amortization applied to write off the cost less estimated residual value of assets over their estimated useful lives are as follows:



# OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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## 1. Significant accounting policies (continued):

### (b) Capital assets (continued):

Asset	Basis	Rate
Furniture and office equipment	straight-line	8 years
Computer equipment	straight-line	3 years
Computer software	straight-line	3 years
Display equipment	straight-line	3 years

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### (c) Financial instruments:

Financial instruments are initially recorded at fair value. Accounts receivable, due from the University of Victoria, accounts payable and accrued liabilities are recorded at fair value on initial recognition and subsequently recorded at cost or amortized cost. It is management's opinion that ONCS is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of the amounts due from the University of Victoria are not practical to determine due to their related party nature and the absence of a secondary market for such instruments.

### (d) Revenue recognition:

ONCS follows the deferral method of accounting for grants and contributions received, whereby revenues are matched with expenses. Restricted non-capital contributions are recognized as revenue in the year in which the related expenses are incurred. Grants approved but not received at the end of an accounting period are accrued. Restricted contributions for the purchase of capital assets are recognized over the same accounting periods as amortization of the related equipment. Unrestricted contributions are recognized as revenue when received or receivable.

### (e) Contributed materials and services:

The University of Victoria and other organizations contribute materials and services at no cost to ONCS. These transactions are not reflected in the financial statements (note 6).

# OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 year. Actual results could differ from those estimates.

## 2. Capital assets:

March 31, 2013			
	Cost	Accumulated amortization	Net book value
Furniture and office equipment	\$ 104,197	\$ 20,486	\$ 83,711
Computer equipment	81,530	62,755	18,775
Computer software	5,617	4,676	941
Display equipment	-	-	-
	\$ 191,344	\$ 87,917	\$ 103,427
March 31, 2012			
	Cost	Accumulated amortization	Net book value
Furniture and office equipment	\$ 74,652	\$ 9,575	\$ 65,077
Computer equipment	34,108	18,475	15,633
Computer software	5,617	2,806	2,811
Display equipment	33,223	27,658	5,565
	\$ 147,600	\$ 58,514	\$ 89,086
April 1, 2011			
	Cost	Accumulated amortization	Net book value
Furniture and office equipment	\$ 27,515	\$ 3,322	\$ 24,193
Computer equipment	22,328	9,078	13,250
Computer software	5,617	936	4,681
Display equipment	33,223	16,595	16,628
	\$ 88,683	\$ 29,931	\$ 58,752

# OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

### 3. Deferred contributions:

Deferred contributions represent externally restricted contributions received but not yet spent. Changes in deferred contributions in the year are as follows:

	2013	2012	2011
Balance, beginning of year	\$ 4,575,757	\$ 5,782,598	\$ 6,326,694
Contributions received	-	63,808	273,115
	4,575,757	5,846,406	6,599,809
Transfers to revenue	1,655,616	1,212,184	801,288
Transfers to unamortized deferred capital contributions	43,745	58,465	15,923
	1,699,361	1,270,649	817,211
Balance, end of year	\$ 2,876,396	\$ 4,575,757	\$ 5,782,598

The balance of deferred contributions as at March 31, 2013 represents unexpended amounts received from Natural Sciences and Engineering Research Council that, if not expended by April 1, 2014, are to be returned to the Receiver General.

### 4. Unamortized deferred capital contributions:

Unamortized deferred capital contributions represent externally restricted contributions spent on capital assets. These contributions are recognized as revenue in future periods on the same basis as amortization of the related capital asset. Changes in unamortized deferred capital contributions in the year are as follows:

	2013	2012	2011
Balance, beginning of year	\$ 66,040	\$ 18,095	\$ 6,259
Transfers from deferred contributions	43,745	58,465	15,923
	109,785	76,560	22,182
Transfers to revenue	18,297	10,520	4,087
Balance, end of year	\$ 91,488	\$ 66,040	\$ 18,095

# OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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## **5. University of Victoria research project funding:**

During the year and consistent with prior years, ONCS received in-kind contributions from the University of Victoria consisting of various services, including provision of certain management and administrative staff, administrative services such as payroll and cash management and premises rental, all of which were provided at no cost to ONCS. These transactions have not been recorded in the financial statements, and amounts have not been estimated due to the related party nature and difficulty to estimate fair value.

## **6. Contributed materials and services:**

Materials and services received by ONCS during the year for which fair value was reasonably estimable were \$2,011,737 (2012 - \$638,301). These materials and services were contributed principally by IBM Canada Ltd. at no cost to ONCS for information and communications technology and public engagement initiatives of ONCS. These transactions are not reflected in the financial statements.