

Financial Statements of

**OCEAN NETWORKS  
CANADA SOCIETY**

Year ended March 31, 2011



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## Independent Auditors' Report

### *To the Members of Ocean Networks Canada Society*

We have audited the accompanying financial statements of Ocean Networks Canada Society, which comprise the balance sheet as at March 31, 2011, the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, 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 generally accepted accounting principles, 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 audit. We conducted our audit 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 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, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



*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 generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

*KPMG LLP*

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June 22, 2011

Victoria, Canada

# OCEAN NETWORKS CANADA SOCIETY

## Balance Sheet

March 31, 2011, with comparative figures for 2010

	2011	2010
<b>Assets</b>		
Current assets:		
Accounts receivable	\$ 106,711	\$ 70,712
Prepaid expenses	22,768	13,031
Due from the University of Victoria	5,759,178	6,242,740
	<u>5,888,657</u>	<u>6,326,483</u>
Capital assets (note 2)	58,752	53,131
	<u>\$ 5,947,409</u>	<u>\$ 6,379,614</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 121,253	\$ 23,491
Deferred membership fees	12,018	-
	<u>133,271</u>	<u>23,491</u>
Deferred contributions (note 3)	5,782,598	6,326,694
Unamortized deferred capital contributions (note 4)	18,095	6,259
Net assets		
Invested in capital assets	40,657	46,872
Unrestricted	(27,212)	(23,702)
	<u>13,445</u>	<u>23,170</u>
	<u>\$ 5,947,409</u>	<u>\$ 6,379,614</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# OCEAN NETWORKS CANADA SOCIETY

## Statement of Revenue and Expenses

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Natural Sciences and Engineering Research Council	\$ 544,096	\$ 250,066
Indian Affairs and Northern Development (note 5)	103,418	-
Other federal	153,774	119,060
Grant revenue from the University of Victoria	127,581	470,068
Miscellaneous	13,762	24,675
Amortization of deferred capital contributions	4,087	1,176
	<u>946,718</u>	<u>865,045</u>
Expenses:		
Salaries and benefits	612,904	528,601
Travel	74,881	108,701
Hospitality	6,889	7,806
Supplies	16,376	26,668
Operational expenses	56,210	89,045
Professional fees	8,250	8,766
Consulting fees	160,016	53,810
Amortization of capital assets	20,917	9,013
Renovations	-	9,465
	<u>956,443</u>	<u>841,875</u>
Excess (deficiency) of revenue over expenses	\$ (9,725)	\$ 23,170

See accompanying notes to financial statements.

# OCEAN NETWORKS CANADA SOCIETY

## Statement of Changes in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

	Invested in capital assets	Unrestricted	2011	2010
Net assets, beginning of year	\$ 46,872	\$ (23,702)	\$ 23,170	\$ -
Excess (deficiency) of revenue over expenses	(16,830)	7,105	(9,725)	23,170
Capital assets acquired with unrestricted net assets	10,615	(10,615)	-	-
Net assets, end of year	\$ 40,657	\$ (27,212)	\$ 13,445	\$ 23,170

See accompanying notes to financial statements.

# OCEAN NETWORKS CANADA SOCIETY

## Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (9,725)	\$ 23,170
Items not involving cash:		
Amortization of deferred capital contributions	(4,087)	(1,176)
Amortization of capital assets	20,917	9,013
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(35,999)	3,615,923
Increase in prepaid expenses	(9,737)	(11,723)
Increase in accounts payable and accrued liabilities	97,762	7,219
Increase (decrease) in deferred contributions	(544,096)	2,640,059
Decrease (increase) in due from the University of Victoria	483,562	(6,227,776)
Increase in deferred membership fees	12,018	-
	10,615	54,709
Financing:		
Capital contributions received	15,923	7,435
Investing:		
Acquisition of capital assets	(26,538)	(62,144)
Change in cash position	-	-
Cash position, beginning of year	-	-
Cash position, end of year	\$ -	\$ -

See accompanying notes to financial statements.

# OCEAN NETWORKS CANADA SOCIETY

## Notes to Financial Statements

Year ended March 31, 2011

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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 generally accepted accounting principles for not-for-profit organizations. The following is a summary of the significant accounting policies used in preparation of these financial statements.

#### (a) 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:

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

#### (b) Financial instruments:

Financial instruments are initially recorded at fair value. Accounts receivable and due from the University of Victoria are classified as loans and receivables; accounts payable and accrued liabilities are classified as other liabilities, all of which are measured at 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.

ONCS has elected to continue to apply the financial instruments disclosure and presentation standards in accordance with Section 3861.

# OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2011

## 1. Significant accounting policies (continued):

### (c) Revenue recognition:

ONCS follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

### (d) Contributed services:

The University of Victoria provides financial and administrative services and rent at no cost to ONCS. These transactions are not reflected in the financial statements.

### (e) 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.

### (f) Future accounting standards:

Effective April 1, 2012, ONCS will be transitioning, on a retrospective basis, to Public Sector Accounting Standards. ONCS is evaluating the impact of adoption of these standards on the financial statements.

## 2. Capital assets:

			2011		2010	
	Cost	Accumulated amortization	Net book value	Net book value		
Furniture and office equipment	\$ 27,515	\$ 3,322	\$ 24,193	\$ 12,022		
Computer equipment	22,328	9,078	13,250	13,418		
Computer software	5,617	936	4,681	-		
Display equipment	33,223	16,595	16,628	27,691		
	\$ 88,683	\$ 29,931	\$ 58,752	\$ 53,131		

# OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2011

### 3. Deferred contributions:

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

	2011	2010
Balance, beginning of year	\$ 6,326,694	\$ 3,686,635
Contributions received	257,191	3,009,185
	6,583,885	6,695,820
Transfers to revenue	801,287	369,126
Balance, end of year	\$ 5,782,598	\$ 6,326,694

The balance of deferred contributions as at March 31, 2011 and 2010 represent 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:

	2011	2010
Balance, beginning of year	\$ 6,259	\$ -
Contributions received	15,923	7,435
	22,182	7,435
Transfers to revenue	4,087	1,176
Balance, end of year	\$ 18,095	\$ 6,259

# OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2011

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## 5. Indian Affairs and Northern Development:

In 2011 ONCS received funding from the Department of Indian Affairs and Northern Development in the amount of \$103,418 to inform and support the design of the Canadian High Arctic Research Station. Expenses incurred under the funding agreement have been presented in the statement of revenue and expenses as follows:

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Salaries and benefits	\$	3,310
Consulting fees		100,108
	\$	103,418

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## 6. Capital disclosures:

ONCS considers its capital to be its net assets, deferred contributions and unamortized deferred capital contributions. ONCS' objectives when managing its capital are to fund its operations and capital additions to ensure the effective, ongoing management of the VENUS and NEPTUNE observatories. Budgets are developed and monitored to ensure capital is preserved in accordance with funding terms. ONCS is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter. ONCS has complied with the external restrictions on the funding provided.

## 7. University of Victoria research project funding:

During the year, grant funding received by the University of Victoria in the amount of \$373,679 (2010 - \$nil) was provided to ONCS to provide oversight and management of VENUS and NEPTUNE Canada. This funding has been recorded as a reduction of associated expenses in the statement of revenue and expenses.