

Financial Statements of

**OCEAN NETWORKS CANADA
SOCIETY**

And Independent Auditors' Report thereon

Year ended March 31, 2021

OCEAN NETWORKS CANADA SOCIETY

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Accounts receivable	\$ 676,450	\$ 682,335
Prepaid expenses	101,657	294,655
Due from University of Victoria	1,075,503	460,829
	<u>1,853,610</u>	<u>1,437,819</u>
Capital assets (note 2)	6,724,914	8,196,485
	<u>\$ 8,578,524</u>	<u>\$ 9,634,304</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 132,580	\$ 312,642
Deferred revenue	1,180,857	618,742
	<u>1,313,437</u>	<u>931,384</u>
Unamortized deferred capital contributions (note 4)	6,003,618	7,348,289
	<u>7,317,055</u>	<u>8,279,673</u>
Net assets:		
Invested in capital assets	721,296	848,195
Unrestricted	540,173	506,436
	<u>1,261,469</u>	<u>1,354,631</u>
Commitments (note 7)		
Contractual rights (note 8)		
	<u>\$ 8,578,524</u>	<u>\$ 9,634,304</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

OCEAN NETWORKS CANADA SOCIETY

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Government of Canada (note 5)	\$ 342,944	\$ 203,029
Contract revenue	1,345,176	1,873,799
Miscellaneous	159,831	214,386
Province of British Columbia (note 7)	648,929	-
Amortization of deferred capital contributions	1,359,328	1,062,250
	<u>3,856,208</u>	<u>3,353,464</u>
Expenses:		
Amortization of capital assets	1,524,399	1,229,971
Operational expenses (note 6)	1,816,839	1,055,889
Supplies	150,285	350,959
Salaries and benefits	407,392	269,948
Travel	12,583	99,857
Professional fees - audit	26,900	27,765
Consulting fees	-	18,991
Hospitality	10,972	8,562
	<u>3,949,370</u>	<u>3,061,942</u>
Excess (deficiency) of revenue over expenses	<u>\$ (93,162)</u>	<u>\$ 291,522</u>

See accompanying notes to financial statements.

OCEAN NETWORKS CANADA SOCIETY

Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	Invested in capital assets	Unrestricted	Total
Net assets, March 31, 2019	\$ 929,046	\$ 134,063	\$ 1,063,109
Excess (deficiency) of revenue over expenses	(167,721)	459,243	291,522
Capital assets acquired with unrestricted net assets	86,870	(86,870)	-
Net assets, March 31, 2020	848,195	506,436	1,354,631
Excess (deficiency) of revenue over expenses	(165,071)	71,909	(93,162)
Capital assets acquired with unrestricted net assets	38,172	(38,172)	-
Net assets, March 31, 2021	\$ 721,296	\$ 540,173	\$ 1,261,469

See accompanying notes to financial statements.

OCEAN NETWORKS CANADA SOCIETY

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	\$ (93,162)	\$ 291,522
Items not involving cash:		
Amortization of deferred capital contributions	(1,359,328)	(1,062,250)
Amortization of capital assets	1,524,399	1,229,971
Changes in non-cash operating working capital:		
Decrease in accounts receivable	5,885	1,149,335
Decrease (increase) in prepaid expenses	192,998	(288,206)
Decrease in accounts payable and accrued liabilities	(180,062)	(383,493)
Decrease in deferred contributions	-	(580,249)
Increase (decrease) in deferred revenue	562,115	(853,212)
	652,845	(496,582)
Capital:		
Acquisition of capital assets	(52,828)	(693,417)
Financing:		
Change in due from University of Victoria	(614,674)	583,452
Funding received for deferred capital contributions	14,657	606,547
	(600,017)	1,189,999
Net change in cash, being cash, beginning and end of year	\$ -	\$ -

See accompanying notes to financial statements.

OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements

Year ended March 31, 2021

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. On November 28, 2016, the new Societies Act (British Columbia) became effective. The Society transitioned to the new act on November 8, 2018.

Beginning March 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. Many governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines and a general reduction in operational activities. While these affects are expected to be temporary, the duration of the disruption and related financial impact cannot be reasonably estimated at this time. Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty as compared to prior periods.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (“PSAB”) 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) 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
Equipment and furniture	straight-line	8 years
Computer equipment	straight-line	3 years
Computer software	straight-line	3 years
Patents	straight-line	10 years

OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements

Year ended March 31, 2021

(b) Financial instruments:

Accounts receivable, due to/from the University of Victoria, and 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.

(c) Revenue recognition:

ONCS follows the deferral method of accounting for grants and contributions received.

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.

Externally restricted capital contributions are deferred until the amount is invested in capital assets. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired. Contributions for capital assets that will not be amortized, such as land, are not transferred to unamortized deferred capital contributions or recognized as revenue, but are recorded as a direct increase in net assets in the period the asset is acquired.

Unamortized deferred capital contributions are recognized as revenue on the same basis as the related capital assets are amortized.

(d) 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 these financial statements (note 6).

(e) Foreign currency:

The functional currency of ONCS is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect at each reporting date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or reporting date is recognized in the statement of operations.

(f) Use of estimates:

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 revenue and expenses during the year. Actual results could differ from those estimates.

OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements

Year ended March 31, 2021

2. Capital assets:

March 31, 2021	Cost	Accumulated amortization	Net book value
Equipment and furniture	\$ 11,143,525	\$ 4,569,952	\$ 6,573,573
Computer equipment	2,459,974	2,408,146	51,828
Computer software	780,963	780,947	16
Patents	193,048	93,551	99,497
	<u>\$ 14,577,509</u>	<u>\$ 7,852,595</u>	<u>\$ 6,724,914</u>

March 31, 2020	Cost	Accumulated amortization	Net book value
Equipment and furniture	\$ 11,108,325	\$ 3,199,458	\$ 7,908,867
Computer equipment	2,446,369	2,274,633	171,736
Computer software	780,963	779,657	1,306
Patents	189,023	74,447	114,576
	<u>\$ 14,524,680</u>	<u>\$ 6,328,195</u>	<u>\$ 8,196,485</u>

3. Deferred contributions:

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

	2021	2020
Balance, beginning of year	\$ -	\$ 580,249
Contributions received	14,657	-
	<u>14,657</u>	<u>580,249</u>
Transfers to revenue	-	26,297
Transfers to unamortized deferred capital contributions	(14,657)	(606,546)
	<u>(14,657)</u>	<u>(580,249)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>

OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements

Year ended March 31, 2021

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:

	2021	2020
Balance, beginning of year	\$ 7,348,289	\$ 7,803,993
Transfers from deferred contributions	14,657	606,546
	7,362,946	8,410,539
Recognized as revenue	(1,359,328)	(1,062,250)
Balance, end of year	\$ 6,003,618	\$ 7,348,289

5. Government of Canada:

Government of Canada revenue is comprised of the following:

	2021	2020
Fisheries and Oceans Canada	\$ 248,104	\$ 129,698
Crown-Indigenous Relations and Northern Affairs Canada	86,740	72,305
CANARIE	8,100	-
Western Economic Diversification Canada	-	1,026
	\$ 342,944	\$ 203,029

OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements

Year ended March 31, 2021

6. Related party transactions:

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, cash management and premises rental, all of which are provided at no cost to ONCS. These transactions have not been recorded in these financial statements, and amounts have not been estimated due to the related party nature and difficulty to estimate fair value.

All related party transactions have been recorded at the amount of consideration paid or received as agreed to by the related party.

7. Commitments:

In March 2018 ONCS entered into a Services Agreement with the Tsleil-Waututh Nation for work related to the Burrard Inlet Monitoring System in the amount of \$1,513,233 continuing until March 31, 2021. To date, the Society has incurred expenses totalling \$1,477,556 and the remaining balance of \$35,677 continues to be deferred.

In March 2019, the Society received a contribution agreement for \$617,500 from Fisheries and Oceans Canada for the creation of a "Community Fishers Marine Monitoring" system to collect baseline data in Iqaluit. The agreement is a three-year contract and started on March 21, 2019. During the year ended March 31, 2021, the project expended the full budget of \$136,650 (2020 - the project expended \$129,698 of the budget of \$143,000).

In 2019 Transport Canada, in partnership with ten Indigenous communities across Canada, began a pilot project for work under the Enhanced Maritime Situational Awareness Initiative (PEMSA). In March 2021 ONCS entered into service agreements with two additional communities, the Pacheedaht First Nation and Nunatsiavut Government, for the provision of Community Fishers instrument packages necessary for the PEMSAs. Including small amendments to the T'Souke and Maritime Aboriginal People's Council agreements, the current aggregate consideration of service agreements is \$905,138. As of March 31, 2021, \$680,441 has been charged to the project, the remaining amount is deferred.

In April 2020, the Society entered into an agreement with the Province of British Columbia for \$1,700,000 towards the Earthquake Early Warning System Project. The project was effective April 1, 2020 and must be completed by March 31, 2023. As of March 31, 2021, \$663,586 has been charged to the project, the remaining amount is deferred.

In August 2020, a funding agreement was signed with Canadian Indigenous Relations and Northern Affairs Canada, (CIRNAC), for Year 2 of the Kugluktuk Vessel Monitoring Program totalling \$90,400 for a total of \$214,200. As of March 31, 2021, \$159,045 has been charged to the project, the remaining amount is deferred.

OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements

Year ended March 31, 2021

8. Contractual rights

ONCS has engaged in two additional service agreements, the first with Northwest Hydraulic Consultants for the North Coast Regional District, Village of Queen Charlotte, Village of Port Clements and Village of Masset for services related to Haida Gwaii Erosion. The service agreement is in the amount of \$225,250 and starts April 2021 ending December 31, 2022.

The second service agreement is through a private donor to extend the area of the work related to the Northwest Hydraulic Consultants Strathcona Regional District project, in the amount of \$559,874 commencing in April 2021, ending December 2022.

9. Employee and contractor remuneration:

The BC Societies Act came into effect on November 28, 2016. The Act has a requirement for the disclosure in the financial statements of the remuneration of directors, employees and contractors for financial statements prepared after November 28, 2016. For employee and contractor remuneration the requirement is to disclose amounts paid to individuals whose remuneration was greater than \$75,000. For the fiscal year ending March 31, 2021 the Society paid remuneration of \$282,769 to two employees (2020 - \$93,940 to one employee). No payments were made to directors in 2021 or 2020.