

Financial Statements of

**OCEAN NETWORKS CANADA  
SOCIETY**

And Independent Auditors' Report thereon

Year ended March 31, 2023



KPMG LLP  
St. Andrew's Square II  
800-730 View Street  
Victoria BC V8W 3Y7  
Canada  
Telephone 250-480-3500  
Fax 250-480-3539

## INDEPENDENT AUDITOR'S REPORT

To the Members of Ocean Networks Canada Society

### ***Opinion***

We have audited the financial statements of Ocean Networks Canada Society (the "Society"), which comprise:

- the statement of financial position as at March 31, 2023
- 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 Society as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***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 auditors' report.

We are independent of the Society 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 opinion.



## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 auditors' 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 Society'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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Society 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

### **Report on Other Legal and Regulatory Requirements**

As required by the Societies Act (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 applied on a basis consistent with that of the preceding year.

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

Chartered Professional Accountants

Victoria, Canada  
June 16, 2023

# OCEAN NETWORKS CANADA SOCIETY

## Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
<b>Assets</b>		
Current assets:		
Accounts receivable	\$ 2,442,094	\$ 4,006,210
Prepaid expenses	48,119	87,918
	<u>2,490,213</u>	<u>4,094,128</u>
Capital assets (note 2)	5,379,628	6,990,824
	<u>\$ 7,869,841</u>	<u>\$ 11,084,952</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 291,057	\$ 209,353
Due to University of Victoria	965,087	2,459,978
Deferred revenue	102,569	637,702
	<u>1,358,713</u>	<u>3,307,033</u>
Unamortized deferred capital contributions (note 4)	4,902,195	6,404,705
	<u>6,260,908</u>	<u>9,711,738</u>
Net assets:		
Invested in capital assets	477,433	586,119
Unrestricted	1,131,500	787,095
	<u>1,608,933</u>	<u>1,373,214</u>
Commitments (note 7)		
Contractual rights (note 8)		
	<u>\$ 7,869,841</u>	<u>\$ 11,084,952</u>

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

\_\_\_\_\_  
Rebecca Denlinger  
Director

\_\_\_\_\_  
Randy Bundus  
Director

# OCEAN NETWORKS CANADA SOCIETY

## Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Government of Canada (note 5)	\$ 3,447,824	\$ 2,404,399
Contract revenue	1,077,537	1,350,249
Province of British Columbia (note 7)	213,450	822,964
Miscellaneous	115,864	559,599
Amortization of deferred capital contributions (note 4)	1,518,222	1,427,549
	<u>6,372,897</u>	<u>6,564,760</u>
Expenses:		
Operational expenses	3,205,870	4,053,809
Salaries and benefits	546,717	333,206
Consulting fees	391,271	126,588
Travel	161,000	38,905
Supplies	139,472	301,729
Professional fees - audit	29,500	27,300
Hospitality	5,035	2,115
Amortization of capital assets	1,658,313	1,569,363
	<u>6,137,178</u>	<u>6,453,015</u>
Excess of revenue over expenses	<u>\$ 235,719</u>	<u>\$ 111,745</u>

See accompanying notes to financial statements.

# OCEAN NETWORKS CANADA SOCIETY

## Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	Invested in capital assets	Unrestricted	Total
Net assets, March 31, 2021	\$ 721,296	\$ 540,173	\$ 1,261,469
Excess (deficiency) of revenue over expenses	(141,814)	253,559	111,745
Capital assets acquired with unrestricted net assets	6,637	(6,637)	-
Net assets, March 31, 2022	586,119	787,095	1,373,214
Excess (deficiency) of revenue over expenses	(140,091)	375,810	235,719
Capital assets acquired with unrestricted net assets	31,405	(31,405)	-
Net assets, March 31, 2023	\$ 477,433	\$ 1,131,500	\$ 1,608,933

See accompanying notes to financial statements.

# OCEAN NETWORKS CANADA SOCIETY

## Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash generated by (used in):		
Operations:		
Excess of revenues over expenses	\$ 235,719	\$ 111,745
Items not involving cash:		
Amortization of deferred capital contributions	(1,518,222)	(1,427,549)
Amortization of capital assets	1,658,313	1,569,363
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	1,564,116	(3,329,760)
Decrease in prepaid expenses	39,799	13,739
Increase (decrease) in accounts payable and accrued liabilities	81,704	76,773
Decrease in deferred revenue	(535,133)	(543,155)
	<u>1,526,296</u>	<u>(3,528,844)</u>
Capital:		
Acquisition of capital assets	(47,117)	(1,835,273)
Financing:		
Change in due from University of Victoria	(1,494,891)	3,535,481
Capital contributions	15,712	1,828,636
	<u>(1,479,179)</u>	<u>5,364,117</u>
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, 2023

---

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.

## 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’s 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

### (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 amortized cost. It is management’s opinion that ONCS is not exposed to significant interest, currency or credit risks arising from these financial instruments.

# OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements

Year ended March 31, 2023

---

## 1. Significant accounting policies (continued):

### (c) Revenue recognition:

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

Restricted contributions are contributions that include an implicit or explicit restriction or stipulation by the contributor. All other contributions are unrestricted. 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, 2023

## 1. Significant accounting policies (continued):

### (g) Asset retirement obligations:

On April 1, 2022, ONCS adopted Public Accounting Standard PS 3280, *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings, as well as contractual liabilities under lease arrangements by public sector entities.

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

There was no impact on the financial statements as a result of adopting this new standard.

## 2. Capital assets:

March 31, 2023	Cost	Accumulated amortization	Net book value
Equipment and furniture	\$ 12,315,367	\$ 7,356,911	\$ 4,958,456
Computer equipment	3,163,885	2,809,242	354,643
Computer software	780,963	780,963	-
Patents	199,685	133,156	66,529
	<u>\$ 16,459,900</u>	<u>\$ 11,080,272</u>	<u>\$ 5,379,628</u>

March 31, 2022	Cost	Accumulated amortization	Net book value
Equipment and furniture	\$ 12,268,250	\$ 5,958,140	\$ 6,310,110
Computer equipment	3,163,885	2,569,669	594,216
Computer software	780,963	780,963	-
Patents	199,685	113,187	86,498
	<u>\$ 16,412,783</u>	<u>\$ 9,421,959</u>	<u>\$ 6,990,824</u>

# OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements

Year ended March 31, 2023

### 3. Deferred contributions:

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

	2023	2022
Balance, beginning of year	\$ -	\$ -
Contributions received	15,712	-
	15,712	-
Transfers to revenue	-	-
Transfers to unamortized deferred capital contributions	(15,712)	-
	(15,712)	-
Balance, end of year	\$ -	\$ -

### 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:

	2023	2022
Balance, beginning of year	\$ 6,404,705	\$ 6,003,618
Transfers from deferred contributions	15,712	1,828,636
	6,420,417	7,832,254
Transfers to revenue	(1,518,222)	(1,427,549)
Balance, end of year	\$ 4,902,195	\$ 6,404,705

# OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements

Year ended March 31, 2023

---

## 5. Government of Canada:

Government of Canada revenue is comprised of the following:

	2023	2022
Fisheries and Oceans Canada	\$ 3,343,534	\$ 2,303,419
Digital Alliance Canada	64,529	-
Crown-Indigenous Relations and Northern Affairs Canada	24,865	56,890
Environment and Natural Resources	9,439	15,561
Department of National Defense	3,957	7,165
Natural Resources Canada	1,500	-
Canadian Museum of Nature	-	9,464
CANARIE	-	6,900
Canada Council	-	5,000
	<hr/>	<hr/>
	\$ 3,447,824	\$ 2,404,399

## 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.

# OCEAN NETWORKS CANADA SOCIETY

Notes to Financial Statements

Year ended March 31, 2023

---

## 7. Commitments:

During the year, ONCS entered into a contribution agreement for \$7,433,411 with Fisheries and Oceans Canada for “Ocean Networks Canada – Monitoring Canada’s MPAs” initially planned for the period April 1, 2022 to March 31, 2026. The agreement was not signed until December 1, 2022 and as of March 31, 2023, \$677,867 had been charged to the project, leaving a balance of \$284,683 unspent. In March 2023, an amendment was issued, which increased the funding for the second year by \$287,500. This agreement in part includes funding in support of existing community partners to continue community based ocean data collection and monitoring, as well as expansion of the Community Fishers program through developing new partnerships. Ongoing support of these partnerships requires data management, including development of new data products as well as maintenance of community based equipment.

During the year, ONCS entered into an agreement for \$97,000 with Snuneymuxw First Nation. As of March 31, 2023, \$57,230 had been charged to the project, with the balance of funds on hand being deferred.

During the year, the project under a contribution agreement with Fisheries and Oceans Canada for “Ocean Week Canada and the One Ocean Festival” ended at March 31, 2023. A new contribution agreement for \$5,325,099, applied for in December 2022, was signed in March 2023 for the period April 1, 2023 to March 31, 2026.

During the year, ONCS entered into an agreement with the Tsleil-Waututh Nation for \$182,900. As of March 31, 2023, \$138,285 has been charged to the project, the remainder of funds received being deferred.

In 2021, ONCS entered into an agreement for \$559,874 with a private donor for Phase II of the Strathcona Regional District tsunami modeling work continuing to January 31, 2023. As of March 31, 2023, \$483,178 has been charged to the project. In January 2023, the project was extended to May 31, 2023.

## 8. 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, 2023, the Society paid \$192,368 to two employees that had remuneration greater than \$75,000. No payments were made to directors in 2023 or 2022.