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**OCEANA CANADA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Members,  
Oceana Canada

We have audited the accompanying financial statements of Oceana Canada which comprise the statement of financial position as at December 31, 2016, and the statements of operations and changes in net assets and cash flows for the year then ended, and 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 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.

### *Auditor's 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 the 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 the auditor's 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, the auditor considers 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 Oceana Canada as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Pennylegion Chung LLP*

Chartered Professional Accountants  
Licensed Public Accountants

April 20, 2017  
Toronto, Ontario


**OCEANA CANADA**

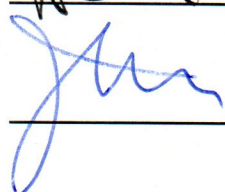
**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 751,640	\$ 476,436
HST recoverable	35,390	28,953
Prepaid expenses	<u>86,999</u>	<u>45,072</u>
	874,029	550,461
Capital assets (note 3)	<u>194,917</u>	<u>198,706</u>
	<u>1,068,946</u>	<u>\$ 749,167</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 53,157	\$ 52,468
Deferred contributions (note 4)	<u>950,445</u>	<u>666,278</u>
	1,003,602	718,746
Deferred capital contributions (note 5)	<u>20,811</u>	<u>30,421</u>
	<u>1,024,413</u>	<u>749,167</u>
Net assets		
Unrestricted	<u>44,533</u>	<u>-</u>
	<u>\$ 1,068,946</u>	<u>\$ 749,167</u>

Approved on behalf of the Board:

  
\_\_\_\_\_, Director

  
\_\_\_\_\_, Director

see accompanying notes

**OCEANA CANADA****STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS****FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>2016</b>	<b>2015</b>
<b>REVENUE</b>		
Contributions (note 7)	\$ 1,905,833	\$ 603,722
In-kind contributions (note 6)	323,424	674,957
Donations	34,320	10,798
Capital contributions recognized (note 5)	9,610	5,577
Miscellaneous	3,083	-
Interest	<u>1,310</u>	<u>-</u>
	<u>2,277,580</u>	<u>1,295,054</u>
<b>EXPENSES</b>		
Salaries, benefits and payroll taxes	909,361	419,355
In-kind services (note 6)	323,424	674,957
Consultants	247,725	126,617
Advertising	237,232	6,350
Conferences and events	136,812	-
Rent	130,508	47,270
Travel	100,774	33,933
Grants	33,941	10,909
Office and general	33,002	26,846
Insurance	15,197	1,930
Bank charges	4,333	2,969
Amortization	<u>60,738</u>	<u>8,867</u>
	<u>2,233,047</u>	<u>1,360,003</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	44,533	(64,949)
Net assets, beginning of year	<u>-</u>	<u>64,949</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 44,533</u>	<u>\$ -</u>

see accompanying notes

# OCEANA CANADA

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	\$ 44,533	\$ (64,949)
Amortization	60,738	8,867
Capital contributions recognized	(9,610)	(5,577)
Net change in non-cash working capital items (see below)	<u>236,492</u>	<u>557,070</u>
Net cash generated from operating activities	<u>332,153</u>	<u>495,411</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	<u>(56,949)</u>	<u>(207,572)</u>
<b>FINANCING ACTIVITIES</b>		
Capital contributions received	<u>-</u>	<u>35,998</u>
<b>NET CASH INCREASE IN THE YEAR</b>	275,204	323,837
Cash, beginning of year	<u>476,436</u>	<u>152,599</u>
<b>CASH, END OF YEAR</b>	<u>\$ 751,640</u>	<u>\$ 476,436</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
HST recoverable	\$ (6,437)	\$ (28,953)
Prepaid expenses	(41,927)	(45,072)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	689	49,817
Deferred contributions	<u>284,167</u>	<u>581,278</u>
	<u>\$ 236,492</u>	<u>\$ 557,070</u>

see accompanying notes

# OCEANA CANADA

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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Oceana Canada (the organization) was incorporated on March 22, 2013 without share capital under the Canada Not-for-profit Corporations Act. The organization commenced operations on January 1, 2014. The organization is a registered charitable organization under the Income Tax Act (Canada) and as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The organization is a national advocacy organization focused solely on ocean conservation. The organization is dedicated to protecting and restoring the world's oceans on a global scale to make oceans more biodiverse and abundant.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

#### Revenue recognition

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) The organization follows the deferral method of revenue recognition for contributions. Externally restricted contributions, including grants and donations, related to current expenses are recognized as revenue in the current year. Externally restricted contributions received in the year for expenses to be incurred in the following year are recorded as deferred contributions. Externally restricted contributions related to the purchase of capital assets are recorded as revenue in the same period, and on the same basis, as the related capital assets are amortized. Unrestricted contributions, including donations and amounts received from fundraising, are recorded when funds are received.
- ii) Except for in-kind contributions provided by Oceana Inc., donated materials and services which are normally purchased by the organization are not recorded in the accounts. Volunteers contribute their time to assist the organization in delivering its services. Because of the difficulty of determining the fair value, volunteer services are not recognized in the financial statements.

#### Capital assets

Capital assets are initially recorded at cost. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Computer equipment	- 3 years
Office equipment	- 5 years
Furniture and fixtures	- 5 years
Leasehold improvements	- Term of lease

### 2. FINANCIAL INSTRUMENTS AND RELATED FINANCIAL RISKS

The organization records financial instruments, which include cash, accounts payable and accrued liabilities, initially at fair value. Subsequently, financial instruments are measured net of any provisions for impairment in value.

The organization expects to meet its financial obligations for accounts payable and accrued liabilities through cash flows from operations. It is management's opinion that the organization's financial instruments are not exposed to significant financial risks.

# OCEANA CANADA

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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### 3. CAPITAL ASSETS

Capital assets are as follows:

	Cost	Accumulated Amortization	2016 Net	2015 Net
Computer equipment	\$ 36,121	\$ (17,506)	\$ 18,615	\$ 25,728
Office equipment	20,101	(4,355)	15,746	19,766
Furniture and fixtures	51,785	(10,516)	41,269	24,864
Leasehold improvements	<u>156,514</u>	<u>(37,227)</u>	<u>119,287</u>	<u>128,348</u>
	<u>\$ 264,521</u>	<u>\$ (69,604)</u>	<u>\$ 194,917</u>	<u>\$ 198,706</u>

### 4. DEFERRED CONTRIBUTIONS

Deferred contributions comprise the following:

	2016	2015
Oceana Inc.	\$ 485,544	\$ 500,000
Nikita Foundation	279,751	117,187
The J.W. McConnell Family Foundation	140,000	-
Echo Foundation	<u>45,150</u>	<u>49,091</u>
Deferred contributions, end of year	<u>\$ 950,445</u>	<u>\$ 666,278</u>

Continuity of deferred contributions for the year is as follows:

	2016	2015
Deferred contributions, beginning of year	\$ 666,278	\$ 85,000
Add cash received from contributions	2,190,000	1,185,000
Less contributions recognized as revenue (note 7)	<u>(1,905,833)</u>	<u>(603,722)</u>
Deferred contributions, end of year	<u>\$ 950,445</u>	<u>\$ 666,278</u>

### 5. DEFERRED CAPITAL CONTRIBUTIONS

Continuity of deferred capital contributions for the year is as follows:

	2016	2015
Deferred capital contributions, beginning of year	\$ 30,421	\$ -
Add capital contributions received	-	35,998
Less deferred capital contributions recognized as revenue	<u>(9,610)</u>	<u>(5,577)</u>
Deferred capital contributions, end of year	<u>\$ 20,811</u>	<u>\$ 30,421</u>

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# OCEANA CANADA

## NOTES TO THE FINANCIAL STATEMENTS

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### 6. OCEANA INC.

Oceana Inc., an independent organization based in the United States, contributes administrative support and accounting services to the organization based on the provisions of a service agreement. Contributed services from Oceana Inc. are recorded as in-kind contributions in the statement of operations and are offset by an equal charge to operations as in-kind services expense. Non-monetary transactions with Oceana Inc. are carried out in the normal course of business and are recorded at Oceana Inc.'s cost of delivering the services, which approximates fair value. As at December 31, 2016, there were no amounts owing to or from Oceana Inc.

The following services were contributed by Oceana Inc. to the organization:

	2016	2015
Salaries and benefits	\$ 233,396	\$ 450,285
Professional fees	24,129	72,803
Other	<u>65,899</u>	<u>151,869</u>
	<u>\$ 323,424</u>	<u>\$ 674,957</u>

Oceana Inc. and the organization are not related in that the two organizations do not share a common Board of Directors. The Chair of the Board of Directors of Oceana Inc. is also the Chair of the Board of Directors of the organization.

The in-kind contribution received by the organization from Oceana Inc. comprises 14% of total revenue for the year. During the year, Oceana Inc. granted a cash contribution of \$1,000,000, which is part of an agreement to financially support increased programming and ongoing operations of the organization.

### 7. CONTRIBUTIONS

Contribution revenue was recognized from the following funders:

	2016	2015
Oceana Inc.	\$ 1,014,456	\$ -
Nikita Foundation	652,436	407,813
The J.W. McConnell Family Foundation	100,000	100,000
Echo Foundation	63,941	70,909
Schad Foundation	50,000	25,000
Fisheries and Oceans Canada	<u>25,000</u>	<u>-</u>
	<u>\$ 1,905,833</u>	<u>\$ 603,722</u>



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### 8. COMMITMENTS

The organization leases office space in Toronto and Halifax. Minimum lease payments over the term of the leases are as follows:

2017	\$ 84,684
2018	57,162
2019	56,700
2020	<u>51,975</u>
	<u>\$ 250,521</u>