
OCEANA CANADA

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017, 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, 2017, 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 12, 2018
Toronto, Ontario

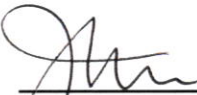
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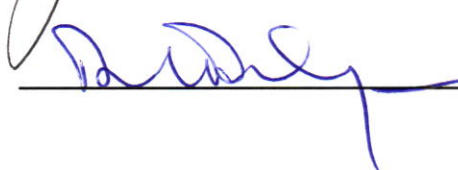
STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

	2017	2016
ASSETS		
Current assets		
Cash	\$ 551,472	\$ 751,640
HST recoverable	48,498	35,390
Grants receivable	16,249	-
Prepaid expenses	<u>33,624</u>	<u>86,999</u>
	649,843	874,029
Capital assets (note 3)	<u>141,528</u>	<u>194,917</u>
	<u>791,371</u>	<u>\$ 1,068,946</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 43,484	\$ 53,157
Deferred contributions (note 4)	<u>688,934</u>	<u>950,445</u>
	732,418	1,003,602
Deferred capital contributions (note 5)	<u>14,420</u>	<u>20,811</u>
	<u>746,838</u>	<u>1,024,413</u>
Net assets		
Unrestricted	<u>44,533</u>	<u>44,533</u>
	<u>\$ 791,371</u>	<u>\$ 1,068,946</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, 2017

	2017	2016
REVENUE		
Grants (note 7)	\$ 2,292,759	\$ 1,905,833
In-kind contributions (note 6)	294,346	323,424
Donations	53,957	34,320
Capital contributions recognized (note 5)	10,268	9,610
Other	11,381	3,083
Interest	<u>459</u>	<u>1,310</u>
	<u>2,663,170</u>	<u>2,277,580</u>
EXPENSES		
Salaries, benefits and payroll taxes	997,218	909,361
Conferences and events	350,226	136,812
Consultants	303,106	237,604
Advertising	294,973	237,232
In-kind services (note 6)	294,346	323,424
Rent	136,744	130,508
Travel	117,038	100,774
Grants	45,150	33,941
Office and general	42,342	43,123
Insurance	18,659	15,197
Bank charges	5,485	4,333
Amortization	<u>57,883</u>	<u>60,738</u>
	<u>2,663,170</u>	<u>2,233,047</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	-	44,533
Net assets, beginning of year	<u>44,533</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 44,533</u>	<u>\$ 44,533</u>

see accompanying notes

OCEANA CANADA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ -	\$ 44,533
Amortization	57,883	60,738
Capital contributions recognized	(10,268)	(9,610)
Disposal of capital asset	(1,227)	-
Net change in non-cash working capital items (see below)	<u>(247,166)</u>	<u>236,492</u>
Net cash generated from (used for) operating activities	<u>(200,778)</u>	<u>332,153</u>
INVESTING ACTIVITIES		
Purchase of capital assets	<u>(3,267)</u>	<u>(56,949)</u>
FINANCING ACTIVITIES		
Capital contributions received	<u>3,877</u>	<u>-</u>
NET CASH INCREASE (DECREASE) IN THE YEAR	(200,168)	275,204
Cash, beginning of year	<u>751,640</u>	<u>476,436</u>
CASH, END OF YEAR	<u>\$ 551,472</u>	<u>\$ 751,640</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
HST recoverable	\$ (29,357)	\$ (6,437)
Prepaid expenses	53,375	(41,927)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	(9,673)	689
Deferred contributions	<u>(261,511)</u>	<u>284,167</u>
	<u>\$ (247,166)</u>	<u>\$ 236,492</u>

see accompanying notes

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

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.

It is management's opinion that the organization's financial instruments are not exposed to significant financial risks.

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

3. CAPITAL ASSETS

Capital assets are as follows:

	Cost	Accumulated Amortization	2017 Net	2016 Net
Computer equipment	\$ 39,388	\$ (29,148)	\$ 10,240	\$ 18,615
Office equipment	20,101	(8,376)	11,725	15,746
Furniture and fixtures	51,785	(21,053)	30,732	41,269
Leasehold improvements	<u>156,514</u>	<u>(67,683)</u>	<u>88,831</u>	<u>119,287</u>
	<u>\$ 267,788</u>	<u>\$ (126,260)</u>	<u>\$ 141,528</u>	<u>\$ 194,917</u>

4. DEFERRED CONTRIBUTIONS

Deferred contributions comprise the following:

	2017	2016
Oceana, Inc.	\$ 663,934	\$ 485,544
Donner Canadian Foundation	25,000	-
The Nikita Foundation	-	279,751
The J.W. McConnell Family Foundation	-	140,000
Echo Foundation	<u>-</u>	<u>45,150</u>
	<u>\$ 688,934</u>	<u>\$ 950,445</u>

Continuity of deferred contributions for the year is as follows:

	2017	2016
Deferred contributions, beginning of year	\$ 950,445	\$ 666,278
Add cash received from grants	2,031,248	2,190,000
Less grants recognized as revenue (note 7)	<u>(2,292,759)</u>	<u>(1,905,833)</u>
Deferred contributions, end of year	<u>\$ 688,934</u>	<u>\$ 950,445</u>

5. DEFERRED CAPITAL CONTRIBUTIONS

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

	2017	2016
Deferred capital contributions, beginning of year	\$ 20,811	\$ 30,421
Add capital contributions received	3,877	-
Less deferred capital contributions recognized as revenue	<u>(10,268)</u>	<u>(9,610)</u>
Deferred capital contributions, end of year	<u>\$ 14,420</u>	<u>\$ 20,811</u>

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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, 2017 and 2016, there were no amounts owing to or from Oceana, Inc.

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

	2017	2016
Salaries and benefits	\$ 225,465	\$ 233,396
Professional fees	15,215	24,129
Other	<u>53,666</u>	<u>65,899</u>
	<u>\$ 294,346</u>	<u>\$ 323,424</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 11% of total revenue for the year. During the year, Oceana, Inc. granted a cash contribution of \$1,250,000, which is part of an agreement to financially support increased programming and ongoing operations of the organization.

7. GRANTS REVENUE

Grants revenue is as follows:

	2017	2016
Oceana, Inc.	\$ 1,071,609	\$ 1,014,456
The Nikita Foundation	939,751	652,436
The J.W. McConnell Family Foundation	150,000	100,000
Fisheries and Oceans Canada	86,249	25,000
Echo Foundation	45,150	63,941
The Schad Foundation	<u>-</u>	<u>50,000</u>
	<u>\$ 2,292,759</u>	<u>\$ 1,905,833</u>

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8. COMMITMENTS

The organization leases office space in Toronto and Halifax. Minimum annual lease payments, including property taxes and operating costs, over the term of the leases are as follows:

2018	\$ 106,126
2019	104,509
2020	<u>95,800</u>
	<u>\$ 306,435</u>