BCNET

Return on Collaboration

ROC:
RETURN ON
COLLABORATION

MISSION

BCNET offers cost-effective shared solutions that place its members at the forefront of information and communication technology innovation.

VISION

British Columbia's higher education and research institutions will achieve their strategic objectives enabled by the contributions of BCNET.

CONTENTS

THE BCNET STORY

past, present

For over 25 years, BCNET has been building cooperative, shared IT services for B.C.'s public, post-secondary sector.

What began in 1988 as a jumping off point to the Internet has evolved into a community of 25 higher education members who collaborate to share, explore and develop solutions to mutual IT challenges.

By supporting and nurturing these successful collaborations, BCNET has created a unique atmosphere of mutual trust and respect. We enable our members to exchange knowledge, and tap into human and capital resources, expertise and skills to improve productivity and realize efficiencies and economies of scale.

Today, we continue to champion IT partnerships — collaborations that translate into tangible and measureable results to the tune of $9.5 million in savings and greater buying power in 2013/14.

As we look to the future, we will continue to improve and build the Advanced Network that is our namesake. We'll explore, plan, invest in and assess new shared IT services to deliver greater value to our members. And we will continue to pursue ways to forge partnerships and foster relationships across the sector for the greater good of all our members.

WHO WE ARE

BCNET is a not-for-profit, shared information technology (IT) services organization that is led, owned, governed and funded primarily by our members, British Columbia's higher education and research institutions. We facilitate a unique, collaborative culture that promotes inter-institutional partnerships to explore, evaluate and develop shared IT service solutions for mutual technology challenges.

As a service integrator and aggregator, we leverage the collective buying power and resources of the public, post-secondary sector to provide services, drive down member costs, and improve service quality and efficiencies to better serve students, faculty and staff.

We are highly accountable, and actively and transparently measure and report the progress, usage, results and savings of our services to our members and provincial government.

25
PUBLIC, POST-SECONDARY INSTITUTION MEMBERS

18
RESEARCH INSTITUTE MEMBERS
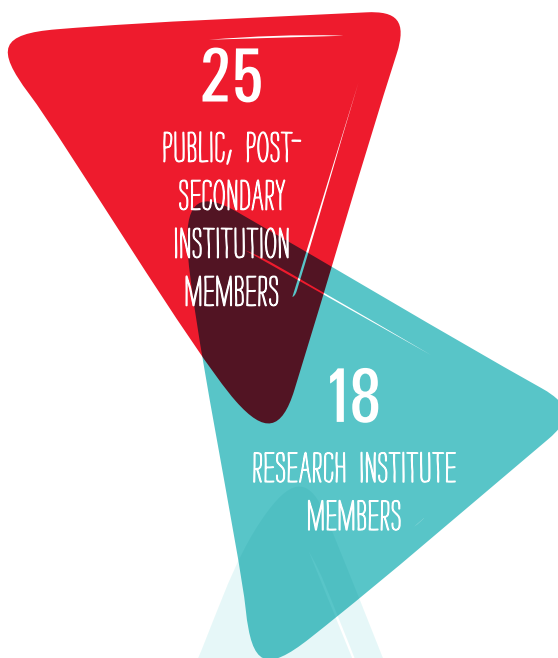
WHAT WE DO

We accelerate the development of shared IT services for the public post-secondary sector in B.C. through successful collaborations

We advance a cooperative IT community by forging successful collaborations among members, industry and government.

Specifically, we:
¤ Support and foster member involvement through our governance and committees
¤ Lead IT-related initiatives, procurements and service development in partnership with our entire membership
¤ Negotiate service agreements on behalf of our membership
¤ Align with the B.C. Ministry of Advanced Education to help the sector reduce costs and gain efficiencies
¤ Measure and report our savings, efficiencies and service adoption
¤ Build strategic alliances with industry partners
¤ Broker connections by building city and community partnerships

We offer our members a portfolio of network, procurement, IT and enterprise systems services. All services are optional and can be purchased as needed.

Each service is carefully planned, reviewed, developed and deployed by, and for, our members. We then measure value, performance and savings, and report our results to our Board, member community and provincial government.

collaboration

WE STRIVE TO
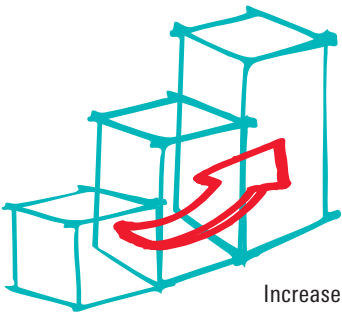
Increase
SERVICE QUALITY

USE THE TALENT
of our members' personnel

EXPAND
our service offering

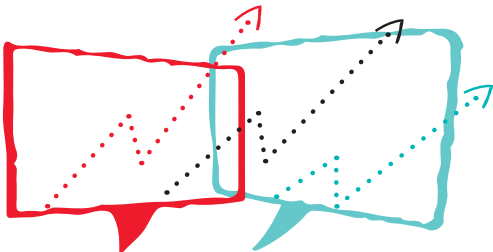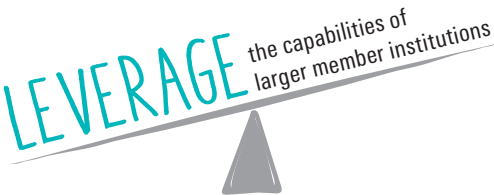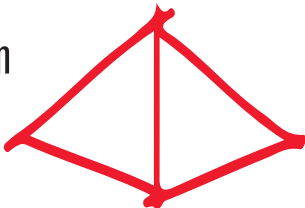Encourage **innovation** through **collaboration**

MANAGE CONTRACTS
efficiently

LEVERAGE the capabilities of larger member institutions

Create a more
ROBUST
post-secondary system

Keep
overheads
low

reduce
costs

minimize
duplication

Aggregate purchasing to negotiate
BETTER VOLUME PRICING

HOW WE DO WHAT WE DO

We are the glue that binds the post-secondary IT community

We bring together the higher education IT sector with measurable success. What makes us so effective at turning collaboration into tangible results is our unique operational and organizational model.

OUR MEMBER-LED COMMITTEES CROSS INSTITUTIONS, FUNCTIONS AND REGIONS

Our well thought-out operational model is carefully designed to encourage and facilitate member involvement, input and decision-making.

We forge collaborations by organizing multi-institutional meetings for committees and working groups that provide regular reports to the Board and make recommendations as required. Each committee is tasked with a specific function, and is governed by a terms of reference that outlines its purpose, membership and activities.

OUR SERVICES COMMITTEES ARE DESIGNED TO DRIVE SERVICE DEVELOPMENT

This year we re-structured our services committees into five distinct areas and invited 72 member representatives from 25 institutions to identify needs and requirements, and to contribute ideas for shared services development.

These services committees are tasked with:
- ¤ Evaluating existing services
- ¤ Advising the Board on required IT services
- ¤ Functioning as steering groups for all services and projects
- ¤ Providing technological expertise
- ¤ Recommending service improvements

OUR STANDING COMMITTEES PROVIDE IMPORTANT OVERSIGHT

We have four standing committees that are sanctioned directly by our by-laws.

OUR NEW NOMINATING AND GOVERNANCE REVIEW COMMITTEE OVERSEES CORPORATE GOVERNANCE

In 2013, we created a new Nominating and Governance Review Committee made up of member representatives who oversee all matters of corporate governance for our Board of Directors.

THE NOMINATING AND GOVERNANCE REVIEW COMMITTEE

¤ Determines the skills and capabilities required for proper functioning of the Board and standing committees
¤ Reviews committee membership and terms of reference annually
¤ Formulates and recommends governance principles and policies
¤ Evaluates the quality of nominees to the Board
¤ Ensures the integrity of the nominations process
¤ Nominates committee chairs

WE CONNECT PEOPLE AND COMMUNITIES

This year, we organized 173 committee, working group and project team meetings that included:

219
MEMBER PARTICIPANTS

BCNET
MEMBER COMMUNITY

25
HIGHER EDUCATION MEMBER INSTITUTIONS
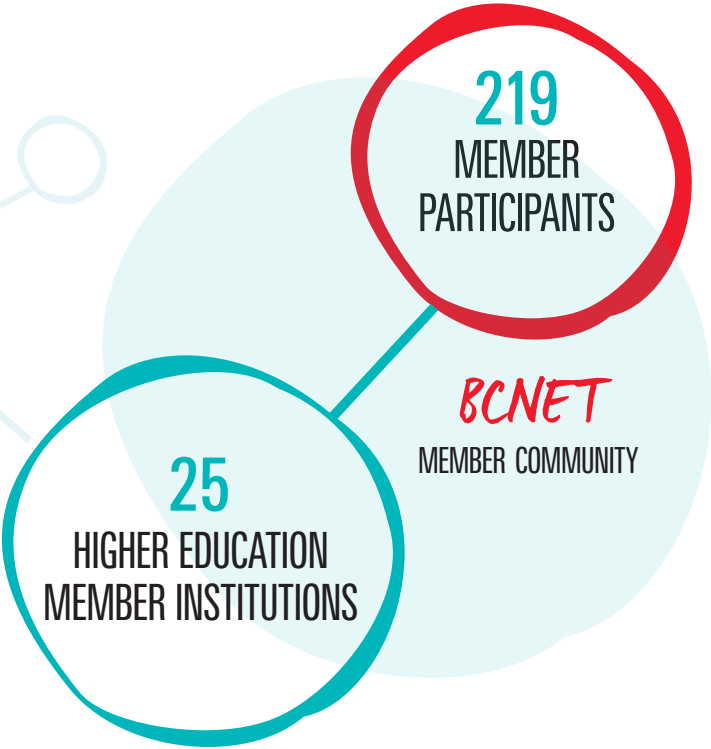
HOW WE DO WHAT WE DO

Our operational model is carefully designed to encourage and facilitate member involvement, input and decision-making.

BOARD

STANDING COMMITTEES

ADVISORY COMMITTEES

EXECUTIVE

FINANCE

AUDIT AND RISK MANAGEMENT

NOMINATING AND GOVERNANCE REVIEW

PLNet

RESEARCH

TECHNOLOGY INDUSTRY

MANAGEMENT
(CFO, CEO)

SERVICES COMMITTEES

COMMUNICATION &
COLLABORATION

PROCUREMENT

NETWORK

ENTERPRISE
SYSTEMS

INFORMATION
TECHNOLOGY

OUR MEMBERS

Our membership is open to all higher education and research institutions in B.C.

FOUNDING MEMBERS

University of Victoria

a place of mind
THE UNIVERSITY OF BRITISH COLUMBIA

SFU ENGAGING THE WORLD

CORE MEMBERS

BCIT
BRITISH COLUMBIA
INSTITUTE OF TECHNOLOGY

THOMPSON RIVERS UNIVERSITY

UNBC UNIVERSITY OF NORTHERN BRITISH COLUMBIA

UNIVERSITIES AND INSTITUTES MEMBERS

CAPILANO UNIVERSITY

emily carr
university of art + design

NVIT

VANCOUVER ISLAND UNIVERSITY

JUSTICE INSTITUTE of BRITISH COLUMBIA

KWANTLEN POLYTECHNIC UNIVERSITY

UNIVERSITY OF THE FRASER VALLEY

Royal Roads UNIVERSITY

COLLEGE MEMBERS

VANCOUVER COMMUNITY COLLEGE

COLLEGE OF THE ROCKIES

NORTH ISLAND COLLEGE

College of New Caledonia

DOUGLAS COLLEGE

NORTHWEST COMMUNITY COLLEGE

Selkirk College

CAMOSUN

Langara.
THE COLLEGE OF HIGHER LEARNING.

okanagan college

NORTHERN LIGHTS COLLEGE

RESEARCH AND OTHER HIGHER EDUCATION MEMBERS

BC Cancer Agency
CARE + RESEARCH
An agency of the Provincial Health Services Authority

Powertech

BC INTERUNIVERSITY DATA CENTRE

GREATER VICTORIA PUBLIC LIBRARY

CSA ASC

CHILD & FAMILY RESEARCH INSTITUTE

BCLibraries
COOPERATIVE

CBC Radio-Canada

cybera

FAIRLEIGH DICKINSON UNIVERSITY
FDU-Vancouver

CANADA'S MICHAEL SMITH
GENOME SCIENCES CENTRE

NRC·CNRC

DOMINION RADIO ASTROPHYSICAL OBSERVATORY
HERZBERG INSTITUTE OF ASTROPHYSICS
INSTITUTE FOR FUEL CELL INNOVATION

Government of Canada   Gouvernement du Canada

AGRICULTURE AND AGRI-FOOD CANADA
ENVIRONMENT CANADA
CANADIAN CENTRE FOR CLIMATE MODELLING AND ANALYSIS
AND
NATIONAL WATER RESEARCH INSTITUTE

Interior Health
For your whole life

KELOWNA GENERAL HOSPITAL
ROYAL INLAND HOSPITAL

GNW|TRUST

Provincial Health Services Authority
Province-wide solutions.
Better health.

BC CHILDREN'S HOSPITAL

island health

ROYAL JUBILEE HOSPITAL

northern health
the northern way of caring

UNIVERSITY HOSPITAL OF NORTHERN B.C.

TRINITY WESTERN UNIVERSITY

TRIUMF

LETTER FROM THE PRESIDENT

Today, the notion of shared virtual facilities is at the core of BCNET's service model.

The only constant in information technology, computer science and engineering is change. As the lines between networks, servers and application infrastructure blur, and as services are virtualized, we envision a computing world where IT consumers access a secure, powerful environment using their own infrastructures to get their jobs done.

BCNET, which began in 1988 as a jumping off point for the Internet, has had to adapt to this new environment. Today, the notion of shared virtual facilities is at the core of BCNET's service model. Like the Advanced Network, which is operated via a team made up of UBC and other institutions, our vision is for all BCNET shared services to operate in this fashion: a community cloud operated by members, for members, all managed in an open, accountable fashion using modern tools.

Over the past year, we have made progress towards this unique approach to shared services. We operate IT services such as video conferencing and data backup successfully, with more planned for the coming year. We have undertaken a large number of procurements with ties back to the Ministry of Advanced Education's Administrative Services Delivery Transformation initiative.

The network has continued to grow, with more connections to more campuses, and plans for an integrated network connecting all post-secondary institutions are in the works. We are just getting started with tackling the important issues around enterprise systems, including software, infrastructure and skills. And member participation in committees, working groups, general meetings and our conference has grown substantially, a clear indicator that member engagement remains high.

As we continue on this path, we will focus on the challenges of providing community virtual services. The pressure to innovate will not cease, and change will continue to be the watchword.

MICHAEL HRYBYK
PRESIDENT AND CEO, BCNET

an evolving organization

LETTER FROM THE CHAIR

One year ago, at the close of our 2012/13 fiscal year, we had a design in place for what would become a new — and very different — BCNET. A year later, we've turned that design into reality, and we are proud of our many accomplishments.

At times, the mechanics were mind-boggling. We voted formally to change our structure, and transitioned to the new federal not-for-profit corporations act framework. We changed our by-laws, voting structures, membership categories, committee structures, contracts and our staff.

More importantly, we began to interact in new and different ways with each other as we learned how to make BCNET an even more valuable organization for our membership. Along the way, each small success built more trust and more confidence, and we knew with increasing certainty that we had all made the right decisions.

I'm delighted with the new and deepened working relationships that have developed, and with the productive and collaborative style we've all helped make a reality.

Daily operations didn't stop along the way, of course. Even as we underwent tremendous organizational change, our existing services never faltered, and we continued to generate, prototype and launch new services. I expect changes will continue and even accelerate in the coming months and years.

Our evolution as a shared services organization is still underway, and given our role in both higher education and technology, we cannot expect that to end. We've made a huge transition, and are now working in a new environment of our own design, mostly under our control. I'm personally very grateful to every one of the dedicated professionals on the BCNET staff, and to the hundreds of staff members from our institutions who have voluntarily contributed to this successful transition. We should all be proud to be associated with such a vibrant, credible organization.

JA Black.

JAY BLACK
CHAIR, BCNET
BOARD OF DIRECTORS

> *We are interacting in new and different ways with each other as we learn how to make BCNET an even more valuable organization for our membership.*

CONVERSATIONS

Jay Black and Michael Hrybyk sat down to discuss what it takes to operate an effective shared IT services organization for the post-secondary sector.

WHAT DOES IT TAKE FOR AN ORGANIZATION LIKE BCNET TO BE A LEADER?

JB: I don't think there's a recipe! Serendipity plays a part, as does an ability to seize and transform opportunities when they present themselves—or are thrust upon us. Committed and visionary individuals are a necessary ingredient too, because I don't believe that an organization that is perceived as a leader can get to that point—or maintain their position—through undistinguished leadership. Most importantly, the organization must have a culture and practice of striving for leadership, with all the personal relationships and commitments required to support and nurture this culture and these practices in place.

MH: Modern organizations listen to their members and customers, minimize hierarchy and respond to pressures in a professional— and you might even say cheery and lighthearted—manner.

WHAT ARE SOME OF THE AREAS THAT BCNET IS A LEADER, PROVINCIALLY OR NATIONALLY?

JB: I can see three. We continue to share a position of technology leadership with a number of our peer organizations. Operationally, we're viewed as national leaders in that we provide a solid, growing catalogue of shared services to our membership. But most importantly, our collaborative approach and organizational model set an example that is the envy of many of our peers.

MH: As a broker of services— rather than an operator—BCNET's innovative approach to shared IT services has garnered respect across our country. The use of community exchange points to build networks is just such an example: we're essentially brokering access to the Internet, CANARIE, local providers and the community.

WHAT IS BCNET'S VISION FOR THE FUTURE?

JB: We don't exist for our own sake, but rather to support the vision and mission of each of our members. Our visions intersect: our shared services enable our members to excel.

MH: We intend to continue building a community around shared IT resources, ensuring higher education can pursue innovative research and learning programs enabled by technology.

HOW DO WE KNOW IF WE ARE SUCCEEDING?

JB: The technical measures are easy to acquire, but they're not actually very significant, despite the undoubtedly high quality of our technologies and related services. Ultimately, we must measure our success not only through costs avoided or saved, but through the feedback from member representatives and key stakeholders.

MH: While we can point to the size of BCNET's member community, to the high-quality services we provide at a lower cost, or to service adoption rates, our success can be measured by our members' satisfaction.
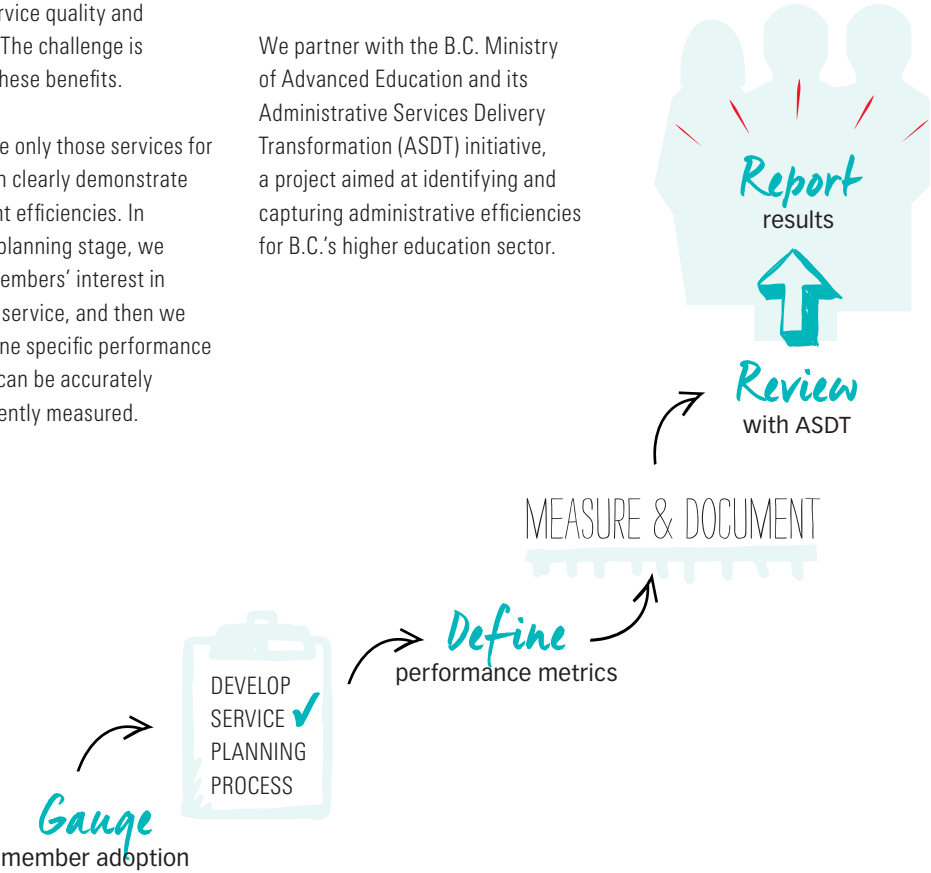
HOW WE MEASURE VALUE

Sharing IT services provides a multitude of benefits, from reducing and containing costs and increasing spending power, to decreasing duplication and improving service quality and productivity. The challenge is quantifying these benefits.

We undertake only those services for which we can clearly demonstrate and document efficiencies. In the services planning stage, we first gauge members' interest in adopting the service, and then we carefully define specific performance metrics that can be accurately and transparently measured.

Once the service is put into operation, we calculate savings, track member participation, measure performance and report the results quarterly to our Board and members.
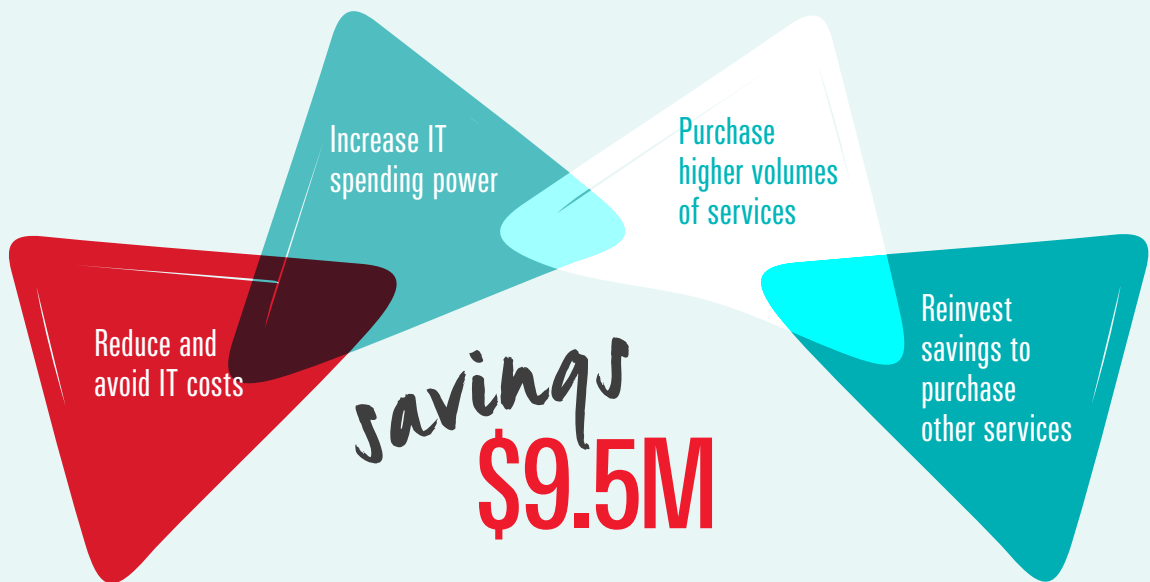
We partner with the B.C. Ministry of Advanced Education and its Administrative Services Delivery Transformation (ASDT) initiative, a project aimed at identifying and capturing administrative efficiencies for B.C.'s higher education sector.

The ASDT team guides BCNET in accurately measuring, documenting and communicating the value of each and every service.

Report results

Review with ASDT

MEASURE & DOCUMENT

Define performance metrics

DEVELOP SERVICE ✔ PLANNING PROCESS

Gauge member adoption

A YEAR IN REVIEW 2013/14
DELIVERING A RETURN ON COLLABORATION

Increase IT spending power

Purchase higher volumes of services

Reduce and avoid IT costs

Reinvest savings to purchase other services

savings
$9.5M

BCNET
SERVICES ACTIVITY

10
Operational IT services

13
Active IT services projects

7
Shared procurements underway

MEASURING SAVINGS 2013/14

We carefully measure our services benefits and report results to our Board, members and government.

Network Services

$1.3M 33%
Advanced Network
Service Savings

Procurements

$1.7M 52%
Aggregate Software
Licensing Savings

$1.1M 25%
Internet Transit and
Peering Savings

$3.4M 12%
Storage Equipment
Savings

IT Services

$1.2M 36%
Workstation Savings

$0.7M 75%
Cloud Video
Conferencing
Service Savings

$0.1M 12%
Data Backup and
Storage Savings

KWANTLEN POLYTECHNIC UNIVERSITY

KWANTLEN POLYTECHNIC UNIVERSITY

Kwantlen Polytechnic University is B.C.'s largest teaching university and only polytechnic university. KPU has campuses in Richmond, Surrey, Cloverdale and Langley. It offers over 145 programs in business, arts, science, design, health, trades, technology, horticulture, and academic and career advancement. Most programs have multiple exit points, allowing students the option to graduate with a certificate, diploma or degree.

THE CHALLENGE

KPU's Vision 2018 plan calls for enhanced organization and infrastructure to support the institution in achieving its strategic goals of five per cent annual enrollment growth, expansion of continuing and professional studies, and improving learner engagement and retention.

THE TECHNOLOGY SOLUTION

KPU recognizes that having access to next-generation IT services is critical to achieving its strategic goals. The university is embarking on a plan to build a high-speed, high-capacity, redundant campus network that encompasses a refresh of the network infrastructure and connects all four campuses to the BCNET Advanced Network.

HOW BCNET HELPED

BCNET's network engineers and client services team worked with the KPU team, providing valuable expertise in the planning, design and implementation of a staged approach to migrate the network connections from PLNet to BCNET over the next four years. KPU is also taking advantage of BCNET's shared services, including procurement of desktop computers, cloud video conferencing and DATA-SAFE.

WHERE THEY ARE NOW

KPU's Surrey campus connection to the Advanced Network and BCNET's DATA-SAFE service will be operational by the fall of 2014. KPU is also rolling out cloud video conferencing university-wide, which is expected to enhance meeting productivity.

The skills and expertise of BCNET's network engineers were immeasurable in helping us transition smoothly to our new network infrastructure. Through biweekly team meetings, they gathered our requirements, sourced vendors, designed the architecture and developed an implementation plan.

MAGGIE FUNG, CIO, KPU

CAMOSUN COLLEGE *success i*

CAMOSUN

Established in 1971, Camosun's two Victoria, B.C. campuses serve approximately 18,500 learners a year in certificate, diploma, Bachelor degree and continuing education programs. Each year, Camosun welcomes over 1,000 Aboriginal students from 50 Nations including Métis and Inuit groups, and over 800 International students from 40 different countries.

THE CHALLENGE

Camosun College's vision is to build a national reputation for applied research excellence while increasing faculty and student engagement in research opportunities. Hand in hand with this vision has been a need to enhance IT infrastructure to improve operational efficiencies for better service delivery and business continuity.

THE TECHNOLOGY SOLUTION

In 2013, BCNET helped Camosun build a 10-Gigabit fibre optic Advanced Network connection to its Lansdowne and Interurban campus sites. The new high-speed network will provide Camosun researchers powerful, world-class capacity to share data efficiently with other higher education and research institutions in Canada and around the world.

Each campus site is interconnected, enabling efficient, high-speed access to the main production data centre and campus services, while assuring critical business operations are available in the event of a disaster.

HOW BCNET HELPED

BCNET helped Camosun in the early planning stages to build a redundant fibre optic network in the Victoria area. Camosun worked with the BCNET engineering team to connect to the Advanced Network at very little cost to the college. The partnership resulted in significant savings for Camosun.

n profile

WHERE THEY ARE NOW

Camosun plans to connect its network to BCNET's Victoria Transit Exchange to take advantage of network peering capabilities. This will allow the college to serve up content faster for students, faculty and staff when they are visiting popular commercial websites such as YouTube.

Camosun has also saved 40 per cent on their data storage and backup equipment costs by purchasing through the BCNET/NetApp master service agreement. The equipment delivers high-availability disaster recovery and backup at Camosun's Lansdowne data centre.

It is impressive how BCNET is planning its network infrastructure to meet the future connectivity needs of higher education in the province. It has been a great experience working with their team in planning, designing and implementing our network.

KYLE LOREE, MANAGER, INFRASTRUCTURE
AND SOFTWARE SERVICES, CAMOSUN COLLEGE

LANGARA COLLEGE

success i

Langara.
THE COLLEGE OF HIGHER LEARNING.

Langara College was created in 1965 as part of Vancouver City College. Five years later, in 1970, it opened its West 49th Avenue campus in Vancouver. Today, Langara is one of B.C.'s leading undergraduate institutions, providing university, career and continuing studies programs and courses to more than 21,000 students a year.

THE CHALLENGE

Langara views information technology as a key facilitator and enabler of its educational mission. Providing students, faculty and staff with innovative, high-quality and cost-effective services is key to successfully fulfilling their mission and to meeting Langara's learning, teaching and administrative goals.

THE TECHNOLOGY SOLUTION

BCNET Advanced Network services will be a critical component of Langara's next-generation digital campus. Connecting to the Network will not only allow Langara to cost effectively access the full potential of its state-of-the-art internal campus network, it will also provide a reliable platform for the continued integration of cloud and shared services that are essential to Langara's business strategy. The Network will support Langara's online learning strategy and collaboration in applied research.

HOW BCNET HELPED

BCNET's team of network engineers and architects helped plan, scope and implement an innovative and reliable network backbone. Through BCNET's affiliation with community partners, Langara also discovered ways to use existing fibre optic infrastructure and greatly reduce its networking costs.

WHERE THEY ARE NOW

Langara plans to use BCNET's peering and Internet Transit services to significantly reduce its Internet costs, and to explore using DATA-SAFE to support its data backup and storage strategy.

Langara is also taking advantage of BCNET's workstation and software procurement services, as well as cloud video conferencing.

"No one is useless in this world who lightens the burdens of another."
— Charles Dickens

what we delivered

WE DEVELOP AND OPERATE ADVANCED NETWORK SERVICES
Providing expert resources to identify, explore, evaluate and build better, faster networks

As demand for advanced network connections grows, we need to invest more broadly in fibre infrastructure. This year, we developed a fibre investment policy that documents how we will invest in infrastructure to connect member campus sites. Since 2000, our investment policies have resulted in significant savings, as well as world-class capacity for our members.

WE HELPED ACQUIRE FUNDING TO ENHANCE MEMBER INFRASTRUCTURE

Many smaller colleges and universities want to connect to the BCNET Advanced Network, but often lack the financial resources to extend or enhance their campuses' digital infrastructure. In 2013-14, we applied for and secured funding on behalf of these members through the CANARIE Network Alliance Infrastructure Program (NAI). The program helps to create, extend or maintain network infrastructure for Canada's provincial alliance partners in Advanced Networks.

In 2013/14, we applied for and secured funding on behalf of these members through the CANARIE Network Alliance Infrastructure Program (NAI). The program helps to create, extend or maintain network infrastructure, and ensures equality for advanced network organizations across Canada.

NAI funding benefitted:
¤ BC Children's Hospital and BC Women's Hospital & Health Centre
¤ Kwantlen Polytechnic University
¤ University of the Fraser Valley
¤ Vancouver Community College
¤ Vancouver Island University

WE CONNECTED NEW INSTITUTIONS TO THE NETWORK:

¤ BC Libraries Cooperative
¤ Greater Victoria Library
¤ Simon Fraser University at Surrey Memorial Hospital
¤ University of Victoria Law Centre

WE CONTINUED TO BUILD FASTER AND MORE RESILIENT NETWORKS

Last year we reported that our Lower Mainland diverse network infrastructure project was 55 per cent complete. We are now close to completing this three-year project that will safeguard our core members' campus networks by providing a diverse network path to improve resiliency and defend against failures.

WE SUPPORTED LEADING-EDGE NETWORK RESEARCH

¤ Jointly funded a MITACS internship program to investigate secure Border Gateway Protocol
¤ Opened a software defined networking test-bed between BCNET, CANARIE and Cybera

WE MANAGED AND MEASURED OUR NETWORK PERFORMANCE.

We employ the engineering staff from our member institutions to securely and efficiently build, operate and manage a highly reliable, stable network.

24/7 SUPPORT
Provided by UBC Network Operations Centre

Network Availability

99.988%
COMMERCIAL INTERNET

100%
BCNET ADVANCED NETWORK

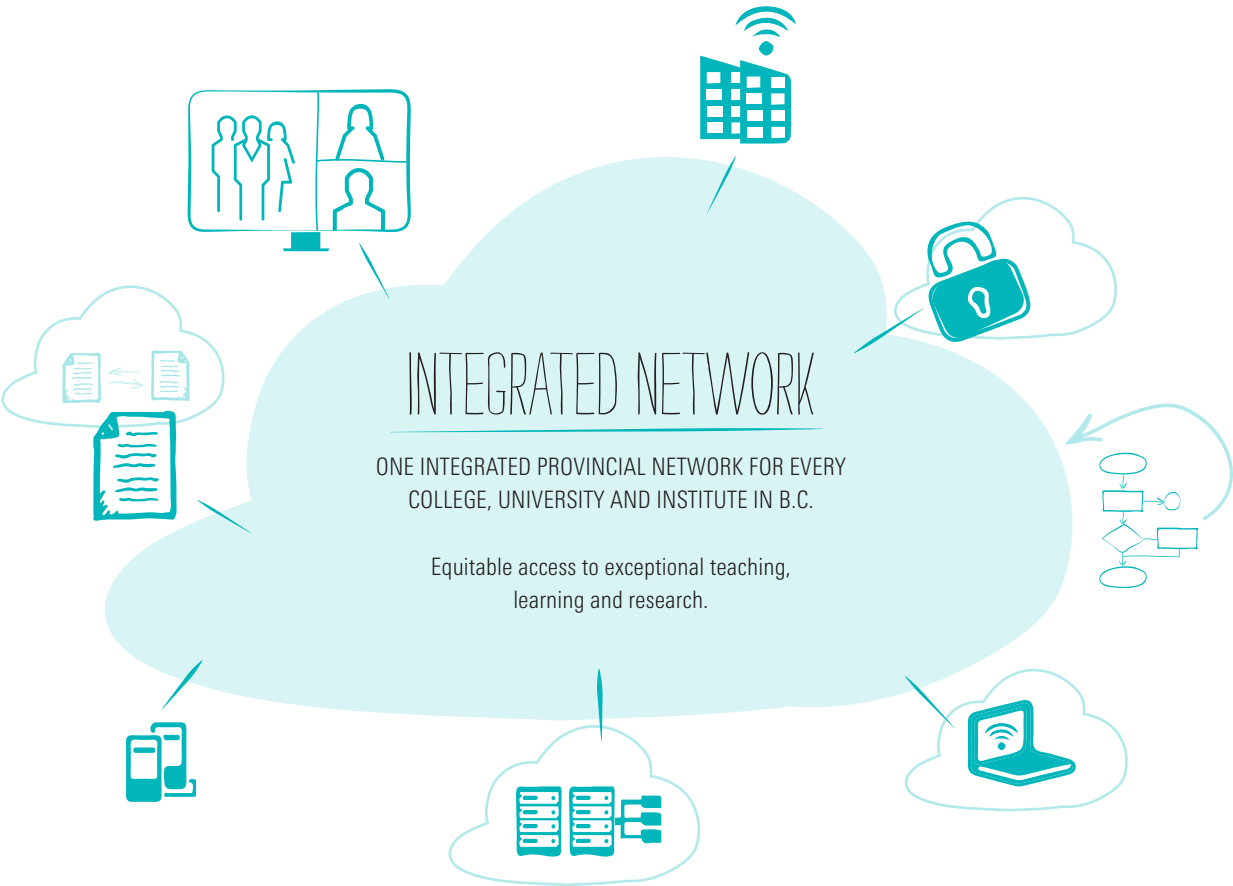**WE PROPOSED A SEAMLESS NETWORK FOR THE ENTIRE SECTOR**

In 2013/14, we began exploring the feasibility of an integrated higher education network solution in cooperation with the B.C. provincial government and all public post-secondary institutions in B.C. The goal of the project is to offer a solution that will provide all PLNet connected campuses in the province a seamless link to the BCNET Advanced Network.

This year, we collaborated with Shared Services BC and the B.C. Ministry of Advanced Education (MAVED) to come up with an equitable solution. Together, we recommended a proof-of-concept that will demonstrate the viability and feasibility of implementing a real-world integrated network solution.

In March 2014, we received one-time funding of $500,000 from MAVED in support of the integrated network proposal.

The $500,000 funding supports:

¤ Development of an Advanced Network proof-of-concept for College of New Caledonia and Vancouver Island University

¤ Integration of existing PLNet with BCNET Network

¤ Creation of a feasibility study and upgrade roadmap for Northern Lights College and North Island College
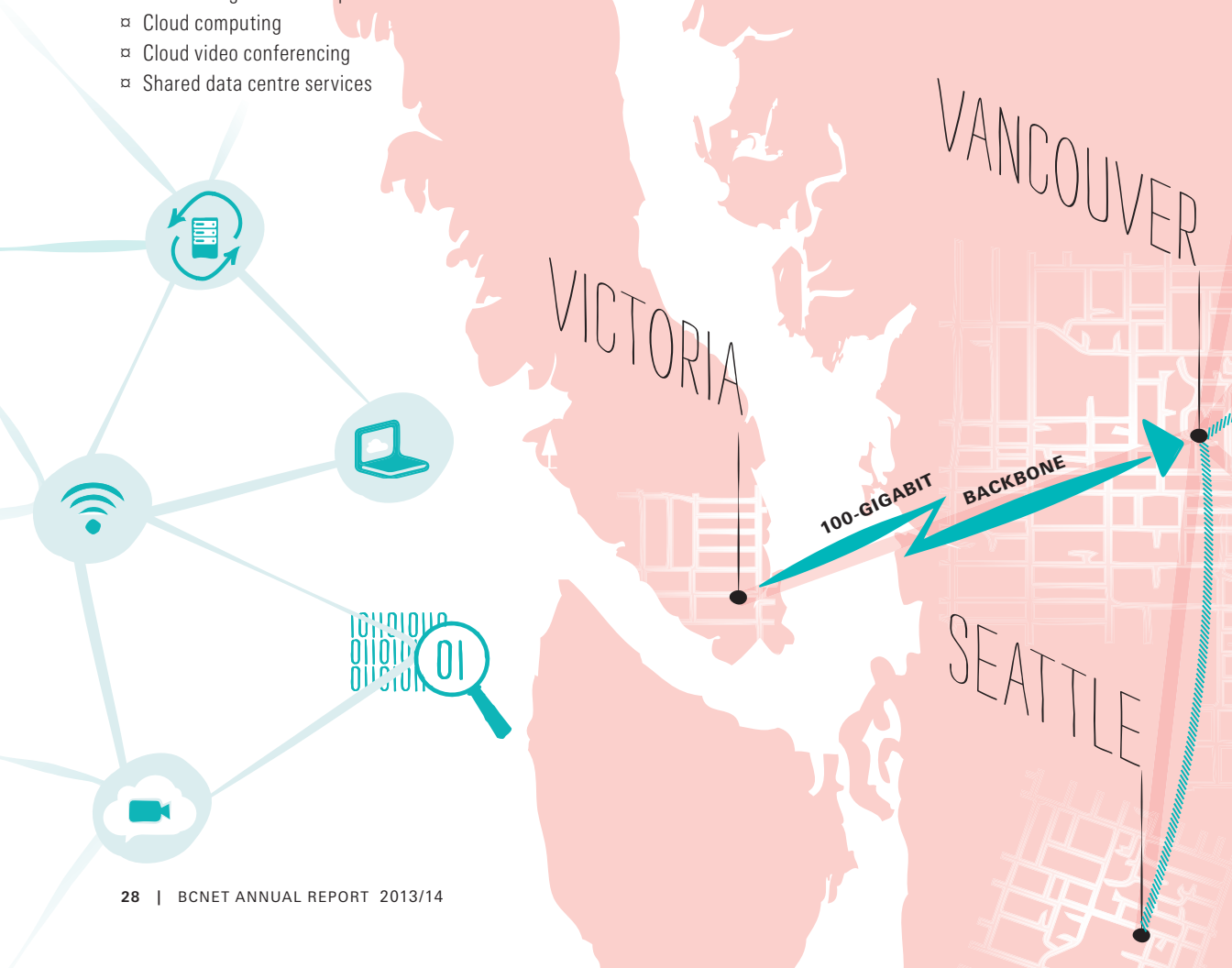
INTEGRATED NETWORK

ONE INTEGRATED PROVINCIAL NETWORK FOR EVERY COLLEGE, UNIVERSITY AND INSTITUTE IN B.C.

Equitable access to exceptional teaching, learning and research.

THE BCNET ADVANCED NETWORK
Shared digital infrastructure for higher education and research

The BCNET Advanced Network is British Columbia's member-funded, ultra-high-speed fibre optic network that moves big data between B.C.'s higher education and research institutions, and among national and international institutions in over 80 countries.

The Network serves as a powerful platform to easily, efficiently and cost-effectively access and share IT services:
¤ Off-site data processing
¤ Data storage and backup
¤ Cloud computing
¤ Cloud video conferencing
¤ Shared data centre services

PRINCE

VANCOUVER

VICTORIA

100-GIGABIT BACKBONE

SEATTLE

GEORGE

KAMLOOPS

KELOWNA

SURREY

CANARIE

VANCOUVER

CALGARY

SEATTLE

92 petabytes was transmitted over the CANARIE Network

12 petabytes of data travelled over the BCNET Advanced Network or roughly 13% of Canada's Advanced Network traffic

12 petabytes is equivalent to 1,032,174 hours of HD Blu-ray movie time

The BCNET Advanced Network is part of Canada's National Research and Education Network (NREN). Twelve provincial and territorial network partners, together with CANARIE, collectively form the NREN. This powerful digital infrastructure connects Canadians to national and international data, tools, colleagues and classrooms, to help fuel the engine of innovation in today's digital economy.

BCNET ADVANCED NETWORK FACTS

¤ Member-owned and operated network infrastructure
¤ 2,029-kilometer fibre optic network
¤ Connects 65 research and higher education institution sites in British Columbia and 72 colleges, universities and schools through the Provincial Learning Network (PLNet)

CALGARY

A 100-GIGABIT ETHERNET INTERNET BACKBONE IS COMING TO HIGHER EDUCATION AND RESEARCH INSTITUTIONS IN BRITISH COLUMBIA

BCNET is partnering with CANARIE, Canada's National Research and Education Network (NREN), to plan, implement and support a national end-to-end 100-Gigabit backbone. This faster than fast Internet backbone will be operational by fall 2014.

WE COLLABORATE ON
SHARED PROCUREMENTS

WE ADMINISTER AND MANAGE EXISTING VENDOR CONTRACTS ON BEHALF OF OUR MEMBERS.

HARDWARE AND SOFTWARE

Long View

WORKSTATIONS

MICROSERVE

STORAGE EQUIPMENT

NetApp

Through the Procurement Services Committee, our members identified seven procurements in 2013/14 that are expected to offer significant savings in hardware and IT-related equipment for the sector.

OUR PROCUREMENT PROCESS

The Procurement Services Committee provides oversight for all procurements and advises the Board on the sector's needs. The Committee formed seven working groups to administer and manage the procurement process in each related area.

The Procurement Working Groups help:
¤ Consolidate and evaluate the sector's needs and requirements
¤ Administer request for proposals
¤ Evaluate vendor submissions
¤ Select vendors

WE FACILITATED THE DELIVERY OF PROCUREMENTS ON BEHALF OF OUR MEMBERS

¤ Negotiated a three-year hardware vendor management master service agreement (MSA) with Long View Systems
¤ Signed a three-year MSA with Cisco for Catalyst Series Edge Switches
¤ Developed a plan for procurement of a Telepresence system
¤ Transitioned and renewed an MSA for Blackboard Collaborate from BCcampus to BCNET

PROCUREMENTS UNDERWAY

¤ PSTN trunking
¤ Intrusion prevention system
¤ Web survey tool
¤ Log management
¤ Web scheduling tool

WE FORMED A SUBCOMMITTEE OF EXPERTS TO REFINE OUR PROCUREMENT PROCESSES

As member demand for IT procurements continues to grow, so too does the need to refine our procurement process. We created a new member-led subcommittee that includes procurement officers, CIOs and representatives from universities and colleges to provide oversight of our procurement policies and procedures, and ensure that BCNET adheres to the guidelines outlined.

WE SIGNED A MEMORANDUM OF UNDERSTANDING (MOU) WITH BCCAMPUS

This year we signed an MOU that defines the roles of BCNET and BCcampus in coordinating and managing the provision and support of learning and technology services.

WE COOPERATE TO DEVELOP
AND OPERATE SHARED IT SERVICES

In 2013/14, the 17-member BCNET IT Services Committee recommended the development of 13 new IT services for the sector, and provided oversight in the planning, implementation and operation of these services.

This year, we made significant progress in planning and building a portfolio of 10 of the requested services.

SERVICES UNDER DEVELOPMENT

¤ Dropbox
¤ Shared Data Centre Services funding proposal
¤ E-mail
¤ eduTrust
¤ Open source voice conferencing services
¤ Shared digital media repository
¤ Multi-access classrooms
¤ Intrusion detection system
¤ 24/7 network operations centre

TESTED NEW SERVICES
¤ UBC EduCloud Server Service

WE MAINTAINED AND OPERATED EXISTING IT SERVICES AND CONTRACTS
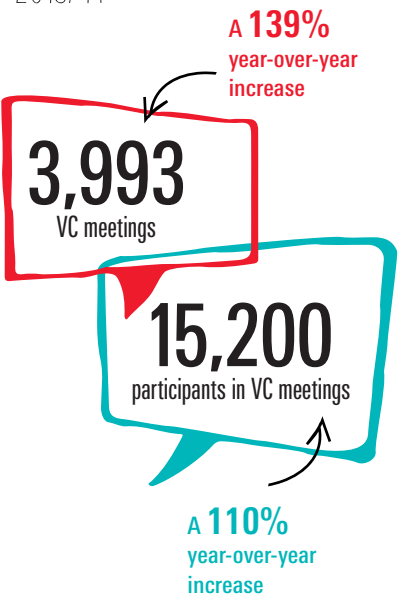
CLOUD-BASED VIDEO CONFERENCING SERVICE
Member demand for cloud-based, multi-point video conferencing (VC) grew exponentially this year, with a 139 per cent increase in the number of VC meetings. We supported the growth of the service by renewing a one-year contract with Blue Jeans Network that permits unlimited use of 85 ports.

DATA-SAFE: SHARED DATA BACKUP SERVICE
Demand for our shared data backup service is growing as more and more institutions connect to the BCNET Advanced Network. Once connected, members can use DATA-SAFE and the Network to securely transmit, backup and restore secondary campus data outside the earthquake zone.

MEMBER VIDEO CONFERENCE USAGE 2013/14

A **139%** year-over-year increase

3,993
VC meetings

15,200
participants in VC meetings

A **110%** year-over-year increase

DATA-SAFE FACT

We have created

542 terabytes

of DATA-SAFE storage space for our members
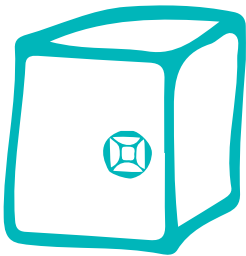
WE WORK TO BUILD OUR MEMBER COMMUNITY

building

The BCNET member community is a place where like-minded higher education IT professionals can connect to share and build their knowledge, expertise and resources. We bring the community together for information sharing and discussions at member meetings and events.

This year, we organized:
- ¤ Seven industry vendor briefings
- ¤ Five in-person member meetings

WE FOSTER MEMBER RELATIONS

In January 2014, we appointed Carmen Hung as the BCNET Member Relations Officer. Hung's mandate in this new role is to foster member community, satisfaction and loyalty, and to help BCNET achieve its mission and vision.

BCNET CONFERENCE 2014
Building value through collaboration

BCNET CONFERENCE 2014: ONE INTEGRATED CONFERENCE. ONE GREAT WAY FOR EVERYONE TO CONNECT.
APRIL 29 TO MAY 1, 2014

At the recommendation of our members, we merged two long-standing, higher education IT conferences: BCNET's annual conference and HEITBC's IT4BC event.

We successfully integrated our member communities in one, three-day conference for the entire public, post-secondary sector, opening opportunities for learning and sharing for IT staff and management.

OUR BCNET 2014 SURVEY RESPONDENTS SAID:

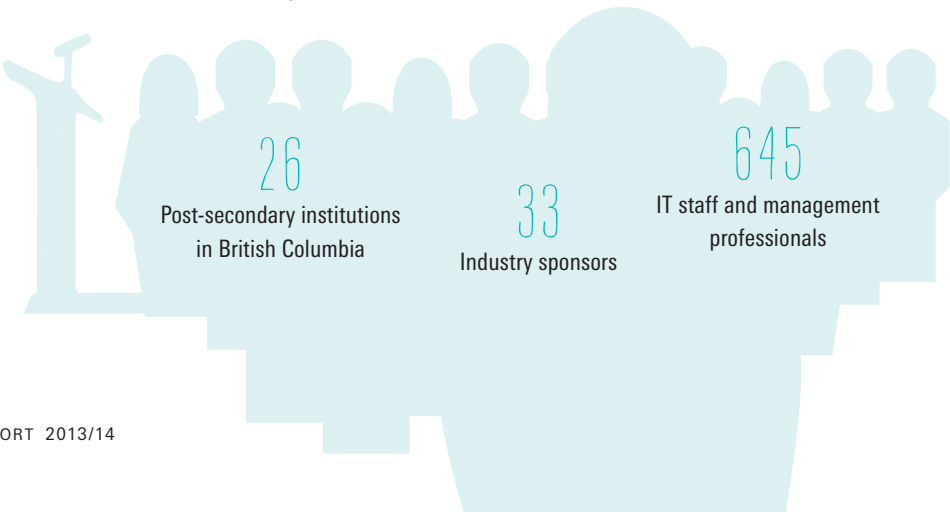### 94%
rated the overall conference from "good" to "excellent"

91%
rated the networking opportunities from "good" to "excellent"

98%
rated the speakers from "good" to "excellent"

IN ATTENDANCE WERE:

26
Post-secondary institutions in British Columbia

33
Industry sponsors

645
IT staff and management professionals

WE PARTNER WITH INDUSTRY

We align with committed industry partners to provide cost-effective, market-leading technology and services tailored to our higher education member community

PLATINUM

GOLD

SILVER

BRONZE

BCNET GOVERNANCE
BOARD OF DIRECTORS

CHAIR
Jay Black
Chief Information Officer
Simon Fraser University

SECRETARY/TREASURER
Peter Smailes
Treasurer
University of British Columbia

BOARD MEMBERS
Eileen Bray
Vice President
Administration and Finance
University of Northern
British Columbia
Ron Burnett
President and Vice-Chancellor
Emily Carr University of Art + Design
Greg Condon
Chief Information Officer
University of Northern
British Columbia
Roy Daykin
Chief Financial Officer and
Vice President, Administration
and Community Engagement
Langara College
Maggie Fung
Chief Information Officer
Kwantlen Polytechnic University
Stephen Grundy
Vice President Academic and Provost
Royal Roads University
Oliver Grüter-Andrew
Chief Information Officer
University of British Columbia
Michael Hrybyk
President and CEO
BCNET
Steve Kinsey
Vice President, Western Canada
Cisco Systems, Inc.
Stephen Lamb
Chief Information Officer
British Columbia Institute
of Technology
Brian Mackay
Associate Vice President
IT Services and CIO
Thompson Rivers University

Jag Madan
Director, Information Technology
Vancouver Community College
Ian McLeod
Chief Information Officer
Douglas College
Michael Miller
Associate Vice President Research
University of Victoria
Gary Munro
CIO and Director
Technology Services
Justice Institute of British Columbia
Mark Roman
Chief Information Officer
Camosun College
David Schade
Principal Research Officer
and Group Leader
Canadian Astronomy Data Centre
National Science Infrastructure
National Research Council Canada
Paul Stokes
Chief Information Officer
University Systems
University of Victoria
Joe Thompson
Assistant Deputy Minister
Executive Financial Officer
Student Services and
Sector Resource Management
Ministry of Advanced Education
Kevin Walters
Director
IT Infrastructure and
Educational Technologies
North Island College
Calvin Wilson
Chief Technology Officer
and Director of IT
Vancouver Island University

BCNET STANDING AND ADVISORY COMMITTEES

**AUDIT AND RISK
MANAGEMENT
COMMITTEE**

Eileen Bray, UNBC (Chair)
Roy Daykin, Langara College
Stephen Grundy, RRU
Michael Hrybyk, BCNET
Steve Kinsey, Cisco Systems
Peter Smailes, UBC

**EXECUTIVE
COMMITTEE**

Jay Black, SFU (Chair)
Eileen Bray, UNBC
Greg Condon, UNBC
Maggie Fung, KPU
Oliver Grüter-Andrew, UBC
Michael Hrybyk, BCNET
Stephen Lamb, BCIT
Brian Mackay, TRU
Ian McLeod, Douglas College
Peter Smailes, UBC
Paul Stokes, UVic

**FINANCE
COMMITTEE**

Peter Smailes, UBC (Chair)
Jay Black, SFU
Eileen Bray, UNBC
Greg Condon, UNBC
Michael Hrybyk, BCNET
Jeremy Jarvis, BCNET
Stephen Lamb, BCIT
Paul Stokes, UVic

**NOMINATING AND
GOVERNANCE REVIEW
COMMITTEE**

Paul Stokes, UVic (Chair)
Eileen Bray, UNBC
Maggie Fung, KPU
Dr. Stephen Grundy, RRU
Michael Hrybyk, BCNET
Jeremy Jarvis, BCNET
Ian McLeod, Douglas College
Robert McPherson, TRIUMF
D. Michael Miller, UVic
David Schade,
National Research Council Canada

**PLNET
ADVISORY
COMMITTEE**

Greg Condon, UNBC (Chair)
Ian McLeod, Douglas College (Co-Chair)
Wilf Bangert, Government of B.C.
Jake Block, Okanagan College
Jonathan Butt, COTR
Chris Hauff, Government of B.C.
Marilyn Hay, UBC/BCNET
Darrell Hicks, Selkirk College
Michael Hrybyk, BCNET
George Jones, JIBC
Tamara Klein, BCNET
Mark Lange, GNWC
Clarence Lee, BCNET
Kyle Loree, Camosun College
Jag Madan, VCC
James McGrath, Government of B.C.
Dubravko Pajalic, BCCRC
Jordan Perrey, Government of B.C.
Charles Pickens, Selkirk College
Steve Smith, Government of B.C.
Tracey Terepocki, VIU
Kevin Walters, NIC
Thorne Won, Consultant

SERVICES COMMITTEES

COMMUNICATION AND COLLABORATION SERVICES COMMITTEE

Stephen Lamb, BCIT (Chair)
Tamara Klein, BCNET (Co-Chair)
Dean Crawford, BCNET
Michael Hrybyk, BCNET
Valerie Irvine, UVic
Michael LeBlanc, UBC
Deborah Matheson, Okanagan College
Paul Ripley, RRU
Gary Rosborough, UBC
Vanessa Simpson, SFU
Paul Stokes, UVic
Kevin Walters, NIC

ENTERPRISE SYSTEMS SERVICES COMMITTEE

Maggie Fung, KPU (Chair)
Davis Swan, BCIT/BCNET (Co-Chair)
Casey Black, NIC
Diane Black, NVIT
Bradley Bowness, CNC
Cathy Carson, JIBC
Ryan Ebner, Okanagan College
Kelly Hein, NLC
Ellis Herbert, KPU
Michael Hrybyk, BCNET
Luc Lang, JIBC
Kyle Loree, Camosun College
Anna Machaj, TRU
Ian MacKinnon, BCcampus
Garry Sagert, UVic
Tom Stachura, Langara College
Kevin Stewart, UNBC
Calvin Wilson, VIU

IT SERVICES COMMITTEE

Jag Madan, VCC (Chair)
Michael Thorson, UBC (Co-Chair)
Nav Bassi, UVic
Chris Brougham, ECUAD
Wesley Cole, TRU
Dean Crawford, BCNET
Kelly Hein, NLC
Michael Hrybyk, BCNET
Piotr Kisiel, Douglas College
Ron Kozsan, UVic
Glen Montgomery, UNBC
Gary Munro, JIBC
Randy Raine, SFU
Kim Reeves, Douglas College
Andy Scott, Douglas College
Sean Walsh, BCIT

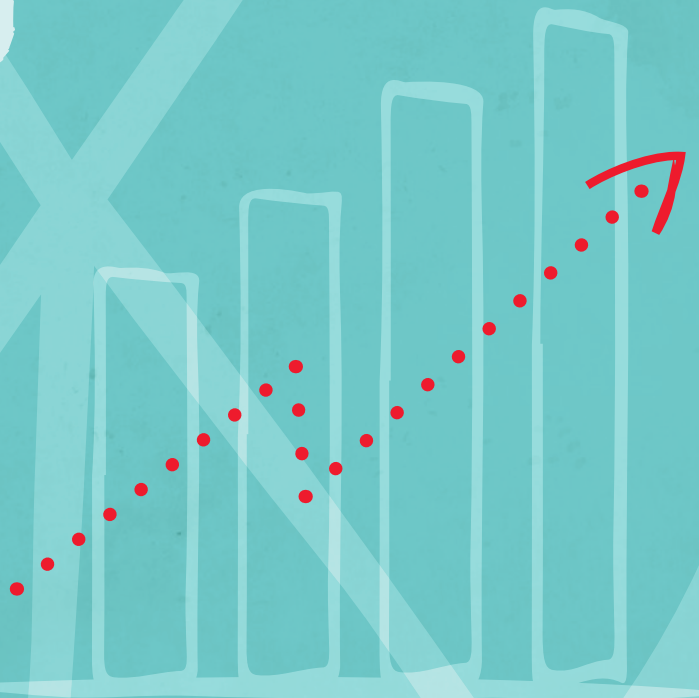## NETWORK SERVICES COMMITTEE

Brian Mackay, TRU (Chair)
Marilyn Hay, UBC/BCNET (Co-Chair)
Steve Beaudry, RRU
Jake Block, Okanagan College
Michael Gregory, SFU
Kelly Hein, NLC
Michael Hrybyk, BCNET
George Jones, JIBC
Ron Kozsan, UVic
Garth McMillan, NVIT
Andy Scott, Douglas College
Tracey Terepocki, VIU
Sean Wang, UBC

PROCUREMENT SERVICES COMMITTEE

Gary Munro, JIBC (Chair)
Dean Crawford, BCNET (Co-Chair)
Mary Aylesworth, SFU
Nav Bassi, UVic
Jonathan Butt, COTR
Laura Eagen, Okanagan College
Michael Hrybyk, BCNET
Michele Kelly, JIBC
Piotr Kisiel, Douglas College
Marlies McArthur, TRU
Michael Thorson, UBC

Return
on
Collaboration

FINANCIAL HIGHLIGHTS
AN OVERVIEW OF THE YEAR

This year, BCNET expanded its shared services offerings and its membership base by assuming many of the operations previously managed by HEITBC. This expansion has been achieved with minimal increases in staffing costs in the current fiscal period.

Revenues increased by $242,000 to $5.3 million this fiscal year, however cost increases were restricted to $88,000, allowing BCNET to post a small surplus of $36,000 for the year, which was in line with our budget.

BCNET still relies on founding and core members for 48% (2013 – 50%) of its revenue, with 27% (2013 – 22%) coming from other members. The Advanced Network consumes the majority of expenditures at 55%, but this has decreased from 60% in 2013. Shared services and applications expenditures have increased to 11% of total expenditures (2013 – 5%) reflecting the increased demand for these services.

Transit (2014 – 31%) and Office and Administration expenses (2014 – 11%) have remained consistent.

As of March 31, 2014 BCNET had negative unrestricted reserves of $400,000, but had just under $1 million of restricted reserves earmarked for network expansion projects. We invested $500,000 in capital equipment in the past fiscal year, and had cash and cash equivalents of $1.5 million at year end. The cash on hand reflects the $1 million of restricted reserves, plus a $450,000 loan from a member organization that will be used for network enhancement.

In the year ahead, we will be reviewing our pricing model for service provision in order to maintain equity, and to ensure that we continue to pass on shared services savings to our members.
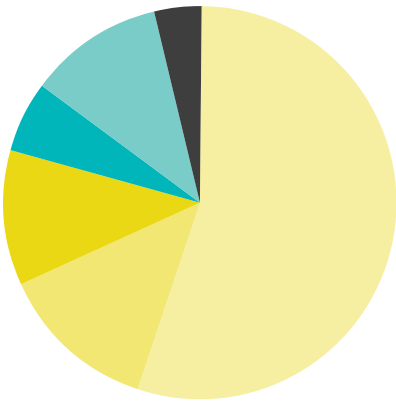
EXPENDITURES *Per cent*

Network Connections	55
Internet Transit	13
Applications & Shared Services	11
Marketing & Communications	6
Office & Administration	11
Other	4
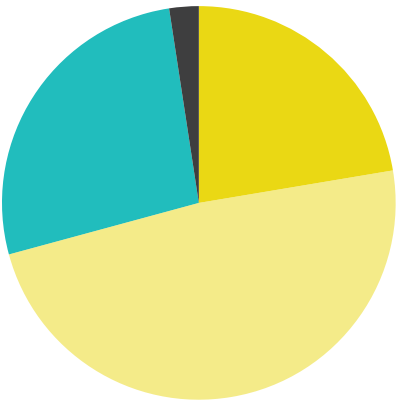
REVENUES *Dollars in thousands*

Government Grants	1,196
Services to Founding & Core Members	2,590
Other services	1,434
Other	129
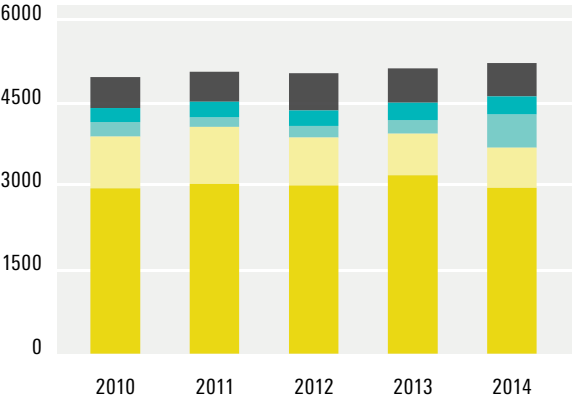
EXPENDITURE TRENDS *Dollars in thousands*

■	Office & Admin
■	Marketing & Communications
■	Applications & Shared Services
■	Internet Transit
■	Network Connections
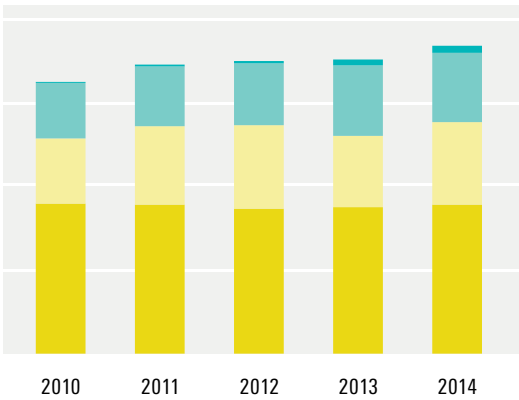
REVENUE TRENDS *Dollars in thousands*

■	Other Income
■	Grants
■	Other Services
■	Members

Management's Responsibility for Financial Reporting

The financial statements and the information contained in the annual report are the responsibility of the management of BCNET. The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The financial statements include, where appropriate, estimates based on the best judgment of management. Financial and operating data elsewhere in the annual report is consistent with that contained in the accompanying financial statements.

As part of its responsibilities, BCNET maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that BCNET's assets are appropriately accounted for and adequately safeguarded.
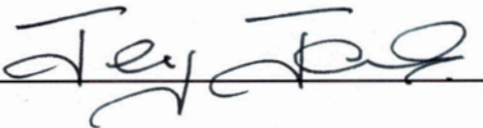
The Board of BCNET carries out its responsibilities with regard to the financial statements mainly through its Audit and Risk Management Committee (the "Committee"). The Committee reviews the annual financial statements and other information contained in the annual report and recommends them to the Board for approval. The Committee meets periodically with management and external auditors. Following these meetings, the Committee meets privately with the auditors to ensure free and open discussion of any subject the Committee or the auditors wish to pursue. The Committee also recommends the engagement or re-appointment of the external auditors, review of scope of audit and approves the fees of the external auditors for audit and non-audit services.

The financial statements, audited by BDO Canada LLP, have been approved by the Board, on the recommendation of the Audit and Risk Management Committee.

Signed by:

_____ Board Chair

_____ Chief Financial Officer

Date: June 19. 2014

Independent Auditor's Report

**To the Members of
BCNET**

We have audited the accompanying financial statements of BCNET (the "Corporation"), which comprise the statement of financial position as at March 31, 2014 and the statements of operations, 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 Corporation'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 Corporation'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 the Corporation as at March 31, 2014, 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.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
June 19, 2014

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31

	2014	2013
ASSETS		
Current		
Cash and cash equivalents	1,520,163	3,133,073
Accounts receivable	797,607	1,483,786
Government remittances receivable	39,689	-
Prepaid expenses	3,247,388	390,603
	5,604,847	**5,007,462**
Capital assets (note 2)	6,466,941	7,252,928
	12,071,788	**12,260,390**
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	353,873	1,044,513
Government remittances payable	37,964	50,705
Current portion of long-term debt (note 3)	101,419	97,005
	493,256	**1,192,223**
Long-term debt (note 3)	453,979	555,398
Deferred grants (note 4)	3,982,493	4,227,389
Deferred revenues (note 5)	3,908,267	3,087,375
	8,837,995	**9,062,385**
Net assets	3,233,793	3,198,005
	12,071,788	**12,260,390**

Related party transaction (note 8)
Commitments (note 9)
Contingency (note 10)

Approved:

PETER SMAILES
DIRECTOR, BCNET

MICHAEL HRYBYK
DIRECTOR, BCNET

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31

	2014	2013
REVENUES		
Local metro circuits	1,876,580	1,850,620
Transit	904,740	865,485
Grant revenue	1,195,821	1,222,465
Transit exchange	1,064,268	998,194
Partner and sponsor revenue	80,000	60,000
Interest revenue	30,319	30,488
Installations	42,079	68,200
Eduroam fees	18,900	10,800
Shared services	135,906	-
	5,348,613	**5,106,252**
EXPENSES (SCHEDULE)		
Cost of services	1,920,234	2,024,261
Staffing	1,607,867	1,573,939
Equipment and software	1,274,367	1,092,532
Operating expenses	510,357	534,211
	5,312,825	**5,224,943**
Excess (deficiency) of revenues over expenses for the year	**35,788**	**(118,691)**

STATEMENT OF CHANGES IN NET ASSETS
MARCH 31

	INVESTED IN CAPITAL ASSETS (NOTE 6)	INTERNALLY RESTRICTED (NOTE 7)	UNRESTRICTED	TOTAL
NET ASSETS, April 1, 2013	2,966,903	866,008	(634,906)	3,198,005
Excess (deficiency) of revenues over expenses for the year	(808,947)	(111,129)	955,864	35,788
Internally restricted funds	-	200,000	(200,000)	-
Acquisition of capital assets	433,339	-	(433,339)	-
Debt repayment	97,005	-	(97,005)	-
Net assets, March 31, 2014	**2,688,300**	**954,879**	**(409,386)**	**3,233,793**
NET ASSETS, April 1, 2012	1,696,253	932,675	(687,768)	3,316,696
Excess (deficiency) of revenues over expenses for the year	(905,652)	(66,667)	853,628	(118,691)
Acquisition of capital assets	2,083,519	-	(2,083,519)	-
Debt repayment	92,783	-	(92,783)	-
Net assets, March 31, 2013	**2,966,903**	**866,008**	**(634,906)**	**3,198,005**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31

	2014	2013
Cash provided by (used in)		
OPERATING ACTIVITIES		
Cash received from clients	2,275,212	5,509,128
Cash received from shared services	3,608,513	-
Cash paid for transit and local loop	(1,332,575)	(1,018,803)
Cash paid for hardware and software maintenance	(559,987)	(558,873)
Cash paid for shared services	(3,226,492)	(5,215)
Cash paid for staffing	(1,532,060)	(1,476,884)
Cash paid for operation	(540,211)	(502,894)
Cash received from sponsors	129,000	100,440
Interest paid	(3,161)	(2,014)
	(1,181,761)	**2,044,885**
FINANCING ACTIVITIES		
Cash received from grants	950,925	963,008
Loan repayment	(97,005)	(92,783)
	853,920	**870,225**
INVESTING ACTIVITIES		
Purchase of fibre	(27,500)	(342,486)
Purchase of capital equipment	(1,257,569)	(1,006,775)
	(1,285,069)	**(1,349,261)**
Cash and cash equivalents movement for the year	(1,612,910)	1,565,849
Cash and cash equivalents, beginning of year	3,133,073	1,567,224
Cash and cash equivalents, end of year	**1,520,163**	**3,133,073**
Cash and cash equivalents consist of		
Cash in bank	527,754	1,702,607
Temporary investments	992,409	1,430,466
	1,520,163	**3,133,073**

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature and Purpose of the Organization

BCNET's purpose is to provide its members in the education and research community in British Columbia with cost-effective shared solutions that place them at the forefront of information and communication technology innovation.

BCNET Networking Society was incorporated under the British Columbia Society Act on July 31, 1995 as a not-for-profit organization. BCNET (the "Corporation") was federally incorporated under Part II of the Canada Corporations Act by Letters Patent dated September 29, 2005, and acquired all the assets and liabilities of its predecessor organization BCNET Networking Society as of April 1, 2006. Effective June 28, 2013 BCNET continued under Section 211 of the Canada Not-for-profit Corporations Act.

(b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO").

(c) Cash and Cash Equivalents

Cash and cash equivalents are comprised of the amounts held in the Corporation's bank accounts and mutual funds.

(d) Capital Assets and Amortization

Capital assets are recorded at cost. Amortization is provided annually on a straight- line basis. Capital assets not in service are not amortized.

Estimated useful lives are as follows:

Fibre	10–20 years
General Components	3–5 years

(e) Leased Assets

Prepaid leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of capital asset. The asset is amortized in a manner consistent with capital assets owned by the Corporation. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

(f) Revenue Recognition

Revenue from the provision of services, including installments, is recorded as the services are performed.

The Corporation follows the deferral method of accounting for revenues and grants. Restricted funds are recognized as revenue in the year in which related expenses are incurred. Unrestricted revenues and grants are recognized as revenue when received or receivable.

Deferred grants for capital acquisitions are recognized as revenue on the same basis as the acquired assets are amortized.

"Transit" is the Internet traffic purchased by BCNET from internet providers on behalf of its clients.

"Local Metro Circuits" are the dedicated circuits between BCNET clients and the Transit Exchanges over which network services are delivered.

(g) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

(h) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market as well as bonds and guaranteed investment certificates are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less

impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and capitalized to the financial instrument for those measured at amortized cost. All of the Corporation's financial instruments are recorded at amortized cost.

2. CAPITAL ASSETS

"Fibre" refers to certain fibre circuits connecting member organizations that have been purchased or acquired through Indefeasible Right of Use (IRU) and lease agreements.

The Corporation has entered into fibre agreements for periods of between ten and twenty years for the use of IRU Fibres to service its members. The Corporation is amortizing these costs over the term of the agreements.

During the year, the Corporation has transferred fibre valued at $2.5 million to a third party in exchange for:

¤ an IRU to access a portion the fibre transferred; and
¤ a fibre option to access an additional 350 strand kilometres of fibre and the commitment to connect specified members to the additional fibre.

The transaction was measured at the fair value of the fibre transferred which approximates the fair value of the assets received.

3. LONG-TERM DEBT

Loan advanced from University of Victoria repayable in semi-annual installments of $62,642 including interest of 4.5% per annum, maturing March 31, 2019 with a provision to pay down without penalty.

	2014	2013
Loan	555,398	652,403
Less current portion	101,419	97,005
Owing	**453,979**	**555,398**

The aggregate amount of principal payments required in each of the next five years on the above indebtedness is as follows:

2015	101,419
2016	106,035
2017	110,860
2018	115,905
2019	121,179
	555,398

	COST	ACCUMULATED AMORTIZATION	2014 NET BOOK VALUE	2013 NET BOOK VALUE
Capital Assets, General Components	5,211,469	3,119,289	2,092,180	2,347,688
Fibre	10,110,442	6,597,896	3,512,546	4,905,240
Fibre Option	862,215	-	862,215	-
Total	**16,184,126**	**9,717,185**	**6,466,941**	**7,252,928**

4. DEFERRED GRANTS

	2014	2013
CANARIE	1,791,956	1,892,800
Ministry of Advanced Ed.	2,190,537	2,334,589
	3,982,493	4,227,389

The deferred grants are restricted for the development and support of the Optical Regional Advanced Network.

5. DEFERRED REVENUES

These funds are restricted for specific purposes and will be amortized into income as expenses are incurred.

During the year, the Corporation received funds from HEITBC, a similar organization with related members. The Corporation agreed to receive the funds and disperse the amounts in accordance with the restrictions of the original contributors.

	2014	2013
CANARIE	77,340	107,280
Service contracts	3,622,226	2,980,095
Software customization and future conferences	208,701	-
	3,908,267	3,087,375

6. INVESTED IN CAPITAL ASSETS

The Corporation's investment in capital assets is funded either through grants received from CANARIE, the Ministry of Advanced Education, long-term debt or internally from revenues generated by the Corporation. The unamortized balance of those assets that are funded internally is segregated to reflect the funds committed to cover their future amortization expense.

	2014	2013
Capital Assets	6,466,941	7,252,928
Amounts financed by: Unamortized deferred capital grants	(3,223,243)	(3,633,621)
Debt	(555,398)	(652,403)
	2,688,300	2,966,903
Excess of revenue over expenses		
Amortization of deferred capital grants	561,303	538,065
Less: amortization of capital assets	(1,370,250)	(1,443,717)
	(808,947)	(905,652)
Net change in investment in capital assets		
Capital asset additions	3,124,771	2,089,252
Capital asset disposals	(2,540,507)	-
Deferred capital grants received	(150,925)	(5,734)
	433,339	2,083,519

7. INTERNALLY RESTRICTED NET ASSETS

On March 31, 2007, an allocation of $1,000,000 was made by the Board for risk contingencies and future network enhancements. The Board approved the transfer of an additional $200,000 into the fund during the current year. To date, $245,121 (2013–$133,992) of the internally restricted funds have been used on approved expenditures.

8. RELATED PARTY TRANSACTIONS

During the year, the Corporation entered into the following transactions with its members:

Service revenue in the amount of $3,370,683 (2013–$3,230,310) was received in the normal course of operations. The Corporation also paid management fees, networking fees, rent and meeting costs to member associations in the amount of $1,218,683 (2013–$1,201,172).

As at March 31, 2014, the Corporation had receivables from its members totaling $383,857 (2013–$1,386,656) included in accounts receivable.

As at March 31, 2014, the Corporation had payables to its members totaling $29,000 (2013–$6,366) included in accounts payable.

On April 1, 2009 the Corporation received a term loan from a member. In the current year term loan principle and interest payments totaling $125,284 (2013–$125,284) were made to a member.

These transactions are in the normal course of operations and are measured at the fair market value established and agreed to by the related parties.

9. COMMITMENTS

The Corporation has operating obligations totaling $1,396,001 that extend to September 2029.

The annual payments due for the next five years and thereafter are as follows:

2015	719,378
2016	229,588
2017	61,450
2018	44,688
2019	43,875
Thereafter	297,022
	1,396,001

10. CONTINGENCIES

During the year, BCNET was engaged in an appeal of an arbitration with a provider regarding the extension of an IRU agreement on certain fibres. BCNET was successful at arbitration, but the provider's appeal to the BC Supreme Court overturned the rulings made in the original arbitration. BCNET has filed an appeal of the rulings that were made by the BC Supreme Court to the British Columbia Court of Appeal. As the estimated liability, if any, cannot be reasonably estimated, no liabilities have been recorded.

11. COMPARATIVE FIGURES

Certain of these comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

SCHEDULE OF EXPENSES
FOR THE YEAR ENDED MARCH 31

	2014	2013
COST OF SERVICES		
Circuit costs	783,479	1,108,259
Inter-city connections	100,469	179,219
IT projects	56,477	5,215
Shared Services	265,104	-
Transit	714,705	731,568
	1,920,234	**2,024,261**
STAFFING		
Administration	88,486	83,614
Client services	180,242	178,099
Consulting	80,386	76,768
Co-op students	46,592	44,435
IT and applications support	153,957	131,346
Management	188,854	187,903
Shared services	107,131	102,320
Technical services	762,219	769,454
	1,607,867	**1,573,939**
EQUIPMENT & SOFTWARE		
Amortization	736,825	561,333
Repairs and Maintenance	537,542	531,199
	1,274,367	**1,092,532**
OPERATING EXPENSES		
Audit	16,000	15,100
Bad debts	2,894	-
Communications	136,391	124,763
Insurance	21,454	26,482
Interest	28,279	32,502
Legal fees	141,101	190,997
Miscellaneous	2,810	5,755
Office	29,610	24,407
Rent	48,360	48,360
Travel and meetings	83,458	65,845
TOTAL EXPENSES	**510,357**	**534,211**

BCNET ↗

Return on Collaboration