

2015/16 ANNUAL REPORT

By Members and For Members

WHO WE ARE

BCNET is a not-for-profit shared information technology services organization that represents the interests of our members—colleges, universities and research institutes in British Columbia.

WHY WE ARE HERE

We accelerate the delivery of shared technology services. Our aim is to build value through community engagement, drive down costs, maximize efficiencies and support the mission of our members.

SUPPORTING THE STRATEGIC MISSION OF OUR MEMBERS

GOVERNED BY MEMBERS

23 Representative Directors of the Board

FUNDED

By Members

FACILITATING SERVICE DELIVERY

Sourced, Developed and Operated by Members

Contents

- 4 Message From The President
- 6 Message From The Chair
- **8** Fostering A Strong Member Community
- **9** Forging Successful Partnerships
- 10 Generating Higher Value: By Members And For Members
- **12** Board of Directors
- 14 A Year In Review: Areas of Impact 2015/16
- 16 Manage, Operate And Advance Network Infrastructure
- 27 Empower Members To Continuously Improve Information Protection
- **30** Facilitate Collaborative And Innovative IT Solutions
- 34 Deliver Greater Efficiencies By Offering A Marketplace Of Competitively Sourced Agreements
- 39 Ensure The BCNET Brand Has A Solid Reputation Of Trust, Value, Innovation And Satisfaction
- **42** Industry Partners
- **45** Financials Highlights And Statements 2015/16

Message From The President



Thank you for welcoming me to the BCNET community. I am heartened by our members' enthusiasm in receiving and embracing me, as well as their unwavering commitment to BCNET.

As the new CEO, I plan to build on BCNET's success and continue to deliver exceptional value. We are setting the standard for shared services in higher education and are seen as a model to emulate. Our members have contributed greatly to our success, and we have grown significantly thanks to our collaborations with the public, post-secondary sector, the Ministry of Advanced Education and partners such as CANARIE.

Our growth has been organic, opportunistic, entrepreneurial and responsive to member needs. Going forward, I will work with our community to ensure our growth is also strategic, without compromising the elements that make us successful.

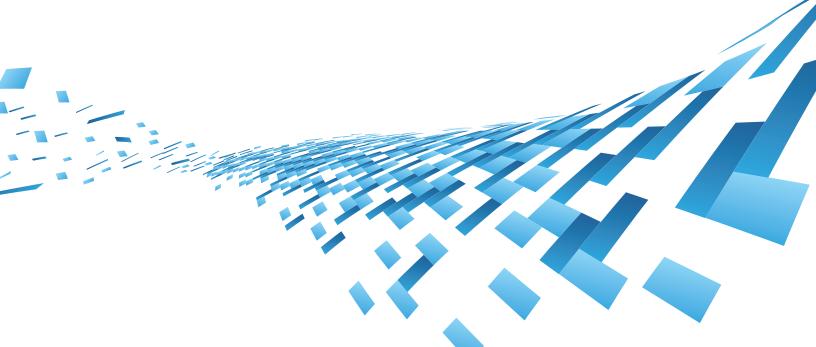
Secure, high-speed network connectivity is foundational to all shared information technology services. Today, a number of campus sites still urgently need advanced network connectivity to enable them to access innovative technology solutions. Accordingly,

we are working with these institutions, the Ministry of Advanced Education, CANARIE and other stakeholders to deliver unfettered connectivity to every campus, regardless of geographic location. We will ensure that everyone can participate in our services and support the learning, teaching and research mission of their institution.

I would like to thank the BCNET management team and the staff for their support, for readily embracing my leadership and for guiding and inspiring my early days at BCNET. With our strong team contributions and unmatched member commitment to excellence in shared services, I am confident we will continue to thrive as a community.

(lBab

BALA KATHIRESAN
PRESIDENT AND CHIEF EXECUTIVE
OFFICER AT BCNET



Message From The Chair



On behalf of the BCNET Board of Directors, I am pleased to present the 2015/16 Annual Report, which highlights our accomplishments for the fiscal year.

The last year has been a time of significant change and growth. First and foremost, I am happy to welcome newly appointed president and CEO, Bala Kathiresan. In January 2016, the Board of Directors appointed Bala for his extensive leadership experience and unique ability to translate vision and strategy into results. He has proven to be highly effective at bringing together communities, working with governance and boards, and championing a culture of innovation and collaboration.

In January 2016, our long-standing president and CEO, Michael Hrybyk stepped down after a remarkable 22 years of service. He has been a strong, passionate and visionary leader throughout BCNET's 28-year history. The Board is very grateful for his many contributions and his distinguished and long tenure as CEO.

Now, more than ever, the collaborative, community-based approach BCNET does so well is vital to support the digital transformation underway at our campuses. The 2015 Universities Canada Conference credited the importance of collaboration within and among institutions as one of five essential drivers in becoming successful digital leaders. BCNET responds to digital with collaborative services such as EduCloud Server. The service is operated by and for members and allows IT administrators

to rapidly and cost-effectively enable and run new cloud services for students, faculty and researchers.

BCNET continues to play a leadership role in the area of information protection. Our institutions are under constant threat from new cyber-attacks, and compliance requirements have grown rapidly. This requires our IT teams to be constantly learning and adapting.

Since we began shared service development in 2013, we have realized \$66 million in efficiencies and savings for the public, post-secondary sector. As we continue to grow our portfolio of service offerings, our strategic priority remains focused on operating, growing and advancing our core service, the BCNET Advanced Network. The ultra-high-speed network is critical infrastructure for institutions in achieving their digital strategies and enabling their core mission.

I was honoured to be elected chair of the board and look forward to the year ahead. I would like to extend my sincere gratitude to members, present and former directors of the Board, and the dedicated team at BCNET for helping shape today's organization and preparing us for tomorrow's.

BRIAN MACKAY

CHAIR, BCNET BOARD OF DIRECTORS

Fostering A Strong Member Community

HOW WE COLLABORATE

We cultivate a strong community, where members can actively engage with peers to share, explore, evaluate and develop innovative technology solutions for mutual challenges. Our unique, collaboration model is carefully designed to support member engagement every step of the way. We facilitate forums and events across domains for discussion, learning and the development of shared service delivery. Our members are part of an important information technology exchange, where they tackle a spectrum of topics-from networking and information protection to procurements and IT services.

OUR IMPACT

We bring together our community with measureable success. The ability for members to collaborate and share information with peers is reported as the #1 Driver of BCNET Member Satisfaction*



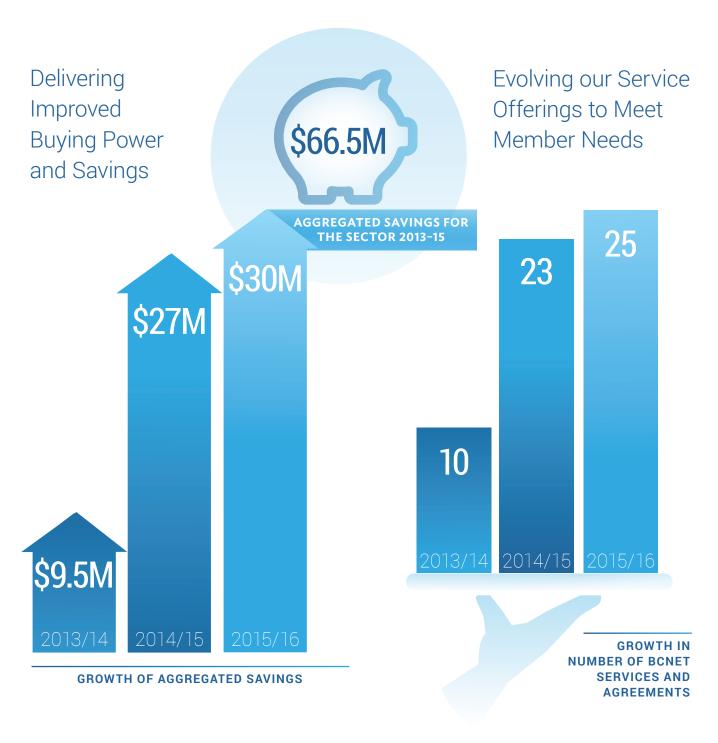
Forging Successful Partnerships

We partner with local communities, municipalities, regional and national advanced network organizations, government, and industry to optimize the delivery of high-quality, costeffective service solutions.





Generating Higher Value: By Members And For Members



The ability to access high-quality services at a better price than could be obtained independently.

Service Value is the

#2 Driver of Member Satisfaction*

EXPANDING NETWORK CONNECTIONS



25% **GROWTH** In new campus site connections

UNDERSTANDING OUR MEMBER SATISFACTION



Overall member satisfaction with BCNET services



Overall member satisfaction with BCNET



BCNET fulfills its mission of providing cost-effective shared solutions

*2015 BCNET Member Satisfaction Research Study conducted by Ipsos

CHAIR



Brian Mackay

Associate Vice-President and
Chief Information Officer,
IT Services
Thompson Rivers University

PRESIDENT



Bala Kathiresan

President and
Chief Executive Officer
BCNET

SECRETARY/TREASURER



Peter Smailes
Treasurer
University of British
Columbia

BOARD MEMBERS



Kevin Brewster
Assistant Deputy Minister
and Executive Financial Officer
Ministry of Advanced
Education



Jennifer Burns
Chief Information Officer
University of British Columbia



Jonathan Butt
Manager, IT Services
College of the Rockies



Greg Condon
Chief Information Officer
University of Northern
British Columbia



Alan Davis
President and
Vice-Chancellor
Kwantlen Polytechnic
University



Roy Daykin
Vice-President Employee
& Corporate Services
Okanagan College



Gayle Gorril
Vice-President Finance
and Operations
University of Victoria



Steve Grundy
Vice-President Academic
and Provost
Royal Roads University





Steve Kinsey Executive Vice-President of Strategy and Planning, Charter



Peter Kingston Vice-President Finance and Administration Justice Institute of British Columbia



Stephen Lamb Chief Information Officer British Columbia Institute of Technology



Anna Machaj Chief Information Officer Vancouver Island University



Jag Madan Chief Information Officer Langara College



Ian McLeod Chief Information Officer Douglas College



Michael Miller Professor, Department of Computer Science, University of Victoria



Matt Milovick Vice-President, Administration and Finance Thompson River University



Stephen O'Connor Chief Information Officer Capilano University



Mark Roman Chief Information Officer Simon Fraser University



Group Leader Canadian Astronomy Data Centre National Research Canada



Director Information Technology North Island College



AREAS OF IMPACT
WE WILL MANAGE,
OPERATE AND
ADVANCE NETWORK
INFRASTRUCTURE IN
SUPPORT OF RESEARCH,
EDUCATION AND
INNOVATION



BCNET welcomed the University of Fraser Valley (UFV) as a new user of the Advanced Network. High-speed connectivity supports UFV in its effort to be innovative, entrepreneurial, and accountable in providing the best undergraduate education in Canada.

The successful implementation of UFV and its eight campus sites is the latest public, postsecondary institution in B.C. to join the network, as part of the BCNET Integrated Network Project.

The BCNET Integrated Network Project team identified UFV's financial requirements and helped secure infrastructure funding for six UFV campus sites through the Ministry of Advanced Education. UFV self-funded their Chilliwack campus and secured 50 per cent funding for the Abbotsford campus network with the help of BCNET and CANARIE.

A SPECIAL PURPOSE TEACHING UNIVERSITY

UFV is a special purpose teaching university that provides greater access to Aboriginal students and adults seeking basic education, as well as catering to international students. It also helps address educational needs of the labour market.

ENHANCING THE DELIVERY OF ONLINE COURSES TO BOOST STUDENT **ENROLLMENT**

The network is a gateway for the university to enhance the delivery of online courses and services to boost student enrolment and enable success in learning and life-long learning. With over 15,000 students and 1,500 online courses each term, UFV now has a cost-effective. reliable network solution to serve up and advance the delivery of rich content, including video streaming and learning applications, to remote and onsite students.



Today, the network interconnects eight campus sites, which in turn connect to 85 higher education and research campus sites in B.C., and over 80 advanced research and education networks around the world.

Today, the network interconnects eight campus sites, which in turn connect to 85 higher education and research campus sites in B.C., and over 80 advanced research and education networks around the world.

"Advanced Networks and improved Internet connectivity is essential to the teaching and learning experience," says Jackie Hogan, chief financial officer at UFV. "Our students and faculty now have enhanced access to high-quality interactive streaming video and other services to share and participate in content, lectures and discussions."

Advancing Network Infrastructure

The BCNET Network is critical digital infrastructure that supports the higher education mission of teaching, learning and research.

Powerful, secure and cost-effective network infrastructure is instrumental in the delivery of core campus services, and critical for the adoption and delivery of shared services.

- · Cloud technologies
- · Off-site data processing
- · Information protection services
- · Disaster recovery
- · Videoconferencing

Allows researchers in B.C. to participate in groundbreaking global research.

Fuels Innovation And Discovery







GENOMIC RESEARCH

ASTROPHYSICS





OCEAN SCIENCES

Connects Researchers

to peers, instruments and data at the world's most advanced scientific research facilities.







Opens Access To

MILLIONS OF USERS AT 2,000 NATIONAL CANADIAN AND GLOBAL ACADEMIC INSTITUTIONS RESOURCES 100 GLOBAL RESEARCH **PEER NETWORKS**

Facilitates a reliable, high-speed platform to deliver today's online and distance teaching and learning programs.

Connects Learners And Classrooms









Operating The Network Facts And Stats 2015/16

We reduced network costs.



Our members reported high satisfaction with network services.*

> 85% **ADVANCED NETWORK SERVICE**

91% **TRANSIT EXCHANGE**

INTERNET TRANSIT

*2015 BCNET Member Satisfaction Research Study conducted by Ipsos We enhanced efficiencies in campus Internet traffic.

We managed and operated a highly secure, reliable backbone.

INTERNET PEERING \$1.4M AVOIDED COSTS

Reduced the amount of campus Internet traffic travelling to sites like Google, YouTube and Facebook

ULTRA-HIGH SPEED-UP TO 100 GIGABITS PER SECOND

HIGH AVAILABILITY

99.99% **CANARIE NETWORK AVAILABILITY**

BCNET ADVANCED NETWORK

INTERNET TRANSIT



Our Advanced Network is run by and for our members.

The network is operated by network engineers from the University of British Columbia (UBC), the University of Victoria, Simon Fraser University, Thompson

Rivers University, the University of Northern British Columbia, and BCNET. UBC's IT Service Centre provides 24/7 network support.

24/7 NETWORK SUPPORT

THE PROJECT

Integrated Network Solution Project

In 2013, we proposed an integrated network solution that recommended the integration of service providers and Shared Services BC facilities with BCNET's existing fibre optic Advanced Network for British Columbia's public, post-secondary institutions.

In 2014, we planned a funding model that outlined a clearly defined process for institutions to apply for financial resources. The model was endorsed by the Ministry of Advanced Education.

COLLABORATION PARTNERS

- BCNET Integrated Network Advisory Committee
- · Ministry of Advanced Education
- · Public, post-secondary sector

BENEFITS

Secure and equitable access to the Advanced Network ensures that all campus sites across British Columbia can deliver leading-edge technology services.

RESULTS

This year, we made significant progress in supporting members to move through phases of the project, from submitting funding proposals to implementation.

> The successful network implementation of the University of the Fraser Valley and its eight campus sites.

GOAL

to connect 100% of public, postsecondary institutions in British Columbia to the ultra-high-speed BCNET Advanced Network.

13 submitted funding proposals **MEMBERS**

reviewed by the Ministry of Advanced Education **PROPOSALS**

4 ISSUED REQUEST FOR **OUOTES**

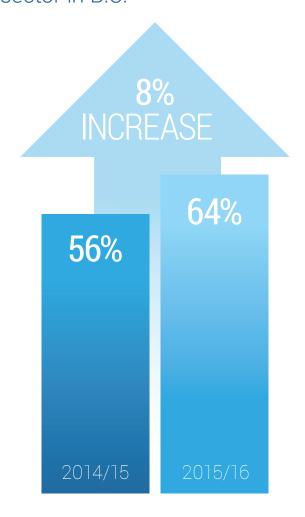
2 NETWORK **IMPLEMENTATIONS REVIEWED**

at the University of the Fraser Valley IMPLEMENTATION



Network Expansion Facts And Stats 2015/16

We made progress in connecting the entire sector in B.C.



We connected major campus sites, remote and rural sites.

> New campus site connections (since 2014/15) **GROWTH**

We expanded our reach.

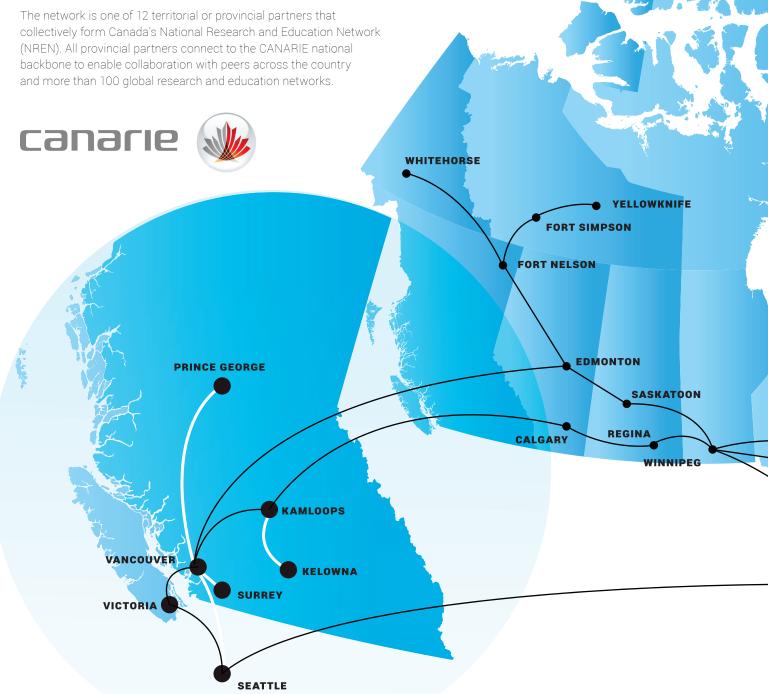
We extended our fibre 370 km optic network assets **EXPANSION**

8,850km FIBRE OPTIC Member-owned and operated **NETWORK ASSETS**

We Continuously Foster Partnerships In Building Cost-Effective Networks

The BCNET Advanced Network is built through collaborative partnerships. We leverage existing fibre optic network infrastructure within our member communities and the CANARIE National Research and Education Network.

The network is one of 12 territorial or provincial partners that



A world-class health centre in downtown Surrey will create new technologies and improve people's lives thanks to highspeed infrastructure.

BCNET cultivates cooperative agreements with local municipalities like the City of Surrey and its Surrey Innovation Boulevard to leverage fibre optic infrastructure for mutual benefit. We partnered with the City to build a dark fibre network to connect the Simon Fraser University lab at the massively expanded Surrey Memorial Hospital in downtown Surrey.

BCNET was influential in identifying opportunities to leverage the new infrastructure for its members. reduce costs, secure CANARIE National Research and Education Network funding and expand the infrastructure reach for Surrey's innovation partners. New networks will connect the dots, delivering innovative health technologies and ultimately improving patients' lives.

"CANARIE's NREN Program helps BCNET extend the reach of Canada's ultra-high-speed National Research and Education Network. This program supports the advancement of Canada's NREN to enable world-class research and collaboration, and strengthens the impact of investments in the NREN by aligning the network's evolution with provincial and national priorities."

> JIM GHADBANE PRESIDENT AND CEO AT CANARIE

The Surrey Innovation Boulevard is a unique partnership with the City of Surrey, health organizations, universities, businesses and government. It is creating a world-class centre for health technology in downtown Surrey, connecting:

Four universities

ST.JOHN'S

HALIFAX

MONCTON

NEW YORK

RIMOUSKI

OTTAWA

TORONTO

FREDERICTON

BOSTON

QUEBEC

ONDON

WINDSOR

THUNDER BAY

CHICAGO

- Fraser Health Authority corporate headquarters
- Surrey Memorial Hospital Campus
- NeuroTech Lab
- Jim Pattison outpatient and surgery centre
- BC Cancer Agency
- Researchers
- Leading-edge health technology companies

THE PROJECT

CANARIE NREN 100 gigabit upgrade in Western Canada.

RESULTS

We supported the successful implementation of a 100 gigabit NREN upgrade across four secondary diverse paths.

GOAL

We will support CANARIE in deploying the next phase of a 100 Gigabit network upgrade in British Columbia (part of a larger, cross-Canada project).

COLLABORATION **PARTNERS**

CANARIE Cybera

BENEFITS

Implementing a provincewide, 100-Gigabit network will provision unconstrained performance, propelling research, education and innovation forward.



AREAS OF IMPACT
WE WILL EMPOWER
MEMBERS TO
CONTINUOUSLY
IMPROVE INFORMATION
PROTECTION

Enhancing Information Protection

THE PROJECT

Develop Federated Identity Service

In 2014, we launched the BC EduTrust Federated Identity Service to offer coaching and zero-cost consulting to support the adoption and implementation of identity and access management services through CANARIE's Canadian Access Federation (CAF).

GOAL

We will establish a regional collaboration, a digital circle of trust, which enables members to join the Canadian Access Federation and improve access to online services.

COLLABORATION PARTNERS

- BC EduTrust Federated Service Special Interest Group
- CANARIE Canadian Access Federation
- BCCampus

BENEFITS

- Mentoring and coaching support that offer assistance in providing a smooth and costeffective transition and deployment
- · Zero-cost service
- · Regional higher education assistance and support
- Technical expertise and shared knowledge

WHAT IS THE CANADIAN ACCESS FEDERATION?

CANARIE's Canadian Access Federation (CAF) is the umbrella organization for two identity and access management services: eduroam and Federated Single Sign-On (SSO).

ENSURES EASIER, SEAMLESS AND SECURE ACCESS FOR:

- Students, faculty and staff to access Wi-Fi, online content and web-based applications
- · BCNET shared services
- Emerging Cloud services

EDUROAM (EDUCATION ROAMING)

- Secure, world-wide wireless roaming access service
- Available at educational institutions at more than 65 countries worldwide

FEDERATED SINGLE SIGN-ON (SSO)

- Secure, privacy-preserving trust fabric for research and higher education institutions and their service provider partners
- Enables access to online services and resources



Accelerating Adoption Of Federated Identity Services 2015/16

"Our driving business case to implement federated identity technologies is the need for secure and seamless access to existing and emerging cloud services."

STEVE BEAUDRY

MANAGER, SERVER, NETWORK AND TELECOM INFRASTRUCTURES AT ROYAL ROADS UNIVERSITY

Institutions Fully Implemented CAF Services



a place of mind THE UNIVERSITY OF BRITISH COLUMBIA



ENGAGING THE WORLD

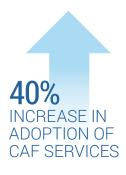






THOMPSON RIVERS | UNIVERSITY

Increasing Adoption Rates 2014–2016





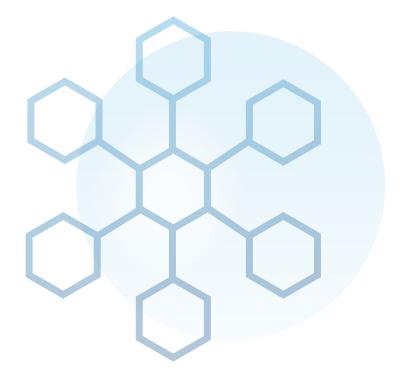


FEDERATED SINGLE SIGN-ON ENABLED



AREAS OF IMPACT
WE WILL FACILITATE
COLLABORATIVE AND
INNOVATIVE IT SOLUTIONS
TO SUPPORT EXCELLENCE IN
TEACHING, LEARNING AND
RESEARCH

Facilitating Collaborative And Innovative Information Technology Solutions



In 2016, we merged the management of information technology and enterprise systems services into the Shared Systems and Technology portfolio with a goal to build synergy between the groups and offer greater service value for members.

COLLABORATION PARTNERS

- BCNET IT Services Committee
- BCNET Enterprise Systems Services Committee

RESULTS

We made progress on five key projects and investigated ways to leverage emerging cloud technologies for the sector.

- EduCloud Server
- Moodle
- Kaltura
- Digital Signage
- Custom Software Repository

THE PROJECT

Launch a productiongrade virtual data centre service for members

Together with UBC, we successfully launched a production service called EduCloud Server and secured funding from the Government of British Columbia's Ministry of Advanced Education. The Ministry agreed to fund service usage for the entire higher education sector until 2018.

WHAT IS EDUCLOUD?

EduCloud Server is a self-managed, private higher education cloud server service that provides simple and secure virtual data centre access to provision, manage and utilize servers at a fraction of the cost of implementing physical servers.

COLLABORATION PARTNERS

- · University of British Columbia
- The Ministry of Advanced Education

RESULTS 88%

SERVICE ADOPTION



\$980,000 **BUYING POWER**



100% **OPERATED &** SUPPORTED BY UBC **FIPPA** COMPLIANT





CAMPUS VIRTUAL DATA CENTRE



DISASTER RECOVERY



HOSTING PRODUCTION SERVICES



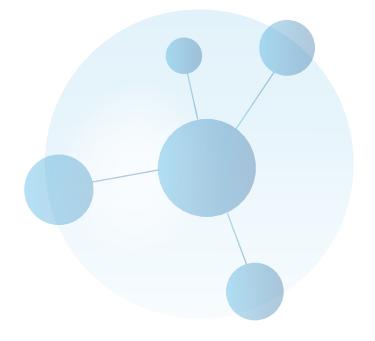
TEST ENVIRONMENT



AREAS OF IMPACT

WE WILL DELIVER GREATER EFFICIENCIES AND SAVINGS BY OFFERING A MARKETPLACE OF COMPETITIVELY SOURCED HARDWARE AND SOFTWARE AGREEMENTS THROUGH MEMBER-DRIVEN, COLLABORATIVE, STRATEGIC SOURCING FOR THE PUBLIC, POST-SECONDARY SECTOR IN B.C.

Transforming Strategic Collaborative Sourcing



BCNET procurement processes aim to source service agreements that meet member requirements, provide the best overall price, minimize duplication, and follow a process compliant with legislative and regulatory requirements.

THE PROJECTS

We identified 10 sourcing opportunities for software and hardware contracts.

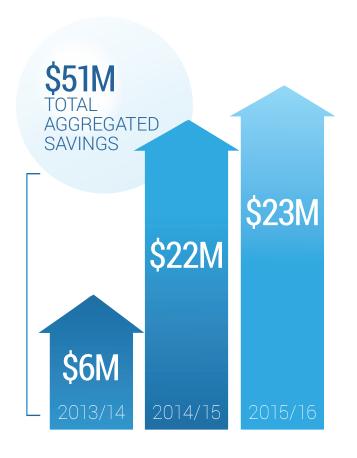
COLLABORATION PARTNERS

Procurement Services Committee

RESULTS

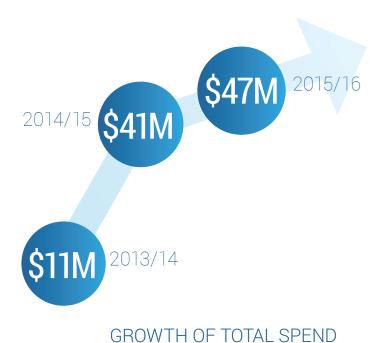
In 2015/16 we managed existing vendor contracts, developed three new proposals and successfully sourced two new vendor contracts for wireless routing equipment.

Existing Sourcing Contracts: Hardware and Software





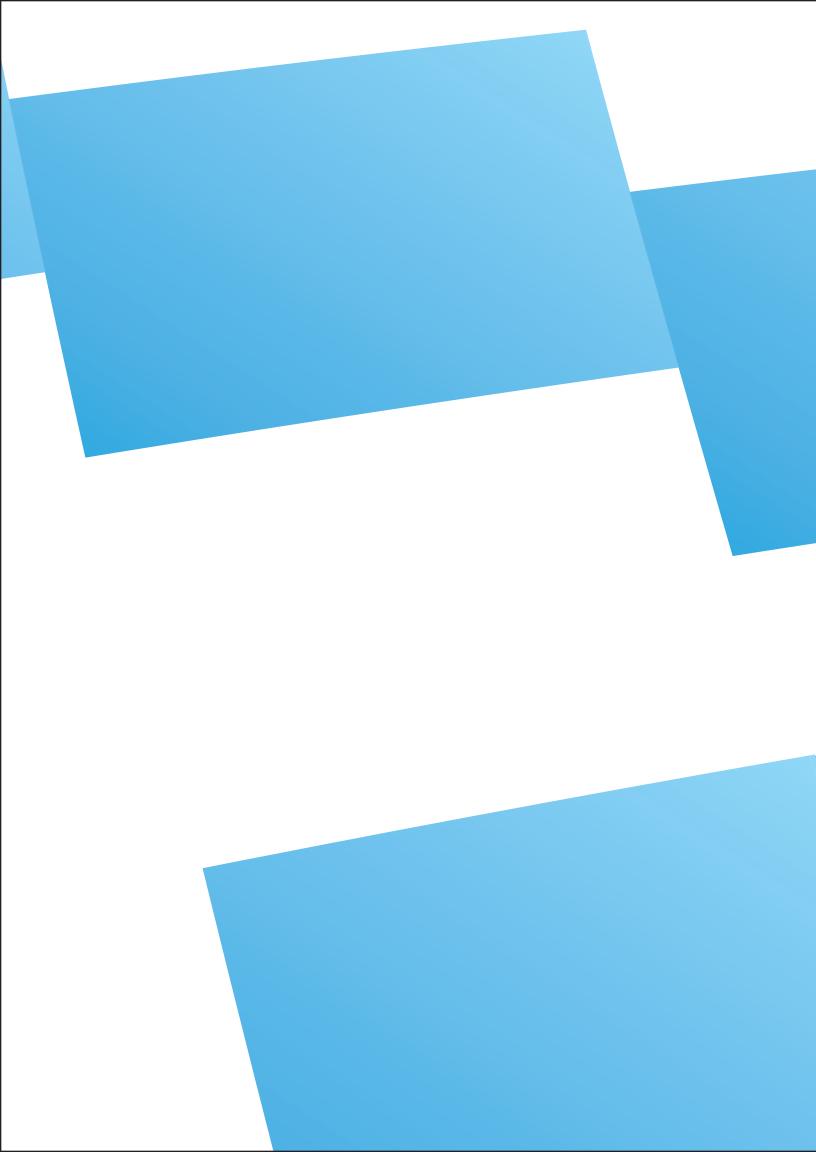




ALL SOURCING CONTRACTS



* 2015 BCNET Member Satisfaction Research Study conducted by Ipsos



AREAS OF IMPACT WE WILL ENSURE THE BCNET BRAND HAS A SOLID REPUTATION OF TRUST, VALUE, INNOVATION AND SATISFACTION

Building Brand Value

BCNET's brand reputation is formed by the collective impact of direct member experiences with our services, staff, processes and operations, as well as exposure to brand communications.

THE PROJECT

We developed a research study to understand and benchmark member satisfaction

In 2015, we contracted with Ipsos, a global independent market research company, to study member satisfaction with BCNET, our services, communications, collaboration and operations. The survey helped define areas of dissatisfaction with existing services and assess BCNET's image and perceived value among members.

GOAL

Understand our members and their experience with BCNET

COLLABORATION PARTNERS

BCNET members

RESULTS



32%
MEMBER
RESPONSE RATE

2015 ONLINE MEMBER SATISFACTION SURVEY

BCNET HAS A POSITIVE IMAGE

BCNET was evaluated on seven dimensions that collectively can be said to describe our organization's image. We have a generally positive image that is most strongly associated with delivering value to member organizations and facilitating collaboration between them.

MEMBERS STRONGLY AGREE THAT:

BCNET DELIVERS
VALUE TO MY
ORGANIZATION

76%

BCNET FACILITATES
COLLABORATION
THROUGH COMMITTEES
AND WORKING GROUPS

73%

BCNET ENCOURAGES MY PARTICIPATION

68%

BCNET TAKES A LEADERSHIP ROLE ON IMPORTANT COMMUNITY ISSUES

67%

BCNET VALUES MY CONTRIBUTIONS AND PERSPECTIVES

61%

BCNET IS TRANSPARENT IN ITS OPERATIONS

60%

BCNET UNDERSTANDS THE NEEDS OF MY ORGANIZATION

56%



THE PROJECT

Annual Higher Education IT Conference

The BCNET Annual Conference has evolved and grown to meet the needs of our higher education member community. The event is the leading gathering of higher education IT professionals in Canada. In April 2016, over 720 people came together to contribute content, learn, share insights and connect with colleagues from 25 higher education institutions in British Columbia. The program is wholly generated by, and for, our diverse member community.

GOAL

The ability for colleges, universities and institutes to collaborate offers immense opportunities for learning, engagement and sharing of information among larger and smaller institutions.

MEMBER COLLABORATIONS, **MEETINGS AND EVENTS**

MEETINGS & EVENTS

25,000 UNIQUE **WFBSITF VISITORS**

10% **INCREASE** IN WEBSITE TRAFFIC

15,000 RETURNING WEBSITE **VISITORS**

1,091 MEMBER **INTRANET USFRS**

MEMBER MEETINGS

79 **ONGOING MFMBFR** COMMUNICATIONS

^{*2015} conference survey respondents

Industry Partners 2016/17 BCNET Industry Partners

PLATINUM















GOLD























SILVER





























BRONZE















FINANCIALS HIGHLIGHTS AND STATEMENTS 2015/16

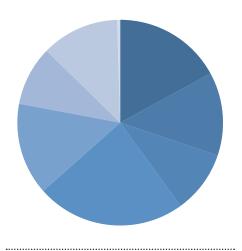
FINANCIAL HIGHLIGHTS AN OVERVIEW OF THE YEAR

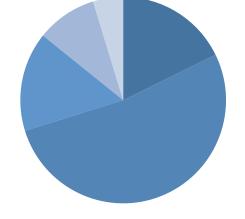
BCNET continues to expand its network and service offerings to its members. As more members are connected to the high-speed network, more services can be accessed. Over the year, revenues increased by 12 per cent (11 per cent in 2015) to \$6.6 million, and flow through enterprise system services increased by 14 per cent to \$5.4 million.

Federal and Provincial grant revenue of \$1.1 million comprises 10 per cent of the total revenue, with the majority being one-time or capital project funds. Network Services still account for 52 per cent (53 per cent) of revenues and 51 per cent (50 per cent) of direct costs.

By keeping office and administrative costs to 17 per cent of revenues, BCNET managed a small deficit of \$35K, or less than 0.5 per cent of revenue. BCNET has a healthy Statement of Financial Position. Reserves of \$3.5 million include funds set aside for network enhancements and a risk contingency of \$1.2 million. Approximately half the book value of the capital assets has been funded through grant revenue. BCNET maintains a reserve to cover the future amortization expense of the unfunded portion of its capital assets. This leaves it with an operating deficit of \$281 million at the end of the fiscal year.

Over the next year, BCNET expects to continue to operate on a balanced budget, with a managed growth strategy of existing services. It will also be adding a procurement services pilot initiative with funding from the Ministry of Advanced Education.



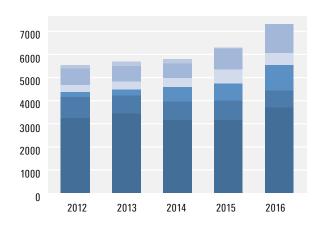


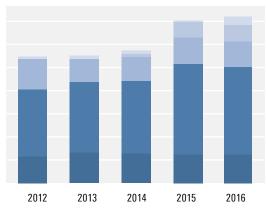
EXPENDITURES Per cent

Network Connections	17
■ Internet Transit	13
Equipment	10
■ Network Management & Operations	23
Office & Admin	15
Marketing & Communications	9
Applications & Shared Services	12
Other	1

REVENUES Per cent

Government Grants	18
Network Services	52
Transit	16
Shared Services	10
Other	5





$\textbf{EXPENDITURE TRENDS} \quad \textit{Dollars in thousands}$

Network
Transit
Applications & Shared Services
Marketing
Office & Admin
Other

${\bf REVENUE\ TRENDS}\quad {\it Dollars\ in\ thousands}$

Grants
Network Services
Transit
Shared Services
Other

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

June 16, 2016

Chief Financial Officer



Tel: 604 688 5421 Fax: 604 688 5132 vancouver@bdo.ca www.bdo.ca

BDO Canada LLP 600 Cathedral Place 925 West Georgia Street Vancouver BC V6C 3L2 Canada

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, 2016 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. The financial statements have been prepared by Management based on the financial reporting provisions of the Canadian accounting standards for not-for-profit organizations.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the framework disclosed in Note 1 of the financial statements, this includes determining that accounting standards in Note 1 are an acceptable basis for the preparation of the financial statements in the circumstances 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, 2016, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for Not-for-Profits.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared to assist BCNET to meet the requirements of their members. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for BCNET, BCNET Members and the British Columbia Ministry of Advanced Education and should not be used by parties other than BCNET, BCNET Members and the British Columbia Ministry of Advanced Education.

Chartered Professional Accountants

Vancouver, British Columbia June 16, 2016

BIXI (anada 14P

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firm: 3

BCNET STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31

	2016	2015
ASSETS	2010	2010
Current		
Cash and cash equivalents (Note 2)	\$ 3,225,823	\$ 3,193,679
Accounts receivable	520,096	3,559,439
Prepaid expenses	281,642	3,581,092
	4,027,561	10,334,210
Prepaid expenses	232,396	343,859
Capital assets (note 3)	6,838,144	7,502,924
	\$ 11,098,101	\$ 18,180,993
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	\$ 423,872	\$ 4,956,632
Government remittances payable	138,109	311,312
Current portion of long-term debt (note 4)	110,860	106,035
	672,841	5,373,979
Long-term debt (note 4)	237,084	347,944
Deferred grants (note 5)	5,288,871	4,724,312
Deferred revenues (note 6)	1,347,970	4,148,267
	7,546,766	14,594,502
Net assets	3,551,335	3,586,491
	\$ 11,098,101	\$ 18,180,993

Related party transaction (note 9) Commitments (note 10) Contingency (note 11)

Approved:

DIRECTOR

The accompanying notes are an integral part of these financial statements.

DIRECTOR

BCNET STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31

	Г -	
	2016	2015
REVENUES		
Network fees - core members	\$ 1,954,313	\$ 1,876,579
Network fees - non-core members and affiliates	1,533,788	1,274,345
Transit	1,035,932	922,810
Grants	1,180,441	1,112,925
IT procurement and services	632,051	459,001
Partner and sponsor	173,000	142,500
Interest	12,435	27,081
Installations	109,336	86,461
	6,631,296	5,901,702
ENTERPRISE SYSTEM SERVICES		
Revenues	5,413,627	4,747,130
Expenses	(5,413,640)	(4,747,755)
	(13)	(625)
EXPENSES (SCHEDULE)		
Cost of services delivery	2,527,534	2,156,687
Staffing	2,464,423	1,948,200
Equipment and software	1,073,681	1,030,611
Operating expenses	621,045	614,466
	6,686,683	5,749,964
	(55,400)	151,113
OTHER ITEM		
Contingency recovery (note 8)	-	201,585
Foreign evolungs gain	20,244	
Foreign exchange gain		

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31

	INVESTED IN CAPITAL ASSETS (NOTE 7)	INTERNALLY RESTRICTED (NOTE 8)	UNRESTRICTED	TOTAL
NET ASSETS, April 1, 2015	\$2,778,512	\$1,156,464	(\$348,485)	\$3,586,491
Excess (deficiency) of revenues over expenses for the year	(741,096)	(5,000)	710,940	(35,156)
Internally funded acquisition of capital assets	537,951	-	(537,951)	-
Debt repayment	106,035	-	(106,035)	-
Net assets, March 31, 2016	\$2,681,402	\$1,151,464	\$(281,531)	\$3,551,335
	INVESTED IN CAPITAL ASSETS (NOTE 7)	INTERNALLY RESTRICTED (NOTE 8)	UNRESTRICTED	TOTAL
NET ASSETS, April 1, 2014	\$2,688,300	\$954,879	(\$409,386)	\$3,233,793
Excess (deficiency) of revenues over expenses for the year	(669,427)	201,585	820,540	352,698
Internally funded acquisition of capital assets	1,158,220	-	(1,158,220)	-
Unspent capital funding	(500,000)	-	500,000	-
Debt repayment	101,419	-	(101,419)	-
Net assets, March 31, 2015	\$2,778,512	\$1,156,464	\$(348,485)	\$3,586,491

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31

	2016	2015
Cash provided by (used in)		
OPERATING ACTIVITIES		
Cash received from clients	\$4,567,819	\$4,541,869
Cash received from shared services	6,230,813	2,222,743
Cash paid for transit and circuits	(1,437,927)	(1,224,143)
Cash paid for hardware and software maintenance	(624,518)	(817,352)
Cash paid for shared services	(6,005,721)	(1,752,666)
Cash paid for staffing	(3,097,882)	(1,075,895)
Cash received (paid) from operations	(856,520)	23,420
Cash received from sponsors	206,240	252,420
Interest received (paid)	(6,815)	8,416
	(1,024,511)	2,178,439
FINANCING ACTIVITIES		
Cash received from grants	1,725,000	1,854,743
Loan repayment	(106,035)	(101,419)
	1,618,965	1,753,324
INVESTING ACTIVITIES		
Purchase of fibre	(58,449)	(1,779,750)
Purchase of capital equipment	(503,861)	(478,497)
	(562,310)	(2,258,247)
Cash and cash equivalents movement for the year	32,144	1,673,516
Cash and cash equivalents, beginning of year	3,193,679	1,520,163
Cash and cash equivalents, end of year	\$3,225,823	\$3,193,679
Cook and each aguivalents consist of:		
Cash and cash equivalents consist of: Cash in bank	φο ECO 000	Φ2 E2C 4E4
	\$2,563,030	\$2,536,454
Temporary investments-mutual funds	662,793	657,225
	\$3,225,823	\$3,193,679

The accompanying notes are an integral part of these financial statements.

BCNET NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2016

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.

BCNET is a tax-exempt body under Section 149 of the income Tax 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 that are readily convertible to cash.

(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
Other Assets	3-5 years

The Corporation reviews its capital assets for impairment. An impairment loss is recognized for capital assets whenever events or changes in circumstances indicate a capital asset no longer contributes to the Corporation's ability to provide services. The impairment loss is calculated as the difference between the carrying amount and the residual value. The amount of the writedown is recognized as an impairment loss in net income.

(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, network, transit, IT procurement and 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.

"Network Fees" is the dedicated circuits space rented between BCNET clients and the transit exchanges over which network services are delivered.

"Enterprise System Services" are enterprise software services purchased by BCNET on behalf of members, and directly rebilled to the members.

(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 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.

BCNET NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2016

2. CASH AND CASH EQUIVALENTS The Corporation's cash and cash equivalents are held at one chartered bank in the form of cash and mutual funds. The bank account earns interest at market rates.

3. CAPITAL ASSETS

	\$ 1	8,883,250	\$ 1	2,045,106	\$ 6,838,14	4	\$ 7,502,924
Fibre option		862,215		-	862,215	5	716,156
Fibre		11,948,642		7,656,920	4,291,722	2	4,970,063
Computer hardware		5,570,270		4,117,774	1,452,496	3	1,579,903
Office		280,741		252,033	28,708	3	43,211
Leasehold improvements	\$	221,382	\$	18,379	\$ 203,003	3	\$ 193,591
		COST	AMORTIZATION		BOOK VALUE		BOOK VALUE
		0007	ACC	UMULATED	2016 NE	Г	2015 NET

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

In 2014, the Corporation 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. The remaining option cost will be transferred to the fibre account and amortized once the fibre circuits are identified and in use.

As at March 31, 2016, the Corporation has \$608,477 (2015 - \$2,609,465) in capital assets that are in progress of being constructed and are not being amortized.

BCNET NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2016

4. 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.

	2016	2015
	\$ 347,944	\$ 453,979
Less current portion	110,860	106,035
	\$ 237,084	\$ 347,944

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

YEAR	AMOUNT	
2017	110,860	Ĺ
2018	115,905	i
2019	121,179	
	\$ 347,944	

5. DEFERRED GRANTS

The deferred grants are restricted for the development and support of the Optical Regional Advanced Network and to support the implementation of a two year procurement services pilot initiative.

	\$ 4,724,312	\$ 1,200,000	\$ (555,441)	\$(5,288,871)
Ministry of Advanced Education	1,844,723	1,200,000	(285,261)	2,679,462
CANARIE	\$ 2,879,589	\$ -	\$ (270,180)	\$ 2,609,409
	2015	RECEIVED	SPENT	2016

6. DEFERRED REVENUES

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

	2015	RECEIVED		SPENT	2016
CANARIE	\$ 66,300	\$ -	\$	(29,940)	\$ 36,360
Service contracts	3,526,998	757,900	(:	3,631,192)	653,706
Conferences and member services	489,441	330,452		(197,239)	622,654
Software customization	65,528	135,000		(165,278)	35,250
	\$ 4,148,267	\$ 1,223,352	\$(4,023,649)	\$ 1,347,970

7. 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 surpluses generated by the Corporation. The unamortized balance of those assets that are funded internally is segregated to reflect the funds committed and their future amortization expense.

(a) Investment in capital assets is calculated as follows:

	2016	2015
Capital Assets	\$ 6,838,144	\$ 7,502,923
Amounts financed by:		
Unamortized deferred		
capital grants	(3,308,798)	(3,770,432)
Unspent deferred capital grants	(500,000)	(500,000)
Debt	(347,944)	(453,979)
	\$ 2,681,402	\$ 2,778,512

(b) Excess of revenue over expenses

	2016	2015
Amortization of deferred capital grants	\$ 461,634	\$ 515,025
Less: amortization of capital assets	(1,202,730)	(1,184,452)
	\$ (741,096)	\$ (669,427)

(c) Net change in investment in capital assets

	2016		2015
Capital asset additions	\$ 537,951	\$ 2	2,220,433
Deferred capital			•••••••••••••••••••••••••••••••••••••••
grants received	-	(1	,562,213)
	\$ 537,951	\$	658,220

BCNET NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2016

8. 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. In 2015, the Board approved the transfer of an additional \$200,000 into the fund. To date, \$260,121 (2015-\$260,121) of the internally restricted funds have been used on approved expenditures of which, \$5,000 was recovered in 2016 (2015 - \$201,585).

9. RELATED PARTY TRANSACTIONS During the year, the Corporation entered into the following transactions with its members:

	2016	2015
Service revenue	\$ 3,860,785	\$ 4,063,550
Enterprise system services revenue	\$ 5,413,627	\$ 4,747,130
Fees paid to members	\$ 1,524,270	\$ 1,601,018

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 (2015-\$125,284) were made to a member.

As at March 31, 2016, the Corporation had balances due to and from members as follows:

	2016	2015
Due from members	\$ 177,200	\$ 3,301,520
Due to members	\$ 86,066	\$ 1,114,293

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.

10. COMMITMENTS

The Corporation has operating obligations for fibre contracts and rent that extend to June

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

2017	1.166.481
2018	520.073
2019	361,032
2020	286,546
Thereafter	1,059,539
***************************************	\$ 3.393.671

11. CONTINGENCIES

BCNET is involved in a dispute with a provider regarding the extension of an IRU agreement on certain fibres. The BC Court of Appeal found in BCNET's favour in June 2015. In February 2016 the Supreme Court of Canada granted leave for appeal, with an expected hearing date of November 1, 2016. The estimated liability, if any, cannot be reasonably estimated at this time and therefore no liability has been recorded in the financial statements.

12. COMPARATIVE FIGURES

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

13. FINANCIAL INSTRUMENT RISK

(a) Credit risk

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Corporation to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Corporation limits its exposure to credit risk by placing its cash and cash equivalents with high quality investments. The Corporation's exposure to credit risk with respect to its accounts receivable is low as all receivables are from government sources and member organizations.

(b) Foreign exchange risk

Foreign exchange risk is risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is exposed to foreign exchange risk through its transactions with U.S. entities. The Corporation limits its exposure to foreign exchange risk by entering into forward derivative contracts on all significant purchases made in U.S. dollars and arranging to rebill most costs to members at the equivalent exchange rates.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of charges in market interest rates. The interest rates and terms of cash and cash equivalents and long term debt are as disclosed in Note 4.

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

SCHEDULE OF EXPENSES FOR THE YEAR ENDED MARCH 31

	2016	2015
COST OF SERVICES		
Circuit costs	\$ 1,250,124	\$ 897,756
Inter-city connections	86,969	85,469
IT projects	99,677	80,581
IT Procurement and services	376,770	336,644
Transit	713,994	756,237
	2,527,534	2,156,687
STAFFING		
Administration	260,998	100,302
Client services	109,485	93,303
Communications	158,984	118,985
Consulting	266,556	116,541
Co-op students	59,552	75,009
Enterprise Systems	124,356	100,184
IT and applications support	165,151	160,922
Management	245,241	189,166
Shared services	105,765	107,100
Technical services	968,335	886,688
	2,464,423	1,948,200
EQUIPMENT & SOFTWARE		
Amortization	447,319	565,569
Repairs and Maintenance	626,362	465,042
	1,073,681	1,030,611
OPERATING EXPENSES		
Audit	22,000	18,000
Bad debts		(2,638)
Communications	252,440	234,817
Insurance	22,611	22,071
Interest	19,249	23,865
Legal fees	83,034	87,955
Miscellaneous	(24,615)	2,770
Office	65,027	60,707
Rent	60,368	70,334
Travel and meetings	120,931	96,585
TOTAL EXPENSES	\$ 621,045	\$ 614,466





WWW.BC.NET

INFO@BC.NET

© @BCNET_NETWORK

SUITE 750 - BCIT DOWNTOWN CAMPUS

555 SEYMOUR STREET

