The Canadian Research Knowledge Network (CRKN) is a partnership of Canadian universities, dedicated to expanding digital content for the academic research enterprise in Canada. Through the coordinated leadership of librarians, researchers, and administrators, CRKN undertakes large-scale content acquisition and licensing initiatives in order to build knowledge infrastructure and research capacity in Canada's universities. CRKN collaborates with 75 university members and provides access to over 1.2 million researchers and students.
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Message from the Board Chair and the Executive Director

The 2011-2012 year in review was a pivotal one for the Canadian Research Knowledge Network (CRKN), as the organization completed the second year in our current three-year strategic plan. Several major initiatives and changes required the focused attention of the Board of Directors and staff, with the shared goal of creating value for our member institutions and the communities they serve. This value is represented by the three themes in our strategic plan: Content, Community, and Capacity.

ENHANCING OUR CONTENT
CRKN’s program of large-scale digital content licensing continues to be our core mandate and the driver of our operations. In 2011-2012, CRKN negotiated multi-year licenses with publishers of fifteen digital collections worth approximately $40 million over three years, including the renewal of licenses that had originally been acquired through the CFI-funded Digital Content Infrastructure (DCI) project. Despite challenging circumstances resulting from staff turnover and renewal, license agreements were concluded successfully, with members making a successful transition to the self-funded or sustainability period of the DCI project. Overall, member participation on CRKN license agreements continues to grow even as universities’ library budgets face ongoing financial constraints, a reflection of the value that our research community derives from CRKN’s nation-wide collaboration.

2011-2012 also marked CRKN’s first foray into an international partnership to secure specialized primary source content for social sciences and humanities scholarship. These projects are still in the early stages, but the response from Canadian institutions has been strong: an indication of CRKN members’ readiness to integrate digital content into our universities’ offerings, for the benefit of researchers and students now and for generations to come.

SERVING OUR COMMUNITY
Aligning and integrating CRKN’s services within the broader community continues to be an area of major investment for CRKN. This year, priorities included supporting our member universities through Access Copyright deliberations, working with other national organizations to advance planning for data services and digital infrastructure, and providing a national forum in which to engage members on important issues such as the long-term stewardship of digital content, operationalizing open access, and scalable access management for digital content.

An important initiative for CRKN has been working with CFI to help adapt its outcomes assessment methodology to better reflect the impact of its investments in national platform (rather than institutional) projects. This methodology is set to be applied by CFI on a pilot basis in the coming year, with an
international panel of experts meeting with CRKN in December 2012 and applying the revised assessment criteria. The learning from this pilot will add to our mutual understanding and strengthen both CFI’s and CRKN’s accountability. Complementing this initiative, CRKN continues to track several performance indicators or “vital signs” that were devised through our task group on Value, Influence, Trends and Leadership (ViTaL). This tracking is not only to account for funds spent or services delivered in the past; more importantly these indicators help inform future decisions, over time providing longitudinal evidence to guide strategic decisions and investments. This initiative is a work-in-progress, but is already providing key information to our members, Board, and funders.

FOCUSING OUR ORGANIZATION
A hallmark of CRKN in recent years has been its focus on strategic governance and the application of best practices, to ensure a resilient organization with the capacity to deliver ongoing value in rapidly-changing and turbulent times. In 2011-2012, a governance review culminated in recommendations for a restructured Board of Directors, a more than 30% reduction in Board size, greater representation from member libraries, and revised by-laws complying with the new Canada Not-for-Profit Corporations Act. These recommendations were endorsed by members at the 2011 Annual General Meeting and implemented in February 2012 with a first meeting of the new Board. This structural change has in turn prompted the need to revisit the number, mandate and composition of CRKN’s standing committees, and this work will be addressed by the Board in the coming year. The Board continues to track progress on a multi-year plan to reduce reliance on interest revenues and restore a balanced budget. CRKN made significant progress on this goal during 2011-2012, reducing expenses by relocating our administrative offices to downsized premises, securing new revenues from the organization’s specialized expertise, and implementing a modest membership fee increase, the first such increase since 2006. While the 2011-2012 audited financial statements reflect a planned deficit at year-end, CRKN continues to be in a healthy financial position, drawing down its accumulated reserves within the boundaries set by our financial policies.
INTO THE FUTURE

In the coming year, CRKN will enter a new phase of its development with a change of leadership at both the Board and staff levels. A new Board chair will take office in late October 2012 following the Annual General Meeting, and a new Executive Director is expected to join the organization in the coming months. These leaders will build on a solid foundation of CRKN achievements to date, the result of commitment and collaboration of scores of individuals and organizations nation-wide. We know they can count on your support as CRKN reimagines the future, with new opportunities and challenges on the horizon and beyond.

On behalf of the Board of Directors and management, thank you for sharing in CRKN’s aspirations and the ongoing work of building knowledge infrastructure and research capacity in Canada’s universities.

The new leaders will build on a solid foundation of CRKN achievements to date, the result of commitment and collaboration of scores of individuals and organizations nation-wide. We know they can count on member support as CRKN reimagines the future, with new opportunities and challenges on the horizon and beyond.
Enhancing our Products and Services

LICENSE RENEWALS
In 2011 CRKN had 15 licenses scheduled for renewal – 8 of these as part of the DCI Project. To best focus the Negotiations Resource Team (NRT) and staff time, renewals were organized in phases according to complexity of work anticipated and license termination date. This proved to be an effective approach to apply resources where they could be best utilized.

DIGITAL CONTENT INFRASTRUCTURE FOR THE HUMAN AND SOCIAL SCIENCES (DCI) PROJECT
The DCI Project is supported by the Canada Foundation for Innovation (CFI), provincial funders and member institutions. CRKN completed the first year of the required sustainability phase of the project with lower than expected costs owing to the predominance of one-time (rather than recurring) costs that were expended earlier in the project.

Remaining project funds are dedicated to digitizing unique Canadian historic content that will be available open access. Work by the University of Alberta continues on digitization of monographs contained in Canadiana.org’s legacy microfiche collection. All materials are accessible on both the University of Alberta and the Internet Archive site.

CRKN’s provision of a pan-Canadian digital research corpus has fostered a generation of Digital Humanities engagement. The partnership with CRKN has been positively transformative for my research. Read the case study

Raymond G. Siemens
Canada Research Chair in Humanities Computing
Distinguished Professor
Faculty of Humanities, University of Victoria
INCREASE IN PARTICIPATION
CRKN saw a steady increase in member participation on CRKN content licenses. Provision was made for members who did not originally participate in the DCI Project to join the licenses at the renewal point. As the DCI Project renewals included lower recurring fees, CRKN showed a decline in license revenues and fees even as member participation on the licenses increased.

CRKN began its first international venture on licensing with the Center for Research Libraries in the United States and the Joint Information Systems Committee (JISC) in the UK for The Churchill Archive, a database from Bloomsbury Publishing. This pilot offer is currently under review with the respective members of each consortia.

TASK GROUP ACTIVITY
CRKN supports areas of national interest through member engagement on several task groups. CRKN and the Canadian Association of Research Libraries (CARL) established the CARL-CRKN Open Access Working Group with terms of reference approved by both Boards in April and May of 2011. The working group launched its work with members through a workshop at the 2011 Annual General Meeting and is scheduled to deliver its preliminary report and recommendations in Fall 2012.

The Serials Management Task Group continues its work to ensure the accuracy of serial title lists across all publishers in a format that can be integrated into members’ local systems. The group’s recommendation for the adoption of a consistent standard for this information has been implemented by CRKN and incorporated into its negotiation process with vendors. Work will continue on this initiative over the upcoming year.

The Perpetual Access Working Group (PATG) was fully constituted in March 2011 in response to questions that arose at the 2010 Annual General Meeting. In February 2012 the PATG delivered a report that provided an analysis of prominent archival and perpetual access initiatives both in Canada and internationally, a review of current CRKN and other model licensing provisions related to perpetual access, and recommendations for next steps. These recommendations are currently being explored with respect to feasibility and implementation.

A Member Townhall was convened at the 2011 Annual General Meeting to engage members on issues related to how costs for CRKN content licenses are shared among members, and to inform the scope of work for a task group to study and make recommendations on these issues. Following a call for nominations among members, the Cost Sharing Advisory Group was formed and its work is underway. The group anticipates delivering its report and recommendations in the coming year.
CRKN licensed products can be divided into two main categories – Science, Technology & Medicine; and Social Sciences & Humanities. As collections become more developed, increasingly diverse content will be available in the form of databases, journals, e-books, videos, music, images, primary sources, newspapers, etc. Over the past couple of years the categories have been close in size. In 2012 the content is the same, but the proportion looks less balanced owing to the nature of the low recurring costs of the DCI Project license renewals for Social Sciences & Humanities content.
Serving our Community

COLLABORATION
CRKN continues to support the work of the Canadian Access Federation (CAF) to advance the implementation of Shibboleth as a tool for authentication within a more secure, scalable environment for both identity providers (such as universities) and service providers (such as publishers). The CAF is managed by CANARIE, and provides the infrastructure for Canadian organizations to adopt federated access management as a best practice. Earlier this year CAF introduced a pricing model whereby service providers can join for free, and now has 15 fully engaged.

CRKN collaborated with Conference of Rectors and Principals of Quebec Universities (CRePUQ) to adapt CRKN’s members-only License Information Module (LIM) into French. The launch of this development was made in March of 2012 and was well received by CRKN’s francophone members.

The new tariff structure proposed to universities by Access Copyright developed into a major issue during 2010 and continued into 2011. Since most CRKN license agreements are directly with publishers or content providers and provide for bona fide access and usage by participant universities, they are tariff-exempt. CRKN assisted the Association of Universities and Colleges of Canada (AUCC) with its defence on behalf of its member universities in opposition to the tariff.

MEMBER ENGAGEMENT
CRKN employs multiple channels of member engagement in order to stay abreast of issues, share news and information, and foster interaction with and among members. This year CRKN hosted three OpenLines in the form of group teleconferences around topics of interest. Two of these focused on the topic of the “Big Deal”, (large inclusive collections of online journals) and one on the progress and benefits of the Canadian Access Federation. The Big Deal events offered simultaneous translation and drew record participation.

CRKN’s strategic investments in digital content support many of AUCC’s key priorities, such as enhancing international academic collaboration and attracting more top international students and faculty to study here or partner with Canadian researchers.

Christine Tausig Ford,
Vice-President and Chief Operating Officer,
Association of Universities and Colleges of Canada
The **2010-2011 Annual Report** took a new approach and was delivered interactively. By moving in this direction, the intent was to encourage readers to drill down into specific areas of interest. This approach was well received as it tripled readership. The effort was recognized by the International Association of Business Communicators with an **Excel Award of Excellence**.

The recipient of the **Ron MacDonald Distinguished Service Award** was celebrated at the 2011 Annual General Meeting. This members’ award honors the late Ron MacDonald, a key contributor to the development of CRKN’s collaborative programs and services. **Jean-Pierre Côté** was recognized for the major role he played in fostering the collaboration that led to the establishment and successful implementation of the Canadian National Site Licensing Project and its successor organization, the Canadian Research Knowledge Network. See the [videos](#).
I have very much enjoyed working with CRKN over the past 10 years; thank you for your patience, help and guidance on so many occasions. Missives from the Finance department were most numerous: I don’t know how you managed it, but receiving invoice notifications was actually a pleasure! Special wishes to Deb, as she looks to a new era come December, after so many years competently guiding the CNSLP/CRKN ship.

Outgoing Library Director, Sharon Brown, Wilfrid Laurier University

The monthly NewsBrief was issued throughout 2011-2012 and continues to receive open rates in excess of 30% in both French and English – about 15% above the industry average. NewsBriefs feature regular Board Meeting Recaps, Negotiations Resource Team Meeting Recaps, License updates, governance updates and other news.

VITaL TASK GROUP
The Value, Influence, Trends and Leadership (VITaL) Task Group addresses the need to evaluate organizational impact. VITaL oversees the preparation of an annual dashboard of indicators collected under three themes: Membership Leverage, Scholarly Content Offerings and Community Engagement.

VITaL oversaw CRKN’s collaboration with the Canada Foundation for Innovation (CFI) to refine the Outcome Measurement Study to be more applicable to CRKN as an enabling platform. CRKN will prepare to pilot the new framework in the upcoming year.
Focusing our Organization

GOVERNANCE REVIEW
The governance review, initiated in the previous year as part of CRKN 10th anniversary reflections and to comply with the new Canada Not-for-Profit Corporations Act, was concluded. The Final Report and Recommendations were approved by the Board and subsequently endorsed by the members at the 2011 AGM. This resulted in implementation of a smaller restructured Board of Directors in February 2012.

FINANCIAL STEWARDSHIP
The Board approved a planned deficit budget for FY 2011-2012, offset by a multi-year financial model that uses multiple tactics – cost reductions, new revenue generation, drawing on accumulated surpluses, and fee increases – aimed at balancing the budget in the long term. CRKN undertook office relocation to smaller premises as part of its commitment to cost reduction.

CRKN experienced a net increase in program activity in the 2011-2012 period with new participation on existing licenses. Meanwhile content licence expenditure decreased from $97.7M CAD in 2011 to $89.1M CAD in 2012 – dropping approximately 9%. This drop in expenditures was primarily attributed to the DCI Project license renewals that consisted largely of access (rather than content purchase) fees. Both the design of the DCI Project and the lower recurring costs negotiated by CRKN make a major contribution to the sustainability of the content licensed under the DCI Project and the benefits to the university community.

EQUIPPING THE NEW BOARD
In planning for the Board transition after the governance review and the planned leadership changes, CRKN engaged an outside consultant to review CRKN’s core content program, capacity and resource requirements. The Board reviewed recommendations proceeding from this study, agreed to focus on maintaining current capacity while also advancing the recruitment for the new Executive Director. Along with the Board, the new Executive Director will play a key role in developing CRKN’s next Strategic Plan and ensuring the organization has the ongoing capacity to serve members and stakeholders effectively.
Reimagining the Future – Thrust for 2012-2013

STRATEGIC PLANNING
2012-2013 marks the final year of the current strategic plan. CRKN has made good progress on the objectives set out, and is well positioned for the future. With a change in leadership expected at the Board and management levels, preparations for change are underway. The Communications Outreach Encore will be implemented and will benchmark achievements against the previous results from 2009-2010. The findings will inform the strategic planning process on a number of issues.

COMMUNICATIONS & ENGAGEMENT
Using the Communications Outreach as a springboard, further inroads will be made in building and formalizing relationships with stakeholders. Since the dissolution of the Advisory Board, and the restructuring of the Board of Directors, it brings into focus the importance of identifying and working proactively and systematically with other stakeholders for mutual benefit. In addition, the work of the VIaL task group on the annual dashboards will be advanced to the member level in order to demonstrate value to members in more concrete ways. The work with CFI on the Platform Outcome Measurement Study is expected to produce useful data and establish new indicators for CRKN going forward.
PROGRAM DEVELOPMENT
The upcoming year will be a busy year for negotiations with 18 licenses scheduled for renewal. The task group activity will continue to be very active as issues move through the issue identification and recommendation phases.

GOVERNANCE
Continued focus will be placed on compliance with the new Canada Not-for-Profit Corporations Act and the review of the committee structure under the restructured Board.
Board of Directors

David Barnard, Chair
President and Vice-Chancellor
University of Manitoba

Michael Ridley, Vice-Chair*
(to October 2011)
Chief Information Officer &
Chief Librarian
University of Guelph

Martha Whitehead, Vice-Chair*
(to February 2012)
University Librarian
Queen’s University

Donna Bourne-Tyson, Vice-Chair*
(May 2011 -)
University Librarian
Dalhousie University

Ronald Bond*
(to February 2012)
Provost Emeritus
University of Calgary

Christopher Callbeck, Treasurer*
(February 2012 -)
Assistant Vice President,
Financial & Administrative Services
University of New Brunswick, Saint John campus

Robert Clarke*
(February 2012 -)
University Librarian
Trent University

Christian Detellier
(June 2011-February 2012)
Associate Vice-President, Research
University of Ottawa

Richard Dumont
(February 2012 -)
General Manager, Libraries Branch
Université de Montréal

Charles Eckman
University Librarian and Dean of Library Services
Simon Fraser University
Karen Grant*
Vice-Provost, Academic Affairs
University of Manitoba

Thomas Hickerson
(to February 2012)
Vice-Provost and University Librarian
University of Calgary

Kim Isaac
(to October 2011)
University Librarian
University of the Fraser Valley

Gregory Kealey
(to February 2012)
Provost and Vice-President, Research
University of New Brunswick

Mona Nemer
(to June 2011)
Vice-President, Research
University of Ottawa

Alison Nussbaumer*
(October 2011 -)
University Librarian
University of Lethbridge

Ingrid Parent, Treasurer*
(to February 2012)
University Librarian
University of British Columbia

Benoit Séguin
Library Director
Université du Québec à Trois-Rivières

Leslie Weir
(June 2011 -)
University Librarian
University of Ottawa

Steve Wills
(to February 2012)
Manager, Government Relations and Legal Affairs
Association of Universities and Colleges of Canada

*Member of the Executive Committee

Board of Directors, March 2012
Back row left to right: David Barnard, Deb deBruijn, Richard Dumont, Charles Eckman, Karen Grant, Alison Nussbaumer, Robert Clarke

Front Row: Donna Bourne-Tyson, Benoit Séguin, Chris Callbeck, Leslie Weir
Committees

NEgotiations resourCe TeAm

**Charles Eckman**, Chair
University Librarian and Dean of Library Services
Simon Fraser University

**Benoit Séguin**, Vice Chair
Library Director
Université du Québec à Trois-Rivières

**Joy Kirchner** (to April 2011)
Collections, Licensing and Digital Scholarship Librarian
University of British Columbia

**Denise Koufogiannakis**
Collections & Acquisitions Coordinator
University of Alberta

**John Durno**
Head, Library Systems
University of Victoria

**Lisa Petrachenko** (April 2011 -)
Library Collections Management
University of Victoria

**Jocelyn Godolphin**
Associate University Librarian, Collection Services
Concordia University

**Carol Stephenson** (to November 2011)
Head of Collections and Associate University Librarian
Wilfrid Laurier University

**Louis Houle**
Associate Director, Client Services
Sciences, Health and Engineering
McGill University

**Peter Webster**
Systems Librarian
Saint Mary’s University

**Tony Horava**
Associate University Librarian, Collections
University of Ottawa

**Louise White**
Associate University Librarian
Marine Institute & Music Resource Centre
Memorial University of Newfoundland

**Charlotte Innerd** (December 2011 -)
Head, Collection Development and Acquisitions
Wilfrid Laurier University

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Negotiations Resource Team, March 2012
Back row: Jocelyn Godolphin, Louise White, Benoit Séguin, Tony Horava, Peter Webster, Craig Olsvik, Charlotte Innerd

Front row: Lisa Petrachenko, Louis Houle, Chuck Eckman, Monica Ward, Beth Dunning
The Negotiations Resource Team was pleased to see the increased member participation in licenses as well as cost containment in license expenditures over the past year. The first-time international collaboration for new content that is under discussion with JISC (UK) and Center for Research Libraries (CRL) has also caught member interest. This engagement underscores the value that CRKN generates for members in accordance with the strategic plan.

Chuck Eckman, Chair, NRT
The Governance Committee oversaw the completion of the governance review initiated in 2010 as a component of CRKN 10th anniversary reflections and to comply with the new Canada Not-for-Profit Corporations Act. The Final Report and Recommendations were delivered to the Board and endorsed by member vote at the 2011 AGM. This resulted in implementation of a smaller restructured Board of Directors in February 2012.

**Gregory Kealey**, Chair, Governance Committee

The Value, Influence, Trends, and Leadership Task Group continues to advance its work to establish and report performance indicators. This year the focus of activity was to prepare the annual Narrative and Dashboard, and to advance the work in collaboration with CFI on the Platform Outcome Measurement Study (pOMS) in anticipation of CFI’s international expert panel set to meet later in the year.

**Joyce Garnett**, Chair, VITaL Task Group
Staff

**Deb deBruijn**  
Executive Director  
Tel: 613-907-7029  
Cell: 613-882-8966  
debruijn@crkn.ca

**Donald Bidd**  
Manager, Content Programs  
Tel: 613-907-7036  
Cell: 613-851-9911  
dbidd@crkn.ca

**Ken Blonski**  
Director of Operations  
Tel: 613-907-7030  
Cell: 613-853-1911  
kblonski@crkn.ca

**Bill Kuurstra (Contractor)**  
Finance Officer  
Tel: 613-907-7037  
finance@crkn.ca

**Craig Olsvik**  
Member Services & Licensing Officer  
Tel: 613-907-7033  
Cell: 613-769-1832  
colsvik@crkn.ca

**Dyna Vink**  
Director of Communications  
Tel: 613-907-7034  
Cell: 613-797-0188  
dvink@crkn.ca

**Monica Ward**  
Member Services & Licensing Officer  
Tel: 613-907-7031  
Cell: 613-219-6919  
mward@crkn.ca

CRKN Staff, July 2012  
Back row: Craig Olsvik, Ken Blonski, Bill Kuurstra  
Centre row: Don Bidd, Dyna Vink, Anne-Marie Ethier  
Front row: Deb deBruijn, Monica Ward
Financial Highlights

CRKN operates a lean administration focused on efficiency, best practices and conservative management. As shown in the 2011-2012 Revenues chart, CRKN’s primary revenue source is derived from member funded license fees, followed by revenues associated with the DCI Project, membership fees and interest income.

CRKN 2011-2012 REVENUES

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>License fees (member funded)</td>
<td>$86,694,304</td>
<td>97.31%</td>
</tr>
<tr>
<td>DCI Project</td>
<td>$1,223,684</td>
<td>1.37%</td>
</tr>
<tr>
<td>Operations fees (membership fees)</td>
<td>$916,350</td>
<td>1.03%</td>
</tr>
<tr>
<td>Interest and other revenue</td>
<td>$255,046</td>
<td>0.29%</td>
</tr>
</tbody>
</table>

(Figures correspond to the audited financial statements year ended March 31, 2012.)

CRKN revenues for the fiscal year of 2011-2012 were $89.1M derived from content license fees, the DCI Project, membership fees and miscellaneous income.

On the expenditure side, 98% of CRKN expenditures are for content licenses. Operations – including Administration, Salaries and benefits, Professional fees, and Governance – account for 2% of expenditures. This makes CRKN one of the leanest and most efficient administrations in the not-for-profit sector.

CRKN 2011-2012 EXPENDITURES

<table>
<thead>
<tr>
<th>Expenditure Type</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content licenses</td>
<td>$87,774,828</td>
<td>97.91%</td>
</tr>
<tr>
<td>Operations</td>
<td>$1,874,314</td>
<td>2.09%</td>
</tr>
</tbody>
</table>

(Figures correspond to the audited financial statements year ended March 31, 2012.)

98% of expenditures for the 2011-2012 fiscal year consisted of content licensing fees. The balance was made up of Administration, Salaries and benefits, Professional fees and Governance.
Value for Membership

Membership continues to offer value year over year. On the 8 DCI Project renewal licenses completed for 2012-2014, CRKN was able to negotiate significant price and content benefits for participants. Members reap the benefit from the one-time payments made in the first 3 years of the agreement – at a negotiated price of $43.24M compared with vendor price of $208.66M - by paying lower recurring fees for ongoing access to licensed content for the next three years.

Building on the unbundling carried out in the last negotiation, seven regular license renewals were negotiated for a cumulative $18.03M, less than the RFP price of $18.31M, and in contrast with the vendor price of $126.89M outside the consortium.

CRKN delivered value for membership with 7 regular license renewals negotiated for a cumulative $18.03M, less than the RFP price of $18.31M, and in contrast with the vendor price of $126.89M outside the consortium.
It is evident how important the Canada Foundation for Innovation (CFI) investment has been in establishing a collaborative infrastructure for digital research. In 2001 CFI invested 40% ($20 million) in support of the Canadian National Site Licensing Project; the remaining 60% was matched by provincial governments and member institutions. Leveraging those contributions, members continue to invest in high value content, creating additional value through advantageous licensing terms, collaborative interdisciplinary research, and brain-gain recruitment. In 2009 CFI invested again in the DCI Project ($19.1 million). Since its inception and including the activities of its forerunner the CNSLP, CRKN has secured more than $767 million of content on behalf of its member institutions. A conservative estimate suggests that if CRKN-licensed content were to be acquired on an institution-by-institution basis, costs to CRKN members would be nearly $2.2 billion over the same time frame (all figures expressed in CAD valued at March 31, 2012).

License participation continues to increase in spite of the challenging economic environment. 2012 levels of participation are 4% higher than 2011. This trend includes one-time-only purchases combined with multi-year licenses with 75 members.

In 2012 CRKN had 52 licenses which enjoyed participation through 2,616 agreements with members. This participation has increased significantly from 33 licenses across 1,487 agreements in 2007 before the DCI Project.
In combining the 7 regular license and the DCI Project renewals, CRKN has negotiated contracts for an annual price under $9M compared with the vendor price outside the consortium of $46M. Members benefit from negotiated pricing, as well as protection from excessive annual increases. Over the three-year contracts, members will pay a cumulative negotiated price of $26.41M compared with a cumulative vendor price of $138.47M.

**REGULAR & DCI RENEWALS COMPARING VENDOR & NEGOTIATED PRICE 2012-2014**

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**WEBSITE USAGE**

CRKN has been tracking website usage statistics since April 2010 for both its public organizational site and the member-only License Information Module (LIM). The LIM supports 520 accounts and provides a technical information source that is consulted for an average of 8 minutes per visit compared with one-minute industry averages. Its use has increased dramatically (58%) in the past year, driven in part by the introduction of the Listserv+ with 3,000 visits. The English organizational site enjoyed modest growth in visits and page views, and a 27% increase in visit time. By contrast, the French site visits and page views declined significantly, while the time on site increased. In March 2012 CRKN launched the French-language LIM.

**USAGE OF CRKN WEBSITES (APRIL 1, 2011 – MARCH 31, 2012)**

<table>
<thead>
<tr>
<th></th>
<th>VISITS</th>
<th>PAGE VIEWS</th>
<th>AVERAGE TIME (MINUTES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>License Information Module (English)</td>
<td>13,045</td>
<td>104,205</td>
<td>8:02</td>
</tr>
<tr>
<td>CRKN Organization – French</td>
<td>2,339</td>
<td>9,516</td>
<td>4:30</td>
</tr>
<tr>
<td>CRKN Organization - English</td>
<td>16,688</td>
<td>66,679</td>
<td>4:23</td>
</tr>
</tbody>
</table>
Independent Auditor's Report

To the Members of
Canadian Research Knowledge Network

Report on the Financial Statements

We have audited the accompanying financial statements of Canadian Research Knowledge Network (CRKN), which comprise the statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of revenue and expenses, changes in net assets and cash flows for the years ended March 31, 2012 and March 31, 2011, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Rapport de l'auditeur indépendant

Aux membres du
Réseau canadien de documentation pour la recherche

Rapport sur les états financiers


Responsabilité de la direction pour les états financiers

La direction est responsable de la préparation et de la présentation fidèle de ces états financiers conformément aux normes comptables canadiennes pour les organismes sans but lucratif, ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Responsabilité de l'auditeur

Notre responsabilité consiste à exprimer une opinion sur les états financiers, sur la base de notre audit. Nous avons effectué notre audit selon les normes d'audit généralement reconnues du Canada. Ces normes requièrent que nous nous conformions aux règles de déontologie et que nous planifiions et réalisions l'audit de façon à obtenir l'assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

Un audit implique la mise en œuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les états financiers. Le choix des procédures relève du jugement de l'auditeur, et notamment de son évaluation des risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d’erreurs. Dans l'évaluation de ces risques, l'auditeur prend en considération le contrôle interne de l'entité portant sur la préparation et la présentation fidèle des états financiers afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de l'entité. Un audit comporte également l'appréciation du caractère approprié des méthodes comptables retenues et du caractère raisonnable des estimations comptables faites par la direction, de même que l'appréciation de la présentation d'ensemble des états financiers.
Independent Auditor's Report (continued)

Auditor's Responsibility (continued)

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 CRKN as at March 31, 2012, March 31, 2011 and April 1, 2010 and the results of its operations and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian standards for not-for-profit organizations.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2 to the financial statements and the fact that CRKN adopted the new accounting standards for not-for-profit organizations for its March 31, 2012 financial statements prior to the mandatory implementation date.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Rapport de l'auditeur indépendant (suite)

Responsabilité de l'auditeur (suite)

Nous estimons que les éléments probants que nous avons obtenus sont suffisants et appropriés pour fonder notre opinion d'audit.

Opinion

À notre avis, les états financiers donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière du RCDR aux 31 mars 2012, 31 mars 2011 et 1er avril 2010, ainsi que de ses résultats d'exploitation et de ses flux de trésorerie pour les exercices clos les 31 mars 2012 et 31 mars 2011, conformément aux normes comptables canadiennes pour les organismes sans but lucratif.

Observations

Sans pour autant modifier notre opinion, nous attirons l'attention sur la note 2 des états financiers qui indique que RCDR a adopté les nouvelles normes canadiennes pour organismes sans but lucratif avant la mise en application obligatoire pour ses états financiers de l'exercice clos le 31 mars 2012.

Rapport relatif à d'autres exigences légales et réglementaires

Selon les exigences de la Loi sur les corporations canadiennes, nous déclarons qu'à notre avis, ces principes ont été appliqués de la même manière qu'au cours de l'exercice précédent.

Chartered Accountants
Licensed Public Accountants

June 22, 2012
<p>| Statements of Financial Position | 1 | Bilans |
| Statements of Revenue and Expenses | 2 | États des revenus et des dépenses |
| Statements of Changes in Net Assets | 3 | États de l'évolution de l'actif net |
| Statements of Cash Flows | 4 | États des flux de trésorerie |
| Notes to the Financial Statements | 5 - 14 | Notes complémentaires |
| Schedule A - DCI Project (Initial Period) Revenue and Expenses | 15 | Annexe A - Revenus et dépenses du projet de l'ICN (période initiale) |
| Schedule B - DCI Sustainability Revenue and Expenses | 15 | Annexe B - Revenus et dépenses de la période de soutenabilité de l'ICN |</p>
<table>
<thead>
<tr>
<th></th>
<th>March 31, 2012</th>
<th>March 31, 2011</th>
<th>April 1, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 2,076,927</td>
<td>$ 2,399,171</td>
<td>$ 24,819,722</td>
</tr>
<tr>
<td>License and operations fees</td>
<td>279,990</td>
<td>1,450,030</td>
<td>7,459,734</td>
</tr>
<tr>
<td>receivable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government remittances</td>
<td>1,972,137</td>
<td>181,641</td>
<td>49,930</td>
</tr>
<tr>
<td>receivable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada Foundation for Innovation (CFI) holdback receivable</td>
<td>17,094</td>
<td>154,924</td>
<td>292,472</td>
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<tr>
<td>Prepaid licenses</td>
<td>64,063,766</td>
<td>60,055,618</td>
<td>53,259,362</td>
</tr>
<tr>
<td>Prepaid licenses - Digital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Content (DCI) project</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid licenses - DCI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sustainability period</td>
<td>2,594,371</td>
<td>1,677,600</td>
<td>-</td>
</tr>
<tr>
<td>Other prepaid expenses</td>
<td>58,072</td>
<td>56,035</td>
<td>32,830</td>
</tr>
<tr>
<td></td>
<td>71,062,357</td>
<td>66,991,619</td>
<td>89,069,183</td>
</tr>
<tr>
<td><strong>CAPITAL ASSETS</strong> (note 5)</td>
<td>121,783</td>
<td>231,530</td>
<td>217,478</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td>$ 71,184,140</td>
<td>$ 67,223,149</td>
<td>$ 89,286,661</td>
</tr>
<tr>
<td>Accounts payable and accrued</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>liabilities</td>
<td>$ 1,911,498</td>
<td>$ 410,422</td>
<td>$ 12,047,226</td>
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<td>Government remittances payable</td>
<td>67,769</td>
<td>780</td>
<td>1,017,859</td>
</tr>
<tr>
<td>Deferred revenue for license</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>fees (note 6)</td>
<td>64,404,534</td>
<td>61,175,032</td>
<td>60,649,103</td>
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<tr>
<td>Deferred revenue - DCI</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>project (initial period) (note 7)</td>
<td>226,915</td>
<td>1,135,185</td>
<td>12,791,812</td>
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<tr>
<td>Deferred revenue - DCI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sustainability period (note 6)</td>
<td>2,482,447</td>
<td>1,850,995</td>
<td>-</td>
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<tr>
<td></td>
<td>69,093,163</td>
<td>64,572,414</td>
<td>86,506,000</td>
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<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets</td>
<td>121,783</td>
<td>231,530</td>
<td>217,478</td>
</tr>
<tr>
<td>Internally restricted (note 11)</td>
<td>17,094</td>
<td>154,924</td>
<td>700,000</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>1,952,100</td>
<td>2,264,281</td>
<td>1,863,183</td>
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<tr>
<td></td>
<td>2,090,977</td>
<td>2,650,735</td>
<td>2,780,661</td>
</tr>
<tr>
<td></td>
<td>$ 71,184,140</td>
<td>$ 67,223,149</td>
<td>$ 89,286,661</td>
</tr>
</tbody>
</table>

**APPROVED BY THE BOARD OF DIRECTORS**

Administrator

Approved on behalf of the Board

Administrator

**AU NOM DU CONSEIL D'ADMINISTRATION**

Administrator
## Statements of Revenue and Expenses

<table>
<thead>
<tr>
<th></th>
<th>Budget 2012</th>
<th>Budget 2012 (unaudited)</th>
<th>Budget 2011 (non audited)</th>
<th>Revenue 2012</th>
<th>Revenue 2012 (non audited)</th>
<th>Revenue 2011 (non audited)</th>
<th>Expenses 2012</th>
<th>Expenses 2012 (non audited)</th>
<th>Expenses 2011 (non audited)</th>
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</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>License fees</td>
<td>$ 93,857,565</td>
<td>$ 82,187,544</td>
<td>$ 79,140,469</td>
<td>Frais de licences</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DCI project (initial period) (Schedule A)</td>
<td>1,200,000</td>
<td>1,223,684</td>
<td>16,792,817</td>
<td>Projet de l'ICN (période initiale) (Annexe A)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>DCI sustainability period (Schedule B)</td>
<td>6,261,674</td>
<td>4,506,760</td>
<td>710,782</td>
<td>de l'ICN (Annexe B)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Operations fees</td>
<td>916,350</td>
<td>916,350</td>
<td>894,000</td>
<td>Frais d'exploitation</td>
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<td></td>
<td></td>
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<tr>
<td>Interest revenue</td>
<td>150,000</td>
<td>203,291</td>
<td>161,091</td>
<td>Intérêts</td>
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<td>Other revenue</td>
<td>47,600</td>
<td>51,755</td>
<td>38,283</td>
<td>Autres revenus</td>
<td></td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>102,433,189</td>
<td>89,089,384</td>
<td>97,737,442</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licenses</td>
<td>93,857,565</td>
<td>82,187,544</td>
<td>79,157,310</td>
<td>Licences</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>DCI project (initial period) (Schedule A)</td>
<td>1,200,000</td>
<td>1,223,684</td>
<td>16,792,817</td>
<td>Projet de l'ICN (période initiale) (Annexe A)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DCI sustainability period (Schedule B)</td>
<td>6,261,674</td>
<td>4,506,760</td>
<td>710,782</td>
<td>de l'ICN (Annexe B)</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Salaries and benefits</td>
<td>610,874</td>
<td>540,669</td>
<td>556,106</td>
<td>Salaires et avantages sociaux</td>
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<td></td>
<td></td>
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<td></td>
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<td>Professional fees</td>
<td>187,090</td>
<td>290,367</td>
<td>124,066</td>
<td>Honoraires professionnels</td>
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<td>Insurance</td>
<td>6,580</td>
<td>6,673</td>
<td>6,580</td>
<td>Assurances</td>
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<td></td>
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<td>Administration</td>
<td>532,742</td>
<td>504,759</td>
<td>267,831</td>
<td>Administration</td>
<td></td>
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<td>Telecommunications</td>
<td>15,768</td>
<td>13,993</td>
<td>14,354</td>
<td>Télécommunications</td>
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<td>Meetings and conferences</td>
<td>75,025</td>
<td>89,600</td>
<td>67,875</td>
<td>Réunions et conférences</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Meals, travel and accommodations</td>
<td>89,910</td>
<td>86,273</td>
<td>110,331</td>
<td>Repas, déplacements et logements</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>198,709</td>
<td>198,820</td>
<td>59,316</td>
<td>Amortissement des immobilisations corporelles</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>103,035,937</td>
<td>89,649,142</td>
<td>97,867,368</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

**EXCESS OF EXPENSES OVER REVENUE**

<table>
<thead>
<tr>
<th></th>
<th>$ (602,748)</th>
<th>$ (559,758)</th>
<th>$ (129,926)</th>
</tr>
</thead>
</table>

**EXCÉDENT DES DÉPENSES SUR LES REVENUS**

---

2
<table>
<thead>
<tr>
<th></th>
<th>Invested in Capital Assets</th>
<th>Internally Restricted</th>
<th>Unrestricted</th>
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</thead>
<tbody>
<tr>
<td>BALANCE, BEGINNING OF YEAR</td>
<td>$ 231,530</td>
<td>$ 154,924</td>
<td>$ 2,264,281</td>
</tr>
<tr>
<td>Excess of expenses over revenue</td>
<td>-</td>
<td>-</td>
<td>(559,758)</td>
</tr>
<tr>
<td>Purchase of capital assets</td>
<td>89,073</td>
<td>-</td>
<td>(89,073)</td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>(198,820)</td>
<td>-</td>
<td>198,820</td>
</tr>
<tr>
<td>Transfer (note 11)</td>
<td>-</td>
<td>(137,830)</td>
<td>137,830</td>
</tr>
<tr>
<td>BALANCE, END OF YEAR</td>
<td>$ 121,783</td>
<td>$ 17,094</td>
<td>$ 1,952,100</td>
</tr>
</tbody>
</table>

**2012** $2,650,735 **2011** $2,780,661

**SOLDE AU DÉBUT**

**SOLDE À LA FIN** $2,650,735
### Statement of Cash Flows

**Years ended March 31, 2012 and 2011**

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of expenses over revenues</td>
<td>$(559,758)</td>
<td>$(129,926)</td>
</tr>
<tr>
<td>Item not affecting cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>198,820</td>
<td>59,316</td>
</tr>
<tr>
<td><strong>Net cash inflow (outflow) of cash related to the following</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Exploitation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of expenses over revenues</td>
<td>$(559,758)</td>
<td>$(129,926)</td>
</tr>
<tr>
<td>Item not affecting cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>198,820</td>
<td>59,316</td>
</tr>
<tr>
<td><strong>Changes in non-cash operating working capital items:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in license and operations fees receivable</td>
<td>1,170,040</td>
<td>6,009,704</td>
</tr>
<tr>
<td>Increase in Government remittances receivable</td>
<td>(1,790,496)</td>
<td>(131,711)</td>
</tr>
<tr>
<td>Decrease in CFI holdback receivable</td>
<td>137,830</td>
<td>137,548</td>
</tr>
<tr>
<td>Decrease (increase) in prepaid licenses</td>
<td>(3,908,319)</td>
<td>(6,335,323)</td>
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<tr>
<td>Decrease (increase) in other prepaids</td>
<td>(2,037)</td>
<td>(23,205)</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable and accrued liabilities</td>
<td>1,501,076</td>
<td>(11,636,804)</td>
</tr>
<tr>
<td>Increase (decrease) in Government remittances payable</td>
<td>66,989</td>
<td>(1,017,079)</td>
</tr>
<tr>
<td>Increase (decrease) in deferred revenue</td>
<td>2,352,684</td>
<td>(9,279,703)</td>
</tr>
<tr>
<td><strong>Net cash outflow</strong></td>
<td>$(322,244)</td>
<td>$(22,420,551)</td>
</tr>
<tr>
<td><strong>Investing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of capital assets</td>
<td>(89,073)</td>
<td>(73,368)</td>
</tr>
<tr>
<td><strong>Net cash outflow</strong></td>
<td>(322,244)</td>
<td>(22,420,551)</td>
</tr>
<tr>
<td><strong>Cash, beginning of year</strong></td>
<td>2,399,171</td>
<td>24,819,722</td>
</tr>
<tr>
<td><strong>Cash, end of year</strong></td>
<td>2,076,927</td>
<td>2,399,171</td>
</tr>
</tbody>
</table>
1. NATURE OF ACTIVITIES

The Canadian Research Knowledge Network (CRKN) was incorporated on April 1, 2004 under the Canada Corporations Act. Its mission is to expand digital content for the academic research enterprise in Canada. Through the coordinated leadership of librarians, researchers, and administrators, CRKN undertakes large-scale content acquisition and licensing initiatives in order to build knowledge infrastructure and research capacity in Canada's universities.

The CRKN is a federally-incorporated not-for-profit organization and as such is exempt from income taxes.

2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK

During the year ended March 31, 2012, CRKN adopted the new accounting standards for not-for-profit organizations (the "new standards") issued by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with Section 1500 of the CICA Handbook, First-Time Adoption, ("Section 1500"), the date of transition to the new standards is April 1, 2010 and CRKN has prepared and presented an opening balance sheet at the date of transition to the new standards. This opening balance sheet is the starting point for the entity's accounting under the new standards. In its opening balance sheet, under the recommendations of Section 1500, CRKN:

a) recognized all assets and liabilities whose recognition is required by the new standards;

b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;

c) reclassified items that it recognized previously as one type of asset, liability or component of net assets, but are recognized as a different type of asset, liability or component of net assets under the new standards; and

d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1500, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively.
2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (continued)

Other than a reclassification of government remittances on the balance sheet as disclosed below, there was no other impact on the March 31, 2011 financial statements and April 1, 2010 balance sheet with regards to adopting the new standards.

Government remittances

The new standards require separate disclosure of the amount of government remittances. Accordingly, amounts of $181,641 as at March 31, 2011 and $49,930 at April 1, 2010 have been reclassified from accounts payable and accrued liabilities to government remittances receivable and amounts of $780 as at March 31, 2011 and $1,017,859 as at April 1, 2010 have been reclassified from accounts payable and accrued liabilities to government remittances payable.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, and reflect the following significant accounting policies:

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when CRKN becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for the following instruments:

a) Investments in unlisted shares, which are measured at cost less any reduction for impairment;

b) Investments in listed shares and derivative financial instruments that are not designated in a qualifying hedging relationship, which are measured at fair value at the balance sheet date. The fair value of listed shares is based on the latest closing price and the fair value quote received from the bank counterparty is used as a proxy for the fair value of derivative financial instruments.
3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Interest earned on short-term investments and bonds, dividends received on unlisted shares, unrealized gains and losses on listed shares, and realized gains and losses on sale of short-term investments and bonds are included in interest revenue in the statement of revenue and expenses.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, CRKN recognizes in net earnings an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the statements of revenue and expenses in the period the reversal occurs.

*Embedded foreign currency derivative*

The CRKN will account for embedded foreign currency derivative in a host contract that is not a financial instrument as a single instrument, provided it is not leveraged, does not contain an option feature, and requires payments denominated in a currency that is commonly used in contracts to purchase items in the economic environment in which the transaction takes place.
3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The CRKN follows the deferral method of accounting for revenues. Unrestricted revenues (all revenue but operation and license fees) are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Operation fees and license fees that pertain to subsequent years are deferred and recognized as revenue in the period to which they relate.

Capital assets

Capital assets are recorded at cost, and are being amortized on a straight-line basis at the following terms:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Amortization Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>3 years</td>
</tr>
<tr>
<td>Website</td>
<td>3 years</td>
</tr>
<tr>
<td>Computer software</td>
<td>3 years</td>
</tr>
<tr>
<td>Phone equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>5 years</td>
</tr>
</tbody>
</table>

Allocation of expenses

Certain administrative expenses are allocated to the sustainability period of the DCI project in accordance with the budget approved by CRKN’s Board of Directors. The allocated expenses are disclosed in Schedule B to the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian standards for not-profit-organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The estimated useful life of capital assets and the accrued liabilities are the most significant items where estimates are used. Actual results could differ from these estimates.
4. CAPITAL MANAGEMENT

The CRKN’s objectives in managing capital (net assets) are:

a) to ensure that sufficient financial resources are in place to deliver on the priorities set by the Board of Directors;

b) to maintain a minimum reserve for an operational contingency;

c) to invest funds in financial instruments which present a conservative or low risk, in accordance with its investment policy statement; and

d) to determine, on a regular basis, the appropriate level of dues to be charged to members.

The CRKN manages its capital to ensure that there are adequate capital resources to provide services to members. The CRKN does not have any short-term or long-term debt.

The CRKN monitors its capital by reviewing various financial metrics, including cash flow and variances to forecasts and budgets.

The CRKN follows a budget monitoring and modification policy to routinely and systematically evaluate financial results to budget and, as required, inform the Finance & Audit Committee and Board of deviations.

CRKN also employs an unrestricted net asset policy to govern management of net assets and to ensure responsible stewardship of organizational equity on behalf of members. In particular, the policy specifies a minimum and maximum limit to unrestricted net assets.

Capital management objectives, policies and procedures are unchanged since the preceding year. The CRKN has complied with all the capital requirements.
### 5. CAPITAL ASSETS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Amortization</td>
<td>Value</td>
</tr>
<tr>
<td>Office equipment</td>
<td>$77,565</td>
<td>$67,408</td>
<td>$10,157</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>59,335</td>
<td>56,020</td>
<td>3,315</td>
</tr>
<tr>
<td>Website</td>
<td>88,579</td>
<td>36,422</td>
<td>52,157</td>
</tr>
<tr>
<td>Computer software/systems</td>
<td>63,850</td>
<td>10,645</td>
<td>53,205</td>
</tr>
<tr>
<td>Phone equipment</td>
<td>7,073</td>
<td>6,466</td>
<td>607</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>220,433</td>
<td>218,091</td>
<td>2,342</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$516,835</strong></td>
<td><strong>$395,052</strong></td>
<td><strong>$121,783</strong></td>
</tr>
</tbody>
</table>

During the year ended March 31, 2012, CRKN wrote down the net book value of leasehold improvements to reflect the early termination of its existing office space lease of April 14, 2012.

### 6. DEFERRED REVENUE FOR LICENSE FEES

Deferred revenue relate to amounts received or receivable from members for license fees for future fiscal years.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$61,175,032</td>
<td>$60,649,103</td>
<td>$59,753,190</td>
</tr>
<tr>
<td>Contributions received during the year</td>
<td>85,417,046</td>
<td>79,666,398</td>
<td>87,380,406</td>
</tr>
<tr>
<td>Contributions recognized as revenue</td>
<td>(82,187,544)</td>
<td>(79,140,469)</td>
<td>(86,484,493)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$64,404,534</td>
<td>$61,175,032</td>
<td>$60,649,103</td>
</tr>
</tbody>
</table>
7. DEFERRED REVENUE - DCI PROJECT (INITIAL PERIOD)

Deferred revenue relates to contributions for the DCI Project received or receivable from the Canada Foundation for Innovation (CFI), provincial governments and participating institutions for DCI Project fees that pertain to future fiscal years.

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2012</th>
<th>March 31, 2011</th>
<th>April 1, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$1,135,185</td>
<td>$12,791,812</td>
<td>$10,497,901</td>
</tr>
<tr>
<td>Contributions received during the year</td>
<td>$315,414</td>
<td>$5,136,190</td>
<td>$18,150,657</td>
</tr>
<tr>
<td>Contributions recognized as revenue</td>
<td>$(1,223,684)</td>
<td>$(16,792,817)</td>
<td>$(15,856,746)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$226,915</td>
<td>$1,135,185</td>
<td>$12,791,812</td>
</tr>
</tbody>
</table>

8. DEFERRED REVENUE - DCI SUSTAINABILITY PERIOD

Deferred revenue relates to contributions required for the sustainability period of the DCI Project received or receivable from participating institutions for future fiscal years. In addition, DCI participants were invoiced $143,160 during the year to offset administrative costs approved by the board and attributed to the sustainability period.

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2012</th>
<th>March 31, 2011</th>
<th>April 1, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$1,850,995</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Contributions received during the year</td>
<td>$5,138,212</td>
<td>$2,561,777</td>
<td>-</td>
</tr>
<tr>
<td>Contributions recognized as revenue</td>
<td>$(4,506,760)</td>
<td>$(710,782)</td>
<td>-</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$2,482,447</td>
<td>$1,850,995</td>
<td>$-</td>
</tr>
</tbody>
</table>
9. FINANCIAL INSTRUMENTS

Credit risk

The risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Foreign currency risk

Foreign currency exposure arises from CRKN's purchases of licenses in U.S. dollars and British pounds. CRKN uses forward contracts to mitigate its risks.

Fair value

Fair values of assets and liabilities approximate amounts at which these instruments could be exchanged in a transaction between knowledgeable and willing parties.

Derivative financial instruments

The CRKN uses foreign exchange forward contracts to manage the currency risk inherent in future expenditures for licenses. During the year, the CRKN concluded foreign exchange forward contracts to hedge the U.S. dollar and British pound foreign exchange exposure related to the licenses to be purchased. These derivative instruments were not entered into for speculative purposes but rather for administrative convenience and operational efficiency in managing the effects of changes in foreign exchange rates on CRKN activities. Under these foreign exchange forward contracts, the CRKN has the obligation to buy U.S. dollars and British pounds at a specified rate. Risks may arise upon entering these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the Canadian dollar.
9. FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments (continued)

As at March 31, 2012, the CRKN held the following forward contracts with the Bank of Montreal and Custom House:

<table>
<thead>
<tr>
<th>Maturity (contracts maturing...)</th>
<th>Forward Exchange Rate (ranging from...)</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 30/30 avril 2012</td>
<td>0.9936 – 1.0063</td>
</tr>
<tr>
<td>- May 31/31 mai 2012</td>
<td>CDN$/USD</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notional Principal</th>
<th>Net unrealized gain in CDN$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,499,691 USD</td>
<td>$ 5,079</td>
</tr>
</tbody>
</table>

Net unrealized gain as at March 31, 2012

Gain non réalisé au 31 mars 2012 $ 5,079

The net unrealized gain of $5,079 is fully offset by amounts receivable from member universities. Upon maturity of the forward contract, any realized gain or loss is offset against the hedged currency gain or loss. Therefore, there is no impact on net assets or excess of revenue over expenses.

10. PENSION ASSISTANCE PROGRAM

The CRKN employees contribute to the defined contribution plan of the Association of Universities and Colleges of Canada Pension Plan. The employer’s contributions for the year were $44,000 (2011 - $48,302; 2010 - $50,797).

11. INTERNALLY RESTRICTED NET ASSETS

For the year ending March 31, 2012, the Board of Directors approved a transfer of $137,830 (2011 - $545,076) from internally restricted to unrestricted net assets, to reflect the fact that the CFI holdback had been reduced.
12. COMMITMENTS

The CRKN has commitments for the rental of space through to March 31, 2017 and for the rental of office equipment through to September 30, 2017. Minimum lease payments for the rental period are $615,412 and $134,273, respectively.

The CRKN also has commitments for the purchase of licenses:

- 2013: 3,271,631 CDN$
- 2013: 37,569,879 USD
- 2014: 2,431,624 CDN$
- 2014: 36,150,165 USD

The CRKN has the following commitments for the purchase of foreign currency through the use of forward contracts at March 31, 2012:

- 2012: 1,499,691 USD

13. RELOCATION COSTS

During the year, the CRKN negotiated a full surrender of its leased premises. While the relocation occurred subsequent to year end, the related significant effects were realized or provided for in the 2012 financial statements. The total impact on the statement of operations was $353,042 which is made up primarily of a $196,866 penalty for breaking the old lease and a change in the estimate of amortization for leasehold improvements of $119,166.

The decision to relocate effectively reduces CRKN's commitment for the rental of space from $1,244,639 to $615,412 as at March 31, 2012.
### Schedule A - DCI Project (Initial Period)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue and Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>License and Administration Revenue</td>
<td>$1,223,684</td>
<td>$16,792,817</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licenses</td>
<td>$1,223,684</td>
<td>$16,792,817</td>
</tr>
</tbody>
</table>

### Schedule B - DCI Sustainability

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue and Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>License fees</td>
<td>$4,363,600</td>
<td>$559,782</td>
</tr>
<tr>
<td>Administration fees</td>
<td>143,160</td>
<td>151,000</td>
</tr>
<tr>
<td></td>
<td>$4,506,760</td>
<td>$710,782</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licenses</td>
<td>$4,363,600</td>
<td>$559,782</td>
</tr>
<tr>
<td>Salary and benefits</td>
<td>60,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Legal fees</td>
<td>9,996</td>
<td>5,000</td>
</tr>
<tr>
<td>Translation</td>
<td>20,004</td>
<td>10,000</td>
</tr>
<tr>
<td>Contractor</td>
<td>49,164</td>
<td>63,000</td>
</tr>
<tr>
<td>Computer HW/SW</td>
<td>-</td>
<td>5,000</td>
</tr>
<tr>
<td>Conference calls</td>
<td>2,496</td>
<td>5,000</td>
</tr>
<tr>
<td>Travel</td>
<td>1,500</td>
<td>3,000</td>
</tr>
<tr>
<td></td>
<td>$4,506,760</td>
<td>$710,782</td>
</tr>
</tbody>
</table>
Case Study

CRKN’s provision of a pan-Canadian digital research corpus has fostered a generation of Digital Humanities engagement. The partnership with CRKN has been positively transformative for my research.

**Raymond G. Siemens**
Canada Research Chair in Humanities Computing
Distinguished Professor
Faculty of Humanities, University of Victoria

**Dr. Raymond Siemens** is Canada Research Chair in Humanities Computing and Distinguished Professor in the Faculty of Humanities at the University of Victoria, in English and Computer Science. He serves as Chair of the Steering Committee for the Alliance of Digital Humanities Organisations and Vice President, Research Dissemination, of the Canadian Federation of Humanities and Social Sciences.

Dr. Siemens has worked with CRKN resources for several years on a number of projects and describes the benefits achieved through CRKN as “positively transformative” for his research. For his most recent project, **INKE**, Dr. Siemens and his collaborators are using technologies to learn more about how scholars read and process information. INKE has been described as an initiative that “seeks to understand the future of reading through readings past and to explore the future of the book from the perspective of its history.” CRKN has facilitated and structured full access to its licensed materials so that INKE researchers could assemble a large digital corpus of publications. Using devices such as tablets, e-readers and desktop computers, this research aims to better understand how researchers access and use electronic resources and design better tools and interfaces for discovery and analysis of humanities texts.

The INKE project is built on previous work by Dr. Siemens and others that developed a prototype research knowledgebase consisting of a large dynamic corpus of both primary (15,000 text, image, and audio objects) and secondary materials (some 100,000 articles, e-books, etc.) related to the Renaissance period. The aim was to create a reading environment that better suited the needs of professional readers. They had particular success in amalgamating previously unconnected (but research-pertinent) database contents so that a researcher could speed workflow by not having to enter search terms across several unconnected databases and interfaces.

The INKE project is funded by a $2.5 million, 7-year Major Collaborative Research Initiative (MCRI) grant from the Social Sciences and Humanities Research Council (SSHRC), plus an additional $10.4 million in contributions from institutional and research partners. The project is highly interdisciplinary and has an international research team that consists of 35 researchers.
across 20 institutions and 21 partner agencies, with work involving some 19 postdoctoral research fellows and 53 graduate research assistants. It brings together researchers and stakeholders at the forefront of computing in the humanities, text analysis, information studies, usability and interface design into a network comprised of those who are best-positioned to understand the nature of the human record as it intersects with the computer.

Ultimately, Dr. Siemens’ research will contribute to a greater comprehension of the relationship between the researcher and electronic scholarly works and help us to understand how scholarly reading will be transformed over the next 5, 10, and 15 years. The digital content made possible by CRKN is key to the success of this work.