

**CLEAR SEAS CENTRE FOR
RESPONSIBLE MARINE SHIPPING
SOCIETY**

**Financial Statements
March 31, 2016**

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY

Report on the Financial Statements

We have audited the accompanying financial statements of Clear Seas Centre for Responsible Marine Shipping Society, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and net assets (deficiency) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Clear Seas Centre for Responsible Marine Shipping Society as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the *Society Act* (British Columbia), we report that, in our opinion, the principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
September 30, 2016

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY
Statement of Financial Position
March 31

	2016	2015
Assets		
Current		
Cash	\$ 4,499,354	\$ 234,272
Short-term investment (note 4)	15,000	0
Grant receivable	900,000	0
Amount receivable	268,672	0
GST receivable	30,786	16,160
Deposit and prepaid expenses	15,018	0
Held in trust with Port Metro Vancouver	0	3,326,019
	5,728,830	3,576,451
Capital Assets (note 5)	51,751	7,938
	\$ 5,780,581	\$ 3,584,389
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 86,159	\$ 39,371
Current portion of deferred revenue	1,966,809	528,571
	2,052,968	567,942
Deferred Revenue	3,288,235	2,378,571
Due to Port Metro Vancouver (note 6)	0	678,735
	5,341,203	3,625,248
Net Assets (Deficiency)		
Unrestricted	439,378	(40,859)
	\$ 5,780,581	\$ 3,584,389

Commitment (note 7)

Approved by the Board:

_____ Director

_____ Director

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY
Statement of Operations and Net Assets (Deficiency)
Year Ended March 31

	2016	2015
Receipts		
Grants	\$ 1,352,101	\$ 528,571
Recovery - Transport Canada	849,600	0
Interest	40,772	38,271
	2,242,473	566,842
Expenditures		
Research and development	699,290	0
Salary and human resources	432,711	270,840
Communication and engagement	318,169	90,016
Board fees and expenses	134,261	141,071
Office and rent	56,302	39,218
Travel	44,212	20,913
Information technology	39,291	0
GST	14,626	9,860
Professional fees	11,786	12,245
Amortization	11,588	1,588
	1,762,236	585,751
Surplus (Deficiency) of Receipts over Expenditures for Year	480,237	(18,909)
Net Deficiency, Beginning of Year	(40,859)	(21,950)
Net Assets (Deficiency), End of Year	\$ 439,378	\$ (40,859)

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY
Statement of Cash Flows
Year Ended March 31

	2016	2015
Operating Activities		
Surplus (deficiency) of receipts over expenditures	\$ 480,237	\$ (18,909)
Item not involving cash		
Amortization	11,588	1,588
	491,825	(17,321)
Changes in non-cash working capital		
Grant receivable	(900,000)	0
Amount receivable	(268,672)	0
GST receivable	(14,626)	(9,859)
Deposit and prepaid expenses	(15,018)	0
Held in trust with Port Metro Vancouver	3,326,019	411,729
Accounts payable and accrued liabilities	46,788	(26,288)
Deferred revenue	2,347,902	(528,572)
Due to Port Metro Vancouver	(678,735)	414,109
	3,843,658	261,119
Cash Provided by Operating Activities	4,335,483	243,798
Investing Activities		
Purchase of capital assets	(55,401)	(9,526)
Purchase of short-term investment	(15,000)	0
Cash Used in Investing Activities	(70,401)	(9,526)
Inflow of Cash	4,265,082	234,272
Cash, Beginning of Year	234,272	0
Cash, End of Year	\$ 4,499,354	\$ 234,272

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2016

1. NATURE OF OPERATIONS

Clear Seas Centre for Responsible Marine Shipping Society (the "Society") was incorporated on November 6, 2013 under the *Society Act* (British Columbia). The goal of the Society is to promote and facilitate research and regulatory frameworks that deliver the highest standards in safe and sustainable marine shipping including, but not limited to, shipment of Canada's oil and liquefied natural gas commodities. The Society is exempt from taxes under section 149(1)(l) of the *Income Tax Act* (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Society were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies.

(a) Revenue recognition

The Society follows the deferral method of accounting for contributions. Contributions with specific purpose or with some other restrictions attached to them are recognized as revenue on a straight-line basis over the terms set out in the agreement. Until recognized as revenue, such amounts are shown as deferred revenue as a liability on the statement of financial position.

Unrestricted contributions and other revenues are recognized when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Interest income is recognized as earned based on the passage of time at the stated interest rate.

(b) Amortization

Capital assets are amortized on a straight-line basis using the following expected useful lives:

Furniture and fixtures	- 3 years
Computer equipment	- 3 years
Equipment	- 3 years

(c) Use of estimates

The preparation of these financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of accounts receivables, useful life of capital assets for the purpose of depreciation, and accrued liabilities. While management believes these estimates are reasonable, actual results could differ from the estimates and could impact future results of operations and cash flows.

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments

The Society initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Society subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in surplus (deficiency) of receipts over expenditures. In the event a previously recognized impairment loss should be reversed, the amount of the reversal is recognized in surplus (deficiency) of receipts over expenditures provided it is not greater than the original amount prior to write-down.

For any financial instrument that is measured at amortized cost, the instrument's cost is adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption. These transaction costs are amortized into income on a straight-line basis over the term of the instrument. All other transaction costs are recognized in surplus (deficiency) of receipts over expenditures in the period incurred.

3. FINANCIAL INSTRUMENTS

(a) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities.

The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Society has sufficient current assets to meet its short-term liabilities.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Society is not exposed to credit risk, as amounts receivable consists primarily of balances receivable from government agencies. Credit risk with respect to cash is minimized, as cash is held with a major Canadian financial institution.

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2016

3. FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Society's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Society is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Society's monetary assets and liabilities, the Society is exposed to interest rate price risk.

The Society is not exposed to significant interest rate risk due to the short-term maturity of its financial assets and liabilities.

4. SHORT-TERM INVESTMENT

Short-term investment consists of a guaranteed investment certificate bearing a variable interest per annum and maturing June 12, 2017. Prior to maturity, the Society increased the balance of the short-term investment to \$25,000 with a revised maturity date of July 12, 2017.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2016	2015
Furniture and fixtures	\$ 37,524	\$ 5,701	\$ 31,823	0
Computer equipment	23,236	6,926	16,310	7,938
Equipment	4,167	549	3,618	0
	\$ 64,927	\$ 13,176	\$ 51,751	7,938

6. DUE TO PORT METRO VANCOUVER

The amounts due to Port Metro Vancouver during the previous year are not charged interest and are without stated terms of repayment.

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2016

7. COMMITMENT

The Society is committed to lease payments aggregating \$419,136 for its office premises and photocopier with the term of the lease agreements expiring in November 2020 and June 2018, respectively. In addition, the Society is committed to provide contribution of \$77,699 to fund assessment projects of Canadian Marine Shipping in fiscal years 2017 and 2018.

2017	\$	117,777
2018		145,476
2019		90,992
2020		89,718
2021		52,872
	\$	496,835
