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CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY

Financial Statements
March 31, 2017

Index	**Page**

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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, 2017 and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the *Societies Act* (British Columbia), we report that, in our opinion, these 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 15, 2017

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

	2017	2016
Assets		
Current		
Cash	$ 3,962,025	$ 4,499,354
Short-term investment (note 4)	25,000	15,000
Amounts receivable	557,227	268,672
GST receivable	69,913	30,786
Deposit and prepaid expenses	6,940	15,018
Grant receivable	0	900,000
	4,621,105	5,728,830
Capital Assets (note 5)	46,619	51,751
	$ 4,667,724	$ 5,780,581
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 81,383	$ 86,159
Current portion of deferred revenue (note 6)	1,966,809	1,966,809
	2,048,192	2,052,968
Deferred Revenue (note 6)	1,321,426	3,288,235
	3,369,618	5,341,203
Net Assets		
Unrestricted	1,298,106	439,378
	$ 4,667,724	$ 5,780,581

Commitments (note 8)

Approved by the Board:

____________________ Director ____________________ Director

See notes to financial statements.

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

	2017	2016
Receipts		
Grants (note 6)	$ 1,966,809	$ 1,352,101
Recovery - Transport Canada	1,031,027	849,600
Interest	36,137	40,772
	3,033,973	2,242,473
Expenditures		
Salary and human resources	947,348	432,711
Research and development	460,801	699,290
Communication and engagement	323,804	318,169
Board fees and expenses	130,941	134,261
Office and rent	115,208	56,302
Travel	80,290	44,212
GST	39,127	14,626
Information technology	31,910	39,291
Professional fees	19,911	11,786
Amortization	25,905	11,588
	2,175,245	1,762,236
Excess of Receipts over Expenditures for Year	858,728	480,237
Net Assets (Deficiency), Beginning of Year	439,378	(40,859)
Net Assets, End of Year	$ 1,298,106	$ 439,378

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

	2017	2016
Operating Activities		
Excess of receipts over expenditures	$ 858,728	$ 480,237
Item not involving cash		
Amortization	25,905	11,588
	884,633	491,825
Changes in non-cash working capital		
Amounts receivable	(288,555)	(268,672)
GST receivable	(39,127)	(14,626)
Deposit and prepaid expenses	8,078	(15,018)
Grant receivable	900,000	(900,000)
Accounts payable and accrued liabilities	(4,776)	46,788
Deferred revenue	(1,966,809)	2,347,902
Held in trust with Port Metro Vancouver	0	3,326,019
Due to Port Metro Vancouver	0	(678,735)
	(1,391,189)	3,843,658
Cash Provided by (Used in) Operating Activities	(506,556)	4,335,483
Investing Activities		
Purchase of capital assets	(20,773)	(55,401)
Purchase of short-term investment	(10,000)	(15,000)
Cash Used in Investing Activities	(30,773)	(70,401)
Inflow (Outflow) of Cash	(537,329)	4,265,082
Cash, Beginning of Year	4,499,354	234,272
Cash, End of Year	$ 3,962,025	$ 4,499,354

See notes to financial statements.

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

Additions during the year are amortized at one-half the annual rates.

(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 amounts receivable, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments

The Society initially measures its financial assets and liabilities at fair value. 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 of receipts over expenditures. In the event a previously recognized impairment loss should be reversed, the amount of the reversal is recognized in surplus 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 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.

(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 interest at 0.675% per annum and maturing July 12, 2018.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	**2017**	**2016**
Furniture and fixtures	$ 43,585	$ 19,385	$ 24,200	$ 31,823
Computer equipment	34,564	16,817	17,747	16,310
Equipment	7,551	2,879	4,672	3,618
	$ 85,700	$ 39,081	$ 46,619	$ 51,751

6. DEFERRED REVENUE

	Opening Balance	Contributions	Recognized as Revenue	Closing Balance
CAPP grant	$ 2,876,470	$ 0	$ 1,438,235	$ 1,438,235
Alberta grant	2,378,574	0	528,574	1,850,000
	5,255,044	0	1,966,809	3,288,235
Less: Current portion				1,966,809
Deferred revenue				$ 1,321,426

Canadian Association of Petroleum Producers ("CAPP") grant

During fiscal 2016, the Society received grants from the CAPP totaling $3,700,000. The grant is recognized as revenue on a straight-line basis over the term of the agreement. As at March 31, 2017, $1,438,235 (2016 - $823,530) has been recorded as revenue on the statement of operations and $1,438,235 (2016 - $2,876,470) has been recorded as deferred revenue.

Alberta Energy grant

During fiscal 2013, the Society received a grant of $3,700,000 from the Government of Alberta. The grant is recognized as revenue on a straight-line basis over the term of the agreement. As at March 31, 2017, $528,574 (2016 - $528,571) has been recorded as revenue on the statement of operations and $1,850,000 (2016 - $2,378,572) has been recorded as deferred revenue, as this balance will be recorded as revenue during the fiscal years ended 2018, 2019, 2020 and 2021.

7. REMUNERATION OF DIRECTORS, EMPLOYEES AND/OR CONTRACTORS

During the year, the Society paid five employees earnings more than $75,000 each a total of approximately $690,000 including benefits. The Society paid four contractors for service contracts exceeding $75,000 each for a total of approximately $470,000. The Society remunerated its Board of Directors as follows:

		2017
Chair Person	$	14,500
Vice Chair Person		12,000
Chair of HR Committee		14,250
Chair of Finance & Audit Committee		12,000
Director 1		11,250
Director 2		10,750
Director 3		10,750
Director 4		10,000
Director 5		4,313
	$	99,813

8. COMMITMENTS

The Society is committed to lease payments aggregating $326,358 for its office premises and photocopier with the terms of the lease agreements expiring in November 2020 and June 2018, respectively. The Society's commitments in the next four fiscal years are as follows:

2018	$	92,777
2019		90,992
2020		89,717
2021		52,872
	$	326,358