

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

**Financial Statements
March 31, 2018**

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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, 2018 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, 2018, 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
July 31, 2018

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Vancouver

7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

T: 604 687 1231
F: 604 688 4675

Langley

305 – 9440 202 St
Langley, BC V1M 4A6

T: 604 282 3600
F: 604 357 1376

Nanaimo

201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1

T: 250 755 2111
F: 250 984 0886

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

	2018	2017
Assets		
Current		
Cash	\$ 339,073	\$ 3,962,025
Short-term investments (note 4)	3,025,166	25,000
Amounts receivable	268,956	557,227
GST receivable	2,585	69,913
Deposit	6,940	6,940
	3,642,720	4,621,105
Capital Assets (note 5)	19,606	46,619
	\$ 3,662,326	\$ 4,667,724
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 3,255	\$ 81,383
Current portion of deferred revenue (note 6)	528,571	1,966,809
	531,826	2,048,192
Deferred Revenue (note 6)	792,858	1,321,426
	1,324,684	3,369,618
Net Assets		
Unrestricted	2,337,642	1,298,106
	\$ 3,662,326	\$ 4,667,724

Commitments (note 8)

Approved by the Board:

_____ Director

_____ Director

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

	2018	2017
Receipts		
Grants (note 6)	\$ 1,966,806	\$ 1,966,809
Recovery - Transport Canada (note 6)	909,686	1,031,027
Interest	35,587	36,137
	2,912,079	3,033,973
Expenditures		
Salary and human resources	799,292	947,348
Research and development	482,874	460,801
Communication and engagement	221,033	323,804
Office and rent	112,528	115,208
Board fees and expenses	109,889	130,941
Travel	50,735	80,290
Information technology	28,819	31,910
Professional fees	26,416	19,911
GST	13,943	39,127
Amortization	27,014	25,905
	1,872,543	2,175,245
Excess of Receipts over Expenditures for Year	1,039,536	858,728
Net Assets, Beginning of Year	1,298,106	439,378
Net Assets, End of Year	\$ 2,337,642	\$ 1,298,106

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

	2018	2017
Operating Activities		
Excess of receipts over expenditures	\$ 1,039,536	\$ 858,728
Item not involving cash		
Amortization	27,014	25,905
	1,066,550	884,633
Changes in non-cash working capital		
Amounts receivable	288,271	(288,555)
GST receivable	67,328	(39,127)
Deposit	0	8,078
Grant receivable	0	900,000
Accounts payable and accrued liabilities	(78,129)	(4,776)
Deferred revenue	(1,966,806)	(1,966,809)
	(1,689,336)	(1,391,189)
Cash Used in Operating Activities	(622,786)	(506,556)
Investing Activities		
Purchase of capital assets	0	(20,773)
Purchase of short-term investments	(3,000,166)	(10,000)
Cash Used in Investing Activities	(3,000,166)	(30,773)
Outflow of Cash	(3,622,952)	(537,329)
Cash, Beginning of Year	3,962,025	4,499,354
Cash, End of Year	\$ 339,073	\$ 3,962,025

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2018

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 recoverability of amounts receivable, useful life of capital assets and accrual of 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, 2018

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 and short-term investments are 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 INVESTMENTS

Short-term investments consist of guaranteed investment certificates ("GIC") bearing interest per annum ranging from 0.5% to 1.3% (2017 - 0.5%) maturing within the next fiscal year.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2018	2017
Furniture and fixtures	\$ 43,585	\$ 33,913	\$ 9,672	\$ 24,200
Computer equipment	34,564	26,784	7,780	17,747
Equipment	7,551	5,397	2,154	4,672
	\$ 85,700	\$ 66,094	\$ 19,606	\$ 46,619

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2018

6. DEFERRED REVENUE

	Opening Balance	Contributions	Recognized as Revenue	Closing Balance
Alberta grant	\$ 1,850,000	\$ 0	\$ 528,571	\$ 1,321,429
CAPP grant	1,438,235	0	1,438,235	0
	3,288,235	0	1,966,806	1,321,429
Less: Current portion				528,571
Deferred revenue				\$ 792,858

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, 2018, \$1,438,235 (2017 - \$1,438,235) has been recorded as revenue on the statement of operations and \$nil (2017 - \$1,438,235) 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, 2018, \$528,571 (2017 - \$528,574) has been recorded as revenue on the statement of operations and \$1,321,429 (2017 - \$1,850,000) has been recorded as deferred revenue, as this balance will be recorded as revenue during the fiscal years ended 2019 and 2020.

Transport Canada

In accordance with the Contribution Agreement, Transport Canada reimburses the Society for eligible expenses (as defined in the agreement) through a process where the Society submits claims for reimbursement on a quarterly basis.

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2018

7. REMUNERATION OF DIRECTORS, EMPLOYEES AND/OR CONTRACTORS

During the year, the Society paid four (2017 - five) employees earnings more than \$75,000 each a total of approximately \$600,000 (2017 - \$690,000) including benefits. The Society paid three (2017 - four) contractors for service contracts exceeding \$75,000 each for a total of approximately \$417,000 (2017 - \$470,000). The Society remunerated its Board of Directors as follows:

	2018
Chair Person	\$ 12,550
Vice Chair Person	10,750
Chair of HR Committee	10,750
Chair of Finance & Audit Committee	10,000
Director	10,700
Director	10,250
Director	10,000
Director	8,750
Director	6,000
	\$ 89,750

8. COMMITMENTS

The Society is committed to lease payments aggregating \$243,085 for its office premises and photocopier with the terms of the lease agreements expiring in November 2020 and July 2021, respectively. The Society's commitments in the next four fiscal years are as follows:

2019	\$ 93,104
2020	92,885
2021	56,040
2022	1,056
	\$ 243,085