Smythe CPA

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY

Financial Statements
March 31, 2019

Smythe CPA

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Clear Seas Centre for Responsible Marine Shipping Society (the "Society"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Society to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 23, 2019

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

	2019	2018
Assets		
Current		
Cash	$ 483,676	$ 339,073
Short-term investments (note 4)	2,325,166	3,025,166
Amounts receivable	345,825	268,956
GST receivable	11,028	2,585
Deposit	6,940	6,940
	3,172,635	3,642,720
Capital Assets (note 5)	0	19,606
	$ 3,172,635	$ 3,662,326
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 37,968	$ 3,255
Current portion of deferred revenue (note 6)	580,571	528,571
	618,539	531,826
Deferred Revenue (note 6)	412,287	792,858
	1,030,826	1,324,684
Net Assets		
Unrestricted	2,141,809	2,337,642
	$ 3,172,635	$ 3,662,326

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

		2019		2018
Receipts				
Grants (note 6)	$	528,571	$	1,966,806
Recovery - Transport Canada (note 6)		709,687		909,686
Interest		41,792		35,587
		1,280,050		2,912,079
Expenditures				
Salary and human resources		673,888		799,292
Research and development		242,606		482,874
Communication and engagement		194,921		221,033
Board fees and expenses		139,746		109,889
Office and rent		113,456		112,528
Information technology		36,607		28,819
Travel		20,131		50,735
Professional fees		20,665		26,416
GST		14,257		13,943
Amortization		19,606		27,014
		1,475,883		1,872,543
Excess (Deficiency) of Revenues over Expenses for Year		(195,833)		1,039,536
Net Assets, Beginning of Year		2,337,642		1,298,106
Net Assets, End of Year	$	2,141,809	$	2,337,642

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

	2019	2018
Operating Activities		
Excess (deficiency) of receipts over expenditures	$ (195,833)	$ 1,039,536
Item not involving cash		
Amortization	19,606	27,014
	(176,227)	1,066,550
Changes in non-cash working capital		
Amounts receivable	(76,869)	288,271
GST receivable	(8,443)	67,328
Accounts payable and accrued liabilities	34,713	(78,129)
Deferred revenue	(328,571)	(1,966,806)
	(379,170)	(1,689,336)
Cash Used in Operating Activities	(555,397)	(622,786)
Investing Activities		
Purchase of short-term investments	700,000	(3,000,166)
Cash Provided by (Used in) Investing Activities	700,000	(3,000,166)
Inflow (Outflow) of Cash	144,603	(3,622,952)
Cash, Beginning of Year	339,073	3,962,025
Cash, End of Year	$ 483,676	$ 339,073

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 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.

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 and short-term investments are minimized, as cash is held with a major Canadian financial institution.

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 INVESTMENTS

Short-term investments consist of guaranteed investment certificates ("GIC") bearing 1.5% interest per annum (2018 - ranging from 0.5% to 1.3%), maturing within the next fiscal year.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	**2019**	**2018**
Furniture and fixtures	$ 43,585	$ 43,585	$ 0	$ 9,672
Computer equipment	34,564	34,564	0	7,780
Equipment	7,551	7,551	0	2,154
	$ 85,700	$ 85,700	$ 0	$ 19,606

6. DEFERRED REVENUE

	Opening Balance	Contributions	Recognized as Revenue	Closing Balance
Alberta grant	$ 1,321,429	$ 200,000	$ 528,571	$ 992,858
Less: Current portion				580,571
Deferred revenue				$ 412,287

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, 2019, $528,571 (2018 - $528,574) has been recorded as revenue on the statement of operations and $992,858 (2018 - $1,321,429) has been recorded as deferred revenue, as this balance will be recorded as revenue during the fiscal year ended 2020.

During the year, the Society received additional grant of $200,000 from the Government of Alberta and the full amount has been recognized as deferred revenue. The grant will be recognized as revenue starting fiscal 2020 on a straight-line basis over the term of the Energy Grants Regulations of the Government of Alberta.

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.

7. REMUNERATION OF DIRECTORS, EMPLOYEES AND/OR CONTRACTORS

During the year, the Society paid three (2018 - four) employees earnings more than $75,000 each a total of approximately $375,000 (2018 - $600,000) including benefits. The Society paid three (2018 - four) contractors for service contracts exceeding $75,000 each for a total of approximately $255,000 (2018 - $417,000). The Society remunerated its Board of Directors as follows:

	2019
Chair Person	$ 19,000
Vice Chair Person	12,750
Chair of HR Committee	11,250
Chair of Finance & Audit Committee	11,250
Director	10,500
Director	8,500
Director	9,250
Director	8,875
Director	4,188
Director	1,313
	$ 96,876

8. COMMITMENTS

The Society is committed to lease payments aggregating $149,981 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 three fiscal years are as follows:

2020	$	92,885
2021		56,040
2022		1,056
	$	149,981