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CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY

Financial Statements
March 31, 2021

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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, 2021;
- the statement of operations and net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the 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, 2021, 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.

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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:

- 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.

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Report on Other Legal and Regulatory Requirements

As required by the *Societies Act* (British Columbia), we report that, in our opinion, the accounting 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 29, 2021

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

	2021	2020
Assets		
Current		
Cash	$ 397,206	$ 861,601
Short-term investments (note 4)	1,025,000	1,025,000
Amounts receivable	325,496	8,265
Deposits and prepaid expenses	6,940	7,972
GST receivable	17,047	4,693
	$ 1,771,689	$ 1,907,531
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 22,012	$ 52,922
Current portion of deferred revenue (note 5)	48,000	312,288
	70,012	365,210
Deferred revenue (note 5)	52,000	100,000
	122,012	465,210
Net Assets		
Unrestricted	1,649,677	1,442,321
	$ 1,771,689	$ 1,907,531

Commitments (note 7)

Approved by the Board

Director

Director

See notes to financial statements

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

	2021	2020
Revenue		
Vancouver Fraser Port Authority (note 5)	$ 1,000,000	$ -
Grants (note 5)	312,288	580,569
Recovery - Department of Natural Resources (note 5)	307,478	-
Interest	15,761	38,849
Recovery - Transport Canada (note 5)	-	200,000
	1,635,527	819,418
Expenditures		
Salary and human resources	776,670	797,715
Communication and engagement	244,689	240,568
Office and rent	122,370	110,325
Board fee and expenses	89,609	133,814
Research and development	81,534	126,806
Indigenous engagements	44,234	505
Information technology	38,757	30,306
Professional fees	17,955	28,250
GST	12,353	17,600
Travel	-	33,017
	1,428,171	1,518,906
Excess (deficiency) of revenue over expenditures for year	207,356	(699,488)
Net assets, beginning of year	1,442,321	2,141,809
Net assets, end of year	$ 1,649,677	$ 1,442,321

See notes to financial statements

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

	2021	2020
Operating activities		
Excess (deficiency) of revenue over expenditures	$ 207,356	$ (699,488)
Changes in non-cash working capital		
Amounts receivable	(317,231)	337,560
Deposits and prepaid expenses	1,032	(1,032)
GST receivable	(12,354)	6,335
Accounts payable and accrued liabilities	(30,910)	14,954
Deferred revenue	(312,288)	(580,570)
	(671,751)	(222,753)
Cash used in operating activities	(464,395)	(922,241)
Investing activity		
Redemption of short-term investments	-	1,300,166
Inflow (outflow) of cash	(464,395)	377,925
Cash, beginning of year	861,601	483,676
Cash, end of year	$ 397,206	$ 861,601

See notes to financial statements

1. NATURE OF OPERATIONS

Clear Seas Centre for Responsible Marine Shipping 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) 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 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.

(c) Government assistance

Government assistance in the form of wage subsidies received is recorded net in salary expenditures in the corresponding period it relates to. During fiscal 2021, $24,101 was received from the Government of Canada COVID-19 relief program for salaries.

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) 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 significant credit credit risk with respect to its amounts receivable. Credit risk with respect to cash and short-term investments are minimized, as cash is held with a major Canadian financial institution.

(b) 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.

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 bearing 0.75% to 1.25% interest per annum (2020 - 1.2% to 1.25%), maturing within the next fiscal year.

5. REVENUE AND DEFERRED REVENUE

	Opening Balance	Recognized as Revenue	Closing Balance
Alberta Grant	$ 412,288	$ (312,288)	$ 100,000
Less: Current portion			(48,000)
			$ 52,000

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 which was fully amortized in October 2020.

During fiscal 2019, the Society received additional grant of $200,000 from the Government of Alberta. The grant is being recognized as revenue on a straight-line basis over the term of the agreement which will end during fiscal 2024.

As at March 31, 2021, $312,287 (2020 - $580,570) has been recorded as revenue on the statement of operations and $100,000 (2020 - $412,288) has been recorded as deferred revenue.

Transport Canada
In May 2015, the Society signed a contribution agreement with Transport Canada that reimburses the Society for eligible expenses (as defined in the agreement) up to a maximum of $3,700,000 through a process whereby the Society submits claims for reimbursement on a quarterly basis. The contribution agreement was amended in December 2017 and again in March 2019. The amended agreement ended in March 2020.

Vancouver Fraser Port Authority
On May 5, 2020, the Society received a total grant of $3,000,00 from the Vancouver Fraser Port Authority, receivable in quarterly instalments of $250,000 from April 1, 2020 to March 31, 2023, $1,000,000 on an annual basis. The grant is being recognized as revenue on a straight-line basis over the term of the agreement.

Department of Natural Resources
On January 25, 2021, the Society signed a contribution agreement with the Department of Natural Resources of Canada that reimburses the Society for eligible expenses (as defined in the agreement) up to a maximum of $350,000 annually for a total of $700,000 through a process whereby the Society submits claims for reimbursement on a quarterly basis. The eligible expenditure period ends March 31, 2022.

6. REMUNERATION OF DIRECTORS, EMPLOYEES AND/OR CONTRACTORS

During the year, the Society paid three (2020 - four) employees earnings more than $75,000 each for a total of approximately $395,300 (2020 - $484,000) including benefits. There were no contractors for service contracts exceeding $75,000 (2020 - nil). The Society remunerated its Board of Directors as follows:

6. REMUNERATION OF DIRECTORS, EMPLOYEES AND/OR CONTRACTORS — continued

		2021
Chair Person	$	13,000
Vice Chair Person		13,750
Chair of HR and Governance Committee		11,250
Chair of Finance & Audit Committee		9,750
Director		10,250
Director		10,000
Director		10,000
Director		9,750
Director		5,375
	$	93,125

7. COMMITMENTS

The Society is committed to lease payments aggregating $544,596 for its office premises and photocopier with the terms of the lease agreements expiring in November 2025 and July 2021, respectively. The Society's commitments in the next five fiscal years are as follows:

		2021
2022	$	113,627
2023		114,161
2024		117,340
2025		118,640
2026		80,828
	$	544,596

8. IMPACT OF COVID-19

The outbreak of the novel strain coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. The duration and impact of COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these development and the impact on the financial results and condition of the Society in future periods.