

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY

Financial Statements
March 31, 2023

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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, 2023;
- ♦ the statement of operations and changes in 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, 2023, 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.

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
September 11, 2023

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

	2023	2022
Assets		
Current		
Cash	\$ 974,610	\$ 988,078
Short-term investments (note 4)	1,025,000	1,025,000
Amounts receivable	590,482	38,608
Deposits and prepaid expenses	1,962	9,340
GST receivable	29,621	26,329
	\$ 2,621,675	\$ 2,087,355
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 400,249	\$ 126,005
Current portion of deferred revenue (note 5)	4,000	48,000
	404,249	174,005
Deferred revenue (note 5)	-	4,000
	404,249	178,005
Net Assets		
Unrestricted	2,217,426	1,909,350
	\$ 2,621,675	\$ 2,087,355

Commitment (note 7)

Approved by the Board

Murray Coolican
Murray Coolican (Sep 21, 2023 09:46 ADT)

Director

Kim Baird

Director

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

	2023	2022
Revenue		
Vancouver Fraser Port Authority (note 5)	\$ 1,000,000	\$ 1,000,000
Recovery - Canada's Ocean Super Cluster (note 5)	544,100	-
Recovery - Canadian Coast Guard (note 5)	407,368	336,000
Donations and other receipts	244,027	37,860
National Research Council of Canada (note 5)	133,031	-
Recovery - Transport Canada	75,000	-
Grants	48,000	48,000
Interest	40,956	8,639
Recovery - Department of Natural Resources	-	392,183
	2,492,482	1,822,682
Expenditures		
Salary and human resources	1,062,186	927,219
Indigenous programs	420,705	67,600
Research and development	204,661	110,233
Communication and engagement	197,173	162,729
Board fee and expenses	141,824	109,456
Office and rent	97,412	127,990
Information technology	25,611	34,301
Professional fees	20,966	14,199
GST	13,868	9,282
	2,184,406	1,563,009
Excess of revenue over expenditures for year	308,076	259,673
Net assets, beginning of year	1,909,350	1,649,677
Net assets, end of year	\$ 2,217,426	\$ 1,909,350

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

	2023	2022
Operating activities		
Excess of revenue over expenditures	\$ 308,076	\$ 259,673
Changes in non-cash working capital		
Amounts receivable	(551,874)	286,888
Deposits and prepaid expenses	7,378	(2,400)
GST receivable	(3,292)	(9,282)
Accounts payable and accrued liabilities	274,244	103,993
Deferred revenue	(48,000)	(48,000)
	(321,544)	331,199
Inflow (outflow) of cash	(13,468)	590,872
Cash, beginning of year	988,078	397,206
Cash, end of year	\$ 974,610	\$ 988,078

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2023

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) 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.

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY
Notes to Financial Statements
Year Ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES — continued

(c) 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 risk with respect to its amounts receivable. Credit risk with respect to cash and short-term investments is 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.

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY
Notes to Financial Statements
Year Ended March 31, 2023

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 1.70% to 1.80% interest per annum (2022 - 0.45% to 0.75%), maturing within the next fiscal year.

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2023

5. REVENUE AND DEFERRED REVENUE

	Opening Balance	Funding received	Recognized as revenue	Closing Balance
Alberta Grant	\$ 52,000	\$ -	\$(48,000)	\$ 4,000

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, 2023, \$48,000 (2022 - \$48,000) has been recorded as revenue on the statement of operations and \$4,000 (2022 - \$52,000) has been recorded as deferred revenue.

National Research Council

On March 22, 2022, the Society signed a contribution agreement with the National Research Council of Canada that reimburses the Society for eligible expenses (as defined in the agreement) for a total contribution of \$339,281. The total amount is paid in three instalments until July 2024.

Vancouver Fraser Port Authority

On May 5, 2020, the Society received a total grant of \$3,000,000 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.

Canada's Ocean Supercluster

On May 4, 2022, the Society reached a project agreement with Canada's Ocean Supercluster. The Society gets reimbursed for eligible expenses (as defined in the agreement) for a total eligible contribution of \$750,000. This project ceased in fiscal 2023.

Canadian Coast Guard

On April 27, 2022, the Society signed a contribution agreement with the Canadian Coast Guard that reimburses the Society for eligible expenses (as defined in the agreement) for \$40,368. The eligible expenditures period was effective from April 1, 2022 to March 31, 2023.

On February 3, 2023, the Canadian Coast Guard and the Society amended the agreement to provide the Society with additional funding. The funding under the amended agreement was for an additional \$351,466.

CLEAR SEAS CENTRE FOR RESPONSIBLE MARINE SHIPPING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2023

6. REMUNERATION OF DIRECTORS, EMPLOYEES AND/OR CONTRACTORS

During the year, the Society paid five (2022 - six) employees earnings more than \$75,000 each for a total of approximately \$627,005 (2022 - \$659,242) including benefits. There were no contractors for service contracts exceeding \$75,000 (2022 - nil). The Society remunerated its Board of Directors as follows:

	2023
Chair Person	\$ 14,250
Chair of Governance and Human Resource Committee	11,500
Chair of Finance and Audit Committee and Secretary Treasurer	11,000
Director	10,750
Director	10,750
Director	10,500
Vice Chair Person	10,250
Director	7,261
Director	6,011
Director	5,761
Director	5,261
Director	4,219
Director	3,969
	\$ 111,482

7. COMMITMENT

The Society entered into a lease agreement on December 1, 2022 until November 31, 2023. The Society is committed to the remainder of the lease payments of \$10,080. The Society's commitment in the next fiscal year is as follows:

	2023
2024	\$ 10,080