



Financial Statements

Marine Renewables Canada Society

December 31, 2015

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Independent Auditor's Report

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To the Members of
Marine Renewables Canada Society

We have audited the accompanying financial statements of Marine Renewables Canada Society, which comprise the statement of financial position as at December 31, 2015, and the statements of operations and changes in 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.

Auditor's 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 auditor's 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 Society'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 Society'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.

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Marine Renewables Canada Society as at December 31, 2015, 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.

Other matter

The financial statements of Marine Renewables Canada Society for the year ended December 31, 2014 were audited by another auditor.

Halifax, Canada
June 30, 2016



Chartered Accountants

Marine Renewables Canada Society

Statements of Operations and Changes in Net Assets

Year ended December 31	2015	2014
Revenues		
Government funding	\$ 516,191	\$ 665,592
Events	102,128	712,993
Membership income	66,577	55,078
Other income	1,017	7,275
	<u>685,913</u>	<u>1,440,938</u>
Expenditures		
Accounting and legal	13,355	19,721
Advertising and promotion	2,635	31,987
Bad debt	13,894	5,625
Contract fees	372,839	367,303
Event expenses	92,592	532,469
Insurance	1,787	2,882
Interest and bank charges	3,942	16,732
Non-claimable GST/HST	7,798	19,836
Office	858	2,542
Rent	4,440	7,200
Travel	13,589	16,687
Wages and directors' fees	159,950	224,133
	<u>687,679</u>	<u>1,247,117</u>
(Deficiency) excess of revenues over expenditures	<u>\$ (1,766)</u>	<u>\$ 193,821</u>
Surplus, beginning of year	\$ 224,397	\$ 30,576
(Deficiency) excess of revenues over expenditures	<u>(1,766)</u>	<u>193,821</u>
Surplus, end of year	<u>\$ 222,631</u>	<u>\$ 224,397</u>

Marine Renewables Canada Society

Statement of Financial Position

December 31	2015	2014
Assets		
Current		
Cash	\$ 29,052	\$ 89,358
Accounts receivable (Note 3)	262,812	277,765
Work in progress	-	16,838
Prepaid expenses (Note 4)	46,692	3,016
Holdback receivable	<u>87,938</u>	<u>-</u>
	426,494	386,977
Holdback receivable	<u>-</u>	<u>58,352</u>
	\$ 426,494	\$ 445,329
Liabilities		
Current		
Payables and accruals	\$ 145,610	\$ 184,590
Deferred revenue	12,810	-
Holdback payable	<u>45,443</u>	<u>-</u>
	203,863	184,590
Holdback payable	<u>-</u>	<u>36,342</u>
	203,863	220,932
Surplus	<u>222,631</u>	<u>224,397</u>
	\$ 426,494	\$ 445,329

On behalf of the Board

_____ Member _____ Member

Marine Renewables Canada Society

Statement of Cash Flows

Year ended December 31	2015	2014
Increase (decrease) in cash and cash equivalents		
Operating		
(Deficiency) excess of revenues over expenditures	\$ (1,766)	\$ 193,821
Change in non-cash working capital items		
Accounts receivable	14,953	(240,281)
Work in progress	16,838	78,730
Prepaid expenses	(43,676)	48,478
Holdback receivable	(29,586)	(38,479)
Payables and accruals	(38,980)	52,544
Deferred revenue	12,810	(38,033)
Holdback payable	9,101	24,225
(Decrease) increase in cash	(60,306)	81,005
Cash		
Beginning of year	89,358	8,353
End of year	\$ 29,052	\$ 89,358

Marine Renewables Canada Society

Notes to the Financial Statements

December 31, 2015

1. Nature of operations

Marine Renewables Canada Society was incorporated under the Canada Not-for-Profit Corporations Act on January 31, 2012. The mandate of the Society is to align industry, academia, and government to ensure that Canada is a leader in providing ocean energy solutions to a world market.

2. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Financial instruments

The Society considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Society accounts for the following as financial instruments:

- cash
- accounts receivable
- holdback receivable
- payables and accruals
- government remittances payable
- holdback payable

The financial asset or liability is recognized when the Society becomes party to contractual provisions of the instrument.

The Society initially measures its financial assets and financial liabilities at fair value.

The Society subsequently measures all of its financial assets and financial liabilities at cost or amortized cost less any reduction for impairment. The Society removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

Marine Renewables Canada Society

Notes to the Financial Statements

December 31, 2015

2. Summary of significant accounting policies (continued)

Revenue recognition

The Society follows the deferral method of accounting for contributions including government funding. Membership income is recognized in the period for which the memberships pertain. Events income is recognized as performance of the event is achieved and the amounts received or receivable are reasonably assured. Deferred revenue relates to amounts received in advance of the performance of the event and will be recognized as the event takes place. Other income is recognized as it is earned.

Contributed materials and services

A number of people and organizations contribute numerous hours per year to assist the Society in carrying out its operations. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Use of estimates

The preparation of the financial statements of the Society in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclose the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the allowance for doubtful accounts. Actual results could differ from those estimates.

Income tax status

The Society is a non-profit organization, which is exempt from income taxes under Section 149 (1) of the Canadian Income Tax Act.

3. Accounts receivable

	<u>2015</u>	<u>2014</u>
Accounts receivable	\$ 266,925	\$ 270,099
HST Receivable	1,572	13,351
Allowance for doubtful accounts	<u>(5,685)</u>	<u>(5,685)</u>
	<u>\$ 262,812</u>	<u>\$ 277,765</u>

4. Prepaid expenses

	<u>2015</u>	<u>2014</u>
Insurance	\$ 838	\$ 3,016
Events and conferences	<u>45,854</u>	<u>-</u>
	<u>\$ 46,692</u>	<u>\$ 3,016</u>

Marine Renewables Canada Society

Notes to the Financial Statements

December 31, 2015

5. Government remittances

The Society has amounts owing to government organizations in the amount of \$1,393 (2014 - \$12,780).

6. Funding contracts

The Society is receiving current and future funding from two funding agreements for a maximum amount of \$1,088,925. One of the contracts stipulates a 10% holdback on claims. In order to match the cash flows from the government-funding project, the society has entered into agreements with the vendors associated with the project to hold back 10% of the funds owed until completion of the contract on March 31, 2016.

7. Financial instruments - risk management

The Society is exposed to various risks through its financial instruments. The following analysis provides a measure of the Society's risk exposure and concentrations as at December 31, 2015.

(a) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Society is exposed to credit risk primarily in relation to its accounts receivable. However, the Society's operation has a significant number of diverse customers and funding sources which reduces the concentration of credit risk.

(b) Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Society is mainly exposed to currency risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The majority of the Society's assets, liabilities, revenue, and expenses are denominated in Canadian dollars. However, some transactions entered into by the Society are in foreign currency and are exposed to foreign currency fluctuations.

The Society is not exposed to significant price or liquidity risks.