

Financial Statements of

**THE ROYAL CANADIAN MARINE
SEARCH AND RESCUE INC.**

And Independent Auditors' Report thereon

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Members of The Royal Canadian Marine Search and Rescue Inc.

Opinion

We have audited the financial statements of The Royal Canadian Marine Search and Rescue Inc. (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- 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 notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity 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 auditors' report.

We are independent of the Entity 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity's 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
- 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.

Comparative Information

The financial statements of The Royal Canadian Marine Search and Rescue Inc. as at and for the year ended March 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 12, 2018.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada

September 21, 2019

THE ROYAL CANADIAN MARINE SEARCH AND RESCUE INC.

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,279,120	\$ 1,212,210
Accounts receivable	218,029	50,556
GST receivable	8,550	2,502
Prepaid expenses	63,581	66,074
	<u>1,569,280</u>	<u>1,331,342</u>
Investments	28,863	-
Property and equipment (note 3)	2,717,358	2,897,742
	<u>\$ 4,315,501</u>	<u>\$ 4,229,084</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 399,694	\$ 324,798
Wages payable	8,569	10,513
Deferred revenue (note 5)	518,816	353,220
Current portion of mortgage payable (note 6)	51,610	40,156
	<u>978,689</u>	<u>728,687</u>
Mortgage payable (note 6)	1,249,984	1,307,569
	<u>2,228,673</u>	<u>2,036,256</u>
Net Assets		
General Fund	527,048	369,959
Coast Guard Fund	(6,845)	(16,450)
Capital Fund	1,278,443	1,550,016
Gaming Fund	288,182	289,303
	<u>2,086,828</u>	<u>2,192,828</u>
Commitments (note 7)		
	<u>\$ 4,315,501</u>	<u>\$ 4,229,084</u>

See accompanying notes to financial statements.

On behalf of the Board:

THE ROYAL CANADIAN MARINE SEARCH AND RESCUE INC.

Statement of Operations and Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	Coast Guard Fund	Capital Fund	Gaming Fund	General Fund	2019	2018
Revenue:						
Federal - Fisheries & Oceans	\$ 1,555,799	\$ -	\$ -	\$ -	\$ 1,555,799	\$ 1,402,818
Federal - Western Economic	-	-	-	-	-	18,489
Provincial - Gaming	-	-	225,000	-	225,000	225,000
Provincial - Other	-	-	-	75,000	75,000	30,000
Donations	-	-	-	138,142	138,142	114,535
Other income	-	-	125	70,885	71,010	59,385
Gain (loss) on sale of property and equipment	-	-	-	35,589	35,589	(103,223)
	1,555,799	-	225,125	319,616	2,100,540	1,747,004
Expenses:						
Training	679,889	-	183,513	(129)	863,273	720,493
Administration	475,127	-	2,885	86,202	564,214	364,719
Operations	247,808	-	39,848	121,151	408,807	248,534
Amortization	-	271,573	-	-	271,573	238,960
Members	27,942	-	-	-	27,942	33,601
Payment to CCGA National	19,500	-	-	-	19,500	190,674
Marketing and recruiting	223	-	-	1,435	1,658	7,890
Interest on mortgage payable	-	-	-	49,573	49,573	43,435
	1,450,489	271,573	226,246	258,232	2,206,540	1,848,306
Net excess (deficiency) of revenue over expenses	105,310	(271,573)	(1,121)	61,384	(106,000)	(101,302)
Net assets, beginning of year	(16,451)	1,550,016	289,303	369,960	2,192,828	2,294,130
Interfund transfer - rent	(95,704)	-	-	95,704	-	-
Net assets, end of year	\$ (6,845)	\$ 1,278,443	\$ 288,182	\$ 527,048	\$ 2,086,828	\$ 2,192,828

See accompanying notes to financial statements.

THE ROYAL CANADIAN MARINE SEARCH AND RESCUE INC.

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (106,000)	\$ (101,302)
Items not involving cash:		
Amortization	271,573	238,960
Donated investments	(28,863)	-
Loss (gain) on disposal of property and equipment	(35,589)	103,223
	<u>101,121</u>	<u>240,881</u>
Changes in non-cash operating working capital:		
Accounts receivable	(167,473)	58,307
Inventories	-	19,542
Prepaid expenses	2,493	(45,711)
GST recoverable	(6,048)	16,969
Accounts payable and accrued liabilities	34,896	194,438
Wages payable	(1,944)	294
Deferred revenue	205,596	291,220
	<u>168,641</u>	<u>775,940</u>
Financing:		
Mortgage principal repayment	(46,131)	(52,325)
Investing:		
Purchase of property and equipment	(91,189)	(24,039)
Proceeds from disposal of property and equipment	35,589	149,909
	<u>(55,600)</u>	<u>125,870</u>
Increase in cash and cash equivalents	66,910	849,485
Cash and cash equivalents, beginning of year	1,212,210	362,725
Cash and cash equivalents, end of year	<u>\$ 1,279,120</u>	<u>\$ 1,212,210</u>

See accompanying notes to financial statements.

THE ROYAL CANADIAN MARINE SEARCH AND RESCUE INC.

Notes to Financial Statements

Year ended March 31, 2019

1. Nature and purpose:

The Royal Canadian Marine Search and Rescue Inc. (the "Entity") is incorporated under the Canada Corporation Act as a corporation without share capital under the sponsorship of the federal government and is exempt from tax under section 149 of the Income Tax Act. The objective is to provide organized volunteer marine search and rescue and promote public boating safety in the Pacific Region of Canada.

The Entity is a registered charity under the Income Tax Act and as such is not subject to taxation.

2. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Entity's significant accounting policies are as follows:

(a) Basis of presentation:

The Entity records transactions using the deferral method of accounting for contributions. A fund is determined for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Each fund has its own statement of financial position and statement of operations which present the financial position and the results of operations for the fund.

Coast Guard Contribution Agreement Fund ('Coast Guard Fund')- activities associated with Department of Fisheries and Oceans.

Capital Fund - activities associated with property and equipment of the Entity.

Gaming Fund - activities associated with grants received through the Gaming Branch - Province of British Columbia.

General Fund - all other activities of the Entity.

THE ROYAL CANADIAN MARINE SEARCH AND RESCUE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

(b) Property and equipment:

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates:

Asset	Method	Rate
Buildings	Straight-line	40 years
Boating safety promotional equipment	Declining balance	30%
Facility improvements	Straight-line	10 years
Furniture and fixtures	Declining balance	30%
Marine simulator	Straight-line	5 years
Motor vehicles	Declining balance	30%
Training equipment	Straight-line	10 years
Vessels	Straight-line	5 years

Contributions restricted for the purpose of acquiring property and equipment are initially deferred and subsequently recognized as revenue on the same basis as the acquired assets are amortized.

Work in progress is not amortized until placed into service.

When a capital asset no longer contributes to the Entity's ability to provide services, its carrying amount is written down to its residual amount.

(c) Revenue recognition:

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of property and equipment are deferred and amortized into revenue on a basis and rate corresponding with the amortization rate of the related assets.

THE ROYAL CANADIAN MARINE SEARCH AND RESCUE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

(d) Contributed materials and services:

Donated materials and services are recognized in the financial statements when the fair value can be reasonably established, when the materials and services are used in the normal course of operations and would otherwise have been purchased.

A number of people donate time and expertise to the Entity across its operations. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value and all changes in the fair value are recognized in excess (deficiency) of revenue over expenses in the period incurred. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. There are no other financial instruments designated to be carried at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Entity determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Entity expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

THE ROYAL CANADIAN MARINE SEARCH AND RESCUE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Property and equipment:

	2019		
	Cost	Accumulated amortization	Net book value
Land	\$ 1,296,970	\$ -	\$ 1,296,970
Buildings	1,343,700	2,849,243	1,058,777
Boating safety promotional equipment	161,977	161,043	934
Furniture and fixtures	213,929	202,401	11,528
Marine simulator	1,232,982	999,646	233,336
Motor vehicles	88,087	85,399	2,688
Training equipment	269,777	245,950	23,827
Vessels	386,810	318,490	68,320
Work in progress - dock	20,978	-	20,978
	\$ 5,015,210	\$ 4,862,172	\$ 2,717,358

THE ROYAL CANADIAN MARINE SEARCH AND RESCUE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

3. Property and equipment (continued):

	2018		
	Cost	Accumulated amortization	Net book value
Land	\$ 1,296,970	\$ -	\$ 1,296,970
Buildings	1,343,700	191,072	1,152,628
Boating safety promotional equipment	161,977	160,643	1,334
Furniture and fixtures	213,929	197,461	16,468
Marine simulator	1,232,982	891,167	341,815
Motor vehicles	88,087	84,247	3,840
Training equipment	269,777	198,295	71,482
Vessels	316,598	303,393	13,205
	\$ 4,924,020	\$ 2,026,278	\$ 2,897,742

4. Accounts payable and accrued liabilities:

There were no outstanding government remittances at March 31, 2019 and 2018.

5. Deferred revenue:

The Entity receives grants from the Ministry of Fisheries and Oceans and the Provincial Government of BC to fund its operations. It also receives designated donations which are not recognized as revenue until spent. Funds unspent at the year-end are deferred for use in a future year.

Balance, beginning of year	\$ 353,220
Restricted contributions received	234,726
Amount recognized as revenue	(69,130)
Balance, end of year	\$ 518,816

THE ROYAL CANADIAN MARINE SEARCH AND RESCUE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

6. Mortgage payable:

	2019	2018
Coast Capital Savings loan bearing interest at 3.45% per annum, repayable in monthly blended payments of \$7,975. The loan matures on January 8, 2022 and is secured by land, building and a general security agreement over all present and after acquired property	\$ 1,301,594	\$ 1,347,725
Current portion	(51,610)	(40,156)
	\$ 1,249,984	\$ 1,307,569

The estimated principal repayments on the loan over the next five years are as follows:

	Amount
2020	\$ 51,610
2021	53,419
2022	1,196,565
	\$ 1,301,594

7. Commitments:

Based on the terms within the purchase agreement of the land owned by the Entity, if the Entity sells the land within 10 years of the completion date (June 15, 2012), 50% of the gain on disposal is payable to the vendor from whom the land was originally purchased by the Entity.

8. Risk management:

The Entity has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from financial instruments include credit risk, currency risk, interest rate risk, liquidity risk and other price risk. There have been no significant changes in the Entity's risk exposure from the prior year.

THE ROYAL CANADIAN MARINE SEARCH AND RESCUE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Risk management (continued):

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Entity to credit risk consist primarily of accounts receivable. Accounts receivables are not concentrated with any single party and are primarily due from government agencies.

(b) 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 Entity is not exposed to significant currency risks arising from its financial instruments as most transactions are denominated in Canadian dollars.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments that potentially subject the Entity to interest rate risk consist primarily of mortgage payable. The Entity manages the risk of future cash flows by having its debt at a fixed rate of interest.

(d) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Entity's cash requirements. The Entity manages its liquidity risk by monitoring its operating requirements. The Entity prepares budget and cash forecasts to ensure it has sufficient funds to fulfil its obligations.

9. Economic dependency:

The operations of the Entity are dependent on continuing funding from the Department of Fisheries and Oceans.

10. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.