

ROYAL CANADIAN MARINE SEARCH AND RESCUE
Consolidated Financial Statements
Year Ended March 31, 2017

ROYAL CANADIAN MARINE SEARCH AND RESCUE
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Year Ended March 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of ROYAL CANADIAN MARINE SEARCH AND RESCUE

We have audited the accompanying consolidated financial statements of ROYAL CANADIAN MARINE SEARCH AND RESCUE, which comprise the consolidated statement of financial position as at March 31, 2017 and the consolidated statements of revenues and expenditures 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report to the Members of ROYAL CANADIAN MARINE SEARCH AND RESCUE
(continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ROYAL CANADIAN MARINE SEARCH AND RESCUE as at March 31, 2017 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.

Nanaimo, British Columbia
June 28, 2017



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ROYAL CANADIAN MARINE SEARCH AND RESCUE
Consolidated Statement of Financial Position
March 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 362,725	\$ 243,710
Accounts receivable	108,863	171,502
Inventory	19,542	19,542
Goods and services tax recoverable	19,471	25,564
Prepaid expenses	20,363	12,835
	<u>530,964</u>	<u>473,153</u>
CAPITAL ASSETS (Note 2)	<u>3,365,797</u>	<u>3,202,492</u>
	<u>\$ 3,896,761</u>	<u>\$ 3,675,645</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 130,362	\$ 218,254
Deposits received	-	24,930
Current portion of long term debt (Note 3)	1,400,050	46,366
Wages payable	10,219	3,351
Deferred revenue	62,000	-
	<u>1,602,631</u>	<u>292,901</u>
LONG TERM DEBT (Note 3)	<u>-</u>	<u>1,400,049</u>
	<u>1,602,631</u>	<u>1,692,950</u>
NET ASSETS	<u>2,294,130</u>	<u>1,982,695</u>
	<u>\$ 3,896,761</u>	<u>\$ 3,675,645</u>

ON BEHALF OF THE BOARD

Director

Director

ROYAL CANADIAN MARINE SEARCH AND RESCUE
Consolidated Statement of Revenues and Expenditures
Year Ended March 31, 2017

	2017	2016
REVENUE		
Federal - Fisheries & Oceans	\$ 1,316,600	\$ 1,324,149
Federal - Search & Rescue New Initiative	373,101	252,387
Provincial - Gaming	225,000	225,000
Donations	138,620	367,130
Training	3,861	7,606
Miscellaneous	142,100	60,379
Gain (loss) on disposal of capital assets	-	(40,910)
Provincial - Ministry of Social Development	-	6,369
SAR equipment recovery	-	83,429
Internal rent recoveries	49,395	-
	<u>2,248,677</u>	<u>2,285,539</u>
EXPENDITURES		
Administration	347,438	356,896
Amortization	266,973	195,937
Members	46,802	50,804
Operations	520,624	529,115
Training	513,473	528,127
Marketing & recruiting	7,138	5,192
Interest on long term debt	49,394	51,164
Funding CCGA National	185,400	182,800
	<u>1,937,242</u>	<u>1,900,035</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ 311,435</u>	<u>\$ 385,504</u>

ROYAL CANADIAN MARINE SEARCH AND RESCUE
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2017

	2016 Balance	Excess (deficiency) of revenue over expenditures	Transfers	2017 Balance
Coast Guard Fund	\$ (11,839)	\$ 29,286	\$ (28,706)	\$ (11,259)
Capital Fund	1,756,074	(266,973)	476,644	1,965,745
Gaming	145,027	103,375	(17,660)	230,742
General Fund	93,433	445,747	(430,278)	108,902
	\$ 1,982,695	\$ 311,435	\$ -	\$ 2,294,130

	2015 Balance	Excess (deficiency) of revenue over expenditures	Transfers	2016 Balance
Coast Guard Fund	\$ (11,839)	\$ 4,499	\$ (4,499)	\$ (11,839)
Capital Fund	1,129,699	(224,005)	850,380	1,756,074
Gaming	134,522	51,060	(40,555)	145,027
General Fund	344,809	553,950	(805,326)	93,433
	\$ 1,597,191	\$ 385,504	\$ -	\$ 1,982,695

ROYAL CANADIAN MARINE SEARCH AND RESCUE
Consolidated Statement of Cash Flows
Year Ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 311,435	\$ 385,504
Items not affecting cash:		
Amortization	266,973	195,937
Gain (loss) on disposal of capital assets	-	40,910
	<u>578,408</u>	<u>622,351</u>
Changes in non-cash working capital:		
Accounts receivable	62,639	21,549
Inventory	-	(871)
Accounts payable	(87,892)	5,919
Orange County Foundation	62,000	(200,074)
Prepaid expenses	(7,528)	7,476
Goods and services tax payable (recoverable)	6,093	(3,924)
Wages payable	6,868	(1,143)
Deposits received	(24,930)	13,883
	<u>17,250</u>	<u>(157,185)</u>
Cash flow from operating activities	<u>595,658</u>	<u>465,166</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(430,278)	(822,564)
Proceeds on disposal of capital assets	-	4,000
Cash flow used by investing activities	<u>(430,278)</u>	<u>(818,564)</u>
FINANCING ACTIVITY		
Repayment of long term debt	(46,365)	(44,656)
INCREASE (DECREASE) IN CASH FLOW	119,015	(398,054)
Cash - beginning of year	<u>243,710</u>	<u>641,764</u>
CASH - END OF YEAR	\$ 362,725	\$ 243,710
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	<u>\$ 49,395</u>	<u>\$ 51,164</u>
CASH CONSISTS OF:		
Cash	<u>\$ 362,725</u>	<u>\$ 243,710</u>

ROYAL CANADIAN MARINE SEARCH AND RESCUE

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

NATURE OF OPERATIONS

ROYAL CANADIAN MARINE SEARCH AND RESCUE (the "Organization") 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Consolidated financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Fund accounting

The Organization records accounting transactions using the fund accounting method generally in use for non-profit organizations. 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 - activities associated with Department of Fisheries and Oceans.

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

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

General Fund - all other activities of the Organization.

Inventory

Inventory, consisting of spare parts and supplies held for use, is valued at the lower of cost and net realizable value with the cost being determined on a specific unit basis.

Capital assets

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:

Buildings	40 years	straight-line method
Boating safety promotional equipment	30%	declining balance method
Facility improvements	10 years	straight-line method
Furniture and fixtures	30%	declining balance method
Marine simulator	5 years	straight-line method
Motor vehicles	30%	declining balance method
Online Training Software	10 years	straight-line method
Vessels	5 years	straight-line method

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ROYAL CANADIAN MARINE SEARCH AND RESCUE
Notes to Consolidated Financial Statements
Year Ended March 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Organization follows the deferral method of accounting for restricted contributions and they recognize fees for services when the service has been performed and collection is reasonably assured.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Contributed materials and services

The Organization accounts for contributed materials at their fair value if the fair value can be reasonably estimated and they are used in the normal course of operations and would otherwise have been purchased. The value of volunteer labour is not capable of reasonable estimation and is not included in these statements.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 1,296,970	\$ -	\$ 1,296,970	\$ 1,296,970
Buildings	999,359	55,286	944,073	272,727
Boating safety promotional equipment	161,977	160,072	1,905	2,722
Facility improvements	320,303	77,569	242,734	142,378
Furniture and fixtures	213,929	190,403	23,526	19,408
Marine simulator	1,232,982	775,428	457,554	257,373
Motor vehicles	90,581	84,593	5,988	8,554
Online Training Software	329,029	98,708	230,321	263,223
Simulator building - under construction	-	-	-	696,332
Training equipment	269,777	150,641	119,136	166,790
Vessels	495,347	451,757	43,590	76,015
	\$ 5,410,254	\$ 2,044,457	\$ 3,365,797	\$ 3,202,492

ROYAL CANADIAN MARINE SEARCH AND RESCUE

Notes to Consolidated Financial Statements

Year Ended March 31, 2017

3. LONG TERM DEBT

	<u>2017</u>	<u>2016</u>
Coast Capital Savings loan bearing interest at 3.49% per annum, repayable in monthly blended payments of \$7,980. The loan matures on August 1, 2017 and is secured by land and building.	\$ 1,400,050	\$ 1,446,415
Amounts payable within one year	<u>(1,400,050)</u>	<u>(46,366)</u>
	<u>\$ -</u>	<u>\$ 1,400,049</u>

4. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of March 31, 2017.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its receipt of funds from its funders and other related sources, wages, long term debt and accounts payable.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities. The Organization is exposed to interest rate risk primarily through its cash in the bank and long term debt.

ROYAL CANADIAN MARINE SEARCH AND RESCUE

Coast Guard Fund

(Schedule 1)

Year Ended March 31, 2017

	2017	2016
REVENUE		
Miscellaneous	\$ 751	\$ 73
Federal - Fisheries & Oceans	1,316,600	1,324,149
	<u>1,317,351</u>	<u>1,324,222</u>
EXPENSES		
Administration	336,919	321,314
Operations	319,028	357,517
Training	392,778	402,096
Members	46,802	50,804
Marketing & recruiting	7,138	5,192
Funding CCGA National	185,400	182,800
	<u>1,288,065</u>	<u>1,319,723</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>29,286</u>	<u>4,499</u>
SURPLUS (DEFICIENCY), BEGINNING OF YEAR	<u>(11,839)</u>	<u>(11,839)</u>
TRANSFERS	<u>(28,706)</u>	<u>(4,499)</u>
SURPLUS (DEFICIENCY), END OF YEAR	<u>\$ (11,259)</u>	<u>\$ (11,839)</u>

ROYAL CANADIAN MARINE SEARCH AND RESCUE

Capital Fund

(Schedule 2)

Year Ended March 31, 2017

	2017	2016
REVENUE		
Donations	\$ -	\$ 16,840
Gain (loss) on disposal of capital assets	-	(44,910)
	-	(28,070)
EXPENSES		
Amortization	266,973	195,937
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(266,973)	(224,007)
SURPLUS (DEFICIENCY), BEGINNING OF YEAR	1,756,074	1,129,701
TRANSFERS	476,644	850,380
SURPLUS (DEFICIENCY), END OF YEAR	\$ 1,965,745	\$ 1,756,074

ROYAL CANADIAN MARINE SEARCH AND RESCUE

Gaming Fund

(Schedule 3)

Year Ended March 31, 2017

	2017	2016
REVENUE		
Provincial - Gaming	\$ 225,000	\$ 225,000
Miscellaneous	13,819	43
	<u>238,819</u>	<u>225,043</u>
EXPENSES		
Administration	-	1,034
Operations	16,606	2,178
Training	118,838	119,667
Interest on long term debt	-	51,104
	<u>135,444</u>	<u>173,983</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>103,375</u>	<u>51,060</u>
SURPLUS (DEFICIENCY), BEGINNING OF YEAR	<u>145,027</u>	<u>134,522</u>
TRANSFERS	<u>(17,660)</u>	<u>(40,555)</u>
SURPLUS (DEFICIENCY), END OF YEAR	<u>\$ 230,742</u>	<u>\$ 145,027</u>

ROYAL CANADIAN MARINE SEARCH AND RESCUE

General Fund

(Schedule 4)

Year Ended March 31, 2017

	2017	2016
REVENUE		
Donations	\$ 138,620	\$ 350,290
Federal - Search & Rescue New Initiative	373,101	252,387
Provincial - Ministry of Social Development	-	6,369
Internal rent recoveries	49,395	-
Gain (loss) on disposal of capital assets	-	4,000
Training	3,861	7,606
Miscellaneous	127,530	60,262
SAR equipment recovery	-	83,429
	<u>692,507</u>	<u>764,343</u>
EXPENSES		
Administration	10,519	34,548
Operations	184,989	169,420
Training	1,857	6,365
Interest on long term debt	49,395	60
	<u>246,760</u>	<u>210,393</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>445,747</u>	<u>553,950</u>
SURPLUS (DEFICIENCY), BEGINNING OF YEAR	<u>93,433</u>	<u>344,809</u>
TRANSFERS	<u>(430,278)</u>	<u>(805,326)</u>
SURPLUS (DEFICIENCY), END OF YEAR	<u>\$ 108,902</u>	<u>\$ 93,433</u>

See notes to financial statements

Anton, Bryson & Schindler Chartered Professional Accountants LLP