

**BC Oil and Gas Research
and Innovation Society
Financial Statements
March 31, 2016**

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Statement of Management Responsibility

The financial statements of the BC Oil and Gas Research and Innovation Society (BC OGRIS) for the year ended March 31, 2016 have been prepared by management in accordance with Accounting Standards for Not-for-Profit Organizations (ASNPO). These financial statements present fairly the financial position of BC OGRIS as at March 31, 2016, and the results of its operations and changes in its cash flows for the year then ended.

Management is responsible for the preparation of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized, and that financial records provide reliable information for the preparation of financial statements.

Grant Thornton LLP has performed an independent audit of the financial statements of BC OGRIS. The Independent auditors' report outlines the scope of the audit and expresses an opinion on the financial statements of BC OGRIS.



Geoff Morrison
BC OGRIS Committee Chair



Ken Paulson
BC OGRIS Committee Member

Victoria, British Columbia

June 23 2016



Independent Auditors' Report

Grant Thornton LLP
3rd Floor
888 Fort Street
Victoria, BC
V8W 1H8
T +1 250 383 4191
F +1 250 381 4623
www.GrantThornton.ca

To the Board of Directors of the BC Oil and Gas Research and Innovation Society:

We have audited the accompanying financial statements of the BC Oil and Gas Research and Innovation Society, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, 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.

Auditors' 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 auditors' 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 entity'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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the BC Oil and Gas Research and Innovation Society as at March 31, 2016, 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.

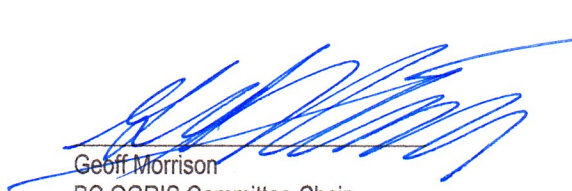
Victoria, Canada
June 23, 2016



Chartered Professional Accountants

Statement of Financial Position
(000's)

As at March 31	Operating Fund	Caribou Fund	2016	2015
Assets				
Current Assets				
Cash & cash equivalents	\$ 2,375	\$ 4,205	\$ 6,580	\$ 8,533
Accounts receivable	76	34	110	4
Due from BC Oil and Gas Commission (Note 3)	200	-	200	734
Prepays	1	20	21	19
	<u>\$ 2,652</u>	<u>\$ 4,259</u>	<u>\$ 6,911</u>	<u>\$ 9,271</u>
Capital Assets				
Monitoring collars (Note 4)	-	136	136	178
Total Assets	<u>\$ 2,652</u>	<u>\$ 4,395</u>	<u>\$ 7,047</u>	<u>\$ 9,468</u>
Liabilities and net assets				
Current Liabilities				
Accounts payable	\$ 387	\$ 454	\$ 841	\$ 385
Holdbacks	24	-	24	-
Due to BC Oil and Gas Commission (Note 3)	4	13	17	27
Deferred Contributions	200	-	200	2,000
	<u>\$ 615</u>	<u>\$ 467</u>	<u>\$ 1,082</u>	<u>\$ 2,412</u>
Fund Balances				
Internally restricted	-	3,928	3,928	4,242
Unrestricted	2,037	-	2,037	2,813
	<u>\$ 2,037</u>	<u>\$ 3,928</u>	<u>\$ 5,965</u>	<u>\$ 7,055</u>
Total liabilities and net assets	<u>\$ 2,652</u>	<u>\$ 4,395</u>	<u>\$ 7,047</u>	<u>\$ 9,468</u>


Geoff Morrison
BC OGRIS Committee Chair


Ken Paulson
BC OGRIS Committee Member

See accompanying notes to the financial statements

Statement of Operations and Changes in Net Assets
(000's)

For the year ended March 31	Operating Fund	Caribou Fund	2016	2015
Revenues				
Interest	\$ 30	\$ 61	\$ 91	\$ 40
Contributions	-	2,025	2,025	1,500
Fees	-	-	-	763
Levies	8	16	24	2,702
	\$ 38	\$ 2,102	\$ 2,140	\$ 5,005
Expenses				
Project costs	746	2,122	2,868	1,055
Professional services	52	131	183	195
Management fees	14	30	44	44
	\$ 812	\$ 2,283	\$ 3,095	\$ 1,294
Extension and communication	-	26	26	14
Collars - Maintenance	-	14	14	-
Other Expenses	2	-	2	1
Amortization expense	-	93	93	56
Loss on disposal of assets	-	-	-	11
	\$ 814	\$ 2,416	\$ 3,230	\$ 1,376
(Deficiency) excess of revenue over expenses	(776)	(314)	(1,090)	3,629
Fund balance, beginning of year	2,813	4,242	7,055	3,426
Fund balance, end of year	\$ 2,037	\$ 3,928	\$ 5,965	\$ 7,055

See accompanying notes to the financial statements

Statement of Cash Flows
(000's)

For the year ended March 31	Operating Fund	Caribou Fund	2016	2015
Operating activities				
Cash generated from:				
Fees and levies	\$ 252	\$ 505	\$ 757	\$ 3,700
Interest	15	30	45	38
Contributions	-	25	25	3,500
	<u>\$ 267</u>	<u>\$ 560</u>	<u>\$ 827</u>	<u>\$ 7,238</u>
Cash used for:				
Projects	464	1,942	2,406	1,144
Fund administration	74	190	263	241
Capital Asset Acquisitions	-	52	52	116
GST	59	-	59	-
	<u>\$ 596</u>	<u>\$ 2,184</u>	<u>\$ 2,780</u>	<u>\$ 1,501</u>
(Decrease) increase in cash	(329)	(1,624)	(1,953)	5,737
Cash, beginning of the year	2,704	5,829	8,533	2,796
Cash, end of year	\$ 2,375	\$ 4,205	\$ 6,580	\$ 8,533

See accompanying notes to the financial statements

Notes to the Financial Statements

March 31, 2016

(000's)

1. Nature of Operations

In April 2015, the SCEK Fund was superseded by the B.C. Oil and Gas Research and Innovation Society (BC OGRIS). BC OGRIS came into existence under the BC Societies Act on April 1, 2015 and assumed all the roles and responsibilities of the SCEK Fund.

BC OGRIS is a not for profit society under the BC Society Act. The society disburses funds to enable results oriented, practical, and relevant applied research that is shared to address knowledge gaps and so inform environmental, operational, and health and safety policy and industry practices related to oil and gas exploration and development in British Columbia. This includes the support of engagement and consultation with parties who may be impacted by oil and gas activities.

2. Significant accounting policies

These financial statements are prepared by management in accordance with Accounting Standards for Not-for-Profit Organizations (ASNPO).

Significant accounting policies are as follows:

Revenue recognition

BC OGRIS follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Interest income is recognized as earned.

Operating Fund

The Operating Fund reports revenue and expenses related to all operations of BC OGRIS excluding activities related to the Boreal Caribou project which are reported in the Caribou Fund.

Caribou Fund

The Caribou Fund reports revenue and expenses related to the Boreal Caribou project. Contribution revenue from fees and levies has been internally restricted for this project and are allocated to this fund. Administrative expenses of the BC OGRIS are allocated to the Caribou Fund at a rate of 67% (2015: 67%).

Project expenses

Project expenses are recognized based on the terms of the agreement. In general, this occurs when interim deliverables are met. Final project expenses are recognized when the final statement of project expenses and the final deliverables have been received.

Prepaid expenses

Prepaid expenses consist of a data licence agreement for the annual management and maintenance of the caribou collars. The expense is being recognized over the term of the agreement.

Notes to the Financial Statements

March 31, 2016

(000's)

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in accordance with 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 period. Actual results could differ from these estimates. There are no significant estimates included in these financial statements.

Financial instruments

The BC OGRIS has designated its financial instruments as follows:

- Cash is measured at fair value and all gains and losses are included in net income from operations in the period in which they occur;
- Cash and cash equivalents include deposits held with financial institutions and other short-term highly liquid investments which are readily convertible to known amounts of cash;
- Accounts receivable are classified as loans and receivables and are measured at amortized cost; and
- Accounts payable are classified as other financial liabilities and are also measured at amortized cost.

Unless otherwise noted, it is management's opinion that BC OGRIS is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values due to their short term to maturity, unless otherwise noted.

Tangible capital assets

BC OGRIS acquired monitoring collars in the current year. The collars are being amortized on a straight-line basis over the remaining portion of the 5-year Boreal Caribou project.

3. Due from / to BC Oil and Gas Commission

The amount due from the Commission represents the fees and levies revenue collected by the Commission on behalf of BC OGRIS. The amount due to the Commission represents a quarterly management fee paid to the Commission for administrative services.

During the 2016 fiscal year, there was \$23 (2015: \$3,464) in revenue recognized from fees and levies collected by the Commission on behalf of BC OGRIS. A Management fees of \$44 (2015: \$44) were paid to the Commission during the year for administrative services. The Commission also provided a grant of \$225 to BC OGRIS to fund initiatives in several research areas (2015: \$3,500).

Notes to the Financial Statements
March 31, 2016
(000's)

4. Capital assets

	Cost				Accumulated Amortization			March 31 2016	March 31 2015
	Opening	Additions	Disposals	Closing	Opening	Additions	Closing	NBV	NBV
Monitoring Collars	268	51	-	319	90	93	183	\$ 136	178

5. Commitments

The BC OGRIS has entered into several long-term agreements. A commitment is made once the selection committee approves the project and the agreement is signed. Amounts committed to are as follows:

Fiscal Year	Operating	Caribou	Total
2017	\$ 1,113,814	\$ 2,311,604	\$ 3,425,418
2018	-	600,000	600,000
	\$ 1,113,814	\$ 2,911,604	\$ 4,025,418