



**BC Oil and Gas Research
and Innovation Society**

Financial Statements

March 31, 2018



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Independent Auditors' Report

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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, 2018, and the statements of operations, changes in fund balances 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 audits 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, 2018, 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
July 9, 2018



Chartered Professional Accountants


Statement of Financial Position
 (in 000's)


As at March 31	Operating Fund	Caribou Fund	2018	2017
Assets				
Current assets				
Cash & cash equivalents	\$ 8,681	\$ 1,157	\$ 9,838	\$ 6,034
Accounts receivable	55	\$ 10	65	202
Prepays	-	-	-	48
Total assets	\$ 8,736	\$ 1,167	\$ 9,903	\$ 6,284
Liabilities and fund balances				
Current liabilities				
Accounts payable	\$ 578	\$ 113	\$ 691	\$ 687
Holdback payable	6	-	6	12
Deferred contributions (Note 3)	6,340	-	6,340	2,290
	6,924	113	7,037	2,989
Fund balances				
Internally restricted	-	1,054	1,054	1,522
Unrestricted	1,812	-	1,812	1,773
	1,812	1,054	2,866	3,295
Total liabilities and fund balances	\$ 8,736	\$ 1,167	\$ 9,903	\$ 6,284

See accompanying notes to the financial statements.

Commitments (Note 5)

Approved on behalf of the Board:


 Geoff Morrison, Board Chair


 Ken Paulson, Board Member

Statement of Operations and Changes in Fund Balances

(in 000's)

For the year ended March 31	Operating Fund	Caribou Fund	2018	2017
Revenue				
Interest	\$ 50	\$ 18	\$ 68	\$ 75
Contributions	1,165	58	1,223	339
	<u>1,215</u>	<u>76</u>	<u>1,291</u>	<u>414</u>
Expenses				
Project costs	1,130	383	1,513	2,656
Professional services	33	120	153	178
Management fees	9	19	28	28
Extension and communication	-	14	14	36
Other expenses	4	8	12	186
	<u>1,176</u>	<u>544</u>	<u>1,720</u>	<u>3,084</u>
(Deficiency) excess of revenue over expenses	39	(468)	(429)	(2,670)
Fund balance, beginning of year	<u>1,773</u>	<u>1,522</u>	<u>3,295</u>	<u>5,965</u>
Fund balance, end of year	<u>\$ 1,812</u>	<u>\$ 1,054</u>	<u>\$ 2,866</u>	<u>\$ 3,295</u>

See accompanying notes to the financial statements.

Statement of Cash Flows

(in 000's)

For the year ended March 31	Operating Fund	Caribou Fund	2018	2017
Operating activities				
Cash generated from:				
Interest	\$ 40	\$ 27	\$ 67	\$ 88
Contributions	5,225	130	5,355	2,547
	5,265	157	5,422	2,635
Cash used for:				
Project costs	656	768	1,424	2,848
Professional services	44	95	139	333
Other expenses	10	45	55	24
	710	908	1,618	3,205
Increase (decrease) in cash	4,555	(751)	3,804	(546)
Cash & cash equivalents, beginning of year	4,126	1,908	6,034	6,580
Cash & cash equivalents, end of year	\$ 8,681	\$ 1,157	\$ 9,838	\$ 6,034

See accompanying notes to the financial statements.

Notes to the Financial Statements

March 31, 2018

(in 000s)

1. Nature of operations

The BC Oil and Gas Research and Innovation Society ("BC OGRIS") is a not for profit society under the BC Society Act. BC OGRIS enables results oriented, practical, and relevant applied research to inform environmental, operational, and health and safety matters 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. BC OGRIS is classified as a not-for-profit organization under the Income Tax Act. As a result, it is not required to pay income taxes.

2. Significant accounting policies

These financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Significant accounting policies are as follows:

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. Administrative expenses of BC OGRIS are allocated to the Operating Fund at a rate of 33%.

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 BC OGRIS are allocated to the Caribou Fund at a rate of 67%.

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.

Notes to the Financial Statements

March 31, 2018

(in 000s)

2. Significant accounting policies (continued)

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.

Use of estimates

The preparation of financial statements in accordance with ASNPO 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

BC OGRIS financial instruments consist of the cash and cash equivalents, accounts receivable, and accounts payable. BC OGRIS initially measures its financial assets and liabilities at fair value and subsequently measures all financial assets and liabilities at amortized cost.

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.

Notes to the Financial Statements

March 31, 2018

(in 000s)

3. Deferred contributions

Deferred contributions reflect following externally restricted grants related to operations:

	Opening Balance	Received during the year	Recognized as Revenue (Operating)	Recognized as Revenue (Caribou)	Ending Balance
BC Oil and Gas Commission	\$ 1,500	\$ 5,215	\$ 739	\$ -	\$ 5,976
Ministry of Aboriginal Relations and Reconciliation	675	-	360	-	315
Environmental Assessment Office	105	-	56	-	49
Ministry of Forests, Lands and Natural Resource Operations	10	-	10	-	-
Environment and Climate Change Canada	-	8	-	8	-
TransCanada Corporation	-	50	-	50	-
	\$ 2,290	\$ 5,273	\$ 1,165	\$ 58	\$ 6,340

4. Related party transactions

BC OGRIS is related to the BC Oil and Gas Commission by virtue of a member of the Commission's senior management serving on the board of directors of BC OGRIS. Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Quarterly management fees are paid to the Commission for administrative services totaling \$28 (2017: \$28). During the year, the Commission provided grants of \$5,215 (2017: \$1,500) to BC OGRIS to fund initiatives in several research areas.

Included in accounts payable at March 31, 2018 is \$14 (2017: \$15) due to the Commission, resulting from activities between the Commission and BC OGRIS.

Notes to the Financial Statements

March 31, 2018

(in 000s)

5. Commitments

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
2019	\$ 1,228	\$ 544	\$ 1,772
	\$ 1,228	\$ 544	\$ 1,772

6. Remuneration

During the year, BC OGRIS paid \$83 (2017: \$79) in remuneration to one person who is a contractor, whose remuneration, during the applicable period, was at least \$75.
