



**Science and Community
Environmental Knowledge
Fund**

Financial Statements

March 31, 2014



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Statement of Management Responsibility

The financial statements of the Science and Community Environmental Knowledge Fund (SCEK Fund) for the year ended March 31, 2014 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 the SCEK Fund as at March 31, 2014, and the results of its operations and changes in its financial position 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 the Science and Community Environmental Knowledge Fund. The Independent auditors' report outlines the scope of the audit and expresses an opinion on the financial statements of the SCEK Fund.

A handwritten signature in black ink, appearing to read 'Geoff Morrison', is written over a horizontal line. The signature is enclosed in a light gray rectangular box.

Geoff Morrison
SCEK Committee Chair

A handwritten signature in blue ink, appearing to read 'Howard Madill', is written over a horizontal line.

Howard Madill
SCEK Committee Member

Victoria, British Columbia
July 3, 2014,

Statement of Financial Position

As at March 31	Operating Fund	Caribou Fund	2014	2013
Assets				
Current assets				
Cash	\$ 75,201	\$2,721,175	\$2,796,376	\$1,903,193
Accounts receivable	1,100	530	1,630	1,700
Due from the Oil and Gas Commission (Note 3)	363,541	605,895	969,436	875,867
Prepays	-	16,667	16,667	-
	<u>439,842</u>	<u>3,344,267</u>	<u>3,784,109</u>	<u>2,780,760</u>
Capital assets				
Caribou collars (Note 4)	-	128,015	128,015	117,108
Total Assets	<u>439,842</u>	<u>3,472,282</u>	<u>3,912,124</u>	<u>2,897,868</u>
Liabilities and net assets				
Current liabilities				
Accounts payable	96,530	327,625	424,155	644,080
Due to the Oil and Gas Commission (Note 3)	27,370	34,954	62,324	14,512
Holdback payable (Note 5)	-	-	-	5,212
Deferred Contributions	-	-	-	106,675
	<u>123,900</u>	<u>362,579</u>	<u>486,479</u>	<u>770,479</u>
Fund balances				
Internally restricted	-	3,109,703	3,109,703	1,895,184
Unrestricted	315,942	-	315,942	232,205
	<u>315,942</u>	<u>3,109,703</u>	<u>3,425,645</u>	<u>2,127,389</u>
Net assets	<u>\$ 439,842</u>	<u>\$3,472,282</u>	<u>\$3,912,124</u>	<u>\$2,897,868</u>

Approved on behalf of the Committee



Geoff Morrison
SCEK Committee Chair



Howard Madill
SCEK Committee Member

See accompanying notes to the financial statements



Statement of Operations and Changes in Net Assets

For the year ended March 31	Operating Fund	Caribou Fund	2014	2013
Revenue				
Interest	\$ 14,911	\$ 7,333	\$ 22,244	\$ 16,148
Contributions	249,475	25,000	274,475	59,725
Fees	25,200	414,400	439,600	321,200
Levies	363,541	1,671,168	2,034,709	1,502,501
	<u>653,127</u>	<u>2,117,901</u>	<u>2,771,028</u>	<u>1,899,574</u>
Expenses				
Project costs	503,861	765,294	1,269,155	1,148,732
Professional services	35,687	85,068	120,755	97,585
Amortization expense	-	30,481	30,481	3,671
Management fees	29,480	14,520	44,000	44,000
Miscellaneous	362	8,019	8,381	3,745
	<u>569,390</u>	<u>903,382</u>	<u>1,472,772</u>	<u>1,297,733</u>
Excess of revenue over expenses	83,737	1,214,519	1,298,256	601,841
Fund balance, beginning of year	232,205	1,895,184	2,127,389	1,525,548
Fund balance, end of year	<u>\$ 315,942</u>	<u>\$3,109,703</u>	<u>\$3,425,645</u>	<u>\$2,127,389</u>

See accompanying notes to the financial statements



Statement of Cash Flows

For the year ended March 31	Operating Fund	Caribou Fund	2014	2013
Operating activities				
Cash generated from:				
Fees and levies	\$ 25,200	\$2,355,540	\$2,380,740	\$ 1,545,239
Interest	14,950	7,364	22,314	15,213
Contributions	142,800	25,000	167,800	166,400
	182,950	2,387,904	2,570,854	1,726,852
Cash used for:				
Projects	854,230	734,541	1,588,771	696,394
Fund administration	29,480	18,032	47,512	40,488
Capital asset acquisitions	-	41,388	41,388	120,779
	883,710	793,961	1,677,671	857,661
(Decrease) increase in cash	(700,760)	1,593,943	893,183	869,191
Cash, beginning of year	775,961	1,127,232	1,903,193	1,034,002
Cash, end of year	\$ 75,201	\$2,721,175	\$2,796,376	\$ 1,903,193

See accompanying notes to the financial statements



Notes to the Financial Statements March 31, 2014

1. The Oil and Gas Commission as Agent and Administrator

In 1998, the Government of British Columbia entered into an agreement with the Canadian Association of Petroleum Producers (CAPP) and the Small Explorers and Producers Association of Canada (SEPAC) to establish the Environment Fund ('the Fund'). The Fund was to support studies concerning practical ways of addressing environmental issues related to oil and gas exploration and development in British Columbia. Findings of completed studies are incorporated, where appropriate, into environmental practice and regulation.

In 2002 CAPP and SEPAC restated their support of the Fund and agreed to refocus and rename the Fund. The Fund changed from a purely research-based, environment fund to a broader based fund that incorporates 'science' and 'community environmental knowledge'. The Environment Fund was renamed the Science and Community Environmental Knowledge Fund (SCEK).

The Oil and Gas Commission administers the SCEK Fund on behalf of the SCEK Steering Committee. Funding is generated and collected by the Commission through a portion of the levy on oil and gas production and a portion of the application fee for wells. Funding resumed in January 2012, and is provided to the SCEK Steering Committee for their use in projects and administration of the SCEK Fund.

The objectives of the SCEK Fund are:

- To provide credible findings from scientific and knowledge based research that are useful to Commission and industry decision-making;
- To improve scientific and community environmental knowledge relevant to the management of oil and gas activities in British Columbia; and
- To communicate this information in a format suitable for industry, regulators, First Nations, stakeholders and the general public.

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

The Fund 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, 2014

2. Significant accounting policies (continued)

Operating Fund

The Operating Fund reports revenue and expenses related to all operations of the Fund 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 SCEK Fund are allocated to the Caribou Fund at a rate of 33%.

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.

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 SCEK Fund 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;
- 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 the Fund 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

The SCEK Fund acquired Caribou 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.



Notes to the Financial Statements
March 31, 2014

3. Due from / to the Oil and Gas Commission

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

During the 2014 fiscal year, there was \$2,474,309 (2013: \$1,823,701) in revenue recognized from fees and levies collected by the Commission on behalf of the Fund. Management fees of \$44,000 (2013: \$44,000) were paid to the Commission during the year for administrative services.

4. Capital assets

	Cost			Accumulated Amortization			March 31	March 31
	Opening	Additions	Closing	Opening	Additions	Closing	2014	2013
							NBV	NBV
Caribou Collars	\$ 120,778	\$ 41,388	\$ 162,166	\$ 3,670	\$ 30,481	\$ 34,151	\$ 128,015	\$ 117,108

5. Holdbacks payable

Holdbacks payable represent a percentage of contractor invoices for which the work has been completed that is being held by the Fund until receipt and acceptance of project completion reports. The holdbacks will be paid after review and approval of the report.
