

The Science and Community Environmental Knowledge (SCEK) Fund is an industry-sponsored fund overseen by the Canadian Association of Petroleum Producers (CAPP), the Small Explorers and Producers Association of Canada (SEPAC) and the BC Oil and Gas Commission (Commission). The SCEK Fund is administered by the BC Oil and Gas Commission.

## Vision

To continuously improve understanding and management of the impacts of oil and gas activities in B.C.

### Mission

The SCEK Fund supports practical studies that develop credible and relevant information to address knowledge gaps in the understanding and management of high priority environmental and social matters related to oil and gas exploration and development in B.C. Research findings from funded projects are shared with organizations in the oil and gas industry as well as regulators and government agencies, other stakeholders and First Nations.

# **SCEK Report**

This report documents the SCEK Fund's operational and financial achievements for the 2010/11 fiscal year (April 1, 2010 to March 31, 2011) along with an overview of plans for the 2011/12 fiscal year.

#### **Contact Us**

For further information, please contact the SCEK Fund, Suite 300, 398 Harbour Road, Victoria, B.C. V9A 0B7.

www.scek.ca







# **Message from the SCEK Steering Committee**

This year has seen renewed interest in the SCEK Fund. Continued improvements to make the fund more user-friendly continue to yield results. Key changes this past year were:

- the SCEK Steering Committee welcomed a Program Manager to improve the administration and the visibility of the SCEK Fund;
- the number and quality of proposals and projects are on the rise;
- the administrative process for reviewing proposals and ensuring project oversight have become more consistent and timely; and
- more diverse partners are working together, leveraging greater investment, achieving better project outcomes and sharing results more broadly.

That said, the oil and gas sector in British Columbia continues to face challenges of oversupply and low market prices while public expectations concerning the environmental and social impacts of oil and gas activities rise. We believe that responding to these expectations lies in research and extension promoted under the SCEK Fund. The SCEK Fund plays and will continue to play a vital role informing responsible oil and gas development as the Government of British Columbia strives to balance economic, environmental and social values.

We remain committed to the effective use of remaining funds to conduct research and communicate results. Governance and oversight of the SCEK Fund will continue to mature as we regularly assess the effectiveness and efficiency of the SCEK Fund in delivering results. Continued success will depend on our ability to be flexible, innovative and transparent about our accomplishments.

We are excited with the prospects for the coming year. We have excellent research proposals coming forward along with a wider range of extension activities to share new learning. Stable funding will be needed to continue to advance the SCEK Fund's vision for practical studies to improve the management of environmental and social impacts of oil and gas exploration and development in British Columbia. We look forward to the coming year as we explore new opportunities to increase the value of the SCEK Fund to the oil and gas industry and the people of British Columbia.

Sherry Sian Chair, SCEK Steering Committee June, 2011

# 1. Report on the SCEK Fund (FY 2010/11)

## Introduction

The SCEK Fund is a professional research fund that focuses on researching the impacts of upstream oil and gas activities in B.C. Key principles of flexibility, responsiveness and transparent operations help distinguish the SCEK Fund and attract quality research projects that address significant and timely issues and knowledge gaps.

More information on the fund including terms of reference, business plans, funding envelopes, active and completed projects and templates for submitting proposals for funding can be found on the SCEK website at: <a href="https://www.scek.ca">www.scek.ca</a>.

Funding Area	# of Active Projects (FY 10/11)	# of Projects To-Date*	Investment To-date (millions)*
Environmental Impacts	6	31	\$2.7
Cumulative Impacts	2	15	\$1.1
Health and Safety	_	8	\$1.1
Traditional Knowledge	2	8	\$1.0
Collaboration & Communication	3	10	\$0.2
	13	72	\$6.1

\* SCEK Fund started in late 1998

# Accomplishments (FY 2010/11)

## **Proposal and Project Activity**

Activity	Volume (FY 2010/11)
Active projects	13
Projects completed	6
Projects started	5
Proposals received	15
Proposals accepted	6
Proposals declined or withdrawn	5
Proposals under review	4

Proposal and project activity for the 2010/11 fiscal year is summarized in the illustration on the left.

Projects accepted for support by the SCEK Fund represented a diversity of subject areas and a cross-section amongst the funding envelopes.

A description of the active projects can be found in Appendix 1 of this report.

## **Extension Activity**

Extension activities to disseminate project findings were undertaken by both the project teams and the SCEK Fund. The dissemination of project specific findings are typically undertaken at the completion of a research project by the researcher. The research project's extension plan, extension vehicles and target audience(s) are key evaluation criteria when the SCEK Steering Committee is considering a proposal for funding.

Opportunities to further disseminate research findings that arise after the project is complete are typically undertaken by the SCEK Fund. This includes communicating the application and implications of the research findings.

Extension activities undertaken this year are summarized in the illustration below.

Extension Activity (FY 2010/11)	Project Team	SCEK Fund
Final reports	<u>ৰ</u>	
Journal publications  Presentations to SCEK and	_	
invited guests	<b>⊻</b>	
Project summaries in print, TV and other media	₫	
Website updates		v

**Final reports**—explain the findings of the research project. The project team provides this deliverable.

## Journal publications disseminate research findings through scientific publications and other journals—typically undertaken by the project team.

**Presentations to SCEK and invited guests**—explain a project's findings and potential applications to applicable stakeholders. In FY 2011/12, project teams from two completed projects and one active project are planning presentations to the SCEK Fund and invited guests.

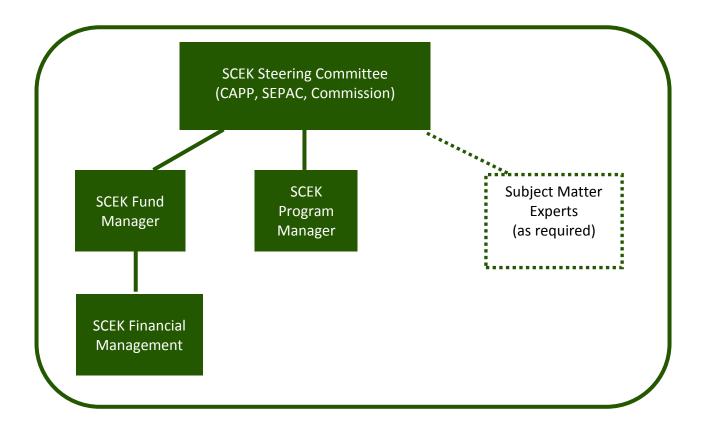
Project summaries in print, TV and other media—such as newspaper articles, press releases and project profiles distributed to raise awareness of projects funded by the SCEK Fund, their findings and the potential applications. In FY 2010/11, the SCEK Fund and its extension partners published two articles and queued an additional article for inclusion in the Pipeline News North publication. One project overview was written and submitted for publishing in the BC Forest Professional magazine and another project was profiled on the Discovery Channel (television). In addition, deliverables from one project were loaned to the Commission for use in their oil and gas display in the Dawson Creek office. The display will include traditional plants collected from a traditional knowledge research project conducted in the northeast area of B.C.

**Website updates**—the SCEK website continues to be a cornerstone of the SCEK Fund's extension and information dissemination activities—including:

- Project information—a listing of projects funded to-date along with copies of project reports and other project extension vehicles such as newspaper articles, presentations and project profiles.
- Funding information—information and application templates for submitting proposals for SCEK funding.
- SCEK Fund information—overviews of the SCEK Fund including the business plan, terms
  of reference, funding envelopes and contact information.

# **Governance and Management**

The SCEK Steering Committee reviewed, updated and approved its Terms of Reference and Business Plan in FY 2010/11. This process involved a number of clarifications in the governance and management structures associated with the SCEK Fund. Operational processes to support the SCEK Fund meet its objectives and principles were reviewed and enhanced as necessary. Roles and responsibilities were also reviewed and clarified.



The SCEK Steering Committee continued to maintain overall responsibility for the SCEK Fund and its governance processes during the 2010/11 fiscal year. The SCEK Steering Committee is a three member committee containing representatives of the Canadian Association of Petroleum Producers, Small Explorers and Producers Association of Canada and the BC Oil and Gas Commission.

Administration of the SCEK Fund continues to be the responsibility of the SCEK Fund Manager who oversees the financial and contractual matters. The SCEK Fund Manager is a Commission employee.

A part-time SCEK Program Manager was hired to support the SCEK Fund Manager and the SCEK Steering Committee in administrative matters.

SCEK Financial Management was undertaken by the Commission's Corporate Services Division. Financial and contract management processes along with tracking and reporting systems were provided by this group. Assistance with records management and technical support of the SCEK website was also provided by this group.

An increasing number of research projects involved multiple partners and stakeholders. This enabled the SCEK Fund to leverage its investment in projects as well as share the management, governance and extension activities with other organizations. This trend is expected to continue in future years as it enables the SCEK Fund to undertake more research and disseminate findings to a wider audience with the same financial and personnel resources.

# 2. Financial Report (FY 2010/11)

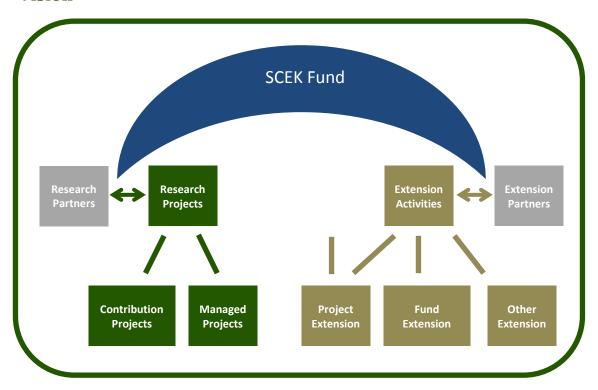
# **Results of Operations**

The SCEK Fund originally received its investment funds from levies and fees on oil and gas activity. These levies and fees were suspended in 2009 due to a surplus in the investment pool. Since then, research activity has been drawing down the investment pool.

Financial statements for FY 2010/11 are included the appendix of this report. These statements, along with management reports, are prepared by the SCEK Financial Management team and used by the SCEK Steering Committee to make decisions on fund operations. The financial statements are audited by the Auditor General of British Columbia.

# 3. Going forward (FY 2011/12)

## Vision



The SCEK Fund will support practical research projects, and extension activities, addressing knowledge gaps of interest and importance to the oil and gas sector through the following strategies and activities:

#### Support research projects

The SCEK Fund will provide funding to support research projects on the environmental and social impacts of upstream oil and gas activities in B.C. This includes research that is unique to B.C. as well as research that applies to B.C. as well as other jurisdictions—in which case, the research may be shared with other research partners (e.g., Petroleum Technology Alliance Canada—PTAC, Natural Resources Canada).

Research projects will typically be contribution projects—where the SCEK Fund provides an agreed level of funds to a researcher to undertake a research project(s) and in return, the SCEK Fund receives research findings for dissemination to the oil and gas sector. In some cases, the SCEK Fund may undertake "managed" projects where the SCEK Fund takes a management role in the research project in addition to providing funding.

#### Conduct extension activities

The SCEK Fund will oversee, and undertake extension activities to communicate the findings and implications of research projects. This will include the following:

#### Project extension

Extension activities to disseminate research (project) findings are typically done by the researcher as part of the research project (e.g., reports, presentations to the SCEK Fund).

#### Fund extension

Activities to raise awareness of the SCEK Fund and communicate the application of research findings will be undertaken by the SCEK Fund and/or shared with extension partners (e.g., FORREX, Pipeline News North, Petroleum Technology Alliance Canada—PTAC).

#### Other extension

Extension activities may also involve the dissemination of research projects not undertaken by the SCEK Fund but with applicability to the oil and gas sector in B.C. This extension may be undertaken by the SCEK Fund and/or shared with extension partners.

# **Priorities (FY 2011/12)**

Priorities for the SCEK Fund in FY 2011/12 include the following:

### Ensure good governance of the SCEK Fund

This includes providing oversight of projects and ensuring all projects use and follow applicable processes, tools and policies. Governance of individual projects will be undertaken applicable to the investment level, type of research and project specific risks.

#### Ensure good use of the remaining investment pool

The SCEK Fund will use the following to ensure effective use of the investment pool:

- **Leveraging our research funding**—by including other stakeholders and research partners in our funding agreements and being flexible in our funding models.
- Targeting research—at known knowledge gaps that are important to our stakeholders.
- **Conducting extension activities**—to ensure research findings and the application and implications of the research findings are widely available and easy to find and use.
- Minimizing administrative expenses—by structuring projects as contribution
  agreements and sharing governance and oversight with research partners. This reduces
  our governance effort while ensuring the project objectives are met. The use of partners
  in carrying out extension activities will also reduce the SCEK Fund's administrative and
  overhead costs.

### Secure longer term financing

This priority will require activity on several fronts including soliciting investment from external organizations such as foundations, sponsorships and government funding agencies. Activities will include providing information to raise awareness and preparing presentations and proposals to raise investment funds.

# Research activities (FY 2011/12)

The table below illustrates the forecasted research funding, by funding envelope, over the next three years. A significant portion of funds remaining have already been allocated to projects that are underway (e.g., multi-year research projects).

The SCEK Fund will continue to fund a diversity of research projects across the funding areas while ensuring the projects reflect knowledge gaps of significance to the oil and gas sector.

The funding priorities for FY 2011/12 include the following items:

- Water management.
- Wildlife and wildlife habitat for species at risk.
- Ecosystems.
- Community environmental knowledge.

# Forecasted research funding (FY 2011/12)

	2011/12*	2012/13*	2013/14*	Total*
Research Projects (current and forecasted)				
Current research projects	\$366	\$120	\$60	\$546
Forecasted research projects	\$110	\$215	\$105	\$430
Total	\$476	\$335	\$165	\$976
Research Projects (by funding envelope)				
Environmental impacts	\$405	\$275	\$140	\$820
Community Environmental Knowledge	\$15	\$25	\$13	\$53
Health and Safety				\$0
Cumulative Impact Management				\$0
Collaboration and Communication	\$33			\$33
Unallocated	\$23	\$35	\$13	\$70
Total	\$476	\$335	\$165	\$976

NOTE: these forecasts are subject to change as funding investments are obtained.

# Extension and awareness activities (FY 2011/12)

Activity	SCEK Fund
Raise awareness and visibility of the SCEK Fund	⊴
Communicate the application of research results	ď
Share information on completed projects	<u> </u>

Future extension activities undertaken by the SCEK Fund will focus on raising awareness of the SCEK Fund and communicating the application of research findings to the oil and gas sector.

Responding to requests for information on completed research projects will also be included in these activities.

Vehicles used in these extension activities may include the following—in addition to extension activities already listed in the accomplishments section of this report:

## Raise awareness and visibility of the SCEK Fund

Information and communications will be prepared and shared with research partners, researchers, extension partners and potential investors to raise awareness of the SCEK Fund. This includes the SCEK Report, information packages and other materials to explain and promote the SCEK fund.

## Communicate the application of research results

Project summaries, case studies, press releases and articles will be used to communicate the application of research findings. Conferences, workshops, webinars and presentations to small groups of invited participants may also be undertaken. In two to four years, full conferences may be conducted to disseminate research findings to wider audiences.

## Share information on completed projects

The SCEK website and other information dissemination vehicles such as email and phone will be used to share information and respond to requests for information on completed projects.

The SCEK website will continue to be a cornerstone in the SCEK Fund's extension activities. Enhancements to the SCEK website will be undertaken to assist with the extension activities listed above.

**Environmental Impacts** 

# **APPENDIX 1: ACTIVE PROJECTS**

The following projects, listed by funding area, were undertaken in FY 2010/11. More information on these projects can be found on the SCEK website at <a href="www.scek.ca">www.scek.ca</a> or by contacting the SCEK Program Manager at <a href="scek@alantem.ca">scek@alantem.ca</a>.

Liiviioiiiiiciitai i	Investment to-date: \$2.7 million			
Focus	Information and methods to avoid, minimize, or mitigate the impacts of oil and gas activities on terrestrial and aquatic ecosystems.			
Active projects (FY 2010/11)	<ul> <li>Assessment of spatial factors affecting predation risk to be caribou calves (University of Alberta).</li> <li>Moose</li> <li>Determination of the population and distribution of moose in</li> </ul>			
	Horn River Basin (Horn River Producers Group).  Stone Sheep  • Determination of population status, risks from resource development and management guidelines for resource development (Synergy Applied Ecology).			
	<ul> <li>Assessment of the risks and identification of regulatory gaps and best management practices in hydraulic fracturing (ALL Consulting).</li> </ul>			
	<ul> <li>Evaluation of water reuse in hydraulic fracturing (Petroleum Technology Alliance Canada—M-I SWACO).</li> <li>Water inventory</li> </ul>			
	<ul> <li>Inventory of surface water, sub-surface aquifers and water wells in the Montney basin of northeastern B.C. (Geoscience BC).</li> </ul>			

Health and Safe	ty Investment to-date: \$1.1 million
Focus	Advancing oil and gas practices related to human health and safety.
Active projects (FY 2010/11)	No active projects in FY 2010/11.

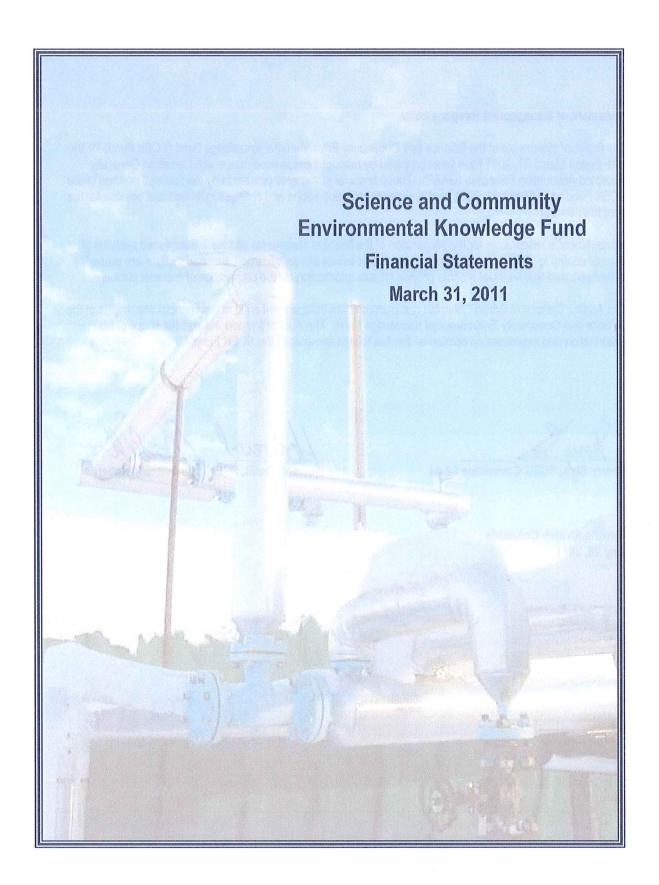
<b>Cumulative Impacts Management</b>	
	Investment to-date: \$1.1 million

Focus	Advancing the understanding and management of the cumulative impacts of oil and gas projects in the context of landscape level management.
Active projects (FY 2010/11)	Spatial data and analysis  Acquire and integrate LiDAR, aerial photography and hyper spectral data for large area detail mapping and analysis of vegetation structure and geomorphic interpretation (University of Victoria).

Community Env	ironmental Knowledge Investment to-date: \$1.0 million
Focus	Documenting, demonstrating and improving the application of community environmental knowledge to oil and gas planning, development and restoration activities.
Active projects (FY 2010/11)	<ul> <li>Spatial tools to document traditional knowledge and enhance decision making regarding mitigating impacts on traditional plants and plant gathering locations (University of Northern British Columbia—Prophet River First Nation).</li> <li>Methodology and tools for documenting community traditional knowledge in the field (Doia River First Nation).</li> </ul>

	Investment to-date: \$ 0.2 million				
Focus	Improving collaboration and communication between industry, regulators and government agencies, other stakeholders and First Nations.				
Active projects	Community knowledge and history				
(FY 2010/11)	Restoration of a cable rig derrick (Fernie Derrick Society).				
	Public opinion survey				
	Gather and analyze the public's understanding and opinions on oil and gas management and development in B.C. (University of British Columbia).				
	First Nations—Consultation Process Agreements (CPA)				
	Independent evaluation of the Consultation Process Agreements				
	(CPAs) between the Government of British Columbia and selected				
	Treaty 8 First Nations (Dovetail Consulting).				

**Collaboration and Communication** 



#### Science and Community Environmental Knowledge Fund

#### Statement of Management Responsibility

The financial statements of the Science and Community Environmental Knowledge Fund (SCEK Fund) for the year ended March 31, 2011 have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (GAAP). These financial statements present fairly the financial position of the SCEK Fund as at March 31, 2011, 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 have 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.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the Science and Community Environmental Knowledge Fund. The Auditor's report outlines the scope of his examination and expresses an opinion on the financial statements of the SCEK Fund.

Sherry Sian, SCEK Committee Chair

**Howard Madill, SCEK Committee Member** 

Victoria, British Columbia July 28, 2011



#### INDEPENDENT AUDITOR'S REPORT

To the Steering Committee of the Science and Community Environmental Knowledge Fund:

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Science and Community Environmental Knowledge Fund, which comprise the statement of financial position as at March 31, 2011, and the statements of operations and net assets, and cash flow 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 generally accepted accounting principles, 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.

## **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 auditor's 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.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Science and Community Environmental Knowledge Fund as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia October 14, 2011 John Doyle, MAcc, CA Auditor General

# Science and Community Environmental Knowledge Fund Statement of Financial Position

March 31	2011	2010
		Ē
Assets		
Current assets		
Cash	1,202,023	1,745,934
Accounts receivable	1,121	340
Due from the Oil and Gas Commission (Note 4)	20,878	20,878
	1,224,022	1,767,152
Liabilities and net assets		
Current liabilities		
Accounts payable	21,250	201,586
Holdbacks payable (Note 5)	41,250	34,841
Due to the Oil and Gas Commission (Note 4)	60,628	22,128
	123,128	258,555
		ii .
Net assets	1,100,894	1,508,597
	1,224,022	1,767,152

Commitments (Note 6)

The accompanying notes are an integral part of these statements.

Approved on behalf of the Committee

Sherry Sian, SCEK Committee Chair

Howard Madill, SCEK Committee Member

# Science and Community Environmental Knowledge Fund Statement of Operations and Net Assets

March 31	2011	2010
Revenue		
Interest	11,445	5,187
	11,445	5,187
Expenses		
Project costs	342,902	501,031
Professional services	32,044	•
Management fees	44,000	44,000
Miscellaneous	202	6,102
	419,148	551,133
Net Income (loss) from operations	(407,703)	(545,946)
Net Assets beginning of year	1,508,597	2,054,543
Net Assets end of year	1,100,894	1,508,597

The accompanying notes are an integral part of these statements.

# Science and Community Environmental Knowledge Fund Statement of Cash Flow

March 31	2011	2010
	o or bearing	
Operating Activities		
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Cash generated from:	ASIA BRITARY	
Fees and levies		84,338
Interest	10,664	5,186
	10,664	89,524
Cash used for:		
Projects	516,829	396,311
Fund administration	37,746	27,669
	554,575	423,980
Cash from (used in) operating activities	(543,911)	(334,456)
	4 = 4 = 40 4	
Cash beginning of year	1,745,934	2,080,390
Cook and of years	4 200 000	4 745 004
Cash end of year	1,202,023	1,745,934

The accompanying notes are an integral part of these statements.

# Science and Community Environmental Knowledge Fund Notes to the Financial Statements March 31, 2011

### 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. The money is restricted in use for projects and administration of the SCEK Fund. This funding was suspended April 1, 2009. Future operations of the SCEK Fund are dependent on the reinstatement of funding.

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

The financial statements of the SCEK Fund are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Significant accounting policies are as follows:

#### New accounting pronouncements

Future Accounting Framework

The Canadian Accounting Standards Board (AcSB) confirmed that, for financial years commencing as of January 1, 2011, International Financial Reporting Standards (IFRS) will replace Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises. In addition to IFRS, the CICA (Canadian Institute of Chartered Accountants) will continue to support accounting standards for private enterprises, not for profit organizations, and public sector accounting standards.

The SCEK steering committee is currently in the process of determining the changes required to comply with the direction of CICA. Once the new direction is finalized, the SCEK steering committee will determine the impact to the financial statements.

# Science and Community Environmental Knowledge Fund Notes to the Financial Statements March 31, 2011

#### **Financial Instruments**

The SCEK Fund has designated its Financial Instruments as follows:

- Cash is classified as held-for-trading and 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.
- Accounts payable are classified as other financial liabilities and are also measured at amortized cost.

## **Revenue Recognition**

Interest income earned is recorded on an accrual basis.

## **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 GAAP 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 in the current year financial statements.

#### 3. Financial Instruments

The SCEK Fund's financial instruments include cash, accounts receivable, and accounts payable. The carrying value of these instruments approximates their fair values due to their short-term nature. The SCEK Fund is not exposed to significant interest, currency, or credit risk arising from these instruments.

#### 4. Due from / to the Oil and Gas Commission

The amount due from the Commission represents the fees and levies revenue collected by the Commission, and the amount due to the Commission represents the management fee and other SCEK expenses paid by the Commission.

#### 5. Holdbacks Payable

Holdbacks payable consist of a portion of a contractor's invoice value being held by the SCEK Fund until receipt and acceptance of a project's completion report. The holdbacks are paid after review and approval of the report.

## 6. Commitments

The SCEK Fund has entered into several long-term agreements. The SCEK Fund commits to these agreements when the selection committee approves the project and the agreement is signed. The SCEK Fund's total fiscal year commitments are:

Fiscal Year Amount 2012 \$44,772

## 7. Comparative Figures

Certain comparative figures have been restated to conform to the presentation used in the current year.



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