

**Science and Community
Environmental Knowledge
Fund**

Financial Statements

MARCH 31, 2013



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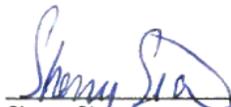


Statement of Management Responsibility

The financial statements of the Science and Community Environmental Knowledge Fund (SCEK Fund) for the year ended March 31, 2013 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, 2013, 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.



Sherry Sian
SCEK Committee Chair



Howard Madill
SCEK Committee Member

Victoria, British Columbia
June 10, 2013

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 members of the Science and Community Environmental Knowledge Fund

We 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, 2013, and the statements of operations and changes in net assets and statement of 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 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 Science and Community Environmental Knowledge Fund as at March 31, 2013, 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.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that the Science and Community Environmental Knowledge Fund adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at March 31, 2012 and April 1, 2011, and the statements of operations and changes in net assets and statement of cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Victoria, Canada
June 10, 2013

Grant Thornton LLP

Chartered accountants



Statement of Financial Position

As at March 31	Fund	Fund	2013	2012	2011
				(Unaudited)	(Unaudited)
Assets					
Current assets					
Cash	\$ 775,961	\$ 1,127,232	\$ 1,903,193	\$ 1,034,002	\$ 1,202,023
Accounts receivable	1,139	561	1,700	765	1,121
Due from the Oil and Gas Commission (Note 3)	-	875,867	875,867	597,405	20,878
	777,100	2,003,660	2,780,760	1,632,172	1,224,022
Capital assets					
Caribou collars (Note 4)	-	117,108	117,108	-	-
Total Assets	777,100	2,120,768	2,897,868	1,632,172	1,224,022
Liabilities and net assets					
Current liabilities					
Accounts payable	425,638	218,442	644,080	90,412	21,250
Holdback payable (Note 5)	5,212	-	5,212	5,212	3,750
Due to the Oil and Gas Commission (Note 3)	7,370	7,142	14,512	11,000	60,628
Deferred Contributions	106,675	-	106,675	-	-
	544,895	225,584	770,479	106,624	85,628
Fund balances					
Internally restricted	-	1,895,184	1,895,184	733,809	-
Unrestricted	232,205	-	232,205	791,739	1,138,394
	232,205	1,895,184	2,127,389	1,525,548	1,138,394
Net assets	\$ 777,100	\$ 2,120,768	\$ 2,897,868	\$ 1,632,172	\$ 1,224,022

Commitments (Note 6)

Approved on behalf of the Committee

Sherry Sian
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	2013	2012
				(Unaudited)
Revenue				
Interest	\$ 10,819	\$ 5,329	\$ 16,148	\$ 9,825
Contributions	39,725	20,000	59,725	-
Fees	-	321,200	321,200	54,400
Levies	-	1,502,501	1,502,501	784,901
	<u>50,544</u>	<u>1,849,030</u>	<u>1,899,574</u>	<u>849,126</u>
Expenses				
Project costs	544,277	604,455	1,148,732	361,558
Professional services	36,120	61,465	97,585	54,516
Amortization expense	-	3,671	3,671	-
Management fees	29,480	14,520	44,000	44,000
Miscellaneous	201	3,544	3,745	1,898
	<u>610,078</u>	<u>687,655</u>	<u>1,297,733</u>	<u>461,972</u>
(Deficiency) excess of revenue over expenses	(559,534)	1,161,375	601,841	387,154
Fund balance, beginning of year	791,739	733,809	1,525,548	1,138,394
Fund balance, end of year	<u>\$ 232,205</u>	<u>\$ 1,895,184</u>	<u>\$2,127,389</u>	<u>\$ 1,525,548</u>

See accompanying notes to the financial statements



Statement of Cash Flows

For the year ended March 31	Operating Fund	Caribou Fund	2013	2012
				(Unaudited)
Operating activities				
Cash generated from:				
Fees and levies	\$ -	\$1,545,239	\$1,545,239	\$ 241,896
Interest	10,445	4,768	15,213	10,181
Contributions	146,400	20,000	166,400	-
	<u>156,845</u>	<u>1,570,007</u>	<u>1,726,852</u>	<u>252,077</u>
Cash used for:				
Projects	243,776	452,618	696,394	280,388
Fund administration	29,480	11,008	40,488	139,710
Capital asset acquisitions	-	120,779	120,779	-
	<u>273,256</u>	<u>584,405</u>	<u>857,661</u>	<u>420,098</u>
(Decrease) increase in cash	(116,411)	985,602	869,191	(168,021)
Cash, beginning of year	892,372	141,630	1,034,002	1,202,023
Cash, end of year	<u>\$ 775,961</u>	<u>\$1,127,232</u>	<u>\$1,903,193</u>	<u>\$ 1,034,002</u>

See accompanying notes to the financial statements



Notes to the Financial Statements March 31, 2013

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 the first financial statements for which the Foundation has applied Accounting Standards for Not-for-Profit Organizations (ASNPO). Comparative period information presented for the year ended March 31, 2012 was prepared in accordance with ASNPO and the provisions set out in Section 1501 First-time adoption.

The date of transition to ASNPO is April 1, 2011. The Foundation's transition to ASNPO has had no significant impact on the opening net assets as at April 1, 2011 or the statements of financial position or the statement of cash flows for the year ended March 31, 2012.

As a result, the reconciliations and disclosures required by Section 1501 First-time adoption, for the net assets at the transition date, the comparative period net deficiency and the cash flow statement are not necessary and have not been presented in these financial statement notes.

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, 2013

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.

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, 2013

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 2013 fiscal year, there was \$1,823,701 (2012: \$848,406) in revenue recognized from fees and levies collected by the Commission on behalf of the Fund. Management fees of \$44,000 (2012: \$44,000) were paid to the Commission during the year for administrative services.

4. Capital assets

	Cost			Accumulated Amortization			March 31,	March 31,	April 1,
	Opening	Additions	Closing	Opening	Additions	Closing	2013	2012	2011
							NBV	NBV	NBV
Caribou Collars	-	\$ 120,779	\$ 120,779	-	\$ 3,671	\$ 3,671	\$ 117,108	(Unaudited)	(Unaudited)

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.

6. Commitments

The SCEK Fund 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 by fiscal year are as follows:

Fiscal Year	Operating	Caribou	Total
2014	\$ 215,552	\$ 189,058	\$ 404,610