



Financial Statements

Ontario Petroleum Institute Inc.

August 31, 2016

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Independent Auditor's Report

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To the Members of
Ontario Petroleum Institute Inc.

We have audited the accompanying financial statements of Ontario Petroleum Institute Inc., which comprise the statement of financial position as at August 31, 2016 and the statements of operations and net assets, annual conference income 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.

Auditor's 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 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.

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 Ontario Petroleum Institute Inc. as at August 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.

London, Canada
October 27, 2016

Chartered Professional Accountants
Licensed Public Accountants

Ontario Petroleum Institute Inc.

Statements of Operations and Net Assets

Year ended August 31	2016	2015
Revenues		
Membership fees	\$ 51,895	\$ 57,735
Membership directory	6,820	8,630
Conference (net) (Page 4)	35,469	31,506
Training (net)	18,243	8,926
Newsletter (net)	1,216	1,824
AAPG conference (net)	-	36,098
Interest income and foreign exchange	2,553	4,978
Management fees – OGASR Trust (Note 3)	23,333	20,000
Other revenue	-	969
	<u>139,529</u>	<u>170,666</u>
Expenses		
Secretarial wages	33,800	34,064
Management fees	80,500	76,999
Employee benefits	7,185	6,507
Office rent	6,266	6,511
Utilities	10,406	9,074
Office expense	7,873	8,306
Postage and telephone	3,156	3,577
Directors', members' and committee meetings (net)	3,917	5,538
Conferences	9,655	6,533
Travel	2,768	3,233
Printing and stationery	-	50
Membership directory	590	757
Promotion and educational programs	2,028	4,993
Professional fees	5,985	6,150
Bad debts	-	-
Amortization	219	433
	<u>174,348</u>	<u>172,725</u>
Deficiency of revenues over expenses	\$ <u>(34,819)</u>	\$ <u>(2,059)</u>
<hr/>		
Net assets, beginning of year	\$ 152,781	\$ 154,839
Deficiency of revenues over expenses	<u>(34,819)</u>	<u>(2,059)</u>
Net assets, end of year	\$ <u>117,962</u>	\$ <u>152,781</u>

See accompanying notes to the financial statements.

Ontario Petroleum Institute Inc. Statement of Annual Conference Income

Year ended August 31	2016	2015
	54 rd Annual Conference	53 rd Annual Conference
Revenues		
Registration and meals	\$ 31,479	\$ 36,804
Exhibits (net)	7,930	11,800
Annual technical volumes sold (net)	151	5
Other revenue (net)	<u>7,767</u>	<u>10,350</u>
	<u>47,327</u>	<u>58,959</u>
Expenses		
Luncheons, dinners and room charges	10,619	21,834
Printing and stationery	462	228
Committee expenses	200	1,313
Gifts and awards	233	1,204
Audio visual	<u>344</u>	<u>2,874</u>
	<u>11,858</u>	<u>27,453</u>
Excess of revenues over expenses	\$ <u>35,469</u>	\$ <u>31,506</u>

See accompanying notes to the financial statements.

Ontario Petroleum Institute Inc.

Statement of Financial Position

August 31

2016

2015

Assets

Current

Cash and cash equivalents (Note 4)	\$ 46,188	\$ 37,780
Investments held for trading	75,188	110,798
Accounts receivable	3,392	6,796
Prepaid expenses	<u>3,715</u>	<u>3,418</u>
	128,483	158,792
Capital assets (Note 5)	885	1,104
Cash held in trust (Note 6)	<u>27,505</u>	<u>27,354</u>
	\$ <u>156,873</u>	\$ <u>187,250</u>


Liabilities

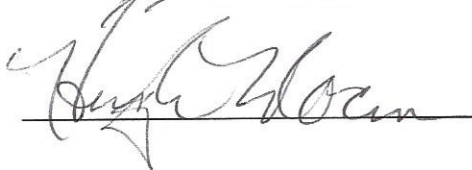
Current

Accounts payable and accrued liabilities	\$ 6,261	\$ 6,555
Revenue received in advance	<u>5,145</u>	<u>560</u>
	11,404	7,115
Trust liabilities (Note 6)	<u>27,505</u>	<u>27,354</u>
	<u>38,909</u>	<u>34,469</u>
Net assets		
Unrestricted net assets	<u>117,962</u>	<u>152,781</u>
	\$ <u>156,873</u>	\$ <u>187,250</u>

Commitments (Note 7)

On behalf of the Board


 _____ Director


 _____ Director

See accompanying notes to the financial statements.

Ontario Petroleum Institute Inc.
Statement of Cash Flows

Year ended August 31

2016

2015

Increase (decrease) in cash and cash equivalents

Operating

Deficiency of revenues over expenses	\$ (34,819)	\$ (2,059)
Amortization	<u>219</u>	<u>433</u>
	(34,600)	(1,626)
Change in non-cash working capital items		
Accounts receivable	4,742	14,277
Prepaid expenses	4,200	4,593
Accounts payable and accrued liabilities	(1,070)	(190)
Revenue received in advance	<u>340</u>	<u>560</u>
	<u>(27,068)</u>	<u>17,614</u>

Investing

Purchase of investments held for trading	(445,621)	(363,234)
Proceeds on maturity of investments held for trading	481,098	353,057
Purchase of capital assets	<u>-</u>	<u>(852)</u>
	<u>35,477</u>	<u>(11,029)</u>

Increase (decrease) in cash and cash equivalents

8,409

6,585

Cash and cash equivalents

Beginning of year	<u>37,780</u>	<u>31,195</u>
End of year	\$ <u>46,189</u>	\$ <u>37,780</u>

See accompanying notes to the financial statements.

Ontario Petroleum Institute Inc.

Notes to the Financial Statements

August 31, 2016

1. Nature of operations

The Organization is a non-profit entity whose objectives relate to the oil and gas industries in Ontario, including representation to federal and provincial bodies on legislation and regulations, study and research in matters pertinent to the industry and conferences for the exchange of views and information among members.

2. Summary of significant accounting policies

Basis of presentation

The Organization has prepared these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

Revenue recognition

Fees and other revenue received in advance are deferred and recognized as revenue at the time the related expenditures are incurred. Members' fees as set by the Board of Directors are recognized as revenue on a straight line basis over the term of the membership.

Volunteer services

The work of the Organization is dependent to a great extent on the voluntary service of many members. The value of donated services is not recognized in these statements.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and balances with banks, net of outstanding cheques, and investments held for trading with maturity dates of three months or less from the date of acquisition. Investments held for trading with maturity dates greater than three months from the date of acquisition are treated as investing activities within the statement of cash flows.

Investments held for trading

Investments held for trading consist of cashable guaranteed investment certificates. As of August 31, 2016 the weighted average interest rate of the guaranteed investment certificates was 0.75% (0.94% as at August 31, 2015). Financial instruments classified as held for trading are measured at fair value at each reporting date and any unrealized gains or losses are recognized in earnings for the period in which they arise. Fair value is measured at the face value of the guaranteed investment certificates plus accrued interest to the reporting date, which approximates the carrying value.

Ontario Petroleum Institute Inc.

Notes to the Financial Statements

August 31, 2016

2. Summary of significant accounting policies (continued)

Capital assets and amortization

Capital assets are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is calculated on a straight-line or declining balance basis over the estimated useful lives of the capital assets as follows:

Furniture and fixtures	20% declining balance
Computer equipment	3 years, straight-line

Income taxes

Pursuant to the applicable provisions of the Income Tax Act (Canada) the Organization is not subject to either federal or provincial income taxes.

Foreign currency transactions

The Organization translates all of its foreign currency transactions using the temporal method. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's statement of income are translated at average year rates. Exchange gains and losses are included in the statement of income.

Use of estimates

In preparing the Organization's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Financial Instruments

Initial measurement

The Organization's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Ontario Petroleum Institute Inc.

Notes to the Financial Statements

August 31, 2016

2. Summary of significant accounting policies (continued)

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value. All changes in fair value of the Organization's investments in guaranteed investment certificates are recorded in the statement of income. The financial instruments measured at amortized cost are cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities.

For financial assets measured at cost or amortized cost, the Organization regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of income. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

3. Related party transactions

During the year the Organization participated in the following related party transaction with Oil, Gas and Salt Resources Trust (OGASR Trust). OGASR Trust is related to OPI Inc. through common management.

- (a) Trust management fees were received totalling \$23,333 (\$20,000 in 2015).

This transaction was in the normal course of operations and measured at the exchange value as agreed upon by the related parties.

4. Cash and cash equivalents

Included within cash is a balance of \$6,611 which is held as continuing collateral security for the payment of present and future indebtedness and cannot be used for current transactions.

5. Capital assets

			<u>2016</u>	<u>2015</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 10,306	\$ 9,421	\$ 885	\$ 1,104
Computer equipment	<u>1,436</u>	<u>1,436</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,742</u>	<u>\$ 10,857</u>	<u>\$ 885</u>	<u>\$ 1,104</u>

Ontario Petroleum Institute Inc.

Notes to the Financial Statements

August 31, 2016

6. Trust assets and liabilities

In 2006 the Ministry of Natural Resources transferred previously forfeited well security deposits to the Organization. These funds were originally provided to the Ministry of Natural Resources by operators pursuant to the statutory requirement to post adequate abandonment security as a pre-condition to obtaining a license to drill or maintain a well. These operators did not comply with certain mandatory provisions in the Regulations respecting the security deposits and accordingly their deposits have been declared forfeited by the Ministry of Natural Resources. Under the agreement between the Ministry of Natural Resources and the Organization a portion of these funds must be retained for certain identified wells that have not yet been abandoned and plugged. As of August 31, 2016 the restricted funds totalled \$27,505 (\$27,354 as at August 31, 2015).

7. Commitments

The Organization is committed to future payments, over the next four years, for the lease of its business premises and for the purchase of management and strategic communication services as follows:

2017	\$	85,666
2018		52,583
2019		6,266
2020		1,567
	\$	<u>146,082</u>

8. Accounts payable and accrued liabilities

Included within accounts payable are amounts owing to various government agencies totalling \$1,338 (nil as at August 31, 2015).

9. Financial instruments

The Organization's main financial instrument risk exposure is detailed as follows.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Some assets are exposed to foreign exchange fluctuations. As at August 31, 2016, cash of \$2,232 (\$1,836 as at August 31, 2015) is denominated in US dollars and converted into Canadian dollars.

Credit risk

The Organization has determined that the financial assets with credit risk exposure are accounts receivable since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization. However, this risk is minimized by the Organization's small balance in accounts receivable. The Organization maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

Ontario Petroleum Institute Inc.

Notes to the Financial Statements

August 31, 2016

8. Financial instruments (continued)

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to its accounts payable and accrued liabilities.
