Grant Thornton

Financial Statements

Oil, Gas and Salt Resources Trust

December 31, 2014

Contents

Independent Auditor's Report

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To the Original Trustee of
Oil, Gas and Salt Resources Trust

We have audited the accompanying financial statements of Oil, Gas and Salt Resources Trust, which comprise the statement of financial position as at December 31, 2014, and the statements of operations and net assets and cash flows for the year ended December 31, 2014, 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 audits. We conducted our audits 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 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 Oil, Gas and Salt Resources Trust as at December 31, 2014, and the results of its financial performance and its cash flows for the year ended December 31, 2014 in accordance with Canadian accounting standards for not-for-profit organizations.

Grant Thornton LLP

London, Ontario
June 17, 2015

Chartered accountants
Licensed Public Accountants

Oil, Gas and Salt Resources Trust
Statements of Operations and Net Assets

Year ended December 31		2014		2013
Revenues				
Well licence fees	**$**	**98,980**	$	102,828
Sample processing fees		**13,634**		15,977
Programs		**56,592**		96,680
Labour and clerical		**10,665**		9,753
Memberships		**37,013**		36,574
Lab user fees		**1,510**		551
Publications and data		**37,562**		25,128
Sponsorship		**561**		-
Interest and foreign exchange		**5,230**		4,175
		261,747		291,666
Expenses				
Wages and employee benefits		**77,889**		99,059
Contract and co-op wages		**59,720**		27,377
Processing supplies		**1,022**		2,387
Waste and janitorial		**7,312**		6,965
Trust management fees		**20,000**		20,000
Audit fees		**8,085**		7,875
Office expenses		**4,781**		4,062
Postage and telephone		**2,384**		3,113
Insurance		**3,204**		3,434
Promotion and travel		**14,531**		8,813
Rent		**52,740**		41,956
Databases		**3,360**		506
Bank charges		**1,936**		2,112
Training and development		**292**		-
Research grant		**-**		10,000
Bad debts		**2,119**		-
Amortization		**1,705**		2,654
		261,080		240,313
Income before allocation		**667**		51,353
Allocation to the Province of Ontario		**(667)**		(51,353)
Excess of revenues over expenses	**$**	**-**	$	-
Net assets, beginning of year	**$**	**-**	$	-
Excess of revenues over expenses		**-**		-
Net assets, end of year	**$**	**-**	$	-

See accompanying notes to the financial statements

Oil, Gas and Salt Resources Trust
Statement of Financial Position

December 31		**2014**		2013
Assets				
Current				
Cash (Note 4)	**$**	**35,956**	$	87,360
Investments		**248,784**		215,730
Accounts receivable		**22,862**		1,455
Inventory of supplies		**3,584**		2,016
Prepaid expenses		**5,421**		5,421
		316,607		311,982
Capital assets (Note 5)		**11,270**		6,047
	$	**327,877**	$	318,029
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 6)	**$**	**18,290**	$	12,428
Deferred revenue		**20,776**		17,455
Payable to the Province of Ontario		**288,811**		288,146
		327,877		318,029
Net assets				
Unrestricted net assets		**-**		-
	$	**327,877**	$	318,029

On behalf of the Trustee

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See accompanying notes to the financial statements.

Oil, Gas and Salt Resources Trust
Statement of Cash Flows

Year ended December 31	2014	2013
Increase (decrease) in cash		
Operating		
Excess of revenues over expenses	**$ -**	$ -
Amortization	**1,705**	2,654
	1,705	2,654
Change in non-cash working capital items		
Accounts receivable	**(21,407)**	(1,117)
Inventory of supplies	**(1,568)**	255
Accounts payable and accrued liabilities	**5,862**	(6,430)
Unearned revenue	**3,321**	3,231
Payable to the Province of Ontario	**667**	51,353
	(11,420)	49,946
Investing		
Purchase of capital assets	**(6,930)**	(2,395)
Purchase of investments	**(725,059)**	(215,499)
Proceeds on the redemption of investments	**692,005**	231,688
	(39,984)	13,794
(Decrease) increase in cash	**(51,404)**	63,740
Cash		
Beginning of year	**87,360**	23,620
End of year	**$ 35,956**	$ 87,360

See accompanying notes to the financial statements.

1. Nature of operations

Pursuant to the Oil, Gas and Salt Resources Act, R.S.O 1990, the Trust was formed by the Ontario Ministry of Natural Resources. A trust agreement, dated February 16, 1998, was signed with the original trustee, the Ontario Oil, Gas and Salt Resources Corporation. The purpose of the Trust is to provide for the funding of research, surveys and laboratory facilities relating to the oil and gas industry. Pursuant to the trust agreement, the net assets of the Trust accrue to the benefit of the Province of Ontario. The monetary value of this entitlement is reflected within current liabilities as “Payable to the Province of Ontario.”

2. Summary of significant accounting policies

Basis of presentation

The Trust 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. Sponsorship revenue received for the purchase of capital assets is deferred and is recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. Members’ fees as set by the Trustee are recognized as revenue on a straight line basis over the term of the membership. Well licensing fees are recognized as revenue on a fiscal year basis. Investment revenue is recognized within the month in which it is earned.

Cash

Cash includes cash on hand and balances with banks.

Investments

Investments consist of cashable guaranteed investment certificates with Canadian banks and are carried at market value. The weighted average interest rate of the guaranteed investment certificates is 1.23% (1.25% as at December 31, 2013). Investments are measured at fair value at each reporting date and any unrealized gains or losses are recognized in operations for the period in which they arise.

Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs such as storage costs and administrative overheads that do not contribute to bringing the inventories to their present location and condition are specifically excluded from the cost of inventories and are expensed in the period incurred.

2. Summary of significant accounting policies (continued)

Capital assets

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 property and equipment as follows:

Furniture and fixtures	20% declining balance
Computer hardware	20% declining balance or 3 years straight-line
Computer software	100% straight-line

Foreign currency transactions

The Trust 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 operations are translated at average year rates. Exchange gains and losses are included in the statement of operations.

Financial Instruments

Initial measurement

The Trust'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.

Subsequent measurement

At each reporting date, the Trust 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. The Organization has also elected to measure its investments in guaranteed investment certificates at fair value. All changes in fair value of the Trust’s investments in guaranteed investment certificates are recorded in the statement of operations. The financial instruments measured at amortized cost are cash, accounts receivable and accounts payable and accrued liabilities.

For financial assets measured at cost or amortized cost, the Trust 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 operations. 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 Trust participated in the following related party transaction with its trustee (Note 1):

(a) Trust management fees were paid totalling $20,000 ($20,000 in 2013).

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

4. Cash

Included within cash is a balance of $6,601 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

	Cost	Accumulated Amortization	2014 Net Book Value	2013 Net Book Value
Furniture and fixtures	$ 37,207	$ 31,331	$ 5,876	$ 1,796
Computer hardware and software	33,837	28,443	5,394	4,251
	$ 71,044	$ 59,774	$ 11,270	$ 6,047

6. Accounts payable and accrued liabilities

Included within accounts payable and accrued liabilities are amounts owing to various government agencies totalling $8,573 ($2,942 as at December 31, 2013).

7. Financial instruments

The Trust'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 December 31, 2014, cash of $6,600 ($5,454 as at December 31, 2013) is denominated in US dollars and converted into Canadian dollars.

Credit risk

The Trust has determined that the financial assets with credit risk exposure are accounts receivable since failure of any of these parties to fulfill their obligations could result in significant financial losses for the Trust.

7. Financial instruments (continued)

Liquidity risk

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