

**Science and Community Environmental Knowledge Fund
Financial Statements**

March 31, 2006

Science and Community Environmental Knowledge Fund

Statement of Management Responsibility

The financial statements of the Science and Community Environmental Knowledge Fund for the year ended March 31, 2006 have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements present fairly the financial position of the Fund as at March 31, 2006, 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 a system 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 statements of the Fund.



Ross Curtis
Commissioner

May 3, 2006



James Sproul
Executive Director, Business Services

Science and Community Environmental Knowledge Fund
Statement of Financial Position
(in \$000s)

March 31,	2006	2005
Assets		
Current Assets		
Cash	1,459	1,984
Accounts receivable	18	14
Prepaid expenses	278	306
	<u>1,755</u>	<u>2,304</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	32	70
Holdbacks	37	30
	<u>69</u>	<u>100</u>
Net Assets	<u>1,686</u>	<u>2,204</u>
	<u>1,755</u>	<u>2,304</u>

Commitments (see Note 3)

On behalf of the Science and Community Environmental Knowledge Fund



Ross Curtis
Commissioner

The accompanying notes are an integral part of these statements.

Science and Community Environmental Knowledge Fund
Statement of Operations and Net Assets
(in \$000s)

For the years ended March 31,	2006	2005
Revenues <i>(Note 4)</i>		
Fees	-	20
Miscellaneous	36	34
	36	54
Expenses		
Project Costs	400	763
Salaries and benefits	-	39
Travel and vehicle costs	-	-
Professional services and training	154	23
Office supplies and equipment	-	2
Miscellaneous	-	7
	554	834
Net deficiency	(518)	(780)
Net Assets beginning of year	2,204	2,984
Net Assets end of year	1,686	2,204

The accompanying notes are an integral part of these statements.

Science and Community Environmental Knowledge Fund
Statement of Cash Flows
(in \$000s)

For the years ended March 31,	2006	2005
Cash used in operating activities		
Cash generated from:		
Fees	-	30
Levies	-	147
Miscellaneous	35	63
	35	240
Cash used for:		
Research projects	406	909
Fund administration	154	93
	560	1,002
Cash used in operating activities	(525)	(762)
Cash beginning of year	1,984	2,746
Cash end of year	1,459	1,984

The accompanying notes are an integral part of these statements

Science and Community Environmental Knowledge Fund
Notes to the Financial Statements March 31, 2006
(Tabular amounts in \$000s)

1. The Oil and Gas Commission as Agent and Administrator

In 1998, the Government of BC 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 allocated \$5 million over five years 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 for 5 years. They also agreed to refocus and rename the Fund, changing it from a purely 'research-based', 'environment' fund to a broader based fund which incorporates 'science' and 'community environmental knowledge' – thus the new name 'Science and Community Environmental Knowledge Fund' ('SCEK Fund' or 'the Fund').

The Commission agreed that the administration of the Fund would be part of the Commission's mandate. Funding is generated through a portion of the levy on oil and gas production and a portion of the application fee for wells. This money is restricted for use for projects and administration of the Fund. The objectives of the 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.

Prior to fiscal year 2003/04, the SCEK Fund financial information was included in the Oil and Gas Commission financial statements. The SCEK Fund financial statements are now reported separately to give more meaningful information about the financial position of the SCEK Fund.

2. Significant accounting policies

The financial statements of the SCEK Fund are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are as follows:

Prepaid expenses

Agreements for which funding is paid up-front are accounted for as prepaid expenses and are recognized as expenditures upon one of the following conditions:

- a) Receipt of a statement of expenditures for the project;
- b) Receipt of an interim report proving that milestones are being met; or
- c) Completion of the agreement and acceptance of all deliverables.

Science and Community Environmental Knowledge Fund
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(Tabular amounts in \$000s)

Holdbacks

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

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.

Financial instruments

The SCEK Fund's financial instruments consist of cash held in its bank account, accounts receivable, accounts payable and holdbacks payable. Unless otherwise noted, it is management's opinion that the SCEK Fund is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Commitments

The SCEK Fund has entered into several agreements. The Fund's total fiscal year commitments are:

Fiscal Year	Amount
2007	248

4. Revenues

On April 28, 2004, an Order in Council was signed amending the amount of levies and fees that go to the SCEK Fund. Effective May 1, 2004, the Fund did not receive that portion of the levies and fees that were previously allocated to it.