

CANADIAN SOCIETY FOR UNCONVENTIONAL RESOURCES

Financial Statements

Year Ended December 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Society for Unconventional Resources

We have audited the accompanying financial statements of Canadian Society for Unconventional Resources, which comprise the statement of financial position as at December 31, 2015 and the statements of revenues and expenditures, changes in 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 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.

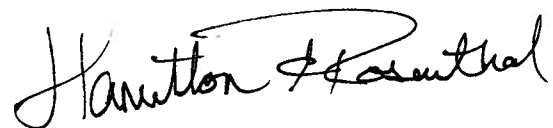
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 Canadian Society for Unconventional Resources as at December 31, 2015 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta
April 1, 2016



HAMILTON & ROSENTHAL
CHARTERED ACCOUNTANTS LLP

CANADIAN SOCIETY FOR UNCONVENTIONAL RESOURCES

Statement of Financial Position

December 31, 2015

	2015	2014
ASSETS		
Current		
Cash	\$ 281,047	\$ 440,223
Term deposits (Note 3)	248,013	247,295
Accounts receivable	18,659	5,060
Inventory (Note 4)	12,962	38,403
GST recoverable	4,963	7,360
Prepaid expenses	3,938	4,000
Government grant receivable	-	40,000
	<u>569,582</u>	<u>782,341</u>
Property, plant and equipment (Note 5)	14,480	19,302
Intangible assets (Note 6)	-	2,946
	<u>\$ 584,062</u>	<u>\$ 804,589</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 72,987	\$ 89,241
Deferred income (Note 7)	13,843	30,133
	<u>86,830</u>	<u>119,374</u>
NET ASSETS		
Unrestricted funds	482,752	665,913
Investment in property, plant and equipment	14,480	19,302
	<u>497,232</u>	<u>685,215</u>
	<u>\$ 584,062</u>	<u>\$ 804,589</u>

On behalf of the Board



 W. Kozick

**HAMILTON
ROSENTHAL**
CHARTERED ACCOUNTANTS LLP

CANADIAN SOCIETY FOR UNCONVENTIONAL RESOURCES

Statement of Revenues and Expenditures

For the Year Ended December 31, 2015

	2015	2014
Revenue		
Memberships <i>(Note 8)</i>	\$ 589,858	\$ 716,700
Event, service and special initiative revenue	102,300	517,603
Government funding	34,300	185,000
	<u>726,458</u>	<u>1,419,303</u>
Expenses		
Salaries, wages, benefits, and contract services	510,074	699,387
Rent	149,692	129,662
Event, service and special initiatives expenditures	74,275	387,309
Marketing and publications	62,564	57,912
Travel and accommodation	30,463	46,852
Consulting expenses <i>(Note 8)</i>	26,990	32,721
Insurance	17,479	17,666
Office and miscellaneous	12,218	40,980
Equipment rental	9,533	8,132
Professional fees	9,500	12,000
Amortization	4,822	5,998
Committee expenses	4,659	5,596
Interest, credit card and bank charges	4,412	6,281
Amortization of intangible assets	2,946	5,892
Bad debt recovery	-	(1,759)
	<u>919,627</u>	<u>1,454,629</u>
Deficiency of revenue over expenses from operations	(193,169)	(35,326)
Other income		
Interest income	5,186	6,644
Deficiency of revenue over expenses	<u>\$ (187,983)</u>	<u>\$ (28,682)</u>

CANADIAN SOCIETY FOR UNCONVENTIONAL RESOURCES

Statement of Changes in Net Assets

Year Ended December 31, 2015

	Unrestricted funds	Investment in property and equipment	2015	2014
NET ASSETS - BEGINNING OF YEAR	\$ 665,913	\$ 19,302	\$ 685,215	\$ 713,897
Deficiency of revenue over expenses	(187,983)	-	(187,983)	(28,682)
Amortization	4,822	(4,822)	-	-
NET ASSETS - END OF YEAR	\$ 482,752	\$ 14,480	\$ 497,232	\$ 685,215

CANADIAN SOCIETY FOR UNCONVENTIONAL RESOURCES**Statement of Cash Flow
Year Ended December 31, 2015**

	2015	2014
Operating activities		
Cash receipts from members	\$ 736,569	\$ 1,406,878
Cash paid to suppliers and employees	(898,197)	(1,456,532)
Interest received	5,186	6,644
Goods and services tax	2,397	(13,029)
Interest paid	(4,413)	(6,281)
	<u>(158,458)</u>	<u>(62,320)</u>
Investing activity		
Purchase of property, plant and equipment	-	(4,848)
	<u>(158,458)</u>	<u>(67,168)</u>
Decrease in cash flow	(158,458)	(67,168)
Cash - beginning of year	<u>687,518</u>	<u>754,686</u>
Cash - end of year	\$ 529,060	\$ 687,518
Cash consists of:		
Cash	\$ 281,047	\$ 440,223
Term deposits	<u>248,013</u>	<u>247,295</u>
	\$ 529,060	\$ 687,518

CANADIAN SOCIETY FOR UNCONVENTIONAL RESOURCES

Notes to Financial Statements

Year Ended December 31, 2015

The Canadian Society For Unconventional Resources (CSUR) was formed to facilitate the factual and collaborative exchange of unconventional resource knowledge and challenges among government, regulators, industry, and public stakeholders for the exploration and production of the resource in an environmentally sensitive and economical manner.

The Canadian Society For Unconventional Resources was incorporated on September 23, 2002 as a not-for-profit organization under the Alberta Societies Act and accordingly is exempt from income taxes under Section 149 (NPO) of the Income Tax Act.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Society have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations (ASNPO) consistently applied. The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. While actual results could differ from such estimates, these financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies summarized as follows:

Revenue recognition

CSUR follows the deferral method of accounting for revenues as follows:

- (a) **Event, service and special initiative revenue**
Revenue is recognized at the time of shipment, when the services are rendered, or proportionately over the period of the subscription depending on the nature of the product or service. The liability for the portion of event revenue invoiced but not yet earned is recorded as deferred income.
- (b) **Memberships**
Memberships are set annually by the Board of Directors and are recognized as revenue proportionately over the fiscal year to which they relate.
- (c) **Government funding**
Government funding is recognized as revenue in the year in which the related expenses are incurred.
- (d) **Other income**
Other income comprises interest from cash, interest from fixed income investments, and realized gains and losses on the sale of investments. Revenue is recognized on an accrual basis. Interest on fixed income investments is recognized over the terms of these investments using the effective interest method.

Endowment contributions are recognized as direct increases in net assets in the current period.

Restricted contributions for expenses of one or more future periods are deferred and recognized as revenue in the same period or periods as the related expenses are recognized.

(continues)

CANADIAN SOCIETY FOR UNCONVENTIONAL RESOURCES

Notes to Financial Statements

Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days from year end.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, where applicable, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income (loss). All other financial instruments are reported at amortized cost, and tested for indications of impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Inventory

Inventory is measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventory includes all costs to purchase, convert, and bring the inventories to their present location and condition and is determined on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization. Property, plant and equipment is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Office furniture and fixtures	20%	declining balance method
Computer hardware	30%	declining balance method
Computer software	100%	declining balance method

The Society regularly reviews its property, plant and equipment to eliminate obsolete items.

Intangible assets

The website is being amortized on a straight-line basis over its estimated useful life of three years.

Contributed materials and services

Contributed materials and services are recorded at their fair market value at the time of the donation. The materials and services are used in the normal course of the Society's operations and would otherwise have been purchased.

CANADIAN SOCIETY FOR UNCONVENTIONAL RESOURCES

Notes to Financial Statements

Year Ended December 31, 2015

2. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments. The following analysis provides information about the Society's risk exposure and concentration as of December 31, 2015.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk from members. The Society has a significant number of members which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its receipt of funds from its members and sponsors.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Society's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Society is not materially exposed to foreign currency exchange risk on cash held in U.S. dollars.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The primary objective of the Society with respect to its investments in fixed income is to ensure the security of the principal amounts invested and provide a high degree of liquidity while achieving a satisfactory investment return. The Society is not materially exposed to interest rate risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is exposed to oil and gas price risk as members of the Society operate in the oil and gas industry. The number of memberships and the demand for conferences are influenced by the performance of oil and gas companies. Therefore, the Society is indirectly exposed to other price risk mainly in respect of the prevailing market price of oil and gas.

Fair value

The Society's carrying value of cash and cash equivalents, term deposits, accounts receivable, and accounts payable approximates their fair value due to the immediate or short term maturity of these instruments. The Society is not exposed to fair value risk.

CANADIAN SOCIETY FOR UNCONVENTIONAL RESOURCES

Notes to Financial Statements

Year Ended December 31, 2015

3. TERM DEPOSITS

	2015	2014
RBC - GIC	\$ 100,181	\$ 100,267
CIBC - GIC	147,832	147,028
	<u>\$ 248,013</u>	<u>\$ 247,295</u>

RBC GIC has annual interest of 0.5%, and CIBC GIC has an annual interest of 0.8%. Both term deposits have a term of 1 year.

4. INVENTORY

	2015	2014
Inventory	<u>\$ 12,962</u>	<u>\$ 38,403</u>

Inventory is comprised of books and fact sheets available for sale. During the year, the Society had sales of books and fact sheets in the amount of \$8,300. Included in Marketing and Publication expense is \$20,502 of write-downs of inventory to net realizable value in accordance with the inventory accounting policy in Note 1.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Office furniture and fixtures	\$ 42,763	\$ 35,011	\$ 7,752	\$ 9,691
Computer hardware	38,052	31,324	6,728	9,611
Computer software	31,566	31,566	-	-
	<u>\$ 112,381</u>	<u>\$ 97,901</u>	<u>\$ 14,480</u>	<u>\$ 19,302</u>

6. INTANGIBLE ASSETS

	2015	2014
Website - costs	\$ 29,493	\$ 29,493
Accumulated amortization	<u>(29,493)</u>	<u>(26,547)</u>
	<u>\$ -</u>	<u>\$ 2,946</u>

7. DEFERRED INCOME

In 2014, the Society launched a new program (the BC Advocacy and Constituency Building Program). An amount of \$11,323 has been deferred to 2016 as the fund was not fully expensed.

An amount of \$2,520 for 2016 memberships received in advance is also included in the deferred income.

Total deferred income received for 2015 is \$13,843.

CANADIAN SOCIETY FOR UNCONVENTIONAL RESOURCES

Notes to Financial Statements

Year Ended December 31, 2015

8. MEMBERSHIP REVENUE AND CONSULTING EXPENSES

Included in membership revenue is an amount of \$19,000 (2014: \$21,500) of memberships issued in-kind, and included in consulting expenses is an amount of \$19,000 (2014: \$21,500) of in-kind services.

Members that received memberships at no cost were marked as "Honorary" as no goods or services were exchanged in return. No revenue or expenses were realized or recorded for honorary memberships.

The remainder of consulting expense consists of Information Technology (IT) consulting.

9. COMMITMENTS

The Society is committed under the terms of an occupancy lease at a rate of \$4,833 per month plus operating costs until April 30, 2016. The Society signed a new occupancy lease for a term of one year at a rate of \$3,000 per month including operating costs, effective May 1, 2016.

The Society is committed under the terms of an office equipment lease at a rate of \$1,815 per quarter until April 29, 2019.

10. SUBSEQUENT EVENTS

The following events occurred subsequent to the fiscal year end:

Termination of president

Effective March 31, 2016, the Society's board of directors unanimously agreed to terminate the employment of the president of the society.
