



## Financial Statements

Offshore Energy Research Association  
of Nova Scotia

March 31, 2021

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## Independent auditor's report

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To the Board of Directors of Offshore Energy Research Association of Nova Scotia

### Opinion

We have audited the financial statements of Offshore Energy Research Association of Nova Scotia (the "Association"), which comprise the statement of financial position as at March 31, 2021, the statements of operations, net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Offshore Energy Research Association of Nova Scotia as at March 31, 2021, 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.

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the financial statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of management and those charged with governance 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Halifax, Canada  
September 27, 2021

Chartered Professional Accountants

## Offshore Energy Research Association of Nova Scotia

### Statements of operations and net assets

Year ended March 31	2021	2020
Revenues		
Contributions (Note 3)	\$ 5,663,646	\$ 2,185,410
Interest income	<u>3,241</u>	<u>44,071</u>
	<u>5,666,887</u>	<u>2,229,481</u>
Cost of research		
Projects	5,342,658	2,410,035
Research management	<u>430,494</u>	<u>354,826</u>
	<u>5,773,152</u>	<u>2,764,861</u>
Excess of expenditures over revenues	<u>(106,265)</u>	<u>(535,380)</u>
Expenditures		
Advertising and promotion	54,562	39,110
Board and committee	325	11,691
Business development	109	15,682
Information technology	32,496	25,298
Insurance	10,006	8,734
Interest and service charges	1,775	2,617
Office and miscellaneous	10,153	12,954
Professional fees – audit, accounting and legal	63,227	71,597
Rent – premises	58,373	43,200
Salaries and benefits	<u>187,126</u>	<u>192,579</u>
	<u>418,152</u>	<u>423,462</u>
Excess of expenditures over revenues before project recovery of expenditures and other items	<u>(524,417)</u>	<u>(958,842)</u>
Administration and management fees	463,749	439,445
COVID-19 support grants (Note 7)	<u>156,677</u>	<u>-</u>
Excess of revenues over expenditures (expenditures over revenue)	<u>\$ 96,009</u>	<u>\$ (519,397)</u>
Net assets, beginning of year	\$ 1,517,799	\$ 2,037,196
Excess of revenues over expenditures (expenditures over revenues)	<u>96,009</u>	<u>(519,397)</u>
Net assets, end of year	<u>\$ 1,613,808</u>	<u>\$ 1,517,799</u>

See accompanying notes to the financial statements.

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# Offshore Energy Research Association of Nova Scotia

## Statement of financial position

March 31 2021 2020

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### Assets

#### Current

Cash and cash equivalents	\$ 130,146	\$ 563,568
Investments, at market value (Note 4)	8,496,896	11,272,598
Receivables	1,013,547	539,671
Government assistance receivable	91,028	-
HST recoverable	47,974	50,646
Prepays	<u>11,314</u>	<u>66,441</u>
	<b><u>\$ 9,790,905</u></b>	<b><u>\$12,492,924</u></b>

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### Liabilities

#### Current

Payables and accruals	\$ 834,369	\$ 504,533
Deferred revenue (Note 3)	<u>7,302,728</u>	<u>10,470,592</u>
	<b><u>8,137,097</u></b>	<b><u>10,975,125</u></b>

#### Long term

Loan payable (Note 5)	<u>40,000</u>	-
	<b><u>8,177,097</u></b>	<b><u>10,975,125</u></b>

Net assets	<u>1,613,808</u>	<u>1,517,799</u>
	<b><u>\$ 9,790,905</u></b>	<b><u>\$12,492,924</u></b>

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Commitment (Note 6)

On behalf of the Board

\_\_\_\_\_ Director \_\_\_\_\_ Director

See accompanying notes to the financial statements.

# Offshore Energy Research Association of Nova Scotia

## Statement of cash flows

Year ended March 31

2021

2020

Increase (decrease) in cash and cash equivalents

<b>Operating</b>		
Excess of revenues over expenditures (expenditures over revenues)	\$ 96,009	\$ (519,397)
Items not affecting cash and cash equivalents		
Forgivable portion of CEBA loan	<u>(20,000)</u>	<u>-</u>
	76,009	(519,397)
Change in non-cash operating working capital		
Receivables	(473,876)	(193,014)
Government assistance receivable	(91,028)	-
HST recoverable	2,672	(33,278)
Prepays	55,127	(14,267)
Payables and accruals	329,836	(353,398)
Deferred revenue	<u>(3,167,864)</u>	<u>(914,901)</u>
	(3,269,124)	(2,028,255)
<b>Financing</b>		
Proceeds from loan payable	<u>60,000</u>	<u>-</u>
<b>Investing</b>		
Investment activity in marketable securities	<u>2,775,702</u>	<u>2,043,863</u>
Net (decrease) increase in cash and cash equivalents	(433,422)	15,608
Cash and cash equivalents, beginning of year	<u>563,568</u>	<u>547,960</u>
Cash and cash equivalents, end of year	<u>\$ 130,146</u>	<u>\$ 563,568</u>

See accompanying notes to the financial statements.

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# Offshore Energy Research Association of Nova Scotia

## Notes to the financial statements

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March 31, 2021

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### 1. Nature of operations

Offshore Energy Research Association of Nova Scotia (“OERA” or the “Association”) was incorporated under the Canadian Business Corporations Act on March 22, 2006. It serves communities, corporations and governments requiring information through research into the impacts of offshore energy activity. It is exempt under the Income Tax Act as a non-profit organization.

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### 2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) and include the following significant accounting policies:

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks.

#### **Investments, at market value**

Investments consist of investment savings account, mutual funds, and bonds. These are accounted for at fair value. Changes in fair value are recorded in the statement of operations.

#### **Foreign currency translation**

Monetary assets and liabilities are translated at rates in effect at the balance sheet date. Other assets and liabilities are translated at rates prevailing at the time of acquisition or issue. Revenues and expenses are translated at the daily exchange rate during the year. Translation gains or losses are recognized in the period in which they occur.

#### **Revenue recognition**

The Association follows the deferral method of accounting for contributions. Contributions from the Provincial Department of Energy and Mines and other government sources are allocated to projects as intended upon receipt and recognized as revenue in the year which related expenditures are incurred. Contributions receivable are recorded if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest revenue is recorded on the accrual basis, once collectability is reasonably assured. Government assistance is recognized as revenue when received or receivable. Administration and management fees are recognized once funding is received and the expenditures have been incurred or in accordance with funding policies.

#### **Deferred revenue**

Deferred revenue consists of that portion of contributions received but not yet earned.

Revenue received as grants or contributions and intended for specific project expenditures as envisioned when the grant was made are recorded as deferred revenue. Once an actual expenditure is incurred, an equal or appropriate amount of deferral is recognized as revenue in the year. Deferred revenue thereby consists of contributions received from government for specific purposes for which expenditure contracts may not yet be undertaken.

#### **Use of estimates**

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management’s best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known. Items subject to significant management estimates include fair value of investments.



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# Offshore Energy Research Association of Nova Scotia

## Notes to the financial statements

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March 31, 2021

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### 2. Summary of significant accounting policies (continued)

#### **Allocation of expenditures**

Expenditures for salaries and benefits and professional fees are allocated between research projects and operations expenses on an estimated basis depending on the nature of each specific project. Included in the cost of research is \$556,108 (2020 - \$604,247) of allocated salaries and benefits and professional fees.

#### **Financial instruments**

The Association considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Association accounts for the following as financial instruments:

- cash and cash equivalents
- investments, at market value
- receivables
- payables and accruals

A financial asset or liability is recognized when the Association becomes party to contractual provisions of the instrument.

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying value, unless otherwise noted.

#### *Initial measurement*

The Association'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 Association 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 financial instruments measured at amortized cost are cash and cash equivalents, investments, at market value, receivables and payables.

For financial assets measured at cost or amortized cost, the Association regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Association 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.

#### **Project recovery of operations expenses**

Certain projects are eligible to receive a reimbursement of operations expenses at a predetermined rate. This contribution covers operations expenses and is billed directly to the project.

# Offshore Energy Research Association of Nova Scotia

## Notes to the financial statements

March 31, 2021

### 3. Deferred revenue

	<u>2020</u>			<u>2021</u>	
	<u>Deferred revenue</u>	<u>Funding</u>	<u>Investment activities</u>	<u>Recognized as revenue (contributions)</u>	<u>Deferred revenue</u>
Research projects	\$ 411,595	\$ 1,086,412	\$ -	\$ 456,547	\$ 1,041,460
Offshore growth strategy	<u>10,058,997</u>	<u>-</u>	<u>38,899</u>	<u>3,836,628</u>	<u>6,261,268</u>
	<u>\$10,470,592</u>	<u>\$ 1,086,412</u>	<u>\$ 38,899</u>	<u>\$ 4,293,175</u>	<u>\$ 7,302,728</u>

During 2018, the Offshore growth strategy was established. This is a contribution agreement with the Nova Scotia Department of Energy and Mines, which is effective March 26, 2018 – March 31, 2022. The funds have been contributed to projects in the following fields: geoscience research, innovation/capacity building, knowledge transfer, and benefits optimization strategy.

### 4. Investments, at market value

	<u>2021</u>	<u>2020</u>
Current		
Cash and short-term investments	\$ 555,612	\$ 145,428
Mutual funds	7,941,284	7,118,122
Bonds and debentures	<u>-</u>	<u>4,009,048</u>
	<u>\$ 8,496,896</u>	<u>\$ 11,272,598</u>

### 5. Loan payable

	<u>2021</u>	<u>2020</u>
Canadian Emergency Business Account ("CEBA"), non-interest bearing until December 31, 2022, repayable beginning January 1, 2023 to December 31, 2025 bearing annual interest at 5%.	<u>\$ 40,000</u>	<u>\$ -</u>

In April 2020, the federal government launched the CEBA loan program, which provides interest-free loans of up to \$60,000 to small businesses to help cover their operating costs during a period where their revenues have been temporarily reduced due to the economic impacts of the COVID-19 pandemic. Loan forgiveness of \$20,000 is available, contingent on repayment of the remaining \$40,000 balance of the loan on or before December 31, 2022. After this date, any remaining balance will be converted to a non-revolving three-year term loan at 5% interest, maturing on December 31, 2025.

As at March 31, 2021 the Association received \$60,000 under the CEBA program. Management has reduced the liability by \$20,000 as it is likely loan forgiveness will be met. \$20,000 has been recorded as COVID-19 support grants in the statement of operations for the year ended March 31, 2021.

### 6. Commitment

The Association rents its premises under a lease which expires March 31, 2022. Estimated annual costs are \$25,714 plus HST, including annual base rental and common area costs.

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# Offshore Energy Research Association of Nova Scotia

## Notes to the financial statements

March 31, 2021

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### 7. Impacts of COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

During the year OERA has received government assistance relating to various relief programs including \$113,758 through the Canadian Emergency Wage Subsidy ("CEWS"), \$13,203 through the Canadian Emergency Rent Subsidy ("CERS"), and \$9,716 in the Temporary Wage Subsidy ("TWS") program. In addition the Association received the Canada Emergency Business Account ("CEBA") loan in the amount of \$60,000 to assist with operating costs. Under the CEBA program, an interest-free loan of \$60,000 is provided of which \$20,000 is eligible for forgiveness if the remaining amount \$40,000 is repaid by December 31, 2022. OERA does not expect COVID-19 to have significant long-lasting effects on its operations.