



ANNUAL FINANCIAL STATEMENTS

December 31, 2023

**ENERGY
SAFETY
CANADA**

ENERGY SAFETY CANADA

Financial Statements

December 31, 2023

ENERGY SAFETY CANADA
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For the Year Ended December 31, 2023

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Tel: 403-266-5608
Fax: 403-233-7833
www.bdo.ca

BDO Canada LLP
903 - 8th Avenue SW, Suite 620
Calgary AB T2P 0P7 Canada

INDEPENDENT AUDITOR'S REPORT

To the Directors of Energy Safety Canada:

Opinion

We have audited the financial statements of Energy Safety Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2023, and the statement of operations, statement of changes in net assets and statement of 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 the Organization as at December 31, 2023, 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 Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with those 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or cease operations, or has no realistic alternative but to do so.

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

(continues)



Independent Auditor's Report to the Directors of Energy Safety Canada (*continued*)

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 Organization'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 Organization'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 Organization 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.

BDO Canada LLP


Chartered Professional Accountants

Calgary, Alberta
April 18, 2024

ENERGY SAFETY CANADA
Statement of Financial Position
As at December 31, 2023

	2023	2022
Assets		
Current		
Cash	\$ 5,239,262	\$ 9,092,561
Term Deposits (Note 3)	20,925,247	20,641,519
Accounts receivable	361,779	539,726
Prepaid expenses	2,300,441	1,937,854
	<u>28,826,729</u>	32,211,660
Property and equipment (Note 4)	2,848,007	1,819,114
	<u>\$ 31,674,736</u>	<u>\$ 34,030,774</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 2,319,997	\$ 2,799,332
Deferred contributions related to operations (Note 6)	2,780,388	4,473,816
Unearned revenue	346,840	595,193
	<u>5,447,225</u>	7,868,341
Deferred contributions related to property and equipment (Note 8)	96,642	201,812
Lease inducement (Note 10)	770,713	880,815
	<u>6,314,580</u>	8,950,968
Net assets		
Invested in property and equipment	2,751,365	1,617,302
Internally restricted (Note 11)	17,500,372	15,100,372
Unrestricted	5,108,419	8,362,132
	<u>25,360,156</u>	25,079,806
	<u>\$ 31,674,736</u>	<u>\$ 34,030,774</u>

On behalf of the Board


 _____ Mark A. Scholz Director


 _____ Mike Doyle Director

The accompanying notes are an integral part of these financial statements.

ENERGY SAFETY CANADA
Statement of Operations
For the Year Ended December 31, 2023

	2023	2022
Revenue		
Training	\$ 18,715,615	\$ 20,272,402
Funding - CIE	10,976,764	1,592,014
Funding - Workers' Compensation Board (WCB)	9,309,104	7,096,746
Interest income	1,006,865	405,049
Safety	816,813	804,670
Conferences and events	798,248	442,189
Funding - Other	162,608	42,475
Other income	71,784	78,673
	41,857,801	30,734,218
Expenses		
Salaries and benefits	17,766,899	16,185,631
CIE expenses	9,812,510	1,265,368
Training	5,821,740	5,693,733
Rent and premises	2,669,518	2,732,975
General and administrative	1,384,128	1,785,049
Conferences and events	1,064,829	583,153
Amortization	1,000,861	1,001,682
Contract services expenses	985,806	686,538
Course development	510,813	303,136
Safety	602,874	356,848
	41,619,978	30,594,113
Excess of revenue over expenses from operations	237,823	140,105
Other income (expenses)		
Recognition of deferred contributions related to property and equipment	36,999	76,832
Loss on foreign exchange	(562)	679
Gain on disposal of assets	6,090	3,000
	42,527	80,511
Excess of revenue over expenses	\$ 280,350	\$ 220,616

ENERGY SAFETY CANADA
Statement of Changes in Net Assets
For the Year Ended December 31, 2023

	Invested in property and equipment	Internally restricted (Note 11)	Unrestricted	2023	2022
Net assets - beginning of year	\$ 1,617,302	\$ 15,100,372	\$ 8,362,132	\$ 25,079,806	\$ 24,859,190
Excess (deficiency) of revenue over expenses	(963,862)	-	1,244,212	280,350	220,616
Purchase of property and equipment	2,097,925	-	(2,097,925)	-	-
Interfund transfer	-	2,400,000	(2,400,000)	-	-
Net assets - end of year	\$ 2,751,365	\$ 17,500,372	\$ 5,108,419	\$ 25,360,156	\$ 25,079,806

ENERGY SAFETY CANADA
Statement of Cash Flows
For the Year Ended December 31, 2023

	2023	2022
Operating activities		
Cash receipts from customers	\$ 21,425,069	\$ 21,455,924
Cash paid to suppliers and employees	(41,592,629)	(28,364,950)
Cash receipts from funding agencies	17,683,520	12,052,381
Interest received	723,138	297,453
(Loss) gain on foreign exchange	(562)	679
	<hr/>	<hr/>
Cash flows from (used by) operating activities	(1,761,464)	5,441,487
Investing activities		
Purchase of property and equipment	(2,097,925)	(1,116,171)
Disposal of property and equipment	6,090	3,000
	<hr/>	<hr/>
Cash flows used by investing activities	(2,091,835)	(1,113,171)
Increase (decrease) in cash flows	(3,853,299)	4,328,316
Cash - beginning of year	9,092,561	4,764,245
	<hr/>	<hr/>
Cash - end of year	\$ 5,239,262	\$ 9,092,561
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ENERGY SAFETY CANADA
Notes to Financial Statements
Year Ended December 31, 2023

1. Basis of presentation

Energy Safety Canada (the "Organization") was formed under the Canada Not-for-profit Corporations Act on September 30, 2017 from the amalgamation of Enform Canada and Oil Sands Safety Association. The Organization is a continuation of the predecessor, Enform Canada, which was originally incorporated without share capital under the Canada Corporations Act on July 25, 2005. The predecessor, Enform Canada, was registered as a charitable organization with Canada Revenue Agency effective October 1, 2005. The Organization is also registered as a charitable organization with Canada Revenue Agency effective September 30, 2017.

The Organization was established to identify the training needs of the industry, develop and offer training programs, provide training advice and guidance and to establish standards which will be accepted and supported by the petroleum industry and various regulatory agencies and to improve safety in the petroleum industry through the development of safety initiatives and programs. The Organization is governed by a Board of Directors comprised of representatives of major Canadian, petroleum associations.

2. Summary of significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) in Part III of the CPA Canada Handbook, and, in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Revenue recognition

The Organization follows the deferral method of accounting for contributions, funding and grants. Restricted contributions for operating activities are deferred and recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for capital assets are deferred and recognized over the life of the related assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Training revenues are recognized as revenue when the amount to be received can be reasonably estimated, collection is reasonably assured and the course is held or the materials and certificates are issued.

Safety revenue is recognized as revenue when the amount to be received can be reasonably estimated, collection is reasonably assured and the services have been performed or products are issued.

Conferences and events revenue is recognized as revenue when the event is held, the amount to be received can be reasonably estimated and collection is reasonably assured.

Careers in energy research funding is recognized as revenue in the year in which the related expenses are incurred.

Investment income is recognized as revenue when earned on an accrual basis.

Cash

Cash consists of cash on hand and cash deposited in bank accounts.

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ENERGY SAFETY CANADA
Notes to Financial Statements
Year Ended December 31, 2023

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

Term deposits

Term deposits are initially recognized at fair value, and subsequently carried at amortized cost. Term deposits consist of guaranteed investment certificates.

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Property and equipment is amortized over its estimated useful life on a straight-line basis at the following rates and methods:

Computer software	2 years
Computer equipment	3 years
Training centre equipment	5 years
Leasehold improvements	5 years
Furniture and fixtures	10 years

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Impairment of long-lived assets

Long-lived assets are tested for impairment when the asset is unable to meet its original service potential. At that time, the asset is written down to its residual value. If the service life has changed from the original estimate, the amortization period will be changed on a prospective basis.

Donated materials and property and equipment

Donated materials and property and equipment are recorded at their estimated fair market value at the date of contribution when fair values can be reasonably determined and would otherwise be purchased.

Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost.

Measurement uncertainty

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Significant estimates included in the financial statements are valuation of accounts receivable, deferred contributions related to property and equipment, and carrying value of property and equipment. Actual results could differ from these estimates.

ENERGY SAFETY CANADA
Notes to Financial Statements
Year Ended December 31, 2023

3. Term deposits

Term deposits consist primarily of guaranteed investment certificates ("GIC") and are valued at cost plus accrued interest.

	<u>2023</u>	<u>2022</u>
GICs with interest rate ranging from 4.43% to 5.80% (2022: 1.70% and 4.83%) maturing between February 2024 and November 2024 (2022: matured between March 2023 and November 2023)	\$ 20,925,247	\$ 20,641,519

4. Property and equipment

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Computer software	\$ 918,951	\$ 235,924	\$ 683,027	\$ 245,690
Computer equipment	1,263,664	829,861	433,803	766,109
Training centre equipment	268,209	117,655	150,554	185,180
Leasehold improvements	1,119,964	144,249	975,715	296,114
Furniture and fixtures	847,722	242,814	604,908	326,021
	\$ 4,418,510	\$ 1,570,503	\$ 2,848,007	\$ 1,819,114

5. Operating facility

The Organization has a revolving demand credit facility of \$1,000,000 (2022: \$1,000,000) secured by a General Security Agreement representing a first charge on all of the Organization's present and after acquired property. Interest is payable each month at prime plus 1.00% per annum. The line of credit is available at the bank's discretion and has a balance of \$nil (2022: \$nil).

In addition, the bank provided Letters of Credit and Stand-by Letters of Guarantee in favour of the Alberta government totalling \$10,000 (2022: favour of the Alberta government for \$10,000). The Letters of Credit and Stand-by Letters of Guarantee were available at the bank's discretion and were secured by a \$10,000 guaranteed investment certificate.

ENERGY SAFETY CANADA
Notes to Financial Statements
Year Ended December 31, 2023

6. Deferred contributions related to operations

Deferred contributions represent unspent resources that are externally restricted for project development, British Columbia operations and Saskatchewan operations.

	2022	Additions	Utilizations	Repayments	2023
Careers in energy research	\$ 3,725,092	\$ 8,263,822	\$ 10,976,771	\$ -	\$ 1,012,143
Saskatchewan WCB (Schedule 1)	296,691	725,000	767,853	-	253,838
British Columbia WCB - Safety program (Schedule 2)	149,718	620,000	589,218	-	180,500
British Columbia other revenue - Safety program	13,533	1,260	-	-	14,793
British Columbia WCB - COR program (Schedule 3)	132,362	573,438	453,292	14,875	237,633
Funding - Other	156,420	1,091,169	166,108	-	1,081,481
	\$ 4,473,816	\$ 11,274,689	\$ 12,953,242	\$ 14,875	\$ 2,780,388

7. Industry funding

The Organization received funding for programs in the fiscal year from the petroleum industry through the Workers' Compensation Board ("WCB") to allow the Organization to fulfill its role. Applications for funding are submitted on an annual basis and unspent funds are deferred for use in the following year.

	2023	2022
WCB Alberta - Operations funding	\$ 7,500,000	\$ 5,250,000
WCB Saskatchewan (Note 6)	725,000	650,000
WCB British Columbia - Safety program (Note 6)	620,000	557,000
WCB British Columbia - COR program (Note 6)	573,438	469,952
	\$ 9,418,438	\$ 6,926,952

ENERGY SAFETY CANADA
Notes to Financial Statements
Year Ended December 31, 2023

8. Deferred contributions related to property and equipment

The deferred contributions related to property and equipment represent the unamortized balance of donated furniture and WCB surplus distributions that have been used for the acquisition of capital assets.

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 201,812	\$ 278,644
Disposal	(68,170)	-
Utilization	<u>(36,999)</u>	<u>(76,832)</u>
Ending balance	<u>\$ 96,643</u>	<u>\$ 201,812</u>

9. Indemnification of officers and directors

The Organization has indemnified its past, present and future directors, officers, employees and volunteers against expenses, judgments, and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors, officers, employees and volunteers are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Organization. The nature of the indemnity prevents the Organization from reasonably estimating the maximum exposure. The Organization has directors' and officers' liability insurance with respect to this indemnification.

10. Lease inducement

The Organization entered into a lease agreement for a 10 year term. The landlord offered the Organization a total 17 months of free rent, a moving allowance of \$224,611 and a turnkey of \$250,377. The lease inducement will be amortized over the lease term. On December 31, 2023, the unamortized portion of lease inducement is \$770,713 (2022: \$880,815).

11. Internally restricted reserve

The Board of Directors designated funds as a contingency for certain events that may occur in the future. During the year, the Board approved a transfer of \$2,400,000 (2022: \$2,011,000) from unrestricted funds to the internally restricted reserve (2022: from unrestricted funds to the internally restricted reserve). Internally restricted funds cannot be spent without board approval.

	<u>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ 15,100,372	\$ 13,089,372
Funds transferred	<u>2,400,000</u>	<u>2,011,000</u>
Balance, end of the year	<u>\$ 17,500,372</u>	<u>\$ 15,100,372</u>

ENERGY SAFETY CANADA
Notes to Financial Statements
Year Ended December 31, 2023

12. Commitments

The Organization has a land lease with The Alberta Energy Resources Conservation Board, for property in Nisku, Alberta, which expires on January 27, 2033. The annual rent for the land lease is \$1. The fair market value of the annual rent cannot be reasonably estimated as the land is used for the Organization's course training purposes.

The Organization has leases for rental of premises, office equipment and electronic services which expire on varying dates up to December 31, 2030. The estimated minimum annual rent payments are as follows:

	<u>2023</u>
2024	668,599
2025	609,370
2026	641,745
2027	641,745
2028	641,745
Thereafter	<u>1,283,498</u>
	<u>\$ 4,486,702</u>

13. Financial instruments

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of December 31, 2023.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk from customers. In order to reduce its credit risk, the Organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Organization has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they become due. The Organization is exposed to liquidity risk if it is unable to collect its accounts receivable on a timely basis, which in turn could impact the Organization's ability to meet commitments under its credit facilities, trade accounts payable and other payable balances. In order to manage its liquidity risk, the Organization has a varied customer base and sufficient capacity with its operating facility to meet any immediate liquidity requirements.

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ENERGY SAFETY CANADA
Notes to Financial Statements
Year Ended December 31, 2023

13. Financial instruments (*continued*)

(c) *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. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities. The Organization is exposed to interest rate risk primarily through its interest bearing investments. The risk of interest rate changes is reduced for cash and term deposits due to their short-term nature.

ENERGY SAFETY CANADA
Saskatchewan WCB Funding
Year Ended December 31, 2023

(Schedule 1)

	Actual	Budget <i>(Unaudited)</i>
Funding received	\$ 725,000	\$ 725,000
Expenses		
Salaries - direct	402,084	419,524
Salaries - head office support	96,880	100,476
Benefits - direct	84,360	106,791
Rent - office	73,602	75,000
Technology	48,040	50,000
Travel	21,315	30,000
Benefits - head office support	17,822	23,209
Building and services	8,954	10,000
Office supplies	5,421	6,000
Conferences and conventions	2,987	7,000
Furniture and equipment	2,359	500
Communications	1,910	1,800
Training - staff	1,819	3,000
Miscellaneous	285	-
External events and meetings	15	1,000
Consultants and contractors	-	1,000
Accounting and legal fees	-	1,000
	<u>767,853</u>	<u>836,300</u>
Deficiency of funding received over expenses	(42,853)	(111,300)
Unused funding from prior year	<u>296,691</u>	<u>296,691</u>
Unused funding as at year end (Note 6)	\$ 253,838	\$ 185,391

ENERGY SAFETY CANADA
British Columbia WCB Funding - Safety Program
Year Ended December 31, 2023

(Schedule 2)

	Actual	Budget <i>(Unaudited)</i>
Funding received	\$ 620,000	\$ 620,000
Expenses		
Salaries - direct and head office support	266,164	275,520
Rent	130,723	134,000
Benefits - direct and head office support	59,953	60,480
Technology	38,966	40,000
Travel	23,797	23,000
Advertising and sponsorships	19,178	16,000
Building maintenance and repairs	16,433	23,000
Furniture and equipment	7,157	3,000
Consultants and contractors	6,282	10,000
Telecommunications and freight	6,030	8,000
Office supplies	5,527	4,000
Conference registration and meeting expenses	3,570	11,500
Training - staff	2,734	3,000
Publications and materials	1,500	4,000
Miscellaneous	1,021	1,500
Board expenses	183	3,000
Property taxes and general insurance	-	-
	<u>589,218</u>	<u>620,000</u>
Excess of funding received over expenses	30,782	-
Unused funding from prior year	149,718	149,718
Unused funding as at year end (Note 6)	\$ 180,500	\$ 149,718

ENERGY SAFETY CANADA
British Columbia WCB Funding - COR Program
Year Ended December 31, 2023

(Schedule 3)

	Actual	Budget <i>(Unaudited)</i>
Funding received	\$ 573,438	\$ 573,438
Expenses		
Salaries - head office support	256,463	340,194
Technology	67,715	75,000
Consultants and contractors	46,069	47,000
Benefits - head office support	45,317	74,337
Rent	20,000	20,000
Publications	10,027	9,069
Building and services	3,838	3,838
Travel	2,628	2,500
Legal fees	1,000	1,000
Conferences and conventions	235	500
	<u>453,292</u>	<u>573,438</u>
Excess of funding received over expenses	<u>120,146</u>	<u>-</u>
Unused funding from prior year	132,362	132,362
Repayment to funder	(14,875)	-
	<u>117,487</u>	<u>132,362</u>
Unused funding as at year end (Note 6)	<u>\$ 237,633</u>	<u>\$ 132,362</u>