

Enserva (previously known as Petroleum Services Association of Canada)
Financial Statements
August 31, 2023
(in Canadian dollars)



December 20, 2023

Independent Practitioner's Review Engagement Report

To the Directors of Enserva (previously known as Petroleum Services Association of Canada)

We have reviewed the accompanying financial statements of Enserva (previously known as Petroleum Services Association of Canada) (the Association) that comprise the statement of financial position as at August 31, 2023 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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.

Practitioner's responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Association as at August 31, 2023, and its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

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Enserva (previously known as Petroleum Services Association of Canada)

Statement of Financial Position

As at August 31, 2023

(in Canadian dollars)

| | Note | 2023 \$ | 2022 \$ |
|--|------|------------------|------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | 2,783,657 | 2,994,841 |
| Accounts receivable | | 1,179,728 | 51,924 |
| Prepaid expenses | | 4,084 | 7,089 |
| | | <u>3,967,469</u> | <u>3,053,854</u> |
| Capital assets | 3 | <u>20,530</u> | <u>11,534</u> |
| | | <u>3,987,999</u> | <u>3,065,388</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 4 | 1,296,673 | 1,017,759 |
| Deferred revenue | 5 | 799,255 | 109,745 |
| Current portion of long-term debt | 7 | 60,000 | - |
| | | <u>2,155,928</u> | <u>1,127,504</u> |
| Long-term debt | 7 | - | 60,000 |
| Deferred contributions | 6 | <u>276,926</u> | <u>365,887</u> |
| | | <u>2,432,854</u> | <u>1,553,391</u> |
| Net Assets | | | |
| Unrestricted | | 559,696 | 516,548 |
| Internally restricted | 9 | <u>995,449</u> | <u>995,449</u> |
| | | <u>1,555,145</u> | <u>1,511,997</u> |
| | | <u>3,987,999</u> | <u>3,065,388</u> |
| Contingency | 8 | | |

Approved by the Board of Directors

Director_____
Director

Enserva (previously known as Petroleum Services Association of Canada)

Statement of Operations

For the year ended August 31, 2023

(in Canadian dollars)

| | Note | 2023 | 2022 |
|--|-------------|------------------|------------------|
| | | \$ | \$ |
| Revenue | | | |
| Programs, projects and events (schedule 1) | 10 | 3,064,825 | 2,679,549 |
| Membership dues | | 728,101 | 754,131 |
| Interest and other income | | 43,446 | 23,770 |
| | | <u>3,836,372</u> | <u>3,457,450</u> |
| Expenses | | | |
| Administration (schedule 2) | | 1,151,647 | 858,847 |
| Amortization | 3 | 4,491 | 4,970 |
| Programs, projects and events (schedule 1) | | 2,637,086 | 2,226,807 |
| | | <u>3,793,224</u> | <u>3,090,624</u> |
| Excess of revenue over expenses | | <u>43,148</u> | <u>366,826</u> |

Enserva (previously known as Petroleum Services Association of Canada)

Statement of Change in Assets

For the year ended August 31, 2023

(in Canadian dollars)

| | Unrestricted | Internally restricted | | | 2023 Total | 2022 Total |
|---------------------------------|--------------|-----------------------|--------------------------|--------------------------------|------------|------------|
| | | Special Reserves Fund | Educational Reserve Fund | Working Energy Commitment Fund | | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance - Beginning of year | 516,548 | 715,306 | 27,109 | 253,034 | 1,511,997 | 1,146,725 |
| Excess of revenue over expenses | 43,148 | - | - | - | 43,148 | 366,826 |
| Use of Special Reserves Fund | - | - | - | - | - | (1,554) |
| Balance - End of year | 559,696 | 715,306 | 27,109 | 253,034 | 1,555,145 | 1,511,997 |

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

Enserva (previously known as Petroleum Services Association of Canada)

Statement of Cash Flows

For the year ended August 31, 2023

(in Canadian dollars)

| | 2023 | 2022 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess of revenue over expenses | 43,148 | 366,826 |
| Items not involving cash | | |
| Amortization | 4,491 | 4,970 |
| Decrease of internally restricted net assets | - | (1,554) |
| | <u>47,639</u> | <u>370,242</u> |
| Changes in non-cash working capital | | |
| Accounts receivable | (1,127,804) | 28,116 |
| Prepaid expenses | 3,005 | 10,774 |
| Accounts payable and accrued liabilities | 278,914 | 909,032 |
| Deferred revenue | 689,510 | (154,932) |
| Deferred contributions | (88,961) | (26,060) |
| | <u>(197,697)</u> | <u>1,137,172</u> |
| Investing activity | | |
| Purchase of capital assets | <u>(13,487)</u> | <u>(5,304)</u> |
| (Decrease) increase in cash during the year | (211,184) | 1,131,868 |
| Cash - Beginning of year | <u>2,994,841</u> | <u>1,862,973</u> |
| Cash - End of year | <u><u>2,783,657</u></u> | <u><u>2,994,841</u></u> |

Enserva (previously known as Petroleum Services Association of Canada)

Notes to Financial Statements

August 31, 2023

(in Canadian dollars)

1. Organization and nature of operations

Enserva (previously known as Petroleum Services Association of Canada) (the Association) is incorporated under the Societies Act of Alberta and is exempt from income tax under Section 149(1)(l) of the Income Tax Act (Canada). The Association's mission is to create and empower a vibrant Canadian energy services sector.

The association formerly known as Petroleum Services Association of Canada has changed its name to Enserva effective February 22, 2023. The financial statements have been updated to reflect this change. There have been no changes in ownership or operations due to this name change.

2. Significant accounting policies

Basis of preparation

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) in Part III of the Chartered Professional Accountants of Canada Handbook.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the year. There were no significant items subject to such estimates and assumptions.

Cash

Cash consists of funds held with Canadian financial institutions.

Capital assets

Capital assets are recorded at cost less accumulated amortization and impairments. Contributed capital assets are recorded at fair value as at the date of contribution. During the year, there was \$nil contributed capital assets (2022 - \$nil). Amortization is based on the estimated useful life for each major class of assets according to the following methods and over the periods indicated:

| | |
|-------------------|-----------------------|
| Computer software | 5 years straight-line |
| Furniture | 20% declining balance |
| Computer hardware | 3 years straight-line |
| Other assets | 2 years straight-line |

Amortization is not provided on capitalized costs relating to major additions until the respective additions are substantially complete and put into use.

Revenue recognition

The Association accounts for contributions using the deferral method. Externally restricted contributions are deferred and recognized as revenue in the year in which the expense is recognized.

Membership dues are deferred and recognized as revenue over the period of the membership. Revenue from programs, publications and functions held for a specific purpose is recognized when received or receivable and the activity is completed.

Financial instruments

Recognition and derecognition

A financial asset or a financial liability is initially recognized when the Association becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished. Where the terms of a financial liability are renegotiated in an arm's length transaction, resulting in substantially different terms, this is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any difference recognized in the statement of operations. Where the terms of a financial liability are renegotiated with a related party, this is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any difference is recognized in either net income or equity, depending on the circumstances.

Enserva (previously known as Petroleum Services Association of Canada)

Notes to Financial Statements

August 31, 2023

(in Canadian dollars)

Measurement

The Association initially measures its financial assets originated or acquired and financial liabilities issued or assumed in an arm's length transaction at fair value. These financial assets and liabilities are subsequently measured at amortized cost, except for equity investments quoted in active markets and derivative financial instruments, which are measured at fair value. Changes in fair value are recognized in net income. Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable and prepaid expenses. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, deferred revenue, deferred contributions and long-term debt.

Where transactions with related parties result in the recognition of derivative contracts, quoted debt or equity instruments, or debt instruments where significant inputs to measure their fair value are observable, these are initially measured at fair value. All other financial assets originated or acquired, and financial liabilities issued or assumed in a related party transaction are initially measured at cost. For financial instruments with repayment terms, cost is determined as the sum of undiscounted cash flows, excluding interest payments, less any impairment losses previously recognized by the transferor. For financial instruments with no repayment terms, cost is determined by reference to the consideration transferred or received by the Association in the transaction. Equity instruments quoted in active markets and derivative financial instruments are subsequently measured at fair value, with changes in fair value recognized in net income. All other financial instruments resulting from related party transactions are subsequently measured at cost less any reduction for impairment.

Transaction costs on financial assets and liabilities measured at amortized cost are adjusted against the carrying value of the related asset or liability and then recognized over the expected life of the instrument using the straight-line method. Transaction costs on equity investments quoted in active markets are recognized immediately in the statement of operations.

Impairment

At the end of each reporting period, the Association assesses whether there are any indications that a financial asset measured at cost or amortized cost may be impaired. If there are indicators of impairment, and the Association determines there has been a significant adverse change in the expected amount or timing of future cash flows, an impairment is recognized.

For all financial assets, other than investments in debt or equity instruments originated or acquired in a related party transaction and initially measured at cost, the carrying amount of the asset is reduced to the higher of: the expected cash flows expected to be generated by holding the asset, discounted using a current market rate of interest, the amount that could be realized by selling the asset at the statement of financial position date, and the amount that could be realized by exercising the Association's right to any collateral held, net of all costs necessary to exercise those rights.

For a debt instrument originated or acquired in a related party transaction and initially measured at cost, the carrying amount of the asset is reduced to the higher of: the undiscounted expected cash flows, excluding interest and dividends, the amount that could be realized by selling the asset at the statement of financial position, and the amount that could be realized by exercising the Association's right to any collateral held, net of all costs necessary to exercise those rights.

For an equity instruments originated or acquired in a related party transaction and initially measured at cost, the carrying amount is reduced to the amount that could be realized by selling the asset.

If circumstances change, a previously recognized impairment may be reversed to the extent of the improvement, provided the adjusted carrying amount is no greater than the amount that would have been recognized if the impairment had not been recorded.

Derivative financial instrument

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value at each statement of financial position date. Changes in fair value are recorded in net income.

The Association enters into forward exchange contracts to manage its exposure to fluctuations in foreign exchange rates. These contracts are classified as derivative instruments and measured at fair value. The Association has not adopted hedge accounting; accordingly, any outstanding contracts are recorded at their fair value.

Foreign exchange forward contracts are presented in accounts receivable and/or accounts payable and accrued liabilities as appropriate.

Enserva (previously known as Petroleum Services Association of Canada)

Notes to Financial Statements

August 31, 2023

(in Canadian dollars)

Contributed goods and services

The value of contributed goods and services is not recognized in the financial statements.

Volunteers contribute a substantial number of hours each year to assist the Association in fulfilling its mandate. Due to difficulty in estimating their value, volunteer services are not recognized in the financial statements.

Government assistance

The Association uses the income approach to account for government assistance received. The income approach requires that the government assistance be credited to the statement of operations as a direct increase in revenue or reduction in expense.

3. Capital assets

| | | | 2023 | 2022 |
|-------------------|-------------|-------------------------------------|-------------|-------------|
| | Cost | Accumulated amortization | Net | Net |
| | \$ | \$ | \$ | \$ |
| Computer software | 3,411 | 3,231 | 180 | 401 |
| Furniture | 8,598 | 7,065 | 1,533 | 1,916 |
| Computer hardware | 27,727 | 9,046 | 18,681 | 8,915 |
| Other assets | 849 | 713 | 136 | 302 |
| | 40,585 | 20,055 | 20,530 | 11,534 |

Impairment

No impairment charge was required in 2023.

Amortization

Amortization of \$4,491 (2022 - \$4,970) was recognized in the statement of operations.

4. Government remittances

Government remittances consist of amounts to be paid to government authorities and are recognized when the amounts are due. In respect of government remittances, goods and services tax of \$36,876 (2022 - \$30,947) is included in accounts payable and accrued liabilities as at August 31, 2023.

5. Deferred revenue

Deferred revenue consists of amounts billed by the Association for products and services to be delivered in a future fiscal period. A breakdown of the amounts is as follows:

| | 2023 | 2022 |
|-----------------|-------------|-------------|
| | \$ | \$ |
| Membership dues | 799,255 | 100,230 |
| Publications | - | 9,515 |
| | 799,255 | 109,745 |

Enserva (previously known as Petroleum Services Association of Canada)

Notes to Financial Statements

August 31, 2023

(in Canadian dollars)

6. Deferred contributions

Deferred contributions represent externally restricted amounts that have not been spent. These amounts are restricted as follows.

Education and energy brand activity

| | 2023 | 2022 |
|--------------------------|----------------|----------------|
| | \$ | \$ |
| Opening balance | 143,375 | 149,515 |
| Contributions received | - | - |
| Contributions recognized | - | (6,140) |
| Closing balance | <u>143,375</u> | <u>143,375</u> |

Working energy commitments

| | 2023 | 2022 |
|--------------------------|---------------|---------------|
| | \$ | \$ |
| Opening balance | 12,029 | 12,354 |
| Contributions received | - | - |
| Contributions recognized | - | (325) |
| Closing balance | <u>12,029</u> | <u>12,029</u> |

Other initiatives

| | 2023 | 2022 |
|--------------------------|----------------|----------------|
| | \$ | \$ |
| Opening balance | 103,654 | 230,078 |
| Contributions received | - | 65,372 |
| Contributions recognized | - | (191,796) |
| Closing balance | <u>103,654</u> | <u>103,654</u> |

WCB Safety Program Funds

| | 2023 | 2022 |
|--------------------------|---------------|----------------|
| | \$ | \$ |
| Opening balance | 106,829 | - |
| Contributions received | - | 106,829 |
| Contributions recognized | (88,961) | - |
| Closing balance | <u>17,868</u> | <u>106,829</u> |

Enserva (previously known as Petroleum Services Association of Canada)

Notes to Financial Statements

August 31, 2023

(in Canadian dollars)

7. Long-term debt

| | 2023 | 2022 |
|--|-----------------|-----------------|
| | \$ | \$ |
| Canada Emergency Business Account loan | 60,000 | 60,000 |
| Less: Current portion | 60,000 | - |
| | <u> </u> | <u> </u> |
| | - | 60,000 |

On May 14, 2020, the Association obtained \$40,000 from the Government of Canada under the Canada Emergency Business Account (CEBA) to cover operating costs, offered in the context of the COVID-19 pandemic outbreak. On December 23, 2020, the Association obtained an expansion of \$20,000. The loan is non-interest bearing until January 18, 2024, at which point it begins to accrue interest at a rate of 5% per annum. If the Association repays \$40,000 of the \$60,000 loan on or before December 18, 2024, up to 33% of the loan will be forgiven.

8. Contingency

In March 2022, a former employee of the Association has filed a lawsuit against the Association for constructive dismissal. As the outcome cannot be determined at this time and the amount of any possible settlement cannot be reliably estimated, no provision has been accrued in the financial statements.

9. Internally restricted net assets

The Association's Board of Directors has internally restricted net assets, which are available for other purposes without the approval of the Board of Directors, as follows:

| | 2023 | 2022 |
|--------------------------------|-----------------|-----------------|
| | \$ | \$ |
| Special Reserves Fund | 715,306 | 715,306 |
| Working Energy Commitment Fund | 253,034 | 253,034 |
| Educational Reserve Fund | 27,109 | 27,109 |
| | <u> </u> | <u> </u> |
| | 995,449 | 995,449 |

The Special Reserves Fund is for ongoing working capital requirements, for windup costs and for special projects that occur from time to time.

The Working Energy Commitment Fund is for public safety and environmental protection activities. This fund represents an initial Board of Directors approved transfer of \$250,000 and interest earned on deferred contributions related to safety and environmental protection (note 6).

The Educational Reserve Fund represents interest income earned on deferred contributions related to scholarships and educational activities (note 6).

10. Government assistance

During the year, the Association has secured a government grant of \$200,000 for developing a labour supply application in the petroleum industry. This strategic initiative aims to address industry labour challenges, expand market reach and contribute to socio-economic development.

11. Financial instruments and financial risk factors

Financial risk management

The Association's financial instruments expose it to a variety of financial risks.

Enserva (previously known as Petroleum Services Association of Canada)

Notes to Financial Statements

August 31, 2023

(in Canadian dollars)

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Association is exposed to liquidity risk mainly with respect to its accounts payable and accrued liabilities and long-term debt. The Association holds cash with major Canadian chartered or government owned banks and, therefore, the Association's liquidity risk is considered minimal. Trade accounts payable and non-bonus accrued liabilities are generally paid within 30 days. The Association monitors its available and projected net cash positions to ensure sufficient cash will be available for all expected significant cash outflows.

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Association to credit risk consist principally of cash and accounts receivable.

Non-members typically provide payment prior to any product or service being delivered, thereby reducing any related credit risk. Member payments are governed under the Association's Membership Agreement, which prescribes a 30-day payment window for all invoices. Receivable transactions involving large amounts are typically governed under a Contract or Memorandum of Understanding, thereby reducing any exposure to credit risk. Historically, the Association has never had any bad debts and continues to carefully monitor its receivables and undertake any corrective actions as necessary.

While no term deposits were held during 2023, any credit risk associated with such deposits is not significant as they are held with large financial institutions and are restricted to guaranteed investment certificates or banker's acceptances. The Association may utilize such financial instruments in the future.

Market risk

Market risk is the risk 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: interest rate risk, currency risk and other price risk. The Association is exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is management's opinion that the Association is not exposed to significant interest rate risk from its use of financial instruments, and the risk has not changed from the prior year.

12. Allocated expenses

Salaries and employee benefits of \$863,282 (2022 - \$834,577) have been recorded based on actual hours worked as follows:

| | 2023 | 2022 |
|-------------------------------|----------------|----------------|
| | \$ | \$ |
| Administration | 575,727 | 501,276 |
| Programs, projects and events | 287,555 | 314,173 |
| Publications | - | 19,128 |
| | <u>863,282</u> | <u>834,577</u> |

Enserva (previously known as Petroleum Services Association of Canada)

Schedule 1 - Programs, Projects and Events Revenue and Expenses

August 31, 2023

(in Canadian dollars)

| | 2023 | 2022 |
|----------------------------------|------------------|------------------|
| | \$ | \$ |
| Revenue | | |
| Safety positions (WCB) | 416,544 | 427,096 |
| STARS Gala | 2,347,241 | 2,127,059 |
| Golf tournament & scholarships | 26,440 | 22,915 |
| Government grant | 200,000 | - |
| Other | 74,600 | 102,479 |
| | <u>3,064,825</u> | <u>2,679,549</u> |
| Expenses | | |
| Safety positions (WCB) | 416,544 | 318,270 |
| STARS & Spurs Gala | 819,115 | 746,704 |
| Payment to STARS | 1,300,000 | 1,104,284 |
| Golf tournament and scholarships | 37,617 | 7,092 |
| Other | 63,810 | 50,457 |
| | <u>2,637,086</u> | <u>2,226,807</u> |
| | <u>427,739</u> | <u>452,742</u> |

Enserva (previously known as Petroleum Services Association of Canada)

Schedule 2 - Administration Expenses

August 31, 2023

(in Canadian dollars)

| | 2023 | 2022 |
|---------------------------------|------------------|----------------|
| | \$ | \$ |
| Personnel | 572,859 | 501,276 |
| Professional fees | 455,726 | 195,637 |
| Office supplies and promotional | 81,610 | 77,518 |
| Member communications | 29,236 | 53,127 |
| Meetings | 12,216 | 7,618 |
| Travel and promotion | - | 23,671 |
| | <u>1,151,647</u> | <u>858,847</u> |