

**GEOSCIENCE BC SOCIETY**

**FINANCIAL STATEMENTS**

**MARCH 31, 2011**

## GEOSCIENCE BC SOCIETY

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and the information contained in the annual report are the responsibility of the management of Geoscience BC Society (the "Society").

The financial statements have been prepared in accordance with the new Canadian accounting standards for not-for-profit organizations. These are the Society's first financial statements prepared in accordance with these new standards, which have been applied retrospectively. No significant restatement of previously reported amounts was required since the adoption of the new accounting framework had no material impact on the previously reported assets, liabilities and net assets of the Society, given the Society's election to continue to designate that all investments be measured at fair value. The presentation and disclosures in the financial statements this year include the presentation of the opening amounts as of the date of the transition, being April 1, 2009, and all disclosures required under the new accounting framework. The financial statements include, where appropriate, estimates based on the best judgement of management. Financial and operating data elsewhere in the annual report is consistent with that contained in the accompanying financial statements.

As part of its responsibilities, the Society maintains systems of internal accounting and administrative controls of high quality, subject to their cost not exceeding the estimated benefit derived therefrom. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that the Society's assets are appropriately accounted for and adequately safeguarded.

The Society carries out its responsibilities with regard to the financial statements mainly through its Finance Committee (the "Committee"). The Committee reviews the annual financial statements and recommends them to the Society for approval. The Committee meets periodically with management and the external auditors. Following these meetings, the Committee may meet privately with the auditors to ensure free and open discussion of any subject the Committee or the auditors wish to pursue. The Committee also recommends the engagement or re-appointment of the external auditors, reviews the scope of the audit and approves the fees of the external auditors for audit and non-audit services.

The financial statements, audited by Beauchamp & Company Chartered Accountants, have been approved by the Society, on the recommendation of the Finance Committee.

September 2, 2011

"C.D. ('Lyn) Anglin" Director

"James D. Gray" Director

**BEAUCHAMP & COMPANY  
CHARTERED ACCOUNTANTS  
#205 – 788 BEATTY STREET  
VANCOUVER, B.C. V6B 2M1  
PHONE: 604-688-2850 FAX: 604-688-2777**

**INDEPENDENT AUDITORS' REPORT**

To the Members of  
Geoscience BC Society

We have audited the accompanying financial statements of Geoscience BC Society, which comprise the Statement of Financial Position as at March 31, 2011, March 31, 2010 and April 1, 2009 and the Statements of Revenues and Expenditures, Cash Flows, and Changes in Net Assets for the years ended March 31, 2011 and March 31, 2010, 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.

**Auditors' 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 auditors' 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 society'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 society'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 Geoscience BC Society as at March 31, 2011, March 31, 2010 and April 1, 2009, and the results of its operations and its cash flows for the years ended March 31, 2011 and March 31, 2010 in accordance with Canadian accounting standards for not-for-profit organizations.

***"Beauchamp & Company"***  
**CHARTERED ACCOUNTANTS**

Vancouver, B.C.  
September 2, 2011

**GEOSCIENCE BC SOCIETY  
STATEMENTS OF FINANCIAL POSITION  
AS AT MARCH 31, 2011, MARCH 31, 2010 AND APRIL 1, 2009**

**EXHIBIT A**

	<b>March 31, <u>2011</u></b>	<b>(Note 12) March 31, <u>2010</u></b>	<b>(Notes 2 &amp; 12) April 1, <u>2009</u></b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Note 3)	\$ 83,923	\$ 206,012	\$ 554,786
Investments (Notes 3 & 4)	10,198,811	11,951,266	16,991,131
Accrued interest receivable	13,623	1,140	202,990
Amounts receivable (Note 11)	12,073,539	196,516	1,695,182
Prepaid expenses and deposits	3,647	8,756	13,500
	22,373,543	12,363,690	19,457,589
<b>Capital Assets (Notes 3 &amp; 6)</b>	11,687	23,637	30,787
	\$ 22,385,230	\$ 12,387,327	\$ 19,488,376
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities (Note 7)	\$ 110,839	\$ 66,506	\$ 115,638
<b>NET ASSETS</b>			
<b>Net Assets Restricted For Approved Programs (Note 9)</b>	2,873,470	3,272,410	4,142,621
<b>Unrestricted Net Assets</b>	19,400,921	9,048,411	15,230,117
	22,274,391	12,320,821	19,372,738
	\$ 22,385,230	\$ 12,387,327	\$ 19,488,376

**Nature Of Operations And Going Concern (Note 1)  
Subsequent Events (Note 11)**

**Approved By The Board:**

"C.D. ('Lyn) Anglin" Director

"James D. Gray" Director

See accompanying notes.

**GEOSCIENCE BC SOCIETY**  
**STATEMENTS OF REVENUES AND EXPENDITURES**  
**FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

**EXHIBIT B**

	<u>2011</u>	(Notes 2 & 12) <u>2010</u>
<b>Revenues</b>		
Grant – BC Ministry of Energy and Mines (Note 11)	\$ 12,000,000	\$ -
Other grants and program reimbursements	683,822	51,486
Investments (Note 4)	400,098	1,609,271
Funding recoveries (Note 9)	24,482	22,548
Sublease rent and other	14,580	16,420
	13,122,982	1,699,725
<b>Expenditures - Programs</b>		
Program costs incurred	2,056,353	7,385,757
Project GST/HST, non-refundable portion	24,310	131,681
Publishing costs	38,464	37,816
	2,119,127	7,555,254
<b>Expenditures - Administration</b>		
Amortization of capital assets	14,726	16,940
Communications and marketing	58,906	50,847
Consulting	53,899	90,765
Gifts and promotion	1,465	6,102
Dues and memberships	3,258	3,194
Equipment lease	3,262	3,426
GST/HST, non-refundable portion	22,129	12,196
Insurance	5,445	5,407
Investment management fees	49,495	52,032
Office and sundry	16,937	46,813
Professional fees	54,488	56,579
Recruitment	-	3,000
Rent and utilities (Note 8)	125,045	125,589
Salaries and benefits	482,362	546,564
Scholarship awards	45,000	50,000
Sponsorship	18,369	17,842
Staff training and professional development	6,071	434
Travel, conferences and meetings	78,624	99,265
Website, internet and e-mail	10,804	4,474
Workshops	-	4,919
	1,050,285	1,196,388
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	<b>\$ 9,953,570</b>	<b>\$ (7,051,917)</b>

See accompanying notes.

**GEOSCIENCE BC SOCIETY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

**EXHIBIT C**

**Cash Provided By (Used For):**

	<u>2011</u>	<u>(Notes 2 &amp; 12)</u> <u>2010</u>
<b>Operating Activities</b>		
Other grants and program reimbursements	\$ 718,986	\$ 1,503,523
Investments	421,544	722,270
Funding recoveries	24,482	31,374
Sublease rent and other	14,580	16,420
Payments for program expenditures	(2,101,238)	(7,514,098)
Payments for administration expenditures	(1,004,859)	(1,264,802)
Payments of refundable portion of GST/HST	(53,612)	(144,951)
Receipt of refundable GST/HST	144,951	182,564
Cash used for operating activities	(1,835,166)	(6,467,700)
<b>Investing Activities</b>		
Purchase of investments (Note 4)	(3,750,000)	-
Redemption of investments (Note 4)	5,831,872	6,786,915
Reinvestment of investment distributions, net	(363,346)	(658,199)
Purchase of capital assets	(5,449)	(9,790)
Cash provided by investing activities	1,713,077	6,118,926
<b>Decrease In Cash And Cash Equivalents</b>	(122,089)	(348,774)
<b>Cash And Cash Equivalents, Beginning Of Year</b>	206,012	554,786
<b>Cash And Cash Equivalents, End Of Year</b>	\$ 83,923	\$ 206,012

See accompanying notes.

**GEOSCIENCE BC SOCIETY**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

**EXHIBIT D**

	<b>Restricted For Approved Programs</b>	<b>Unrestricted</b>	<b>Total</b>
Balance, April 1, 2009 (Notes 2 & 12)	\$ 4,142,621	\$ 15,230,117	\$ 19,372,738
Internally imposed restrictions	6,697,227	(6,697,227)	-
(Deficiency) Excess of revenues over expenditures	(7,567,438)	515,521	(7,051,917)
Balance, March 31, 2010 (Note 12)	3,272,410	9,048,411	12,320,821
Internally imposed restrictions	1,726,723	(1,726,723)	-
(Deficiency) Excess of revenues over expenditures	(2,125,663)	12,079,233	9,953,570
Balance, March 31, 2011	\$ 2,873,470	\$ 19,400,921	\$ 22,274,391

See accompanying notes.

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2011 AND 2010**

**EXHIBIT E**

**1. Nature Of Operations And Going Concern**

Geoscience BC Society (“Geoscience BC” or “the Society”) was incorporated under the Society Act (British Columbia) on April 26, 2005 as a not for profit organization. The Society is exempt from taxation under subsection 149(1) of the *Income Tax Act* (Canada). The purpose of the Society is to promote, fund and otherwise support applied geoscience research in British Columbia. The Society had its genesis in a \$25 million funding commitment announced by the government of British Columbia in January 2005, which unrestricted funding was subsequently received and the Society incorporated. The Society has had certain members and directors in common with, and its creation was promoted by, both the Association for Mineral Exploration British Columbia and the Mining Association of British Columbia. However, the Society operates independently of both organizations and is controlled by a separate board of up to 13 directors, which also comprises the Society’s membership. Although it functions to complement the efforts of pre-existing provincial and federal agencies, Geoscience BC also operates on an arms-length basis from the governments of both British Columbia and Canada.

The Society has no source of operating revenue and its future operations are therefore dependent upon the receipt of continued unrestricted and non-repayable funding, anticipated to be from government sources. In the event such funding is not received, the Society would in due course deplete its cash reserves and be required to cease operations. At March 31, 2011 the Society expects to maintain operations for a minimum period of one year based on its existing commitments to fund projects and its related liquid asset balances on hand. Refer to notes 4 and 11.

Management believes that these actions make the use of the going concern basis appropriate; however, it is not possible at this time to predict the outcome of these matters. If the going concern basis is not appropriate, adjustments could be necessary to the carrying amounts and/or classification of assets, liabilities, revenues and expenditures in these financial statements, and these adjustments could be material.

**2. Adoption Of Accounting Standards For Not-For-Profit Organizations**

Effective April 1, 2010, the Society has elected to adopt new Canadian accounting standards for not-for-profit organizations which are consistent with Canadian standards applicable to entities that are not ‘publically accountable’. These are the Society’s first financial statements prepared in accordance with these standards, and they have been applied retrospectively.

Management reviewed the exemptions provided on transition to these standards and has elected to designate all investments to be subsequently measured at fair value, which is consistent with the accounting policy in place at the time of transition.

The adoption of the new accounting framework had no impact on the previously-reported assets, liabilities and net assets of the Society, however it did impact the Society’s operations and its presentation of the changes in net assets in that unrealized gains and losses applicable to the value of the Society’s investments are now included in the Society’s statements of revenues and expenditures. Under previous standards such amounts could be, and were in the case of the Society, reported in the statement of changes in net assets. Accordingly, the deficiency of revenues over expenditures in fiscal 2010 has been changed to \$7,051,917, compared to \$8,400,883 as previously reported.

Also during the year ended March 31, 2011, in a change unrelated to the adoption of the new accounting standards, the Society adopted the policy of not segregating, for presentation purposes, the net assets applicable to the aggregate carrying amount of capital assets. Accordingly, such amounts have been reclassified together with unrestricted net assets on both the Society’s statements of financial position and changes in net assets.



**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2011 AND 2010**

**EXHIBIT E  
(CONT'D)**

**2. Adoption Of Accounting Standards For Not-For-Profit Organizations (Cont'd)**

The presentation and disclosures provided in the financial statements reflect the requirements under the new accounting framework.

**3. Significant Accounting Policies**

**Use of estimates**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, which necessarily involves the use of estimates. The preparation of financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues earned and expenditures incurred during the year. Actual results could differ from those estimates. The financial statements of the Society have, in management's opinion, been properly prepared within reasonable limits of materiality, and within the framework of the significant accounting policies disclosed below.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit with banks and other financial institutions, and highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash.

**Investments**

Investments are initially recognized and subsequently measured at fair value, determined using market information. Transaction costs and net gains and losses arising from changes in fair value are immediately recognized in the Society's statement of revenues and expenditures.

**Capital assets**

Capital asset purchases made by the Society are capitalized and are recorded at cost less accumulated amortization. Amortization is recorded as disclosed in note 6 on a straight-line basis, commencing in the quarter of acquisition, as follows:

Computer equipment	3 years
Furniture and office equipment	5 years

**Revenue recognition**

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. 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. Endowment contributions are recognized as direct increases in net assets. Restricted investment income is recognized as revenue in the year in which the related expenditures are incurred. Unrestricted investment income is recognized as revenue when earned.

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2011 AND 2010**

**EXHIBIT E  
(CONT'D)**

**3. Significant Accounting Policies (Cont'd)**

**Donated materials and services**

Donated materials and services are recorded only when a fair value can be reasonably estimated and when they would be paid for by the Society if they had not been donated.

**Contributed services**

Significant volunteer labour is contributed to assist the Society in carrying out its activities, but is not recorded in the Society's financial statements due to the difficulty of determining the fair value of those services.

**4. Investments**

During the year ended March 31, 2011, \$3.75 million (2010 - \$nil) was invested in guaranteed income certificates or equivalent instruments issued by Canadian financial institutions which are readily convertible to cash at any time at market values. The Society also has investments in various pooled funds under the discretionary management of Connor, Clark and Lunn Private Capital Ltd. ("CC&L"), and subject to a Statement of Investment policy between the Society and CC&L. These monies are also readily convertible to cash at any time without penalty.

During the year ended March 31, 2011, the Society drew \$1.83 million (2010 - \$6.79 million) from amounts invested in banker's acceptances, and \$4.0 million (2010 - \$nil) from amounts invested under CC&L's management. Of this \$4.0 million amount, \$3.75 million was immediately reinvested in a near cash instrument as disclosed above.

	March 31, 2011 Market Value \$	(Note 12) March 31, 2010 Market Value \$	(Notes 2 & 12) April 1, 2009 Market Value \$
<b>Investments:</b>			
Dundee investment savings account	255,111	501,427	-
Renaissance high interest savings account	-	1,004,659	-
Guaranteed investment certificates ("GIC's")	3,750,000	573,153	8,598,063
	4,005,111	2,079,239	8,598,063
CC&L aggregate portfolio	6,193,700	9,872,027	8,393,068
	<u>10,198,811</u>	<u>11,951,266</u>	<u>16,991,131</u>

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2011 AND 2010**

**EXHIBIT E  
(CONT'D)**

**4. Investments (Cont'd)**

**Investment revenue is comprised of the following:**

	March 31, 2011	(Notes 2 & 12) March 31, 2010
	\$	\$
Interest earned on GIC's and equivalent instruments	20,430	67,887
Reinvested distributions	413,737	452,531
Realized investment gains (losses)	1,692	(260,113)
Unrealized investment (losses) gains	(35,761)	1,348,966
Revenue disclosed in the Statements of Revenues and Expenditures	400,098	1,609,271

**5. Financial Instruments**

The Society's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, and accounts payable and accrued liabilities.

**Interest rate risk**

The Society's investments in highly liquid near cash instruments, excluding the CC&L portfolio, currently consist of a Guaranteed Investment Certificate issued by a Canadian commercial bank and funds on treasury deposit with such an institution. The Society considers the interest rate risk associated with such investments to be minimal. Investments in equity securities are not exposed to significant interest rate risk.

**Currency risk**

Related to the general price risk disclosed above, historically, a small portion of the underlying assets comprising the CC&L portfolio have been denominated in foreign currencies, and accordingly the portfolio has been exposed to foreign exchange fluctuations to this extent. The Society mitigates the currency risk exposure of its foreign bonds and equities through diversification. The Canadian portion of the portfolio was 100% at March 31, 2011 (2010 - 100%).

**Credit and market risk**

The Society's financial instruments are exposed to market price volatility, particularly in respect to the value of the \$6.2 million currently invested in the CC&L portfolio of pooled private equity funds.

Until January 2010, the Society's CC&L portfolio was subject to a Statement of Investment Policy ("SIP") which prescribed an overall fixed income weighting of 75% relative to an equity weighting of 25%. During the period January 2010 to March 31, 2011, the Society elected to alter this SIP whereby the fixed income weighting of the portfolio was increased to 100%. Upon receipt of the \$12 million grant from the BC Ministry of Energy and Mines, the Society reverted back to its original SIP. These monies do not represent direct holdings of securities in specific entities but rather investments in units of CC&L funds which themselves hold widely diversified positions and which are managed on a pooled basis generally with a view to limiting the overall volatility of a given fund. Refer to note 11.

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2011 AND 2010**

**EXHIBIT E  
(CONT'D)**

**6. Capital Assets**

	Cost	Accumulated Amortization	Net Book Value At		
			March 31, 2011	(Note 12) March 31, 2010	(Notes 2 & 12) April 1, 2009
Computer equipment	\$ 25,600	\$ 15,657	\$ 9,943	\$ 18,340	\$ 21,848
Furniture and office equipment	5,534	3,790	1,744	5,297	8,939
	<u>\$ 31,134</u>	<u>\$ 19,447</u>	<u>\$ 11,687</u>	<u>\$ 23,637</u>	<u>\$ 30,787</u>

**7. Accounts Payable And Accrued Liabilities**

	March 31, 2011	(Note 12) March 31, 2010	(Notes 2 & 12) April 1, 2009
	\$	\$	\$
Trade payables	93,182	50,133	101,309
Government remittances	3,657	3,873	3,579
Accrued liabilities	14,000	12,500	10,750
	<u>110,839</u>	<u>66,506</u>	<u>115,638</u>

**8. Contractual Obligations**

As at March 31, 2011, the Society has a base rental commitment relating to the lease of its office premises, inclusive of monthly charges in respect to operating and common area costs and property taxes, totalling approximately \$153,000 (2010 - \$267,000) to July 31, 2012.

Pursuant to a contract of employment with its President and Chief Executive Officer, the Society would be committed, in the event that it terminates its employment of this individual without cause, to pay \$175,000 in termination benefits. In addition, the President and Chief Executive Officer may terminate employment with the Society at any time by providing three months written notice.

**9. Restricted Net Assets**

At March 31, 2011, the Society's net assets are subject to future obligations aggregating \$2,873,470 (2010 - \$3,272,410), representative of undisbursed but approved program funding commitments, payment of which is contingent upon the Society receiving acceptable deliverables from these programs in accordance with executed agreements. These internally restricted amounts are not available for other purposes without the approval of the Society's Board of Directors.

Recipients of funding from Geoscience BC are required to account for the expenditure of all monies received, and Geoscience BC reserves the right to request documentation to support the reported expenditure breakdowns. Unspent

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2011 AND 2010**

**EXHIBIT E  
(CONT'D)**

**9. Restricted Net Assets (Cont'd)**

funds, including HST and GST input tax credits subsequently recovered by recipients, but based on the expenditure of Geoscience BC grants, are to be returned to the Society. During the fiscal year ended March 31, 2011, the Society received an aggregate of \$24,482 (2010 - \$22,548) of such recoveries, which are included within the Society's unrestricted net assets. No predictions of future recoveries can be accurately made at this time and therefore funding recoveries are recorded at the earlier of the date of receipt and the date that a recovered amount becomes determinable.

Refer to Note 11.

**10. Related Party Transactions**

These related party transactions were in the normal course of operations and are measured at fair value as determined by management of the Society.

During the year ended March 31, 2011, the Society paid or accrued an aggregate of \$22,085 (2010 - \$41,285) to entities controlled by Directors of the Society for community engagement, communications and administrative services.

**11. Subsequent Events**

During the period subsequent to March 31, 2011:

- The Society received additional funding from the B.C. government in the amount of \$12.0 million. The amount was recorded as receivable as at March 31, 2011 as the government decision to expend the funds had been made prior to that date. An aggregate of \$5.5 million of these funds was subsequently invested with CC&L, with the residual maintained in near-cash instruments. The Society at the same time returned to its initial SIP with CC&L, under which the portfolio will be based on a relative fixed income/equity ratio of 75%/25%.
- The Society announced the QUEST ("Quesnellia Exploration Strategy")-Northwest program, pursuant to which its Board of Directors has approved approximately \$3.25 million to be spent directly by the Society on regional geophysical and geochemical exploration programs, bedrock mapping projects and the purchase of existing company aeromagnetic data in the QUEST-Northwest area.
- The Board of Directors of the Society approved an additional \$1.56 million in program funding, and a further \$55,000 for the purchase of a DAP server.
- The Society approved and disbursed 8 scholarships of \$5,000 each.

**12. Comparative Figures**

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted by the Society during the year ended March 31, 2011.