

GEOSCIENCE BC SOCIETY
FINANCIAL STATEMENTS
MARCH 31, 2014

**GEOSCIENCE BC SOCIETY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

INDEPENDENT AUDITOR'S REPORT

EXHIBITS

- A. Statements of Financial Position
- B. Statements of Revenues and Expenditures
- C. Statements of Changes in Net Assets
- D. Statements of Cash Flows
- E. Notes to Financial Statements

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").

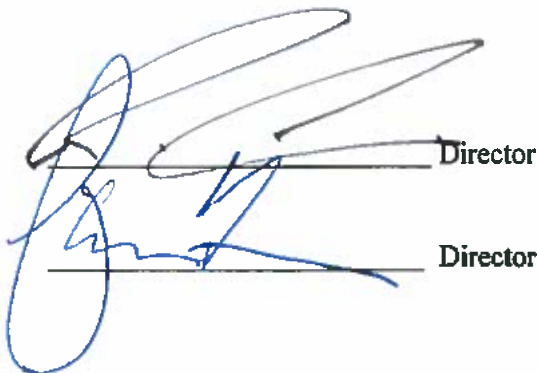
The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are described in Note 2 to the financial statements. The financial statements include, where appropriate, estimates based on the best judgment 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, consistent with reasonable cost. 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 other information contained in the annual report and recommends them to the members of 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 in accordance with Canadian generally accepted auditing standards, have been approved by the Society, on the recommendation of the Finance Committee.

September 26, 2014



Director

Director

INDEPENDENT AUDITOR'S 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, 2014 and the Statements of Revenues and Expenditures, Changes in Net Assets, and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2014, 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.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, these accounting principles have been applied on a basis consistent with that of the preceding year.

Beauchamp & Company
CHARTERED ACCOUNTANTS

Vancouver, British Columbia
September 26, 2014

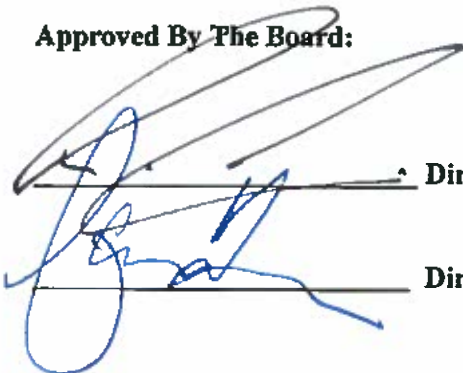
**GEOSCIENCE BC SOCIETY
STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2014 AND 2013**

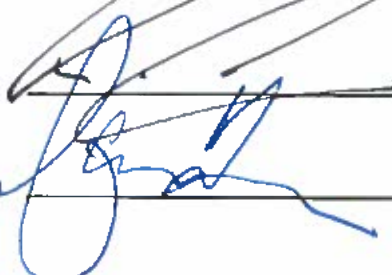
EXHIBIT A

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 259,992	\$ 380,467
Investments (Notes 2 & 3)	12,131,923	14,882,845
Accrued interest receivable	44,662	33,467
Amounts receivable	3,204,695	979,183
Prepaid expenses and deposits	72,662	10,154
	15,713,934	16,286,116
Capital Assets (Notes 2 & 5)	22,005	19,871
	\$ 15,735,939	\$ 16,305,987
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 325,930	\$ 302,689
NET ASSETS		
Net Assets Restricted For Approved Programs (Note 8)	4,144,643	6,878,829
Unrestricted Net Assets	11,265,366	9,124,469
	15,410,009	16,003,298
	\$ 15,735,939	\$ 16,305,987

Nature Of Operations And Going Concern (Note 1)
Subsequent Events (Note 10)

Approved By The Board:

 _____ Director

 _____ Director

See accompanying notes.

GEOSCIENCE BC SOCIETY
STATEMENTS OF REVENUES AND EXPENDITURES
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

EXHIBIT B

	<u>2014</u>	<u>2013</u>
Revenues		
Grants – BC Ministry of Energy and Mines	\$ 3,000,000	\$ -
Grants – BC Ministry of Jobs, Tourism and Skills Training	376,935	-
Grants – other, and program reimbursements	192,278	873,456
Investments (Note 3)	651,040	941,414
Funding recoveries (Note 8)	-	7,296
Sublease rent and other	19,914	16,760
	<u>4,240,167</u>	<u>1,838,926</u>
Expenditures - Programs		
Program costs incurred	3,194,858	3,042,703
Program management	303,405	289,236
GST/HST, non-refundable portion	40,737	110,152
ArcGIS Server – implementation & maintenance	74,779	44,268
Publishing costs	27,217	26,483
	<u>3,640,996</u>	<u>3,512,842</u>
Expenditures - Administration		
Amortization of capital assets	8,077	8,019
Communications and marketing	145,104	103,234
Consulting	59,568	65,870
Gifts and promotion	16,078	16,061
Dues and memberships	6,619	3,244
Equipment lease	5,157	4,243
GST/HST, non-refundable portion	16,017	31,357
Insurance	3,130	5,507
Investment management fees	31,180	58,552
Office and sundry	18,368	17,333
Professional fees	86,730	56,807
Recruitment	35,725	9,451
Rent and utilities (Note 7)	132,372	128,309
Salaries and benefits	481,527	425,759
Scholarship awards	25,000	35,000
Sponsorship	18,174	6,713
Staff training and professional development	1,835	4,120
Travel, conferences and meetings	87,355	110,574
Website, internet and e-mail	9,581	12,649
Workshops	4,863	4,028
	<u>1,192,460</u>	<u>1,106,830</u>
Deficiency Of Revenues Over Expenditures	\$ (593,289)	\$ (2,780,746)

See accompanying notes.

GEOSCIENCE BC SOCIETY
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

EXHIBIT C

	Restricted For Approved Programs	Unrestricted	Total
Balance, March 31, 2012	\$ 3,735,021	\$ 15,049,023	\$ 18,784,044
Internally-imposed restrictions	6,375,231	(6,375,231)	-
(Deficiency) Excess of revenues over expenditures	(3,231,423)	450,677	(2,780,746)
Balance, March 31, 2013	6,878,829	9,124,469	16,003,298
Internally-imposed restrictions	593,478	(593,478)	-
(Deficiency) Excess of revenues over expenditures	(3,327,664)	2,734,375	(593,289)
Balance, March 31, 2014	\$ 4,144,643	\$ 11,265,366	\$ 15,410,009

See accompanying notes.

**GEOSCIENCE BC SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013**

EXHIBIT D

Cash Provided By (Used For):

	<u>2014</u>		<u>2013</u>
Operating Activities			
Grants and program reimbursements	\$ 1,230,185	\$	177,108
Investments	251,992		542,447
Funding recoveries	-		7,296
Sublease rent and other	19,914		16,760
Payments for program expenditures	(3,664,495)		(3,522,930)
Payments for administration expenditures	(1,196,300)		(1,093,612)
Payments of refundable portion of GST/HST	(53,401)		(156,664)
Receipt of refundable portion of GST/HST	167,774		225,803
Cash used for operating activities	(3,244,331)		(3,803,792)
Investing Activities			
Purchase of investments (Note 3)	(3,000,000)		(5,000,000)
Redemption of investments (Note 3)	6,300,000		9,476,800
Reinvestment of investment distributions, net of fees	(162,004)		(402,101)
Purchase of capital assets	(14,140)		(17,616)
Cash provided by investing activities	3,123,856		4,057,083
Net Change In Cash And Cash Equivalents	(120,475)		253,291
Cash And Cash Equivalents, Beginning Of Year	380,467		127,176
Cash And Cash Equivalents, End Of Year	\$ 259,992	\$	380,467

See accompanying notes.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

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, 2014 the Society expects to maintain operations for a minimum period of two years based on its existing commitments to fund programs and its related liquid asset balances on hand. Refer to Note 3.

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. 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.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

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**EXHIBIT E
(CONT'D)**

2. Significant Accounting Policies (Cont'd)

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 5 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.

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.

3. Investments

During the year ended March 31, 2014, \$3.0 million (2013 - \$5.0 million) was invested in guaranteed income certificates or equivalent instruments issued by Canadian financial institutions, substantially all of 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, 2014, the Society drew \$3.05 million (2013 - \$4.48 million) from amounts invested in guaranteed income certificates, and \$3.25 million (2013 - \$5.0 million) from amounts invested under CC&L's management. Of the amounts withdrawn from CC&L, \$3.0 million (2013 - \$5.0 million) was immediately reinvested in near cash instruments as disclosed above.

Refer to Note 10.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

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**EXHIBIT E
(CONT'D)**

3. Investments (Cont'd)

	<u>March 31, 2014 Market Value \$</u>	<u>March 31, 2013 Market Value \$</u>
Investments:		
High interest savings accounts	500,488	450,000
Guaranteed investment certificates ("GIC's")	<u>6,290,588</u>	<u>6,341,271</u>
	6,791,076	6,791,271
 CC&L aggregate portfolio	 5,340,847	 8,091,574
	<u>12,131,923</u>	<u>14,882,845</u>

Investment revenue is comprised of the following:

	<u>March 31, 2014 \$</u>	<u>March 31, 2013 \$</u>
Interest earned on GIC's and equivalent instruments	111,043	82,235
Reinvested distributions	201,949	470,536
Realized investment gains	251,612	174,492
Unrealized investment gains	<u>86,436</u>	<u>214,151</u>
 Revenue disclosed in the Statements of Revenues and Expenditures	 <u>651,040</u>	 <u>941,414</u>

4. Financial Instruments

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

Interest rate risk

As at March 31, 2014, the Society's investments in highly liquid near cash instruments, excluding the CC&L portfolio, consist of Guaranteed Investment Certificates 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 CC&L portfolio was 76.5% at March 31, 2014 (2013 – 78.3%).

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

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**EXHIBIT E
(CONT'D)**

4. Financial Instruments (Cont'd)

Credit and market risk

The Society's financial instruments are exposed to market price volatility, particularly in respect to the value of the \$5.3 million invested as at March 31, 2014 in the CC&L portfolio of pooled private equity funds.

The Society's CC&L portfolio is subject to a Statement of Investment Policy ("SIP") which prescribes an overall fixed income weighting of 65% relative to an equity weighting of 35%. 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.

5. Capital Assets

	Cost	Accumulated Amortization	Net Book Value At	
			March 31, 2014	March 31, 2013
Computer equipment	\$ 40,825	\$ 19,749	\$ 21,076	\$ 18,437
Furniture and office equipment	2,218	1,289	929	1,434
	<u>\$ 43,043</u>	<u>\$ 21,038</u>	<u>\$ 22,005</u>	<u>\$ 19,871</u>

6. Accounts Payable And Accrued Liabilities

	March 31, 2014	March 31, 2013
	\$	\$
Trade payables	305,160	281,280
Government remittances	2,770	3,409
Accrued liabilities	18,000	18,000
	<u>325,930</u>	<u>302,689</u>

7. Contractual Obligations

As at March 31, 2014, 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 \$162,000 to July 31, 2015 (as at March 31, 2013 - \$280,000). The Society also has a commitment relating to the lease of its photocopy equipment totalling \$10,572 to March 2019 (2013 - \$3,885 to August 2014).

Following the resignation of the President and Chief Executive Officer ("CEO") on March 14, 2013, the Board of Directors initiated a search process for her replacement, which process resulted in the employment of a new President and CEO commencing October 1, 2013. Pursuant to a contract of employment with its new President and CEO, in the first year of the contract, if the Society terminates its employment with this individual without cause, it would be committed to pay three months salary in termination benefits. In addition, the new President and CEO may terminate employment with the Society at any time by providing three months written notice, with the Society having the option to consent to additional or lesser notice.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

**EXHIBIT E
(CONT'D)**

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7. Contractual Obligations (Cont'd)

The Society maintains a defined contribution plan for all of its eligible employees. Each eligible employee of the plan receives employer contributions of 8% of annual earnings up to their maximum deduction as allowed by Canada Revenue Agency. This pension expenditure is allocated to and disclosed as program management and salaries and benefits in the Society's statements of revenues and expenditures for the years ended March 31, 2014 and 2013.

8. Restricted Net Assets

At March 31, 2014, the Society's net assets are subject to future obligations aggregating \$4,144,643 (2013 - \$6,878,829), 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. In addition, \$2,181,902 remains approved in principle for the TREK program. 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 funds, including GST and HST 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, 2014, the Society received an aggregate of \$nil (2013 - \$7,296) 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 10.

9. 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, 2014, the Society paid or accrued an aggregate of \$120,238 (2013 - \$90,726) to entities controlled by Directors of the Society or in which Directors own minority equity interests, for community engagement, communications, human resources services, and administrative services.

10. Subsequent Events

During the period subsequent to March 31, 2014:

- The Board of Directors of the Society approved \$1,010,000 in program funding, and an additional \$1,500,000 for the Montney Airborne Groundwater Mapping Project, subject to confirmation of First Nation and local community support, other funding support, and decreased costs to meet the budget.
- The Society approved and disbursed 7 scholarships of \$5,000 each.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

**EXHIBIT E
(CONT'D)**

14

10. Subsequent Events (Cont'd)

- The Society invested \$3 million of an additional \$3,376,935 received from the B.C. government with CC&L and redeemed an aggregate of \$2,200,488 from GIC's to fund current operations. This \$3 million was receivable from the provincial government at March 31, 2014. The additional provincial funding of \$376,935 was received during the year ended March 31, 2014 in order to assist an accredited post-secondary institution in British Columbia to provide training for participants to gain entry-level resource-related employment.