

**GEOSCIENCE BC SOCIETY**

**FINANCIAL STATEMENTS**

**MARCH 31, 2017**

**GEOSCIENCE BC SOCIETY  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

**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 LLP Chartered Professional Accountants in accordance with Canadian Auditing Standards, have been approved by the Society, on the recommendation of the Finance Committee.

September 21, 2017

  
\_\_\_\_\_  
Director

  
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Director

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**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, 2017 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, 2017, 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.

**Emphasis Of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Geoscience BC Society has no source of operating revenue and its future operations are therefore dependent upon the receipt of continued unrestricted and non-repayable funding. These conditions, along with other matters as disclosed in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the society's ability to continue as a going concern.

**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.

Vancouver, British Columbia  
September 21, 2017

*Beauchamp & Company LLP*  
CHARTERED PROFESSIONAL ACCOUNTANTS


**GEOSCIENCE BC SOCIETY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2017 AND 2016**

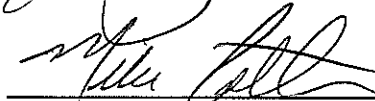
EXHIBIT A

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	\$ 475,453	\$ 108,454
Investments (Notes 2 & 3)	12,043,977	12,074,113
Accrued interest receivable	27,661	30,552
Amounts receivable (Note 10)	10,155,396	5,742,035
Prepaid expenses and deposits	138,967	124,856
	22,841,454	18,080,010
<b>Capital Assets (Notes 2 &amp; 5)</b>	56,075	74,858
	\$ 22,897,529	\$ 18,154,868
<b>LIABILITIES AND DEFERRED CONTRIBUTIONS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 756,661	\$ 381,778
<b>Deferred Revenue Contributions (Note 10)</b>	10,000,000	5,000,000
	10,756,661	5,381,778
<b>NET ASSETS</b>		
<b>Net Assets Restricted For Approved Programs (Note 8)</b>	4,727,248	6,001,481
<b>Unrestricted Net Assets</b>	7,413,620	6,771,609
	12,140,868	12,773,090
	\$ 22,897,529	\$ 18,154,868

**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, 2017 AND 2016**

**EXHIBIT B**

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Grants – BC Ministry of Energy and Mines	\$ 5,000,000	\$ 100,000
Grants – other, and program reimbursements	265,244	712,191
Investments (Note 3)	629,372	166,482
Other	2	23,262
	<u>5,894,618</u>	<u>1,001,935</u>
<b>Expenditures - Programs</b>		
Program costs incurred	3,836,152	3,950,313
Program management	465,576	447,358
Publishing costs	49,416	74,002
Scholarship awards	50,000	50,000
GST/HST, non-refundable portion	41,114	67,697
GIS Server – implementation & maintenance	21,938	15,729
	<u>4,464,196</u>	<u>4,605,099</u>
<b>Expenditures - Administration</b>		
Amortization of capital assets	35,613	26,733
Communications and marketing	103,600	62,340
Consulting	90,039	64,964
Dues and memberships	6,370	12,628
Equipment lease	7,305	7,022
Gifts and promotion	16,702	15,801
GST/HST, non-refundable portion	33,860	23,177
Insurance	8,890	7,944
Investment management fees	45,776	44,046
Office and sundry	22,530	26,288
Office relocation	-	20,764
Outreach – First Nations and Government Relations	300,659	182,418
Professional fees	155,464	107,651
Recruitment	69,349	921
Rent and utilities (Note 7)	174,500	163,241
Salaries and benefits	788,644	577,871
Sponsorship	24,571	20,353
Staff training and professional development	2,351	1,287
Travel, conferences and meetings	152,915	134,108
Website, internet and e-mail	23,506	19,005
Workshops	-	13,206
	<u>2,062,644</u>	<u>1,531,768</u>
<b>Deficiency Of Revenues Over Expenditures</b>	<b>\$ (632,222)</b>	<b>\$ (5,134,932)</b>

See accompanying notes.

**GEOSCIENCE BC SOCIETY**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

**EXHIBIT C**

	<b>Restricted For Approved Programs</b>	<b>Unrestricted</b>	<b>Total</b>
Balance, March 31, 2015	\$ 6,684,997	\$ 11,223,025	\$ 17,908,022
Internally-imposed restrictions	3,421,362	(3,421,362)	-
Deficiency of revenues over expenditures	(4,104,878)	(1,030,054)	(5,134,932)
Balance, March 31, 2016	6,001,481	6,771,609	12,773,090
Internally-imposed restrictions	2,658,033	(2,658,033)	-
(Deficiency) Excess of revenues over expenditures	(3,932,266)	3,300,044	(632,222)
Balance, March 31, 2017	\$ 4,727,248	\$ 7,413,620	\$ 12,140,868

See accompanying notes.

**GEOSCIENCE BC SOCIETY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

**EXHIBIT D**

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

	<u>2017</u>		<u>2016</u>
<b>Operating Activities</b>			
Grants and program reimbursements	\$ 5,812,321	\$	5,274,571
Investments	283,314		452,488
Other	2		23,262
Payments for program expenditures	(4,165,969)		(4,663,759)
Payments for administration expenditures	(1,980,492)		(1,546,441)
Payments of refundable portion of GST/HST	(63,398)		(89,976)
Receipt of refundable portion of GST/HST	126,284		35,228
Cash provided by (used for) operating activities	12,062		(514,627)
<b>Investing Activities</b>			
Purchase of investments (Note 3)	(4,500,000)		(5,000,000)
Redemption of investments (Note 3)	5,100,000		5,500,000
Reinvestment of investment distributions, net of fees	(228,233)		(398,259)
Purchase of capital assets	(16,830)		(87,375)
Cash provided by investing activities	354,937		14,366
<b>Net Change In Cash And Cash Equivalents</b>	<b>366,999</b>		<b>(500,261)</b>
<b>Cash And Cash Equivalents, Beginning Of Year</b>	<b>108,454</b>		<b>608,715</b>
<b>Cash And Cash Equivalents, End Of Year</b>	<b>\$ 475,453</b>	<b>\$</b>	<b>108,454</b>

See accompanying notes.



**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2017 AND 2016**

**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, 2017 the Society expects to maintain operations for a period sufficient to complete all existing commitments to fund programs from liquid asset balances currently 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.

## **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
Leasehold improvements	3 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, 2017, \$4.5 million (2016 - \$5.0 million) was transferred to invest 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.

During the year ended March 31, 2017, the Society drew \$5.1 million (2016 - \$5.5 million) from the amounts invested in guaranteed income certificates and equivalent instruments.

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 years ended March 31, 2017 and 2016, no amounts were either invested with or withdrawn from CC&L.

Refer to Note 10.

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2017 AND 2016**

**EXHIBIT E  
(CONT'D)**

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

	March 31, 2017 Market Value \$	March 31, 2016 Market Value \$
<b>Investments:</b>		
High interest savings account	1,152,966	1,678,847
Guaranteed investment certificates ("GIC's")	2,500,000	2,500,000
	3,652,966	4,178,847
CC&L aggregate portfolio	8,391,011	7,895,266
	<u>12,043,977</u>	<u>12,074,113</u>

As at September 21, 2017, the fair market value of the Society's CC&L aggregate portfolio has increased to \$12,232,677, including \$4 million transferred to the portfolio subsequent to March 31, 2017. Refer to Note 10. This increase has also resulted from both the reinvestment of income distributions received, and changes to the portfolio's fair market value.

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

	March 31, 2017 \$	March 31, 2016 \$
Interest earned on GIC's and equivalent instruments	72,828	80,880
Reinvested distributions	287,887	450,764
Realized investment gains	38,893	51,577
Unrealized investment (losses) gains	229,764	(416,739)
Revenue disclosed in the Statements of Revenues and Expenditures	<u>629,372</u>	<u>166,482</u>

**4. Financial Instruments**

The Society's financial instruments measured at amortized cost consist of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities. The Society's investments are recorded at fair value. As at March 31, 2017 and 2016, the Society has not recorded any allowance for impairment of its amounts receivable.

**Interest rate risk**

As at March 31, 2017, the Society's investments in highly liquid near cash instruments, excluding the CC&L portfolio, consist of Guaranteed Investment Certificates issued by Canadian commercial financial institutions 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.

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2017 AND 2016**

**EXHIBIT E  
(CONT'D)**

**4. Financial Instruments (Cont'd)**

**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 77.9% at March 31, 2017 (2016 – 79.2%).

**Liquidity risk**

The Society is exposed to liquidity risk due to the timing of revenues received to meet commitments associated with financial instruments. The Society manages liquidity risk by maintaining adequate cash and near cash balances.

**Credit and market risk**

The Society's financial instruments are exposed to market price volatility, particularly in respect to the value of the \$8.4 million invested as at March 31, 2017 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, 2017	March 31, 2016
Computer equipment	\$ 48,733	\$ 29,636	\$ 19,097	\$ 32,262
Furniture and office equipment	31,250	11,397	19,853	24,152
Leasehold improvements	34,562	17,437	17,125	18,444
	<u>\$ 114,545</u>	<u>\$ 58,470</u>	<u>\$ 56,075</u>	<u>\$ 74,858</u>

**6. Accounts Payable And Accrued Liabilities**

	March 31, 2017	March 31, 2016
	\$	\$
Trade payables	732,874	360,999
Government remittances	3,787	2,779
Accrued liabilities	20,000	18,000
	<u>756,661</u>	<u>381,778</u>

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2017 AND 2016**

**EXHIBIT E  
(CONT'D)**

## **7. Contractual Obligations**

As at March 31, 2017, 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 \$218,000 to July 31, 2018 (2016 - \$377,000). The Society also has a commitment relating to the lease of its photocopy equipment totalling \$4,451 to March 2019 (2016 – \$6,677).

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, 2017 and 2016.

## **8. Restricted Net Assets**

At March 31, 2017, the Society's net assets are subject to future obligations aggregating \$4,727,248 (2016 - \$6,001,481), 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, at March 31, 2017 \$550,000 is approved in principle for program funding commitments, whose final approvals are contingent on various future events. 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. No such recoveries were received by the Society during the fiscal years ended March 31, 2017 or March 31, 2016. 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, being the exchange amount, as determined by management of the Society.

During the year ended March 31, 2017, the Society paid or accrued an aggregate of \$149,818 (2016 - \$159,577) to entities controlled by Directors of the Society or in which Directors own minority equity interests, for community engagement, communications, administrative and professional services.

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2017 AND 2016**

14  
**EXHIBIT E  
(CONT'D)**

**10. Subsequent Events**

During the period subsequent to March 31, 2017:

- The Board of Directors of the Society approved \$1,411,000 in program funding. In addition, pursuant to an executed accountability agreement, Northern Development Initiative Trust will reimburse 15.5582% of program costs to a maximum of \$250,000 to the Society for one of its subsequently approved programs.
- The Society approved and disbursed 7 scholarships of \$5,000 each.
- The Society invested the \$10 million received from the B.C. Ministry of Energy and Mines, \$4 million with CC&L and \$6 million in GICs and its high interest savings account, and redeemed an aggregate of \$2,750,000 from these short term and liquid investments to fund fiscal 2018 operations. The \$10 million is to be used to fund the Society's operations for the period from April 1, 2017 to March 31, 2019 and was receivable from this provincial government ministry at March 31, 2017.
- Pursuant to a funding agreement executed by the Society, Western Economic Diversification Canada ("WED") will reimburse program costs to a maximum of \$458,000 to the Society for one of its programs approved prior to March 31, 2017. The agreement is to be effective upon execution by the WED minister, which is anticipated imminently.