

**GEOSCIENCE BC SOCIETY**

**FINANCIAL STATEMENTS**

**MARCH 31, 2013**

**GEOSCIENCE BC SOCIETY  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

**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 judgement of management. Financial and operating data elsewhere in the annual report is consistent with that contained in the accompanying financial statements.

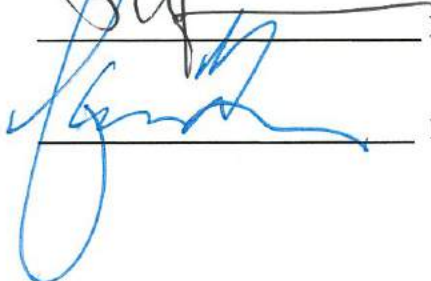
As part of its responsibilities, the Society maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that the 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 30, 2013

  
\_\_\_\_\_  
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, 2013 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, 2013, 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 30, 2013


**GEOSCIENCE BC SOCIETY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2013 AND 2012**


**EXHIBIT A**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	\$ 380,467	\$ 127,176
Investments (Notes 2 & 3)	14,882,845	18,555,556
Accrued interest receivable	33,467	39,414
Amounts receivable	979,183	349,068
Prepaid expenses and deposits	10,154	5,984
	16,286,116	19,077,198
<b>Capital Assets (Notes 2 &amp; 5)</b>	19,871	10,274
	\$ 16,305,987	\$ 19,087,472
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 302,689	\$ 303,428
<b>NET ASSETS</b>		
Net Assets Restricted For Approved Programs (Note 8)	6,878,829	3,735,021
Unrestricted Net Assets	9,124,469	15,049,023
	16,003,298	18,784,044
	\$ 16,305,987	\$ 19,087,472

**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, 2013 AND 2012**

EXHIBIT B

(Note 11)

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Grants and program reimbursements	\$ 873,456	\$ 481,552
Investments (Note 3)	941,414	773,319
Funding recoveries (Note 8)	7,296	5,502
Sublease rent and other	16,760	15,580
	<u>1,838,926</u>	<u>1,275,953</u>
<b>Expenditures - Programs</b>		
Program costs incurred	3,042,703	3,478,563
Program costs incurred, approved in principal	-	6,717
Program management	289,236	150,015
GST/HST, non-refundable portion	110,152	179,154
ArcGIS Server -- implementation & maintenance	44,268	-
Publishing costs	26,483	23,946
	<u>3,512,842</u>	<u>3,838,395</u>
<b>Expenditures - Administration</b>		
Amortization of capital assets	8,019	9,840
Communications and marketing	103,234	52,964
Consulting	65,870	22,640
Gifts and promotion	16,061	15,886
Dues and memberships	3,244	3,200
Equipment lease	4,243	3,607
GST/HST, non-refundable portion	31,357	22,906
Insurance	5,507	5,467
Investment management fees	58,552	60,230
Office and sundry	17,333	12,367
Professional fees	56,807	54,255
Recruitment	9,451	5,222
Rent and utilities (Note 7)	128,309	127,105
Salaries and benefits	425,759	399,838
Scholarship awards	35,000	40,000
Sponsorship	6,713	4,024
Staff training and professional development	4,120	6,574
Travel, conferences and meetings	110,574	71,498
Website, internet and e-mail	12,649	10,282
Workshops	4,028	-
	<u>1,106,830</u>	<u>927,905</u>
<b>Deficiency Of Revenues Over Expenditures</b>	<b>\$ (2,780,746)</b>	<b>\$ (3,490,347)</b>

See accompanying notes.

**GEOSCIENCE BC SOCIETY**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

**EXHIBIT C**

	Restricted For Approved Programs	Unrestricted	Total
Balance, March 31, 2011	\$ 2,873,470	\$ 19,400,921	\$ 22,274,391
Internally imposed restrictions	4,565,985	(4,565,985)	-
(Deficiency) Excess of revenues over expenditures	(3,704,434)	214,087	(3,490,347)
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

See accompanying notes.

**GEOSCIENCE BC SOCIETY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

**EXHIBIT D**

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

	(Note 11)	
	<u>2013</u>	<u>2012</u>
<b>Operating Activities</b>		
Grants and program reimbursements	\$ 177,108	\$ 12,387,464
Investments	542,447	498,096
Funding recoveries	7,296	5,502
Sublease rent and other	16,760	15,580
Payments for program expenditures	(3,522,930)	(3,658,338)
Payments for administration expenditures	(1,093,612)	(909,295)
Payments of refundable portion of GST/HST	(156,664)	(229,719)
Receipt of refundable portion of GST/HST	225,803	53,612
<b>Cash (used for) provided by operating activities</b>	<b>(3,803,792)</b>	<b>8,162,902</b>
<b>Investing Activities</b>		
Purchase of investments (Note 3)	(5,000,000)	(11,500,000)
Redemption of investments (Note 3)	9,476,800	3,750,000
Reinvestment of investment distributions, net of fees	(402,101)	(361,222)
Purchase of capital assets	(17,616)	(8,427)
<b>Cash provided by (used for) investing activities</b>	<b>4,057,083</b>	<b>(8,119,649)</b>
<b>Increase In Cash And Cash Equivalents</b>	<b>253,291</b>	<b>43,253</b>
<b>Cash And Cash Equivalents, Beginning Of Year</b>	<b>127,176</b>	<b>83,923</b>
<b>Cash And Cash Equivalents, End Of Year</b>	<b>\$ 380,467</b>	<b>\$ 127,176</b>

See accompanying notes.



**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013 AND 2012**

**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, 2013 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, 2013 AND 2012**

**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, 2013, \$5.0 million (2012 - \$6.0 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, 2013, the Society invested \$nil with CC&L (2012 - \$5.5 million).

During the year ended March 31, 2013, the Society drew \$4.48 million (2012 - \$3.75 million) from amounts invested in guaranteed income certificates, and \$5.0 million (2012 - \$nil) from amounts invested under CC&L's management. The \$5.0 million withdrawn from CC&L during the 2013 fiscal year was immediately reinvested in near cash instruments as disclosed above.

Refer to Note 10.

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013 AND 2012**

**EXHIBIT E  
(CONT'D)**

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

	March 31, 2013 Market Value \$	March 31, 2012 Market Value \$
<b>Investments:</b>		
AAT high interest savings account	450,000	-
Guaranteed investment certificates ("GIC's")	6,341,271	6,251,800
	6,791,271	6,251,800
CC&L aggregate portfolio	8,091,574	12,303,756
	<u>14,882,845</u>	<u>18,555,556</u>

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

	March 31, 2013 \$	March 31, 2012 \$
Interest earned on GIC's and equivalent instruments	82,235	95,805
Reinvested distributions	470,536	424,771
Realized investment gains (losses)	174,492	(66,086)
Unrealized investment gains	214,151	318,829
	<u>941,414</u>	<u>773,319</u>
Revenue disclosed in the Statements of Revenues and Expenditures		

**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, 2013, 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 78.3% at March 31, 2013 (2012 – 82.4%).

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013 AND 2012**

**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 \$8.1 million invested as at March 31, 2013 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 75% relative to an equity weighting of 25%. 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, 2013	March 31, 2012
Computer equipment	\$ 29,460	\$ 11,023	\$ 18,437	\$ 9,476
Furniture and office equipment	3,455	2,021	1,434	798
	<u>\$ 32,915</u>	<u>\$ 13,044</u>	<u>\$ 19,871</u>	<u>\$ 10,274</u>

**6. Accounts Payable And Accrued Liabilities**

	March 31, 2013 \$	March 31, 2012 \$
Trade payables	281,280	283,526
Government remittances	3,409	2,902
Accrued liabilities	18,000	17,000
	<u>302,689</u>	<u>303,428</u>

**7. Contractual Obligations**

As at March 31, 2013, 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 \$280,000 to July 31, 2015 (as at March 31, 2012 - \$397,000). The Society also has a commitment relating to the lease of its photocopy equipment totalling \$3,885 (2012 - \$6,474) to August 2014.

On March 14, 2013, the President and Chief Executive Officer ("CEO") informed the Board of Directors of her intention to resign from her position prior to the end of calendar 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

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013 AND 2012**

**EXHIBIT E  
(CONT'D)**

**7. Contractual Obligations (Cont'd)**

by providing three months written notice, with the Society having the option to consent to additional or lesser notice.

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, 2013 and 2012.

**8. Restricted Net Assets**

At March 31, 2013, the Society's net assets are subject to future obligations aggregating \$6,878,829 (2012 - \$3,735,021), 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 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, 2013, the Society received an aggregate of \$7,296 (2012 - \$5,502) 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, 2013, the Society paid or accrued an aggregate of \$90,726 (2012 - \$35,914) 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, 2013:

- The Board of Directors of the Society approved an additional \$515,000 in program funding.
- The Society approved and disbursed 5 scholarships of \$5,000 each.
- The Society redeemed an aggregate of \$3.25 million from its portfolio at CC&L, and reinvested \$3.0 million of this amount in a high interest savings account. Of the reinvested \$3.0 million, \$2.25 million has been subsequently transferred to the Society's operating account.

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013 AND 2012**

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

**11. Comparative Figures**

A portion of the salaries and benefits expenditures for the year ended March 31, 2012 have been reclassified to program management expenditures to conform with the financial statement presentation adopted by the Society during the year ended March 31, 2013.