

**GEOSCIENCE BC SOCIETY**

**FINANCIAL STATEMENTS**

**MARCH 31, 2012**

**GEOSCIENCE BC SOCIETY  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2012 AND 2011**

**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 5, 2012

  
\_\_\_\_\_  
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, 2012 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, 2012, 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.

*Beauchamp & Company*  
CHARTERED ACCOUNTANTS

Vancouver, British Columbia  
September 5, 2012



**GEOSCIENCE BC SOCIETY  
STATEMENTS OF FINANCIAL POSITION  
AS AT MARCH 31, 2012 AND 2011**

**EXHIBIT A**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	\$ 127,176	\$ 83,923
Investments (Notes 2 & 3)	18,555,556	10,198,811
Accrued interest receivable	39,414	13,623
Amounts receivable	349,068	12,073,539
Prepaid expenses and deposits	5,984	3,647
	19,077,198	22,373,543
<b>Capital Assets (Notes 2 &amp; 5)</b>	10,274	11,687
	\$ 19,087,472	\$ 22,385,230

**LIABILITIES**

<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 303,428	\$ 110,839

**NET ASSETS**

Net Assets Restricted For Approved Programs (Note 8)	3,735,021	2,873,470
Unrestricted Net Assets	15,049,023	19,400,921
	18,784,044	22,274,391
	\$ 19,087,472	\$ 22,385,230

**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, 2012 AND 2011**

**EXHIBIT B**

	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
Grant – BC Ministry of Energy and Mines	\$ -	\$ 12,000,000
Other grants and program reimbursements	481,552	683,822
Investments (Note 3)	773,319	400,098
Funding recoveries (Note 8)	5,502	24,482
Sublease rent and other	15,580	14,580
	<u>1,275,953</u>	<u>13,122,982</u>
<b>Expenditures - Programs</b>		
Program costs incurred	3,478,563	2,056,353
Program costs incurred, approved in principal	6,717	-
GST/HST, non-refundable portion	179,154	24,310
Publishing costs	23,946	38,464
	<u>3,688,380</u>	<u>2,119,127</u>
<b>Expenditures - Administration</b>		
Amortization of capital assets	9,840	14,726
Communications and marketing	52,964	58,906
Consulting	22,640	53,899
Gifts and promotion	15,886	1,465
Dues and memberships	3,200	3,258
Equipment lease	3,607	3,262
GST/HST, non-refundable portion	22,906	22,129
Insurance	5,467	5,445
Investment management fees	60,230	49,495
Office and sundry	12,367	16,937
Professional fees	54,255	54,488
Recruitment	5,222	-
Rent and utilities (Note 7)	127,105	125,045
Salaries and benefits	549,853	482,362
Scholarship awards	40,000	45,000
Sponsorship	4,024	18,369
Staff training and professional development	6,574	6,071
Travel, conferences and meetings	71,498	78,624
Website, internet and e-mail	10,282	10,804
	<u>1,077,920</u>	<u>1,050,285</u>
<b>(Deficiency) Excess Of Revenues Over Expenditures</b>	<b>\$ (3,490,347)</b>	<b>\$ 9,953,570</b>

See accompanying notes.

**GEOSCIENCE BC SOCIETY**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED MARCH 31, 2012 AND 2011**

**EXHIBIT C**

	Restricted For Approved Programs	Unrestricted	Total
Balance, March 31, 2010	\$ 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
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

See accompanying notes.

**GEOSCIENCE BC SOCIETY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2012 AND 2011**

**EXHIBIT D**

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

	<u>2012</u>		<u>2011</u>
<b>Operating Activities</b>			
Grants and program reimbursements	\$ 12,387,464	\$	718,986
Investments	498,096		421,544
Funding recoveries	5,502		24,482
Sublease rent and other	15,580		14,580
Payments for program expenditures	(3,508,323)		(2,101,238)
Payments for administration expenditures	(1,059,310)		(1,004,859)
Payments of refundable portion of GST/HST	(229,719)		(53,612)
Receipt of refundable portion of GST/HST	53,612		144,951
<b>Cash provided by (used for) operating activities</b>	<b>8,162,902</b>		<b>(1,835,166)</b>
<b>Investing Activities</b>			
Purchase of investments (Note 3)	(11,500,000)		(3,750,000)
Redemption of investments (Note 3)	3,750,000		5,831,872
Reinvestment of investment distributions, net	(361,222)		(363,346)
Purchase of capital assets	(8,427)		(5,449)
<b>Cash (used for) provided by investing activities</b>	<b>(8,119,649)</b>		<b>1,713,077</b>
<b>Increase (Decrease) In Cash And Cash Equivalents</b>	<b>43,253</b>		<b>(122,089)</b>
<b>Cash And Cash Equivalents, Beginning Of Year</b>	<b>83,923</b>		<b>206,012</b>
<b>Cash And Cash Equivalents, End Of Year</b>	<b>\$ 127,176</b>	<b>\$</b>	<b>83,923</b>

See accompanying notes.



**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012 AND 2011**

**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, 2012 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, 2012 AND 2011**

**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, 2012, \$6.0 million (2011 - \$3.75 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, 2012, the Society invested \$5.5 million with CC&L (2011 - \$nil).

During the year ended March 31, 2012, the Society drew \$3.75 million (2011 - \$1.83 million) from amounts invested in guaranteed income certificates, and nil (2011 - \$4.0 million) from amounts invested under CC&L's management. Of this \$4.0 million amount withdrawn from CC&L during the 2011 fiscal year, \$3.75 million was immediately reinvested in near cash instruments as disclosed above.

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012 AND 2011**

**EXHIBIT E  
(CONT'D)**

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

	March 31, 2012 Market Value \$	March 31, 2011 Market Value \$
<b>Investments:</b>		
Dundee investment savings account	-	255,111
Guaranteed investment certificates ("GIC's")	6,251,800	3,750,000
	6,251,800	4,005,111
CC&L aggregate portfolio	12,303,756	6,193,700
	<u>18,555,556</u>	<u>10,198,811</u>

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

	March 31, 2012 \$	March 31, 2011 \$
Interest earned on GIC's and equivalent instruments	95,805	20,430
Reinvested distributions	424,771	413,737
Realized investment (losses) gains	(66,086)	1,692
Unrealized investment gains (losses)	318,829	(35,761)
Revenue disclosed in the Statements of Revenues and Expenditures	<u>773,319</u>	<u>400,098</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, 2012, 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. 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 82.4% at March 31, 2012 (2011 - 100%).

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012 AND 2011**

**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 \$12.3 million invested as at March 31, 2012 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.

**5. Capital Assets**

	Cost	Accumulated Amortization	Net Book Value At	
			March 31, 2012	March 31, 2011
Computer equipment	\$ 20,268	\$ 10,792	\$ 9,476	\$ 9,943
Furniture and office equipment	3,949	3,151	798	1,744
	<u>\$ 24,217</u>	<u>\$ 13,943</u>	<u>\$ 10,274</u>	<u>\$ 11,687</u>

**6. Accounts Payable And Accrued Liabilities**

	March 31, 2012 \$	March 31, 2011 \$
Trade payables	283,526	93,182
Government remittances	2,902	3,657
Accrued liabilities	17,000	14,000
	<u>303,428</u>	<u>110,839</u>

**7. Contractual Obligations**

As at March 31, 2012, 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 \$397,000 to July 31, 2015 (as at March 31, 2011 - \$153,000 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 \$181,000 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.

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012 AND 2011**

**EXHIBIT E  
(CONT'D)**

**8. Restricted Net Assets**

At March 31, 2012, the Society's net assets are subject to future obligations aggregating \$3,735,022 (2011 - \$2,873,470), 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, 2012, the Society received an aggregate of \$5,502 (2011 - \$24,482) 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, 2012, the Society paid or accrued an aggregate of \$31,226 (2011 - \$22,085) to entities controlled by Directors of the Society for community engagement, communications and administrative services.

**10. Subsequent Events**

During the period subsequent to March 31, 2012:

- The Board of Directors of the Society approved up to \$930,000 to be spent on the Northern Vancouver Island Exploration Geoscience program. Pursuant to a contribution agreement with the North Island Coast Development Initiative Trust, the trust will reimburse the Society for 43% of allowable expenditures incurred for this program, to a maximum of \$400,000 in funding. The program will include an airborne magnetic survey and a stream sediment geochemical sampling and reanalysis program.
- The Board of Directors of the Society approved an additional \$1,196,200 in program funding.
- The Society approved and disbursed 7 scholarships of \$5,000 each.