

GEOSCIENCE BC SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2016

**GEOSCIENCE BC SOCIETY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
INDEPENDENT AUDITOR'S REPORT**

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- B. Statements of Revenues and Expenditures**
- C. Statements of Changes in Net Assets**
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- 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 15, 2016



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, 2016 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, 2016, 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 15, 2016

Beauchamp & Company LLP
CHARTERED PROFESSIONAL ACCOUNTANTS


GEOSCIENCE BC SOCIETY
STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2016 AND 2015


EXHIBIT A

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 108,454	\$ 608,715
Investments (Notes 2 & 3)	12,074,113	12,459,862
Accrued interest receivable	30,552	33,651
Amounts receivable (Note 10)	5,742,035	5,271,766
Prepaid expenses and deposits	124,856	80,742
	18,080,010	18,454,736
Capital Assets (Notes 2 & 5)	74,858	16,012
	\$ 18,154,868	\$ 18,470,748
LIABILITIES AND DEFERRED CONTRIBUTIONS		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 381,778	\$ 437,418
Deferred Revenue Contributions (Note 10)	5,000,000	125,308
	5,381,778	562,726
NET ASSETS		
Net Assets Restricted For Approved Programs (Note 8)	6,001,481	6,684,997
Unrestricted Net Assets	6,771,609	11,223,025
	12,773,090	17,908,022
	\$ 18,154,868	\$ 18,470,748

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, 2016 AND 2015

EXHIBIT B

	<u>2016</u>	<u>2015</u>
Revenues		
Grants – BC Ministry of Energy and Mines	\$ 100,000	\$ 5,000,000
Grants – other, and program reimbursements	712,191	395,643
Investments (Note 3)	166,482	1,154,288
Sublease rent and other	23,262	14,104
	<u>1,001,935</u>	<u>6,564,035</u>
Expenditures - Programs		
Program costs incurred	3,950,313	2,215,120
Program management	447,358	380,979
GST/HST, non-refundable portion	67,697	16,436
GIS Server – implementation & maintenance	15,729	16,792
Publishing costs	74,002	40,312
	<u>4,555,099</u>	<u>2,669,639</u>
Expenditures - Administration		
Amortization of capital assets	26,733	10,911
Communications and marketing	62,340	50,915
Consulting	64,964	74,849
Gifts and promotion	15,801	14,534
Dues and memberships	12,628	12,557
Equipment lease	7,022	5,344
GST/HST, non-refundable portion	23,177	19,221
Insurance	7,944	5,426
Investment management fees	44,046	47,882
Office and sundry	26,288	21,169
Office relocation	20,764	-
Outreach – First Nations and Government Relations	182,418	105,206
Professional fees	107,651	108,725
Recruitment	921	-
Rent and utilities (Note 7)	163,241	131,183
Salaries and benefits	577,871	549,642
Scholarship awards	50,000	35,000
Sponsorship	20,353	15,720
Staff training and professional development	1,287	4,419
Travel, conferences and meetings	134,108	171,041
Website, internet and e-mail	19,005	12,639
Workshops	13,206	-
	<u>1,581,768</u>	<u>1,396,383</u>
(Deficiency) Excess Of Revenues Over Expenditures	\$ (5,134,932)	\$ 2,498,013

See accompanying notes.

**GEOSCIENCE BC SOCIETY
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015**

EXHIBIT C ⁷

	Restricted For Approved Programs	Unrestricted	Total
Balance, March 31, 2014	\$ 4,144,643	\$ 11,265,366	\$ 15,410,009
Internally-imposed restrictions	4,812,490	(4,812,490)	-
(Deficiency) Excess of revenues over expenditures	(2,272,136)	4,770,149	2,498,013
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

See accompanying notes.

**GEOSCIENCE BC SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015**

EXHIBIT D

Cash Provided By (Used For):

	<u>2016</u>		<u>2015</u>
Operating Activities			
Grants and program reimbursements	\$ 5,274,571	\$	3,432,166
Investments	452,488		361,879
Sublease rent and other	23,262		14,104
Payments for program expenditures	(4,613,759)		(2,589,991)
Payments for administration expenditures	(1,596,441)		(1,364,660)
Payments of refundable portion of GST/HST	(89,976)		(27,403)
Receipt of refundable portion of GST/HST	35,228		57,193
Cash used for operating activities	(514,627)		(116,712)
Investing Activities			
Purchase of investments (Note 3)	(5,000,000)		(4,000,000)
Redemption of investments (Note 3)	5,500,000		4,780,398
Reinvestment of investment distributions, net of fees	(398,259)		(306,115)
Purchase of capital assets	(87,375)		(8,848)
Cash provided by investing activities	14,366		465,435
Net Change In Cash And Cash Equivalents	(500,261)		348,723
Cash And Cash Equivalents, Beginning Of Year	608,715		259,992
Cash And Cash Equivalents, End Of Year	\$ 108,454	\$	608,715

See accompanying notes.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015**

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, 2016 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.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015**

**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
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, 2016, \$5.0 million (2015 - \$1.0 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, 2016, \$nil was invested with CC&L (2015 - \$3.0 million).

During the year ended March 31, 2016, the Society drew \$5.5 million (2015 - \$3.28 million) from amounts invested in guaranteed income certificates, and \$nil (2015 - \$1.5 million) from amounts invested under CC&L's management. Of the amounts withdrawn from CC&L, \$nil (2015 - \$1.0 million) was immediately reinvested in near cash instruments as disclosed above.

Refer to Note 10.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015**

**EXHIBIT E
(CONT'D)**

3. Investments (Cont'd)

	March 31, 2016 Market Value \$	March 31, 2015 Market Value \$
Investments:		
High interest savings accounts	1,678,847	1,096,592
Guaranteed investment certificates ("GIC's")	2,500,000	3,500,000
	4,178,847	4,596,592
CC&L aggregate portfolio	7,895,266	7,863,270
	<u>12,074,113</u>	<u>12,459,862</u>

As at August 31, 2016, the fair market value of the Society's CC&L aggregate portfolio has increased to \$8,220,962 with no cash transfers either in or out of the portfolio having been made since March 31, 2016. This increase has 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, 2016 \$	March 31, 2015 \$
Interest earned on GIC's and equivalent instruments	80,880	77,244
Reinvested distributions	450,764	359,559
Realized investment gains	51,577	253,263
Unrealized investment (losses) gains	(416,739)	464,222
Revenue disclosed in the Statements of Revenues and Expenditures	<u>166,482</u>	<u>1,154,288</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, 2016 and 2015, the Society has not recorded any allowance for impairment of its amounts receivable.

Interest rate risk

As at March 31, 2016, 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, 2016 AND 2015

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 79.2% at March 31, 2016 (2015 – 76.4%).

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 \$7.9 million invested as at March 31, 2016 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, 2016	March 31, 2015
Computer equipment	\$ 58,029	\$ 25,767	\$ 32,262	\$ 13,807
Furniture and office equipment	29,482	5,330	24,152	2,205
Leasehold improvements	24,287	5,843	18,444	-
	<u>\$ 111,798</u>	<u>\$ 36,940</u>	<u>\$ 74,858</u>	<u>\$ 16,012</u>

6. Accounts Payable And Accrued Liabilities

	March 31, 2016	March 31, 2015
	\$	\$
Trade payables	360,999	417,093
Government remittances	2,779	2,325
Accrued liabilities	18,000	18,000
	<u>381,778</u>	<u>437,418</u>

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015**

**EXHIBIT E
(CONT'D)**

7. Contractual Obligations

As at March 31, 2016, 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 \$377,000 to July 31, 2018 (2015 - \$41,000). The Society also has a commitment relating to the lease of its photocopy equipment totalling \$6,677 to March 2019 (2015 - \$8,903).

Pursuant to a contract of employment with its President and Chief Executive Officer, if the Society terminates its employment with this individual without cause, it would be committed to pay twelve months salary 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, 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, 2016 and 2015.

8. Restricted Net Assets

At March 31, 2016, the Society's net assets are subject to future obligations aggregating \$6,001,481 (2015 - \$6,684,997), 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, 2016 \$1,142,075 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, 2016 or March 31, 2015. 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, 2016, the Society paid or accrued an aggregate of \$159,577 (2015 - \$189,594) 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, 2016 AND 2015**

EXHIBIT E 14
(CONT'D)

10. Subsequent Events

During the period subsequent to March 31, 2016:

- The Board of Directors of the Society approved \$211,000 in program funding.
- The Society approved and disbursed 10 scholarships of \$5,000 each.
- The Society invested \$4.5 million of \$5 million received from the B.C. Ministry of Energy and Mines in guaranteed income certificates or equivalent instruments and redeemed an aggregate of \$2.5 million from this account to fund current operations. The \$5 million was receivable from this provincial government ministry at March 31, 2016.