

GEOSCIENCE BC SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2018

**GEOSCIENCE BC SOCIETY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017**

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- B. Statements of Revenues and Expenditures
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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 20, 2018



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, 2018 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, 2018, 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.

Material Uncertainty Related To Going Concern

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 Societies 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 20, 2018

Beauchamp & Company LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

**GEOSCIENCE BC SOCIETY
STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2018 AND 2017**

EXHIBIT A

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents (note 2)	\$ 277,661	\$ 475,453
Investments (notes 2 & 3)	16,705,788	12,043,977
Accrued interest receivable	48,755	27,661
Amounts receivable	448,450	10,155,396
Prepaid expenses and deposits	193,274	138,967
	17,673,928	22,841,454
Capital assets (notes 2 & 5)	30,666	56,075
	\$ 17,704,594	\$ 22,897,529
LIABILITIES AND DEFERRED CONTRIBUTIONS		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 276,828	\$ 756,661
Deferred revenue contributions	4,024,616	10,000,000
	4,301,444	10,756,661
NET ASSETS		
Net assets restricted for approved programs (note 8)	4,744,182	4,727,248
Unrestricted net assets	8,658,968	7,413,620
	13,403,150	12,140,868
	\$ 17,704,594	\$ 22,897,529
Nature of operations and going concern (note 1)		
Subsequent events (note 11)		

Approved by the Board:



Director



Director

See accompanying notes.

GEOSCIENCE BC SOCIETY
STATEMENTS OF REVENUES AND EXPENDITURES
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

EXHIBIT B

	<u>2018</u>	(Note 12) <u>2017</u>
Revenues		
Grants – BC Ministry of Energy, Mines and Petroleum Resources	\$ 5,975,384	\$ 5,000,000
Grants – other, and program reimbursements	847,413	265,244
Investments (note 3)	412,104	629,372
Other	2,765	2
	<u>7,237,666</u>	<u>5,894,618</u>
Expenditures - Programs		
Program costs incurred	4,096,232	3,836,152
Program management (note 10)	537,622	465,576
Publishing costs	36,542	49,416
Scholarship awards	35,000	50,000
GST/HST, non-refundable portion	58,853	41,114
GIS Server – implementation & maintenance	12,115	21,938
	<u>4,776,364</u>	<u>4,464,196</u>
Expenditures - Administration		
Amortization of capital assets	32,660	35,613
Communications and marketing	51,965	103,600
Consulting	68,573	390,698
Dues and memberships	11,848	6,370
Equipment lease	6,288	7,305
Gifts and promotion	13,697	16,702
GST/HST, non-refundable portion	17,455	33,860
Insurance	8,854	8,890
Investment management fees	63,526	45,776
Office and sundry	20,774	22,530
Professional fees	124,649	155,464
Recruitment	27,299	69,349
Rent and utilities (note 7)	178,048	174,500
Salaries and benefits (note 10)	429,067	788,644
Sponsorship	9,675	24,571
Staff training and professional development	-	2,351
Travel, conferences and meetings	106,637	152,915
Website, internet and e-mail	28,005	23,506
	<u>1,199,020</u>	<u>2,062,644</u>
Excess (Deficiency) of revenues over expenditures	<u>\$ 1,262,282</u>	<u>\$ (632,222)</u>

See accompanying notes.

GEOSCIENCE BC SOCIETY
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

EXHIBIT C

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	Restricted For Approved Programs	Unrestricted	Total
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
Internally-imposed restrictions	4,205,707	(4,205,707)	-
(Deficiency) Excess of revenues over expenditures	(4,188,773)	5,451,055	1,262,282
Balance, March 31, 2018	\$ 4,744,182	\$ 8,658,968	\$ 13,403,150

See accompanying notes.

**GEOSCIENCE BC SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017**

EXHIBIT D

Cash provided by (used for):

	<u>2018</u>	<u>2017</u>
Operating Activities		
Grants and program reimbursements	\$ 10,543,339	\$ 5,812,321
Investments	420,740	283,314
Other	2,765	2
Payments for program expenditures	(5,254,901)	(4,165,969)
Payments for administration expenditures	(1,202,764)	(1,980,492)
Payments of refundable portion of GST/HST	(79,210)	(63,398)
Receipt of refundable portion of GST/HST	76,187	126,284
Cash provided by operating activities	4,506,156	12,062
Investing Activities		
Purchase of investments (note 3)	(10,000,000)	(4,500,000)
Redemption of investments (note 3)	5,650,000	5,100,000
Reinvestment of investment distributions, net of fees	(346,697)	(228,233)
Purchase of capital assets	(7,251)	(16,830)
Cash (used for) provided by investing activities	(4,703,948)	354,937
Net change in cash and cash equivalents	(197,792)	366,999
Cash and cash equivalents, beginning of year	475,453	108,454
Cash and cash equivalents, end of year	\$ 277,661	\$ 475,453

See accompanying notes.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017**

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 transitioned under the Societies Act (British Columbia), effective June 19, 2018. 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, 2018 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, 2018 AND 2017**

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**EXHIBIT E
(CONT'D)**

2. Significant Accounting Policies (Cont'd)

Capital assets

Capital asset purchases made by the Society are capitalized and are recorded at cost less accumulated amortization. Amortization is recorded as disclosed in Note 5 on a straight-line basis, commencing in the quarter of acquisition, as follows:

Computer equipment	3 years
Furniture and office equipment	5 years
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

The Society 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, 2018, \$4 million (2017 - \$nil) was invested with CC&L, and no amounts were withdrawn from CC&L (2017 - \$nil).

During the year ended March 31, 2018, \$10 million (2017 - \$4.5 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, 2018, the Society drew \$9.65 million (2017 - \$5.1 million) from the amounts invested in guaranteed income certificates and equivalent instruments. Of this \$9.65 million, \$4 million was then transferred to CC&L (2017 - \$nil).

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017**

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**EXHIBIT E
(CONT'D)**

3. Investments (Cont'd)

	March 31, 2018 Market Value \$	March 31, 2017 Market Value \$
Investments:		
High interest savings account	65,618	1,152,966
Guaranteed investment certificates ("GIC's")	4,000,000	2,500,000
	4,065,618	3,652,966
CC&L aggregate portfolio	12,640,170	8,391,011
	<u>16,705,788</u>	<u>12,043,977</u>

As at September 20, 2018, the fair market value of the Society's CC&L aggregate portfolio has decreased to \$8,916,636, as the Society redeemed an aggregate of \$4 million, reinvested in the high interest savings account, and the portfolio increased in value by \$276,466. 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, 2018 \$	March 31, 2017 \$
Interest earned on GIC's and equivalent instruments	88,090	72,828
Reinvested distributions	418,375	287,887
Realized investment gains	223,344	38,893
Change in unrealized investment gains and losses	(317,705)	229,764
Revenue disclosed in the Statements of Revenues and Expenditures	<u>412,104</u>	<u>629,372</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, 2018 and 2017, the Society has not recorded any allowance for impairment of its amounts receivable.

Interest rate risk

As at March 31, 2018, 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, 2018 AND 2017**

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**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 78.0% at March 31, 2018 (2017 – 77.9%).

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 \$12.6 million invested as at March 31, 2018 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, 2018	March 31, 2017
Computer equipment	\$ 46,327	\$ 37,875	\$ 8,452	\$ 19,097
Furniture and office equipment	32,534	16,029	16,505	19,853
Leasehold improvements	34,562	28,853	5,709	17,125
	<u>\$ 113,423</u>	<u>\$ 82,757</u>	<u>\$ 30,666</u>	<u>\$ 56,075</u>

6. Accounts Payable And Accrued Liabilities

	March 31, 2018 \$	March 31, 2017 \$
Trade payables	252,962	732,874
Government remittances	2,866	3,787
Accrued liabilities	21,000	20,000
	<u>276,828</u>	<u>756,661</u>

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017**

**EXHIBIT E
(CONT'D)**

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7. Contractual Obligations

As at March 31, 2018, 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 \$579,000 to July 31, 2021 (2017 - \$218,000). The Society also has a commitment relating to the lease of its photocopy equipment totalling \$9,032 to August 2020 (2017 - \$4,451).

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 four weeks salary in termination benefits during the first year of employment, and after three years of continuous employment the Society would be committed to pay six weeks salary in termination benefits plus one additional week salary for each additional year of employment up to a maximum 16 weeks. 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, 2018 and 2017.

8. Restricted Net Assets

At March 31, 2018, the Society's net assets are subject to future obligations aggregating \$4,744,182 (2017 - \$4,727,248), 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, 2018, \$500,000 is approved in principle for a program funding commitment, whose final approval is contingent on various future events. Refer to Note 11. These internally restricted amounts are not available for other purposes without the approval of the Society's Board of Directors.

Recipients of funding from Geoscience BC are required to account for the expenditure of all monies received, and Geoscience BC reserves the right to request documentation to support the reported expenditure breakdowns. Unspent funds, including GST and HST input tax credits subsequently recovered by recipients, but based on the expenditure of Geoscience BC grants, are to be returned to the Society. During the fiscal year ended March 31, 2018, the Society received an aggregate of \$4,158 (2017 - \$nil) 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.

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, 2018, the Society paid or accrued an aggregate of \$132,413 (2017 - \$149,818) to related parties for administrative and professional services.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017**

**EXHIBIT E
(CONT'D)**

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10. Remuneration of Directors, Employees and Consultants

Total salaries and benefits paid by the Society for the year ended March 31, 2018 were \$966,689 (2017 – \$1,238,641) of which \$429,067 (2017 – \$788,644) is included in Administration expenditures and \$537,622 (2017 – \$449,997) is included in Program expenditures.

During the year ended March 31, 2018, the Society paid or accrued an aggregate of \$934,776 to six employees and consultants of the Society (2017 - \$1,437,116 to seven employees and consultants) who each earned more than \$75,000 during the year. Of this amount, \$139,443 was paid to the Society's President and CEO (October 2017 to March 2018), who is also a Director of the Society. During the year ended March 31, 2017, \$469,947 was paid to the Society's previous President and CEO, which included his severance.

11. Subsequent Events

During the period subsequent to March 31, 2018:

- The Board of Directors of the Society approved \$500,000 in program funding, which, as at March 31, 2018 was approved in principle. Refer to Note 8.
- The Society approved and disbursed 10 scholarships of \$5,000 each.
- The Society redeemed an aggregate of \$4 million from its portfolio at CC&L, and reinvested these proceeds in a high interest savings account.

12. Comparative Figures

Outreach - First Nations and Government Relations has been reclassified to, and grouped with, Consulting in the Society's Statements of Revenues and Expenditures to conform with the financial statement presentation adopted for in the current year. This reclassification resulted in no change to the Society's deficiency of revenues over expenditures for the year ended March 31, 2017.