

CANADIAN SOCIETY OF EXPLORATION GEOPHYSICISTS
Financial Statements
Year Ended December 31, 2018

CANADIAN SOCIETY OF EXPLORATION GEOPHYSICISTS

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Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Society of Exploration Geophysicists

Qualified Opinion

I have audited the financial statements of Canadian Society of Exploration Geophysicists (the Company), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenditures and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from member contributions and events the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Society and I was not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets. My audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation of scope.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Society in accordance with the ethical requirements that are relevant to my audit of the Society's financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with those requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the Society's 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

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Independent Auditor's Report to the Members of Canadian Society of Exploration Geophysicists
(continued)

Those charged with governance are responsible for overseeing the Society's financial reporting process.

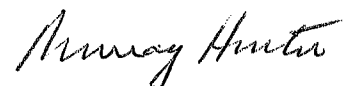
Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Calgary, Alberta
March 12, 2019



CHARTERED ACCOUNTANT

CANADIAN SOCIETY OF EXPLORATION GEOPHYSICISTS

Statement of Financial Position

December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 154,941	\$ 159,362
Accounts receivable	47,980	13,087
Convention development fund	51,782	41,926
Goods and services tax recoverable	-	211
Prepaid expenses	14,769	9,967
	269,472	224,553
FURNITURE AND EQUIPMENT <i>(Note 5)</i>	6,279	7,849
RESTRICTED FUNDS	1,071,632	1,071,632
	\$ 1,347,383	\$ 1,304,034
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued expenses	\$ 35,886	\$ 25,213
Deferred income	39,930	26,324
	75,816	51,537
NET ASSETS		
Capital assets	6,279	7,849
General fund	193,656	173,016
Restricted fund	1,071,632	1,071,632
	1,271,567	1,252,497
	\$ 1,347,383	\$ 1,304,034

ON BEHALF OF THE BOARD

_____ Director

_____ Director

CANADIAN SOCIETY OF EXPLORATION GEOPHYSICISTS
Statement of Revenues and Expenditures and Changes in Net Assets
Year Ended December 31, 2018

	Total 2018	Total 2017
REVENUES		
Geo convention	\$ 131,356	\$ 122,231
Continuing education	31,567	29,501
Doodletrain	147,665	116,340
Interest and other	20,662	16,272
Luncheon fees	64,630	43,016
Memberships	74,851	94,614
Recorder	21,429	53,260
	<u>492,160</u>	<u>475,234</u>
EXPENDITURES		
Administration	221,972	246,606
Amortization	1,570	3,363
Recorder	43,330	61,660
Interest and bank charges	855	886
Continuing education	29,519	21,486
Doodletrain	106,701	82,253
Digital media	10,667	7,906
Member services	22,235	24,995
Luncheons	36,241	29,141
	<u>473,090</u>	<u>478,296</u>
NET EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,070	(3,062)
NET ASSETS - BEGINNING OF YEAR	<u>1,252,497</u>	<u>1,255,559</u>
NET ASSETS - END OF YEAR	<u>\$ 1,271,567</u>	<u>\$ 1,252,497</u>

CANADIAN SOCIETY OF EXPLORATION GEOPHYSICISTS

Statement of Cash Flows

Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 19,070	\$ (3,062)
Item not affecting cash:		
Amortization of furniture and equipment	1,570	3,363
	<u>20,640</u>	301
Changes in non-cash working capital	<u>(25,061)</u>	(10,441)
Cash flow from operating activities	<u>(4,421)</u>	(10,140)
INVESTING ACTIVITY		
Purchase of furniture and equipment	-	(598)
Cash flow from (used by) investing activity	<u>-</u>	(598)
DECREASE IN CASH FLOW	(4,421)	(10,738)
Cash - beginning of year	<u>1,230,994</u>	1,241,732
CASH - END OF YEAR	\$ 1,226,573	\$ 1,230,994
CASH CONSISTS OF:		
Cash	\$ 154,941	\$ 159,362
Restricted assets	<u>1,071,632</u>	1,071,632
	<u>\$ 1,226,573</u>	\$ 1,230,994

CANADIAN SOCIETY OF EXPLORATION GEOPHYSICISTS

Notes to Financial Statements

Year Ended December 31, 2018

1. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (GAAP).

2. NATURE AND OBJECT OF THE SOCIETY

The Canadian Society of Exploration Geophysicists (the Society) was established as a Society under the Societies Act of Alberta on December 20, 1949 as a not-for-profit organization.

The object of the Society is to promote the science of geophysics, especially as it applies to exploration, and to promote fellowship and cooperation among the persons interested in geophysical problems.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Project revenues and expenses are recognized in the Project Fund during the period when the revenue is received and expenses are incurred.

Convention revenues and expenses are recognized in the Convention Fund during the period when the convention is held.

Capital assets

Capital assets are recorded in the Operating Fund at cost. Amortization is provided on straight-line basis over three to eight years, being the estimated useful life of the assets.

Leasehold improvements are amortized on a straight-line basis over the term of the lease, which is five years.

Contributed services

The operations of Society are dependant on the services of many volunteers. Although these volunteered services form an integral part of the ongoing operations, the value of contributed services has not been recognized in these financial statements.

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CANADIAN SOCIETY OF EXPLORATION GEOPHYSICISTS

Notes to Financial Statements

Year Ended December 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Social committees

Various social committees within the society have monies available to them in order to administer the specific activities for which the committees were established.

The financial activities of these committees have not been reported upon in these financial statements..

Income taxes

The Society is a not-for-profit organization and is exempt from income taxes pursuant to Section 149 of the Income Tax Act.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

4. INTERNALLY RESTRICTED FUND BALANCES AND INTERFUND TRANSFERS

The internally restricted funds have been allocated as follows:

	<u>2018</u>	<u>2017</u>
Operating fund - reserve	\$ 940,000	\$ 940,000
Convention fund	131,632	131,632
	<u>\$ 1,071,632</u>	<u>\$ 1,071,632</u>

The Society's Executive Committee has internally restricted funds amounting to \$ 1,071,632 (2017- \$ 1,071,632). These amounts are not available for other purposes without approval of the Executive Committee. The internally restricted fund provides for sustainable administration, recorder and membership costs.

5. FURNITURE AND EQUIPMENT

	Cost	Accumulated amortization	<u>2018 Net book value</u>	<u>2017 Net book value</u>
Furniture and fixtures	\$ 25,855	\$ 19,576	\$ 6,279	\$ 7,849

CANADIAN SOCIETY OF EXPLORATION GEOPHYSICISTS

Notes to Financial Statements

Year Ended December 31, 2018

6. FINANCIAL INSTRUMENTS

The Society's financial instruments that are included in the statement of financial position are comprised of cash , accounts receivable., accounts payable and deferred revenue, all of which approximate fair value due to the immediate or short term maturity of these instruments. In addition, included in restricted assets are \$ 806,141 of guaranteed investment certificates with maturities ranging from July 2019 to July 2021 bearing interest at rates between 1.45% to 2.85% . The Society has some exposure to changes in interest rates on these investments over this period. It is the opinion of management that the Society is not exposed to any material credit ,or liquidity risk on any of the other financial instruments.

7. COMMITMENTS

The Society is committed to a lease of its premises commencing in October 31 2018 that expires March 31, 2022.. Annual base rental commitments are \$ 12,968. Current monthly payments are \$ 1,081.

8. LITIGATION

During the year a statement of claim was filed against the Society in the amount of \$ 120,000 for the wrongful dismissal of one of its employees. The Board of Directors are of the opinion that the claim is without merit and will defend this action vigorously.
