

ASSOCIATION FOR MINERAL EXPLORATION BRITISH COLUMBIA ('AME')

Financial Statements

As at and for the year ended

August 31, 2017

ASSOCIATION FOR MINERAL EXPLORATION BRITISH COLUMBIA
Statement of Financial Position
As at August 31, 2017

	2017	2016
ASSETS	\$	\$
Current assets		
Cash and cash equivalents	151,012	232,038
Short-term investments (note 2)	227,111	200,000
Investments (note 6)	196,612	444,815
Prepays	325,430	341,091
Amounts receivable	513	13,591
	900,678	1,231,535
Investments (note 6)	2,200,000	2,200,000
Equipment (note 3)	13,172	22,595
	3,113,850	3,454,130
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	67,335	113,128
Deferred revenue (note 8)	849,208	924,925
	916,543	1,038,053
NET ASSETS		
Unrestricted (deficient) net assets - Operating Fund	(2,693)	116,077
Internally - Restricted Fund (note 4)	2,200,000	2,300,000
	2,197,307	2,416,077
	3,113,850	3,454,130
Commitments (note 10)		

Approved by the Board of Directors:



Director



Director

See accompanying notes to the financial statements

ASSOCIATION FOR MINERAL EXPLORATION BRITISH COLUMBIA

Statement of Changes in Net Assets
For the year ended August 31, 2017

	2017			2016
	Unrestricted net assets (Operating Fund)	Internally- Restricted Funds (note 4)	Total	Total
	\$	\$	\$	\$
Balance - Beginning of year	116,077	2,300,000	2,416,077	2,651,663
Approved transfer from the CRF	100,000	(100,000)	-	-
Excess of expenditures over revenues	(218,770)	-	(218,770)	(235,586)
Balance - End of year	(2,693)	2,200,000	2,197,307	2,416,077

See accompanying notes to the financial statements

ASSOCIATION FOR MINERAL EXPLORATION BRITISH COLUMBIA

Statement of Revenue and Expenditures

For the year ended August 31, 2017

	2017	2016
	\$	\$
Revenue		
Annual conference	2,566,903	2,530,809
Workshops/seminars	5,832	890
Member relations & events	382,607	409,736
Public affairs & communications	4,550	18,789
Investment income	174,728	160,048
Miscellaneous revenue	6,776	8,892
Government grants received	98,689	97,036
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Total revenue	3,240,085	3,226,200
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Expenditures (note 11)		
Management & direction	189,540	177,226
Administrative & office	690,450	629,542
Environment, health & safety	64,133	36,850
Member relations & events	157,212	214,170
Government relations	377,343	381,923
Public affairs & communications	132,661	259,471
Aboriginal & community relations	235,603	214,074
Annual conference	1,496,288	1,428,057
Government grant programs	98,009	97,036
Amortization	17,616	23,437
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Total expenditures	3,458,855	3,461,786
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Deficiency of revenue over expenditures	(218,770)	(235,586)
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See accompanying notes to the financial statements

ASSOCIATION FOR MINERAL EXPLORATION BRITISH COLUMBIA

Statement of Cash Flows

For the year ended August 31, 2017

	2017	2016
	\$	\$
Cash flows from (to) operating activities		
Deficiency of revenues over expenditures	(218,770)	(235,586)
Adjustments for non-cash items:		
Amortization	17,616	23,437
Net non-cash increase in value of investment portfolio	(153,908)	(140,264)
Adjustments for net changes in non-cash working capital items:		
Decrease in deferred revenue	(75,717)	(182,216)
Decrease in amounts receivable	13,078	1,780
Increase/(decrease) in accounts payable and accrued liabilities	(45,793)	13,390
Decrease in prepaids and deposits	15,661	17,315
	<u>(447,833)</u>	<u>(502,144)</u>
Cash flows from (to) investing activities		
Purchases of equipment	(8,193)	(21,674)
Purchases of investments	(900,000)	(650,000)
Proceeds on dispositions of investments	1,275,000	1,156,393
	<u>366,807</u>	<u>484,719</u>
Net decrease in cash	(81,026)	(17,425)
Cash and cash equivalents, beginning of year	232,038	249,463
Cash and cash equivalents, end of year	<u>151,012</u>	<u>232,038</u>

See accompanying notes to the financial statements

ASSOCIATION FOR MINERAL EXPLORATION BRITISH COLUMBIA

Notes to the Financial Statements

Year Ended August 31, 2017

1. NATURE AND CONTINUITY OF THE ORGANIZATION

The Association for Mineral Exploration British Columbia (“AME BC”) is a not-for-profit organization initially formed in Vancouver on April 23, 1912, and incorporated under the *Society Act* (British Columbia). AME BC represents, advocates, protects and promotes the interest of thousands of members who are engaged in mineral exploration and development in B.C. and throughout the world. AME BC encourages a safe, economically strong and environmentally responsible industry by providing clear initiatives, policies, events and tools to support its membership. At August 31, 2017, the organization had a net working capital deficiency of approximately \$16,000, however AME BC’s non-current investment assets are excluded from the working capital calculation but are substantially liquid in nature and have a value of \$2.2 million at August 31, 2017. In the opinion of management, these surplus funds provide a reserve adequate to reasonably safeguard AME BC’s continuity as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations as included in Part III of the CPA Handbook.

Fund accounting

AME BC accounts for its operations and segregates equity claims on its net assets utilizing an internally-restricted Contingency Reserve Fund (“CRF”) and an Operating Fund; however, the use of both funds is subject only to the policies and decisions adopted by AME BC’s board. None of AME BC’s net assets are subject to the control of entities external to AME BC.

AME BC’s current Funds are as follows:

- Revenues and expenditures related to program delivery and administrative activities are reported in the Operating Fund. All investment income and realized and unrealized investment gains are initially recorded in the Operating Fund, either as current items or as direct increases in net assets, as further described below.
- The CRF was established with an initial contribution of \$3.0 million; however, additional contributions, withdrawals, revenues and future expenditures, if any, are subject to the determination of the board and members, as more fully explained at note 4.

As the CRF currently has no recurring sources of contributions, revenue or expenditures, and for purposes of simplifying AME BC’s financial statement presentation, its results and cash flows are reflected within the Statements of Revenue and Expenditures and Cash Flows, which are typically applicable only to the Operating Fund. The revenue and expenditures of each Fund have been allocated separately in the Statement of Changes in Net Assets. Refer also to note 4.

Short-term investments

Short-term 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 AME BC’s statement of revenue and expenditures.

ASSOCIATION FOR MINERAL EXPLORATION BRITISH COLUMBIA

Notes to the Financial Statements

Year Ended August 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The AME BC's short-term investments, which exclude any items in the Connor, Clark & Lunn Private Capital Ltd. ("CC&L") portfolio, are generally comprised of interest-bearing savings account balances and Guaranteed Investment Certificates issued by Canadian commercial banks. Such investments are either cashable on demand or mature within one year of their date of issuance.

Equipment

Equipment purchases are capitalized and are recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis as follows:

Computer equipment	3	years
Furniture and office equipment	5	years
Leasehold improvements	10	years

Income taxes

AME BC is a not-for-profit organization and under the provisions of the *Income Tax Act* (Canada) is exempt from federal and provincial income taxes.

Donated materials and services

Donated materials and services are not recorded in the financial statements because of the difficulty in determining their value.

Contributed services

Volunteer time contributed to assist AME BC in carrying out its activities is not recognized in the financial statements because of the difficulty of determining its fair value.

Cash and cash equivalents

Cash and short-term investments consist of cash on deposit with banks and other institutions and highly liquid short-term interest bearing securities with maturities at the purchase date of three months or less.

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 and the revenues and expenses for the period reported. Actual results could differ from those estimates.

AME BC's determination of its current investment assets is substantially premised on its budgeted operating results and the required liquidation of such assets based on those expected overall results. Actual liquidations of such assets could occur for various other reasons and in other aggregate amounts, none of which are determinable at the balance sheet date.

These investment assets are also subject to potential material fluctuations in respect to their fair values.

ASSOCIATION FOR MINERAL EXPLORATION BRITISH COLUMBIA

Notes to the Financial Statements

Year Ended August 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

AME BC follows the deferral method of accounting for grants, sponsorship and membership fees. Under the deferral method, contributions related to expenses of future periods, of for which externally imposed restrictions remain unfulfilled are recorded as deferred revenue and recognized in as revenue in the period in which the related expenses are incurred. Membership revenue is recognized in a basis consistent with the service period.

3. EQUIPMENT

	2017			2016		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
	\$	\$	\$	\$	\$	\$
Computer equipment	117,322	113,262	4,060	109,129	100,956	8,173
Furniture & office equipment	108,859	108,466	393	108,859	105,210	3,649
Leasehold improvements	102,462	93,743	8,719	102,462	91,689	10,773
	<u>328,643</u>	<u>315,471</u>	<u>13,172</u>	<u>320,450</u>	<u>297,855</u>	<u>22,595</u>

4. CONTINGENCY RESERVE FUND

At the 2007 Annual General Meeting of AME BC, the members approved a special resolution to establish a CRF in the initial amount of \$3.0 million. The current balance of the CRF is \$2.2 million (2016 - \$2.3 million).

The CRF encompasses materially all of AME BC’s historical operating surpluses, including the gain realized on the disposition of the organization’s former premises in 2003.

At balances in excess of \$2.0 million, the CRF may be expended with board consent, subject to an annual limit of 10% of the CRF balance at the outset of the fiscal year. Expenditure of the amounts that would reduce the CRF balance below \$2.0 million, or of amounts greater than the 10% annual limit described above, may only be authorized pursuant to Special Resolution of the Members.

5. ENDOWMENT HELD AT THE VANCOUVER FOUNDATION

AME BC maintains an endowment fund with the Vancouver Foundation (“VF”). Pursuant to the trust agreement governing this fund, AME BC retains the exclusive right to make recommendations to the VF regarding the disbursement of the income earned by this endowment fund to qualified recipients as defined in the *Income Tax Act* (Canada). However, as legal control of this contributed amount has passed to the VF, it is no longer recognized in these financial statements.

ASSOCIATION FOR MINERAL EXPLORATION BRITISH COLUMBIA

Notes to the Financial Statements

Year Ended August 31, 2017

5. ENDOWMENT HELD AT THE VANCOUVER FOUNDATION *(continued)*

At August 31, 2017 the AME BC endowment fund at the VF had an aggregate balance of \$324,037, of which \$6,814 was accumulated income available for distribution. During fiscal 2017, \$20,000 (2016 - \$20,000) was disbursed to qualified recipients.

6. INVESTMENTS

AME BC has investments in pooled private income, equity, and alternative funds managed by CC&L. This portfolio is carried at fair value in these financial statements. AME BC has adopted the policy of carrying the value of the investment portfolio attributable to the CRF, after any transfers from the CRF budgeted to occur within 12 months of the balance sheet date, as a non-current asset. The residual, or derived, balance of the portfolio is then carried as a current asset.

During the current year, AME BC earned aggregate investment income of \$172,533 (2016 - \$155,926) on its CC&L portfolio, and liquidated \$ 400,000 (2016 - \$Nil) of these investments to fund its current working capital requirements.

At August 31, 2017 substantially all of these assets (89%) are represented by securities which are quoted in an active market.

7. FINANCIAL RISK MANAGEMENT

AME BC is exposed to elements of price and liquidity risk, as follows:

Price risk

There are three elements of price risk: currency risk, interest rate risk and market risk:

a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. AME BC is not exposed to significant currency risk.

b) Interest rate risk

Interest rate risk is the risk that the AME BC's investments will change in fair value due to future fluctuations in market interest rates. AME BC has an exposure to interest rate risk as a portion of its revenue is derived from interest on its short-term investments and the fair value of investments in pooled bond funds. AME BC does not directly use derivative financial instruments to mitigate this risk.

c) Market risk

Market risk is the risk that the fair value of an investment will fluctuate due to changes in market conditions. Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. AME BC is exposed to fair value risk on its investments in pooled funds holding fixed income and marketable equity securities, as well smaller amounts of real estate and infrastructure investments which are not subject to immediate valuation. These market risks are managed by

ASSOCIATION FOR MINERAL EXPLORATION BRITISH COLUMBIA

Notes to the Financial Statements

Year Ended August 31, 2017

7. FINANCIAL RISK MANAGEMENT (continued)

establishing and monitoring asset allocation strategies and investment performance, and by diversifying investments within the pooled funds held by AME BC.

Liquidity risk

Liquidity risk is the risk that AME BC will not be able to meet its financial obligations as they fall due. AME BC's approach to managing liquidity risk is to ensure that it monitors levels of cash equivalents on hand such that it can fund operations and settle liabilities when due. Investments are liquidated in anticipation of such requirement, however also with the intention of not unduly crystallizing unrealized loss positions. The liquidity risk associated with investments in non-liquid infrastructure and real estate assets is mitigated by the expectation that such investments can and will be held for significant periods of time.

There have not been any significant changes to risk exposure from prior years.

8. DEFERRED REVENUE

	2017	2016
	\$	\$
Corporate and individual membership dues	115,760	155,019
Annual conference – booth and sponsorship	719,547	742,610
Government funding	13,901	27,296
	<u>849,208</u>	<u>924,925</u>

9. PENSION PLAN

During the current year, AME BC contributed to a defined-contribution pension plan for its employees. Under the terms of the plan, AME BC contributes an amount totalling 8% (2016 - 8%) of each salaried employee's gross earnings, or \$73,246 in fiscal 2017 (2016 - \$78,675).

10. COMMITMENTS

AME BC has base rental commitments relating to leases of its office premises, exclusive of monthly charges in respect to operating and common area costs and property taxes, and for the use of certain office equipment. During the year ended August 31, 2017 these payments are included within the following disclosure:

Fiscal	\$
2018	97,390
2019	101,319
2020	102,105
2021	106,034
2022	103,730
2023	103,730
2024	17,288

ASSOCIATION FOR MINERAL EXPLORATION BRITISH COLUMBIA

Notes to the Financial Statements

Year Ended August 31, 2017

At August 31, 2017, AME BC is committed to incur, subject to *force majeure* clauses, approximately \$396,962 to the Vancouver Convention Centre in respect to the annual conferences of January, 2018 – 2020 as disclosed below:

Fiscal	\$
2018	176,893
2019	144,623
2020	48,446

11. SCHEDULE OF ALLOCATION OF SALARIES AND BENEFITS

AME BC charges salary expense to the cost centres reported on the Statement of Revenue and Expenditures on the basis of time spent as derived from monthly staff activity reports. The allocation of these amounts is as follows:

Cost centre	2017	2016
	\$	\$
Management & direction	175,280	150,452
Administrative & office	159,836	197,732
Environment, health & safety	35,047	27,515
Member relations & events	101,221	130,106
Government relations	233,357	194,386
Public affairs & communications	71,005	136,319
Aboriginal & community relations	111,270	102,958
Annual conference	<u>238,307</u>	<u>257,112</u>
Total salaries and benefits	<u><u>1,125,323</u></u>	<u><u>1,196,580</u></u>

12. RELATED PARTY TRANSACTIONS

Private entities over which directors and officers of AME BC exert control or significant influence charged an aggregate of \$37,837 (2016 - \$23,950) for administrative, professional and educational-related services. All of these charges were approved by directors or officers of AME BC who were not related to the parties involved in the transactions.