

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

**CANADIAN SOCIETY OF EXPLORATION GEOPHYSICISTS FOUNDATION**

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**Year Ended December 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Canadian Society of Exploration Geophysicists Foundation

### *Qualified Opinion*

I have audited the financial statements of Canadian Society of Exploration Geophysicists Foundation (the Foundation), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenditures, 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 Foundation 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 Foundation derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, I was not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2018, current assets and net assets as at December 31, 2018. My audit opinion on the financial statements for the year ended December 31, 2017 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 Foundation in accordance with the ethical requirements that are relevant to my audit of the 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 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

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

***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 Foundation'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 Foundation'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 Foundation 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  
June 11, 2019



CHARTERED ACCOUNTANT


**CANADIAN SOCIETY OF EXPLORATION GEOPHYSICISTS FOUNDATION**


**Statement of Financial Position**

**December 31, 2018**

|                                    | 2018                | 2017                |
|------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                      |                     |                     |
| <b>CURRENT</b>                     |                     |                     |
| Cash                               | \$ 64,880           | \$ 104,638          |
| Term deposits                      | 250,547             | 231,816             |
| Accounts receivable                | 140,540             | 144,069             |
| Goods and services tax recoverable | 57                  | -                   |
| Prepaid expenses                   | 17,668              | 9,209               |
|                                    | <u>473,692</u>      | <u>489,732</u>      |
| Restricted fund                    | 115,229             | 116,899             |
| Endowment fund                     | <u>1,582,023</u>    | <u>1,608,515</u>    |
|                                    | <u>\$ 2,170,944</u> | <u>\$ 2,215,146</u> |
| <b>LIABILITIES AND NET ASSETS</b>  |                     |                     |
| <b>CURRENT</b>                     |                     |                     |
| Accounts payable                   | \$ 44,061           | \$ 28,610           |
| Deferred income                    | 52,800              | 92,699              |
|                                    | <u>96,861</u>       | <u>121,309</u>      |
| <b>NET ASSETS</b>                  |                     |                     |
| General fund                       | 376,831             | 368,423             |
| Restricted fund                    | 115,229             | 116,899             |
| Endowment fund                     | <u>1,582,023</u>    | <u>1,608,515</u>    |
|                                    | <u>2,074,083</u>    | <u>2,093,837</u>    |
|                                    | <u>\$ 2,170,944</u> | <u>\$ 2,215,146</u> |

**ON BEHALF OF THE BOARD**

 \_\_\_\_\_ Director

 \_\_\_\_\_ Director

**CANADIAN SOCIETY OF EXPLORATION GEOPHYSICISTS FOUNDATION**

**Statement of Revenues and Expenditures**

**Year Ended December 31, 2018**

|   | <b>Total<br/>2018</b> | <b>Total<br/>2017</b> |
|---|-----------------------|-----------------------|
| <b>REVENUES</b>                                 |                       |                       |
| General donations                               | \$ 46,316             | \$ 53,531             |
| Outreach programs                               | 10,595                | 8,332                 |
| USO   | 41,863                | 9,700                 |
| CDL   | -                     | 18,000                |
| Scholarships                                    | 20,650                | 16,953                |
| Travel grant                                    | 3,000                 | 15,000                |
| Interest and other                              | -                     | 18,843                |
| ESFS  | 141,563               | 146,574               |
| Special projects                                | 8,457                 | 6,492                 |
| Fund development                                | -                     | 1,000                 |
|   | <b>272,444</b>        | <b>294,425</b>        |
| <b>EXPENDITURES</b>                             |                       |                       |
| Interest and bank charges                       | 278                   | 262                   |
| Administration                                  | 53,521                | 62,804                |
| Special projects                                | 8,540                 | 16,128                |
| Outreach  | 9,114                 | 22,690                |
| Scholarships                                    | 21,468                | 19,000                |
| USO   | 37,126                | 32,310                |
| Fund development                                | 2,192                 | 10,014                |
| CDL   | 871                   | 13,347                |
| Travel grant                                    | 5,181                 | 8,859                 |
| ESFS  | 149,713               | 145,491               |
|   | <b>288,004</b>        | <b>330,905</b>        |
| <b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b> | <b>\$ (15,560)</b>    | <b>\$ (36,480)</b>    |

**CANADIAN SOCIETY OF EXPLORATION GEOPHYSICISTS FOUNDATION**

**Statement of Changes in Net Assets**

**Year Ended December 31, 2018**

|  | General<br>Fund   | Restricted<br>Fund | Endowment<br>Fund   | 2018                | 2017                |
|--|-------------------|--------------------|---------------------|---------------------|---------------------|
| <b>NET ASSETS -<br/>BEGINNING OF<br/>YEAR</b>  | \$ 368,423        | \$ 116,899         | \$ 1,608,515        | \$ 2,093,837        | \$ 2,048,858        |
| Deficiency of revenues<br>over expenditures    | (15,560)          | -                  | -                   | (15,560)            | (36,480)            |
| Contributions                                  | -                 | 5,330              | 1,275               | 6,605               | 7,800               |
| Scholarships paid                              | -                 | (7,000)            | -                   | (7,000)             | (6,000)             |
| Interest and dividends                         | -                 | -                  | 23,968              | 23,968              | 20,424              |
| Realized and<br>unrealized<br>investment gains | -                 | -                  | (12,244)            | (12,244)            | 71,686              |
| Management<br>investment fee                   | -                 | -                  | (15,523)            | (15,523)            | (12,451)            |
| Transfer to general<br>fund                    | 23,968            | -                  | (23,968)            | -                   | -                   |
| <b>NET ASSETS - END OF<br/>YEAR</b>            | <b>\$ 376,831</b> | <b>\$ 115,229</b>  | <b>\$ 1,582,023</b> | <b>\$ 2,074,083</b> | <b>\$ 2,093,837</b> |

**CANADIAN SOCIETY OF EXPLORATION GEOPHYSICISTS FOUNDATION**

**Statement of Cash Flows**

**Year Ended December 31, 2018**

|   | 2018                | 2017                |
|---|---------------------|---------------------|
| <b>OPERATING ACTIVITIES</b>                       |                     |                     |
| Deficiency of revenues over expenditures          | \$ (15,560)         | \$ (36,480)         |
| Item not affecting cash:                          |                     |                     |
| Increase (decrease) in market value of securities | (12,244)            | 71,686              |
|   | <u>(27,804)</u>     | <u>35,206</u>       |
| Changes in non-cash working capital:              |                     |                     |
| Accounts receivable                               | 3,529               | 9,658               |
| Accounts payable                                  | 15,451              | (17,430)            |
| Deferred income                                   | (39,899)            | 11,511              |
| Prepaid expenses                                  | (8,459)             | 7,995               |
| Goods and services tax payable                    | (57)                | 54                  |
|   | <u>(29,435)</u>     | <u>11,786</u>       |
| Cash flow from operating activities               | <u>(57,239)</u>     | <u>46,992</u>       |
| <b>INVESTING ACTIVITIES</b>                       |                     |                     |
| Investment fees paid                              | (15,523)            | (12,451)            |
| Scholarships paid out of restricted funds         | (7,000)             | (6,000)             |
|   | <u>(22,523)</u>     | <u>(18,451)</u>     |
| Cash flow used by investing activities            | <u>(22,523)</u>     | <u>(18,451)</u>     |
| <b>FINANCING ACTIVITIES</b>                       |                     |                     |
| Interest and dividends earned                     | 23,968              | 20,424              |
| Donations received                                | 6,605               | 7,800               |
|   | <u>30,573</u>       | <u>28,224</u>       |
| Cash flow from financing activities               | <u>30,573</u>       | <u>28,224</u>       |
| <b>INCREASE (DECREASE) IN CASH FLOW</b>           | <b>(49,189)</b>     | <b>56,765</b>       |
| Cash and cash equivalents - beginning of year     | <u>2,061,868</u>    | <u>2,005,103</u>    |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>    | <b>\$ 2,012,679</b> | <b>\$ 2,061,868</b> |
| <b>CASH AND CASH EQUIVALENTS CONSISTS OF:</b>     |                     |                     |
| Cash and term deposits                            | \$ 315,427          | \$ 336,454          |
| Restricted investments                            | 115,229             | 116,899             |
| Endowment investments                             | 1,582,023           | 1,608,515           |
|   | <u>\$ 2,012,679</u> | <u>\$ 2,061,868</u> |



# CANADIAN SOCIETY OF EXPLORATION GEOPHYSICISTS FOUNDATION

## Notes to Financial Statements

Year Ended December 31, 2018

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### 1. BASIS OF PRESENTATION

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

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### 2. DESCRIPTION OF OPERATIONS

The Canadian Society of Exploration Geophysicists Foundation ( the Foundation) was established through Articles of Association in the Province of Alberta and registered in the name CSEG Foundation on July 13,2005 and received charitable status in 2006. The Foundation commenced operations effective January 1, 2007.

The Foundation's mandate is to establish programs and support post secondary education in geophysics and the earth sciences through scholarships, research and continuing education courses.

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles for not-for-profit organizations. In preparing these financial statements, management is required to make estimates and assumptions. In management's opinion, the financial statements have been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized below:

#### Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in guaranteed certificates and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than five years.

#### Revenue Recognition

The Foundation receives donations from the Canadian Society of Exploration Geophysicists and other supporters of the Foundation. Revenue is recognized when donations are received. In addition, the foundation earns interest on money held on deposit including amounts to be accrued up to the reporting date of the financial statements presented.

#### Endowment and restricted funds

The Foundation has established an endowment fund to provide support for its operations and other projects or scholarships that are deemed to promote the objects of the Foundation. These funds are held as a separate fund and are accounted for separately from the operating funds of the Foundation. It is the intention of the Foundation to only disburse interest and dividends earned on the endowment and restricted funds annually.

#### Income taxes

The Foundation meets certain exemptions as allowed for not-for-profit organizations and accordingly, no provision for income taxes is required or reflected in the accompanying financial statements.

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# CANADIAN SOCIETY OF EXPLORATION GEOPHYSICISTS FOUNDATION

## Notes to Financial Statements

Year Ended December 31, 2018

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Volunteer Services

Many of the activities necessary to conduct the day to day operations of the Foundation are carried out through volunteer efforts. However, due to the difficulties in determining fair values for these services, no amounts are included in the accompanying financial statements for these services.

#### Use of Estimates

In preparing these financial statements, the Board of Directors must make estimates and assumptions concerning values of certain assets and liabilities, net income and related disclosures reported in these financial statements. Actual results could differ from these estimates.

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### 4. FINANCIAL INSTRUMENTS

The carrying values of all of the assets, except prepaid expenses, and liabilities in the accompanying statements of financial position approximate fair value due to the relatively short-term maturities of these instruments.

The Foundation's revenues are derived from and dependent upon donations. Accordingly, concentrations of credit and liquidity risk are considered minimal.

Some of the assets held in the Foundation's endowment fund are invested in bonds and marketable securities that are managed by the Calgary Foundation which had a market value of \$ 1,065,589 as at December 31, 2018 ( 2017- \$ 969,387). These securities trade in an open market and are subject to the risk that fluctuations in value can occur from various factors including economic, political and industry events overall and specific to the underlying securities. The Foundation's current policy is to monitor the investment returns and performance of the fund and to take appropriate action if the fund does not meet the measurement objectives expected.

The Foundation also has \$ 736,859 at December 31, 2018 invested in various guaranteed investment securities bearing interest at rates ranging from 2.46% to 3.25% with maturities from October, 2019 to May, 2023 and is subject to interest rate risk should interest rates change over the period of time these investments are held.

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